

## Discussion Outline

This document is intended to help facilitate the discussion about how automated underwriting is/will be used within your organization. As participating insurers have varying degrees of experience with automated underwriting, we do not intend to cover every topic with each insurer, but rather hope to identify and discuss the topics which are of greatest interest in each case. We also recognize that data may be limited in certain areas, and thus we frame the questions around both qualitative, and where possible, quantitative metrics. Thank you in advance for sharing your thoughts for this research. Again, while your responses will be kept anonymous, we also respect if there are any areas of this discussion you would rather not share your insights.

### 1) Introductions and Overview of Phase II Study

**2) Purpose of Automated Underwriting (5 min):** Some automated underwriting systems are used primarily for niche products like simplified-issue, while others are designed to stand in for underwriters for a broader range of products. We would like to understand where your system falls along this spectrum.

Please briefly describe the role played by automated underwriting within your organization.

For example:

Are certain products or policies underwritten with the automated system while others use only traditional underwriting?

If so, are they priced differently? (e.g., with more or less conservative mortality assumptions)

Please complete the following table describing how automated underwriting is used by your organization. The left-hand column describes different underwriting methodologies (which vary primarily based upon the types of requirements gathered), while the top row describes how the application is taken. Place an "X" in each box where automated underwriting is used. Place an "O" in each box where traditional underwriting is used. For other, please specify. See definitions below if necessary.

X = Automated Underwriting      O = Traditional Underwriting

	Paper Application	Tele-application	Electronic Application	Other
Guaranteed Issue				
Simplified Issue				
Non-medical UW				
Paramedical UW				
Medical UW				
Other				

**Definitions:** The following definitions apply to the life insurance products covered in this survey:

**Products Covered:** The survey only addresses life insurance offering coverage for at least one year. Accidental Death and travel insurance are excluded. Other products that are not included in the survey are: Home Service, Credit Life, Group Life with group underwriting, and COLI/BOLI.

**Guaranteed Issue:** No underwriting per se, but there may be a selection process which targets the individuals to whom an offer of insurance is made (e.g. AARP members, actively at work employees of company X...). There also may be different level of benefits for different subgroups (e.g. employees, spouses...).

**Simplified Issue:** Some underwriting, but not to the extent of a full application or requirements. It may be a separate product or a buy-up from a guaranteed issue product subject to additional questions.

**Non-Medical:** Underwritten using a full application, but only minimal additional requirements. No medical or paramedical tests.

**Paramedical:** Underwritten using a full application, and paramedical exam, and other requirements, but no medical exams or attending physician's statements

**Medical:** No restrictions on the types of underwriting requirements. Medical, paramedical, and non-medical requirements are all permissible.

**Paper Application:** Paper form completed and submitted by agent and applicant. No reflexive questioning.

**Tele-Application:** Short form application submitted by agent and applicant via paper or web. Follow-up interview with reflexive questioning conducted to gather medical and behavioral information. Tele-interviewer records and submits results.

**Electronic Application:** Application forms completed by agent and applicant and submitted via web. Reflexive questioning is possible.

Does your organization have plans to change the role of automated underwriting in the future? If so, how?

**3) Operational Efficiency (10 min):** What impact has automated underwriting had on your organization's operational efficiency? To the extent possible, we would like to investigate quantifiable metrics.

How have underwriting costs changed since implementing automated underwriting? How do automated underwriting costs compare to traditional underwriting for similar products?

Average policy automated underwriting costs

- a) decreased/less
- b) increased/greater
- c) neither

Are the differences

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

Approximately what is the percentage change/difference in average policy underwriting costs? \_\_\_\_\_%

What portion of the total cost changes/differences can be attributed to changes in the following factors?

- a) Frequency and types of requirements ordered \_\_\_\_\_%
- b) Underwriter time required \_\_\_\_\_%
- c) Other \_\_\_\_\_%

If fully automated underwriting cannot be completed for a policy, what are the typical reasons:

- a) underwriter must review medical records \_\_\_\_\_%
- b) high risk applicant \_\_\_\_\_%
- c) system data error \_\_\_\_\_%
- d) other \_\_\_\_\_%

How does automated underwriting impact application processing time? How do automated underwriting issue times compare to traditional underwriting for similar products?

