

*Underwriting*

- A. What minimum underwriting is necessary or desirable? Can underwriting be entirely nonmedical?
- B. Is more than one substandard rating class practicable?

MR. HAROLD G. PAFF stated that the minimum underwriting requirement is a simple application form, which is reviewed by clerks at a fairly low level in the home office. Most cases require nothing more. On complicated cases, additional information may be needed and they are referred to more experienced underwriters. The better the field force does its job of selecting prospects and recording information on the application, the easier the job of the home office underwriter.

Though it is desirable to keep medical examinations to a minimum, it probably is not practical to eliminate them entirely. There will always be applications with medical histories that cannot be acted on intelligently without benefit of an examination. In addition, examinations obtained at older issue ages according to age and amount rules will pay for themselves in improved mortality results, both by uncovering serious impairments and by discouraging uninsurable applicants who know they could not pass a medical examination.

DR. JOHN A. WILHELM presented the view of his company, the Gulf Life Insurance Company, that underwriting of Industrial insurance is not only necessary but highly desirable in spite of its attendant increase in processing cost. He pointed out that the over-all limit of their company has increased nearly five times in the past 20 years and that the increase in risk warrants additional consideration in its underwriting. He mentioned that antiselection is much more a factor in Industrial insurance than in Ordinary and that a police action on the part of the company has a desired deterrent effect on the agent who may consider writing an undesirable risk under production pressure. A simple form of application utilizing relatively few but searching questions will result in sufficient data for underwriting in the great majority of cases.

His company does not believe it is practical or possible to confine the underwriting of Industrial business to a nonmedical basis. The medical examination serves two purposes: (1) the police action on the agent by the spot checking of his compilation of the medical history, and (2) a more thorough evaluation of the marginal and over-age risk.

A little less than 2% of their applications are medically examined and another 2% require an attending physician's statement. Commercial Inspection Reports are ordered on 1% of applications. Dr. Wilhelm's company has only one extra rating class which calls for a 50% increase in

premiums. He stated that he felt the one substandard class was worth while and could be justified even though it comprised only 3% of the policies issued. His company's experience is that the rated-up policies have a better persistency than the standard ones. They have considered giving up the substandard classification but do not believe that action is warranted based on their results.

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