



SOCIETY OF ACTUARIES

Article from:

# News Direct Newsletter

September 2002 – Issue No. 41

# American Life of New York Binds Insurance Using Expert Underwriting

by Simon Walsh

**T**he American Life Insurance Company of New York (American Life) is a low-cost manufacturer of insurance products, which includes term life and variable annuities. American Life's electronic processing capability, owned by American Life's parent company, inviva, inc., incorporates many breakthrough features, such as the first-ever paperless prospectus declared effective by the SEC. The all-electronic products can be distributed with varying degrees of human intervention. American Life's proprietary electronic signature technology allows customers to apply for, review and sign an application electronically. The signature uses an encryption technology to lock the signatures in real time.

American Life's electronic capabilities enable its partners to push more volume and deepen their existing customer relationships:

- The economy and efficiency of American Life's all- or partial-electronic backbone strengthens partners' ability to sell more volume at a quicker rate.
- The ability to automate policy issuance and move it to the point of sale enables partners to cross-sell effectively.

As Maria Thomson noted in January's issue of *NewsDirect*, several features are key when marketing to the under-served middle market: needs analysis, electronic application and expert underwriting. American Life is the only insurance carrier with the ability to process life and annuity products completely electronically from application to underwriting and issuance. American Life's expert underwriting system is unique because it allows American Life to bind a policy whereas other online insurance sites merely offer quotes. American Life's system is built on a relational database design written in PL/SQL protocol with Oracle 8i policy administrative system support. Its proprietary platform electronically links all key systems, including partner front-end marketing, underwriting, policy administration, accounting, reinsurance, third-party data feeds and payment processing.

This system enables immediate binding of policies and initiation of automated

underwriting and third-party data requests. The all-electronic expert underwriting system is based on an inference engine that virtually eliminates the need for human intervention. This engine uploads the underwriting rules (specific to a product, partner and reinsurer), and then evaluates user-derived and third-party data to accept, reject or seek more information. Further, at each step the engine determines the most cost-effective path, the cost of obtaining additional information, the likelihood such information will result in a decision and the expected profitability of the policy. All activity is clocked in real time and all versions of key policy documents are accessible by all parties at all times.

American Life believes electronically enabled insurance products are here to stay. Shane Gleeson, American Life President says, "Term insurance is evolving from a product that is 'sold,' to one that is 'bought.' Industry statistics continually affirm that most consumers, especially middle-income, remain woefully under-insured and are thus prime candidates for additional term coverage. Electronic platforms, by eliminating layers of expense, make such coverage profitable."

With the accelerating confluence in the financial service industries, insurance agents and brokers are rapidly evolving from product-specific salespeople to personal financial advisors representing a growing array of financial products and services. Electronic issuance of insurance frees such advisors from tedious paperwork, enabling them to broaden and deepen their client relationships without a lot of training.

Improving electronic capabilities, such as those utilized by American Life, are quickening the close process and are boosting success rates while driving costs down. By giving partners the capability to specify the level of human intermediation, such firms can transition from partial- to all-electronic at their own pace.

At American Life, the mission is to facilitate the sales, marketing and administration process for partners through our electronic platform and varying degrees of human intervention. ☰

---

*Simon Walsh is Director of Marketing at The American Life Insurance Company of New York (American Life) and can be reached at 212-741-9311.*