Average application processing time

- a) decreased/smaller
- b) increased/greater
- c) neither

Have the changes been

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

Approximately how long does it take for your organization to process applications for comparable products?

- a) With automated underwriting \_\_\_\_ days
- b) Without automated underwriting \_\_\_\_ days

How has automated underwriting impacted underwriter capacity?

Underwriter capacity

- a) decreased
- b) increased
- c) neither

Have the changes been

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

How have changes to underwriter capacity been utilized?

- a) Reduction in demand for underwriters \_\_\_\_ %
- b) Increase in total applications processed \_\_\_\_ %

Have the impacts of automated underwriting on operational efficiency been in line with anticipations? If not, how so and why?

**4) Sales (10 min):** How has automated underwriting impacted company sales?

How have producers responded to automated underwriting? (e.g. enthusiastic, reticent, etc.) Why?

With respect to producers, what changes to new business processes/communications have been necessary?

Does automated underwriting impact the number of applications received by your firm?

Since implementing automated underwriting, or compared to similar products not using automated underwriting, have applications received:

- a) decreased
- b) increased
- c) neither

Have the changes been

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

Approximate percentage change in applications received \_\_\_\_%

Do you believe this change is primarily related to automated underwriting or other factors?

How would you attribute any changes in applications generated?

- a) producers recruited/lost due to automated underwriting \_\_\_\_%
- b) increased/decreased volume per producer: \_\_\_\_%
- c) other \_\_\_\_%

Of the applications received, do those going through automated underwriting experience different placement rates?

Placement rate for automated underwriting business compared to similar business is:

- a) higher
- b) lower
- c) neither

Are the differences

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

Approximate placement rate of automated underwriting business \_\_\_\_%

Approximate placement rate of traditional underwriting business \_\_\_\_%

How has the use of automated underwriting impacted the mix of business attracted by your company? (e.g. policy size, risk class, distribution channel, etc.)

**5) Risk Selection and Claims Experience (15 min):** We would like to discuss how the risks selected by automated underwriting compare to expectations, as well as traditional underwriting for similar products.

What type of mortality results are produced by automated underwriting? For example:

Has mortality experience been consistent with expectations?

If not, approximately what percentage over/under expectations? \_\_\_\_%

Have products been re-priced as a result?

How do automated underwriting decisions compare to traditional underwriting decisions? For example:

Have studies been conducted to compare the decisions of traditional vs. automated underwriting on a test set of policies?

If so, how often does the automated system:

- a) match the traditional underwriting decision \_\_\_\_%
- b) overrate the applicant compared to traditional \_\_\_\_%
- c) underrate the applicant compared to traditional \_\_\_\_%

Do you believe that underwriting consistency is greater with automated compared to traditional underwriting?

Consistency of automated compared to traditional underwriting:

- a) greater
- b) less
- c) neither

Are the differences

- a) immaterial
- b) marginal
- c) significant
- d) dramatic

Which process, traditional or automated underwriting, do you believe produces more reliable risk selection?  
Has your organization's confidence in the accuracy of answers to application questions been affected by using automated underwriting?

Among comparable products, has your organization experienced different lapse experience with automated underwriting compared to traditional underwriting?

Has automated underwriting affected the frequency of appealed decisions, rescissions, or contested claims? If so, how has your organization responded?

**6) Unexpected Challenges and Benefits (10 min):** Automated underwriting may be a good idea in theory, but it may also present practical challenges. Alternatively, it may produce benefits that were not anticipated.

What challenges, if any, have been associated with automated underwriting?

For example, please explain any difficulty your organization may have had:

- a) Incorporating electronic data sources
- b) Integrating the automated underwriting with other systems (internal and external)
- c) Adapting the automated system in response to underwriting methodology changes
- d) Compliance with changes to new business procedures
- e) Selection
- f) Other

Has using automated underwriting produced any unexpected benefits for your organization?

**7) Cultural Acceptance (5 min):** The phase I study revealed relatively high levels of cultural acceptance of automated underwriting systems. We would like to discuss the implications of this issue in greater detail.

Please discuss the nature of any cultural issues that utilizing automated underwriting has revealed.

How have cultural issues and acceptance of automated underwriting evolved over time?

## 8) Wrap-up and Thank You