AUTOMATED UNDERWRITING
Breaking the rules to spark an underwriting revolution

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For years, underwriting rules have been evolving and adapting to ever-changing evidence sources. However, given COVID-19’s safety and social distancing requirements, the pace of change has accelerated, but so too has the velocity of technological advances. As consumers actively seek to protect their families’ financial well-being, they continue to demand a completely digital buying experience—on par with that of popular online retailers—rules alone will not be enough to achieve profitable business results at speed and scale.

The underwriting process is undergoing a revolution hastened by the COVID-19 pandemic and the rush by consumers to obtain protection. As life insurance carriers adapt and look beyond the pandemic, there’s significant opportunity from the burgeoning, underinsured Millennial market and the up-and-coming Gen Zers (born in 1997 and onward) who are just entering the workforce and have an even greater appetite and aptitude for all things digital.

This paper explores innovative underwriting concepts that, when combined with automation and ecosystem orchestration, enable an accelerated end-to-end new business process without compromising the rigor required to evaluate risk. These underwriting concepts are at work today, enabling insurers to unlock opportunity with speed and scale from discrete market segments.

Underwriting in the COVID-19 era

The COVID-19 pandemic has accelerated “fluidless” underwriting for life insurance policies. Insurers faced with generating revenue in an era where physical contact is limited, must now rely more heavily on health data and evidence sources. The pandemic has also prompted insurers to broaden age and amount limits to unlock more opportunity.

Insurers that had modernized their core underwriting systems prior to the pandemic are better positioned to quickly adapt to the reality of issuing and managing life insurance policies amid the pandemic. New advanced predictive modeling based on new sources of granular data, such as mortality and morbidity data, provide underwriters with alternative ways to accurately assess risk. Combined with AI and automation, these advances are accelerating the underwriting process, optimizing underwriting costs and simplifying the buyer experience—valuable benefits that can continue to drive profitable growth beyond the pandemic.

What’s driving the underwriting revolution?

Over the years, the process of obtaining life insurance has improved as technology enables a more user-friendly experience. Yet for too many consumers, the process remains arduous with paper applications and medical exams, and a lengthy waiting period to receive a decision. For the 80 million Millennials in the U.S. with a purchasing power of $600 billion, the digital transformation of life insurance can’t come fast enough. They want to sign up for a policy in five minutes using a completely digital experience1. Baby Boomers, on the other end of the demographic spectrum, have similar expectations and many are vulnerable to COVID-19, eliminating the option for in-person visits. This generation already has well-documented histories of Rx, motor vehicle records (MVR), credit and other fluidless evidences, and with the technology and data connectivity available today, they too expect to apply for and obtain a decision on a policy digitally without unnecessary intrusion.
Insurance carriers, aware of the tremendous opportunity, recognize that a revolution is needed to capture this lucrative market and adapt quickly to current business conditions and beyond. They acknowledge that how you sell is just as important as what you sell and are placing a priority on user experience in addition to operational efficiency as a strategy for business growth. That puts the underwriting process squarely in the crosshairs of improving the new business process to enhance speed and accuracy. The process must also support a business strategy that provides more personalized, hyper-relevant products and predicts customer needs before the customer realizes he or she needs them.

As new product development accelerates to address new and more discrete market segments, so too must underwriting accelerate and evolve. Technological advancements in Application Programming Interfaces (APIs), Robotic Process Automation (RPA) and machine learning enable the rapid development of rules, orchestration, and case management required to support accelerated new business and product development. These same advancements have opened the door to a much broader ecosystem that not only meets customer expectations for underwriting speed and a digital, less-invasive experience, but also improved risk pools through greater certainty in determining acceptable risk and adverse risk.

To remain competitive, insurers are making a pivot to the future by conducting proofs of concept with the technologies available today, while exploring tomorrow’s technologies through innovation labs. One thing is certain. We are at an inflection point and the underwriting process needs to adapt now to address today’s needs and remain flexible to address a post-pandemic world.

**Underwriting rules weren’t meant to be broken**

At the very least, underwriting rules were meant to be adaptive based on new and dynamic data. Until now, underwriting rules have been static and based on limited sources of data such as interviews, MVR, Rx and other sources. In addition to these commonly used sources, integration technology will soon enable us to connect to more sources of public data from electronic health records and claims data. Some data sources are dynamic such as social media, health trackers and other health and wellness wearable devices. These rich and dynamic sources of data will change the entire process of obtaining life insurance, from underwriting through post-policy issuance, and influence underwriting rules.

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**What are multivariate rules?**

In life insurance underwriting, multivariate rules examine multiple data points and their relationship to mortality. These data points often include evidences such as motor vehicle records, Rx and credit history.

Advances in data analytics, automation, machine learning and other AI technologies enable underwriters to more efficiently utilize evidence from a greater variety of third-party sources to better predict mortality, accelerate underwriting and apply the acceptable rating to an application.

