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Print-Friendly
NewsletterSearch
Back issues

IN THIS ISSUE

Chairperson's Corner: What Makes You M.A.D.?

by Michael L. Kaster

Letter From The Editor

by Juliet Sandrowicz

An Actuary's Insight Into Strategic Opportunities

by Jay M. Jaffe

Independent Underwriting Audits— Why So Few?

by Gary Y. Lee

The Incredible, Illusive Middle Market

by Pat Wedeking

A New Reality For Automating The Life Insurance Underwriting Process!

by Ernest A. Testa

2011 Annual Meeting Highlights

by Mad Section

LINKS

A NEW REALITY FOR AUTOMATING THE LIFE INSURANCE UNDERWRITING PROCESS!

By Ernest A. Testa



The Current Reality

Life insurance carriers in North America have long recognized the need to speed up the life insurance underwriting process through automation technology. Historically, current generation automation systems, typically referred to as “rules engines,” have been used in well-understood business processes that have very little ambiguity. However, when processes are variable and driven by variable discretionary decisions, automation has been ineffective. Yet, automation of the underwriting function in general, and more specifically for some portion of the business requiring underwriting, continues to promise dramatic improvements to productivity, consistency and quality of the underwriting decisions and cost. Moreover, it can result in a faster and more pleasant experience for life insurance customers and enable agents to sell more business.

Current generation business process technology solutions have delivered benefits by being able to automate repetitive and tedious tasks through very black-and-white rule sets—often with the unintended cost of turning the software into a “high maintenance” system. But, many decisions in the life insurance underwriting process are guideline-driven, subject to change and interpretation resulting in highly-skilled knowledge workers performing the task of applying them within a business process. This task has been traditionally left to the company’s underwriting personnel. Chief among the reasons for not being able to automate the function is the fact that it is very difficult to build a system that tracks each and every decision based on every possible contingency. And since most current software systems are designed to match a fixed process, it is a costly and time-consuming effort that could conceivably never end.

Companies attempting to solve these variable, judgment-driven processes with automation often end up spending tens of millions of dollars and years of time



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attempting to automate their work processes. While many of these initiatives often fail due to the time and expense of the project, the “successful” installations only address a marginal portion of the business process, leaving a significant portion of the original problem unaddressed.

Accepting Reality

The reality is that life insurance products are very complex and the processes employed to underwrite them are equally complex and highly judgmental. Sophisticated products, policy terms and conditions, intricate medical and financial risk factors, regulatory requirements, the need to fully document operational compliance, and last but not least, competitive market pressures, all conspire against the ability to design a simple, fully predictable underwriting process.

To accommodate these business realities, new generation technology must be able to support exceptions, unanticipated actions, complex risk analysis and skilled decisions influenced by business and underwriting **guidelines**, instead of following a mapped-out predictable sequence and sets of **rules**. Adaptive business processes such as the underwriting function require fluid interaction and the ability to change path and render complex decisioning at any point in time during the process cycle.

In a scene from the film *Pirates of the Caribbean*, Geoffrey Rush's character Captain Hector Barbossa is seen questioning whether a directive he has just been given is actually a **rule** or a **guideline**—an interesting and perhaps mysterious question that can invoke heated debate, but one that can be easily demystified by observing actions that we take in our business environment every day. Take for instance the process of delegating. Anyone who has ever delegated understands that their time is better leveraged if they can simply describe the results to be accomplished—the **guidelines**, rather than having to predefine every step of the process from start to finish—the **rules**.

This approach is analogous to successfully managing and automating complex adaptive business processes. The power of any new generation technology should be reflected in the simple but profound difference in approach—that is **guiding vs. ruling**. It is much better to be able to drive a complex business process by giving clear guidelines that describe goal requirements than it is to have to anticipate and address in exhaustive detail all the twists and turns of the various scenarios that might occur in reaching those goals.

A New Reality

Clearly, the life insurance industry, its customers and agents could benefit from a technology solution that not only delivers consistent underwriting results, reduces cycle time and acquisition costs, but can also be deployed and changed quickly, without process mapping and predefining every step of the process or

undertaking traditional time consuming coding and testing.

Such technology innovation is now a reality:

Resonant Insurance Technologies Inc., a relatively new company with its development center in the Silicon Valley outside of San Francisco, has been marketing a new generation of automation software to the life insurance space with amazing results.

The Resonant software is a breakthrough patent-pending technology designed to manage and control complex decision-based work processes. The software strategy was the result of research completed by Dr. Brian Falkenhainer, Resonant's founder and chief technology officer, while a researcher at the world-renowned Xerox Palo Alto Research Center (PARC).

The Resonant software is centered on the core concept of guidelines and then leverages the power of the software in determining how goals can be satisfied while maintaining guideline compliance. Resonant's solution starts with the *Guideline Manager*, a unique document authoring system used to describe the business' products, underwriting, operational and regulatory guidelines in much the same way they are already described in MS Word and Excel. Additionally, the Resonant's Adaptive Process,™ (AP) processes the business guidelines to fully automate Simplified Issue/Straight-Through-Processing programs or automate steps, where possible, for fully underwritten products and determine when human intervention is needed on a decision. Resonant's solution ensures that each case is subject to the same guidelines, with 100 percent real-time audit of compliance and productivity.

Resonant Software's breakthrough technology, the Adaptive Process Engine, is the common platform upon which all Resonant applications are built, providing significant competitive differentiation and product development cost effectiveness. It includes Resonant's transformational adaptive process and guideline management technology, as well as real-time recording and reporting. A broad set of infrastructure services are also provided, enabling the platform to manage data, track events, enforce security and integrate with other systems. Additional information may be gleaned from visiting Resonant's website at: www.resonant-software.com.

Ernest A. Testa is a former executive and chief underwriter of The Prudential Insurance Company of America. He is the chairman of Resonant Insurance Technologies Inc. and is also president of the Company's Management Consulting practice. He joined Resonant five years ago during the solution development phase working closely with Mr. Falkenhainer in developing an application specifically designed for the life new business and underwriting functions. The Company's tag line is "Technology developed by underwriters for underwriters."

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