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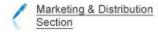
## AUTOMATED LIFE UNDERWRITING: PHASE 2

By Maria Thomson

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While the data from Phase 1 generated a wide-angle view of automated underwriting in the life insurance industry, the interviews for Phase 2 provided a much clearer picture of individual company's experiences. This insight motivates several general impressions about which companies are more or less successful with automated underwriting. First, the interviews contained some genuine success stories with life insurers that are very satisfied with automated underwriting. These companies were among those using automated underwriting for simplified issue and non-medical underwriting, and to a slightly lesser degree, for flagging certain items in the traditional underwriting process. In particular, multiline insurers found the advantages of automated underwriting particularly compelling for their small- to medium-sized policies and agents not specializing in selling life insurance. The life insurers experiencing less success were among those attempting to replicate medical underwriting with an automated system. These firms found that an often overwhelming amount of work is necessary to implement and maintain the automated systems, and were disappointed that human underwriters still review many applications.

These experiences shared during the study were not entirely uniform as both statements of support and opposition were made for automated underwriting in each of the three applications. **However, as an overall trend, using systems to automate portions of the underwriting process, such as simplified issue, non-medical underwriting, or monitoring acceptable ranges for individual requirements, is a key to success. Underwriters often have concerns about increased automation, but are generally accepting when they come to understand these targeted uses of automated underwriting allow them to focus their energy on more complex cases where human judgment is most valuable.**

Finally, it is interesting to analyze several additional elements of the Phase 1 study in the light provided by the Phase 2 interviews. Consistent with the Phase 1 findings, the insurers interviewed expressed differing levels of satisfaction with their automated underwriting systems. For example, **insurers using automation of simplified and non-medical underwriting reported overall satisfaction of 3.5 out of five in Phase 1, while insurers using automation as a flag scored three, and insurers using automation for paramedical and medical underwriting scored two.** These results are also related to how much business is handled by the automated system. As gleaned from the Phase 1 data, insurers using automation for simplified and non-medical underwriting received final or recommended decisions on 80 percent of applicants, while the other classes of automated systems only were able to deliver final or recommended decisions in just over 10 percent of cases. These insights serve as further examples of how automation is more adaptable to certain types of underwriting processes and applications.

To view the Underwriting Phase 2 Report, please click here.

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