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# The No App, App

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One could argue that almost every part of our daily lives has been made easier by technology, especially mobile technology. In the financial services industry, there is relatively no need to step into a bank anymore, as depositing a check is as easy as taking a picture. And who even needs to write a check when you can send money to almost anyone through Venmo, PayPal or most banks' websites? Borrowing money has become increasingly simple as well. Rocket Mortgage will give you a home loan, SoFi will refinance your student loans, and new-tech auto dealers such as Carvana and DriveTime will process your auto loan. All of which can be accomplished in real time with data pulled directly from your financial institutions. There is no need for you to laboriously input data that is readily available through a multitude of sources.

Even most insurance products are using technology to simplify the buying and claims processes. Auto insurance can similarly be purchased with a few clicks, and a claim can be submitted using just the camera on your phone. Google Maps has allowed most home insurance policies to be written in real time without the need for an on-site appraisal. And if having your financial services products spread across many providers is an issue, apps like *Mint.com* will consolidate all your financial products into one spot.

You will notice above that we used the words *most* and *almost* several times when talking about the financial services industry. Why? Let's look at the life insurance industry's use of technology to simplify the application process. Where do we stand today in dramatically simplifying this process to the point of the 'No Application, Application' (or "No App, App" for short)? When will buying life insurance be as easy as giving your name and address?

We have seen some areas of progress over the last five years, especially in accelerated underwriting. This process allows for a quick one-day or even real-time turnaround of a fully underwritten application. This process still requires you to fill out a complete application, but it does wave the paramedical exam, labs and attending physician statement (APS). However,



the biggest drawback is that it works for only a select portion of the applicants—generally only the young and healthy with face-amount restrictions generally at or below \$1 million. Most companies get somewhere between 15 and 35 percent of their applicants through this expedited process.<sup>1</sup>

How close are we to the no-app app for the rest of the population? We could evaluate this from a visionary view of the world, where we start from a clean slate and consider all predictive modeling and analytics and artificial intelligence services as standard within the new business process. However, this assumes that we would likely throw away much of our historical practices, which unless you are a Silicon Valley startup are probably not very relevant to you. Instead, let's evaluate how close we are to the No App, App if most of our underwriting processes stay the same as they exist today.

Let's start with the application itself. Most companies generally split the application into two parts: A and B or 1 and 2. Either way, the first part covers nonmedical elements, usually consisting of basic demographic and financial information, plus specific application details. The second part focuses on the medical history of the individual.

So, our first question is, how much of the application (written or electronic) really needs to be input by, or directly asked of, the applicant? Let's take a closer look at the conventional information collected during the application process.

## BASIC DEMOGRAPHIC INFORMATION

Items such as your full name, address, date of birth, citizenship and driver's license can be obtained and/or verified through a variety of data providers. You might need to get permission to collect this data, but verifying that individuals are who they claim to be is getting to be a standard process for most activities involving any financial or health-related data or needs.

As an example, if you have been to a hospital or outpatient clinic recently, you might have noticed that the number of forms you fill out has decreased. Coverage verification is nearly all completed in real time using your driver's license and insurance ID card. Why can't we replicate this process for life insurance verification?

## FINANCIAL INFORMATION

Many mortgage providers now verify all financial information, such as income, employment status and assets, directly through banking and investment statements. Much of this information can be pulled in real time with the applicant's permission and a couple of clicks on their financial institution's website.

This time of year, I am reminded of how easy pulling financial data can be as I start to work on my tax returns. For those of you who use TurboTax, TaxAct or H&R Block's software, you should know what I mean. With a few clicks, you can give your tax software access to pull and consolidate your mortgage statements, your investment statements and even your employer's W-2s. And if you own or have ownership in your own company, pulling data right from QuickBooks or your corporate tax returns is just as simple. Within the last couple of years, the use of external data to prepopulate tax returns has made it so simple that TurboTax and most other systems now allow you to file your returns using your phone!

How close are we to the no-app app for the rest of the population?

Beyond the tax software packages, there are quite a few financial institutions that have gone almost completely paperless and, hence, frictionless. This started more than five years ago, with some of the major banking institutions offering home equity and car loans with minimal data input requirements. Today, it has expanded to home origination loans, where the more tech-savvy institutions allow for a very simplified point-and-click loan process. Many home appraisals have become greatly simplified with the use of Google Maps and real estate pictures and videos to avoid the need for on-site visits.

## PERSONAL NONMEDICAL INFORMATION

This section of the application generally highlights hobbies and activities that put you more at risk of death than the average Joe. Activities such as scuba diving, racing, single-engine piloting, parachuting, whitewater rafting and heli-skiing require an extra mortality component. Travel to various high-risk foreign countries also goes in this section. And, in some applications, the

various tobacco and alcohol questions are contained here. For now, I will hold off on those until we get to the next section on medical information.

As for these dangerous hobbies, much of this information can be obtained just by knowing the applicant's name and address. The giant database marketing companies directly track many of these individuals to market-specific goods and services. As an example, PADI, NAUI, British Sub-Aqua Club, World Underwater Federation and Scuba Schools International all sell their scuba certification lists to third-party data providers. Although the use of this data might not be allowed directly for underwriting decisioning, it can be used as a tool to decide who you need follow up with and who you do not!