For example, one leading insurer includes evidence from:

- Health History and Rx Check
- Personal History and MVR
- Personal History and MIB
Today’s sophisticated underwriting systems enable underwriters to process the growing and varied number of data points and apply both predictive analytics and multivariate rules to increase the speed and accuracy of underwriting decisions. Underwriters leverage these systems’ advanced business and product configuration workbenches to more quickly develop underwriting rules based on multivariate analysis and apply intelligent automation to quickly make more profitable decisions. At the same time, consumers benefit from a much faster, less-invasive decision-making process than the conventional life insurance process.

With intelligence built into the underwriting system, rules can flex and respond in real time to the dynamic data feeding into them. While fully-autonomous underwriting for simplified and instant-issue products is already underway, it’s also the underpinning of a revolution in how underwriters will work with Artificial Intelligence (AI).

As AI use expands, insurers must redesign processes, such as underwriting, to be dynamic, adaptable and networked as opposed to linear. AI combined with automated rules-based workflows conserves valuable underwriting talent and capacity for more complex cases that require human intervention. In fact, technology enables insurers to complete a portion of the underwriting process before a case reaches a human underwriter. The underwriter works alongside AI to “teach” it to apply multivariate rules required to instantly issue a policy on the cases that do not require manual intervention. Human underwriters work with machines to build capacity and unlock value. Think of the potential to profitably boost revenue.

Beyond broad demographic markets, this same strategy, combined with cloud scale and intelligent automation, can help unlock even greater opportunity to profitably address discrete market segments at scale. This micro segmentation requires underwriters to rely on data and analytics to guide decision making. Applying real-time intelligence capabilities can accelerate underwriting as well as enhance customer experience, which is why both remain top investment priorities for life insurers.
Underwriting: The underpinning of a delightful customer experience that generates profitable revenue

Only 15 percent of customers say they are satisfied with their insurer’s digital experience\(^\text{v}\). While an attractive portal and application design are key to engaging customers, they quickly lose their appeal if the underwriting process is invasive, slow and arduous. With customer experience improvements resulting from technological advancements in nearly every aspect of the new business process, efficient and effective underwriting is the next customer service frontier. It’s also complex and poses a significant business impact. Therefore, underwriters are justifiably cautious in their approaches to applying technology.

Advances such as automation and AI applied to underwriting are the result of a balance between customer demand for a streamlined, less invasive process of obtaining life insurance and profitable business outcomes. These underwriting advances can transform the customer experience, providing a safe touch-free experience for today’s needs while expanding potential opportunity tomorrow. In fact, research indicates that leading insurers that use intelligent automation will not only improve, but also completely reinvent the customer experience and achieve returns in excess of 10 times their investment in the technology\(^\text{vi}\). It’s no surprise that most large insurers plan to use AI in their underwriting process\(^\text{vii}\).
The combined use of automation, third-party and cross-company data, along with an evidence evaluation rules engine is helping improve underwriting speed and accuracy. Celent research showed a decrease in cycle time of 18 days by applying automation alone to the underwriting process.\(^viii\) Taken a step further, insurers are combining automation with predictive analytics to assess risk against verified third-party data sources in lieu of fluids. Whether Millennial or Baby Boomer, the convenience of fluidless underwriting is a compelling competitive differentiator for insurers. There’s even greater opportunity on the horizon as insurers rethink the way they look at risk.

Underwriting can be a powerful revenue generator when insurers reimagine processes and leverage technology to differentiate themselves. For example, predictive analytics models are being applied to the accelerated underwriting process to help underwriters quickly conduct an analysis of various elements of the underwriting process, such as fluid collection, and waive certain elements to make the case for pricing that’s competitive with traditionally underwritten policies.\(^ix\) Predictive models combined with rules further help underwriters to leverage data and better assess risk quickly while maintaining comparable mortality expectations as with traditional underwriting.

Similarly, predictive models and rules, combined with third-party consumer data, allow market segmentation that can help underwriters predict characteristics such as lapsation. The power of these models lies in their ability to help insurers segment markets more discretely. With additional data points and the speed of predictive analytics models, underwriters gain greater visibility to risk and their ability to more confidently price policies competitively to capture additional revenue.
Underwriting advances insurance innovation

There are no more “mass markets” but discrete markets of mass customization. Insurers must become “hyper relevant” and predict customer needs before the customer realizes he or she has them. For insurers to effectively compete in discrete markets, both speed and scale are required, and underwriters play a key role. They can help revitalize life insurance by breaking conventional rules, establishing new ones and leveraging technology to advance innovation in underwriting.

Now is the time to break the rules of underwriting and rewrite them using an automated, data-driven process underpinned by a robust technology strategy and platform. The challenge of doing business in a COVID-19 era demands it. However, these technologies can benefit insurers beyond the pandemic. Whether to capture more opportunity from the growing and underserved Millennial market segment or to position your business for the next wave of digital consumers in GenZ, a revolution is occurring.

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