



Stalemate to Checkmate: New Data and Multivariate Methods Transform E-underwriting

Businesspeople often describe competition in terms of chess, and rightly so. It's a game of strategy and skill, but not of ambiguous outcomes: Only two things can happen in a chess game – a checkmate or a stalemate.

The analogy effectively captures the challenges confronting U.S. life insurers as carriers seek to expand in seemingly mature markets.

Consider the stalemate: the point during a chess game in which the player is left with no legal move, and the game ends in a draw. The same term could describe the state of the U.S. life insurance market, where carriers confront a coverage gap worth an estimated \$16 trillion. While this vast pool of under-protected potential policyholders seems to represent a tremendous opportunity, on the whole it has remained stubbornly out of reach.

After investing mightily in improving the purchasing experience, insurance leaders may understandably feel as if there are no moves left. Relax underwriting assessment any further, and carriers rightly fear that a streamlined sale today may lead to widening losses tomorrow. Until recently this stalemate seemed destined to continue indefinitely.

To move from stalemate to checkmate, insurers must first understand that the rules of the game have changed.

New Game, New Rules

Today's life insurance consumers are looking for a buying experience befitting the digital age. They want to make quick, convenient, and affordable purchases, but this expectation is often thwarted by onerous underwriting requirements.

Thankfully, the combination of new data sources and automated underwriting technologies have enabled insurers to change the rules of the game. Many insurers have invested in digital applications to improve the customer experience, a necessary and critical step. A positive initial online experience is vital to retaining the interest of the client, but it isn't enough. Carriers now recognize the importance of streamlining the risk assessment process. Most are working diligently to catch up with consumer demand for accelerated end-to-end underwriting. As LIMRA and Life Happens found in the 2019 Insurance Barometer Study, "9 in 10 companies either have or are in the planning stages to develop automated underwriting programs."

These efforts are paying off. The study also found: "Three quarters of those who have implemented automated underwriting say their companies have achieved their goal of reducing the time it takes to issue a policy."

Checkmate.

See also: *More than Skin Deep: Automated Underwriting and the Customer Purchasing Process*

The Evolution of E-underwriting

Automated underwriting or e-underwriting has been available for decades, of course, but today's game-changing technology has not.

Modern automated underwriting technology bears only a slight resemblance to its predecessors. In the past, for example, automated rules engines considered each data point individually. A first-generation e-underwriting system may have added points/debits for each risk, from health conditions to risky hobbies. With these early systems, the points were added up to produce a score, and the system returned a decision to accept, decline, or refer to underwriting.

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Despite the assistance of technology, approval could still take weeks – and typically applicants were evaluated using the same evidence sources. Because decision technology was tightly coupled with underwriting rules, these platforms proved inflexible. It became increasingly difficult to both manage the platforms and take advantage of emerging evidence sources.

Fortunately, technology has caught up with need. The Software as a Service version of RGA's automated underwriting platform, AURA, is a case in point. The AURA platform has been completely re-architected to enable the efficient utilization of new, emerging, and multiple evidence sources. This allows for comprehensive, accelerated, and precise underwriting analysis of individual risks, finally matching the customer need for speed with carrier demand for accuracy.

See also: *E-Underwriting Technology and Automated Underwriting: How to Accelerate Return on Investment*

Objective: Individualized Underwriting

Automated underwriting has also evolved to support products and services customized to a consumer's individual life stage and coverage need. Since every person is unique, carriers are seeking to make each underwriting decision as personal as the individual being underwritten.

New data sources make this goal attainable. For example, RGA's AURA system is capable of managing not only personal information provided directly by the applicant (e.g. smoking history, alcohol consumption), but also a wide range of third-party data, such as credit data, vehicle driving records, and prescription history. Even electronic medical records can be fed into the underwriting process.

Simply put, the era of individualized e-underwriting systems has arrived.

See also: *Future-Proof Underwriting: A Revolution in the Rules Engine and Automated Underwriting*

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Making Sense of Big Data with Multivariate Methods

The use of new evidence sources introduces new challenges. An increasing volume of underwriting data sources fuels the need for multivariate rules or multivariate analysis.

Platforms such as AURA have introduced multivariate rules into the automated decisioning process. This technology leap enables carriers to take a more holistic view of risk and more efficiently and accurately consider multiple data points interrelated in multiple ways.

The Casualty Actuarial Society notes that multivariate methods deliver undeniable benefits:

- All rating variables are considered simultaneously and exposure correlations between variables adjusted automatically.
- The approach produces information about the certainty of the results and the appropriateness of the fitted model.
- The interdependency of two or more rating variables can improve predictive value.

Multivariate e-underwriting benefits both carrier and consumer. Introducing interrelated variables reduces the need for manual intervention and speeds the underwriting process without sacrificing quality.

Delivering the Right Decision, Fast

The rules of the game have changed. The pressure is on for carriers to provide the best customer experience, while implementing consistent, comprehensive and accurate underwriting policies.

Advanced e-underwriting systems are the right move and innovative tools, such as AURA, can help insurers come that much closer to a win. To learn more, contact me at Bruce.Bosco@rgare.com. ■

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