## MEDICAL INFORMATION

Gaining an understanding of the applicant's medical history and current health is almost always the most time-consuming, invasive and expensive part of the entire application process. This typically involves a lengthy personal history completed by the applicant either on paper, online, through a tele-interview or sometimes during the medical exam. The most invasive part of the process is the paramedical exam, which involves both blood and urine samples. Finally, for anyone who does have past medical events, an APS is often ordered from each attending physician.

All in all, the above collection of medical evidence is the most time-consuming part of the application process, which now averages 28 calendar days<sup>2</sup> to close, with hard-dollar expenses averaging \$150 per applicant.<sup>3</sup> The cost is likely twice that amount when you consider all the human effort to request, collect, monitor and review what has been collected, and in most cases follow up multiple times with both the applicant and the providers of the data to get the complete set.

Although replacing all this historical medical evidence with a simpler process sounds daunting, this is the one area where new technology and data provide the quickest gains to the No App, App. The American Reinvestment & Recovery Act was enacted Feb. 17, 2009, with the primary intent to modernize our nation's infrastructure, including the modernization of our health IT infrastructure. One part of the act, which is referred to as the Health Information Technology for Economic and Clinical Health (HITECH) Act, gives us significant reason to stand up and cheer, as it drove today's electronic health records (EHR) environment.

Early in 2010, the Office of the National Coordinator for Health Information Technology (ONC), released its recommendations to the Centers for Medicare & Medicaid Services concerning meaningful use of EHRs and defined the 25 criteria (15 core and

10 menu) that are required for EHRs to become certified. As of the start of 2016, the ONC reported that more than 99 percent of hospitals (critical and small rural) and more than 70 percent of all office-based physicians have demonstrated meaningful use and/or adopted, implemented or upgraded EHRs.<sup>4</sup> These adoption rates are excellent news for a wide variety of patient and business applications, including this article on application for underwriting.

When you consider the above EHR environment, along with the 1996 Health Insurance Portability and Accountability Act (HIPAA), which granted individuals access to their own EHRs and defined the providers' obligations to allow them to do so, you have the makings of something very powerful. Individuals now have the power to access their medical records in a real-time setting and pass them on to whomever they wish.

There are multiple providers in the marketplace today that have made obtaining your EHR a simple two-click process, in which you authorize the provider to download everything in your patient portal on your behalf. We have worked with several of these providers, and the results are better than expected. In reviewing the results from several insurance companies, we have found that EHRs deliver medical information as good as, or better than, what is obtained through traditional underwriting (paramedical, lab work and APSs) for more than 90 percent of the applicants. The 10 percent that are not as good are generally very complicated cases with a considerable amount of past medical history or are individuals currently seeking treatment for serious medical conditions. However, by looking at these individuals' EHRs, we can define from whom we need to get additional medical data.

An added benefit of the EHRs is the self-reporting of tobacco and alcohol consumption to medical providers. It feels like every time I see my doctor, I am asked if I smoke. During annual exams, we also discuss my alcohol consumption and any illegal drug use. The average insurance company categorizes approximately 7 to 10 percent of its applicants as smokers (either reported by the applicant or found in the urine sample). However, we are finding a history of smoking reported at about twice that rate in the EHRs themselves.

## THE NO APP, APP

In conclusion, how close are we to the No App, App? Hopefully the above has suggested to you that we are darn close to realizing it. In fact, we know of several insurance companies working to be there by 2020.

But why should you care? Is this a cost-savings play, a technology play, a customer satisfaction play, or what? We would strongly suggest that this is table stakes, as evidenced by the declining numbers of new policies sold over the last five years.

We now live in a world of one-click purchases. Just a couple of years ago, we thought that two-day Amazon Prime was incredible. Nowadays, we think that two-day delivery is the norm and same-day delivery is a plus. Our sense of instantaneous gratification has heightened. We are potentially one click away from almost anything we want: dinner delivered to our home, a driver to pick us up exactly where we are standing and drive us anywhere we want, a movie on our TV, buying a car, insuring that car, a home equity loan to pay for that car, finding true love, and so on.

Well, that is, except for buying life insurance, which still takes more than 30 days and requires answering hundreds of questions (many of which are often repeated), peeing in a cup and getting stuck with a needle. And, truth be told, true love probably takes more than a single click. I would venture to guess at least 10 or 20 clicks! ■



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## ENDNOTES

- 1 Deloitte underwriting benchmarking study conducted on insurers using accelerated underwriting programs consistently found that 15 to 35 percent of product-eligible applicants were passed through as accelerated.
- 2 Carriers Using Simplified Issue to Better Serve Consumers. *limra.com*, April 18, 2017, [https://www.limra.com/Posts/PR/Industry\\_Trends\\_Blog/Carriers\\_Using\\_Simplified\\_Issue\\_to\\_Better\\_Serve\\_Consumers.aspx](https://www.limra.com/Posts/PR/Industry_Trends_Blog/Carriers_Using_Simplified_Issue_to_Better_Serve_Consumers.aspx) (accessed February 13, 2019).
- 3 Deloitte underwriting benchmarking study found average external expenses used in underwriting to range from \$120 to more than \$200, with an average of slightly more than \$150.
- 4 Hospitals Participating in the CMS EHR Incentive Programs. *dashboard.healthit.gov*, 2016, <https://dashboard.healthit.gov/quickstats/pages/FIG-Hospitals-EHR-Incentive-Programs.php> (accessed Feb. 13, 2019).