

Individual Life Insurers and the New Rules of Underwriting (Part 1)

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By now, the stories are all too familiar

...Brittany wants to protect her family with a term insurance policy. She selects a name-brand carrier and starts to fill out the application. But the questions are generic, repetitive, and irrelevant based on her age and health status. She gets frustrated and looks to another carrier...

...Jason struggled with Type 2 Diabetes when he became a computer programmer after college. Years ago, he turned over a new leaf: better eating, more exercise, and appropriate sleep. Now his blood sugar is under control and he stopped taking medication. Yet, when he went to renew his term insurance, his insurer took none of these improvements into account. Jason feels betrayed by his traditional carrier and purchases a policy from an insurtech.

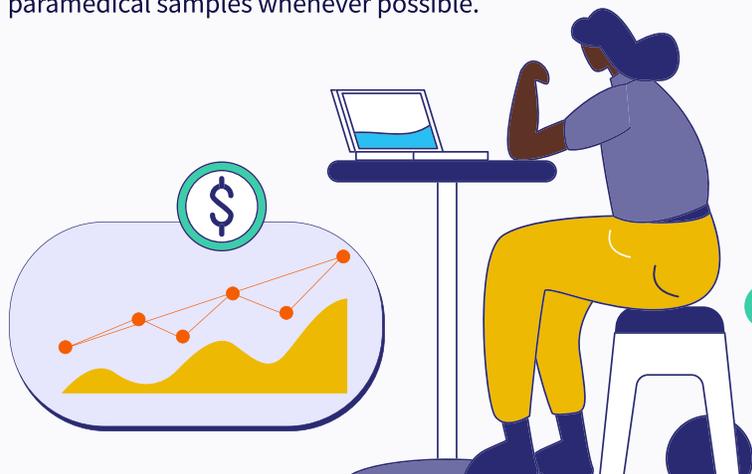
With scenarios just like these playing out across the individual life insurance industry, clearly the rules of underwriting have changed, seemingly overnight, from a one-size-fits all model to one where you're expected to deliver personalized and individualized experiences. What's more, profitability depends upon supplying personalization not just during acquisition, but throughout an insured's relationship with your company.

Navigating these new rules successfully calls for new underwriting approaches. Here's how to pursue the underwriting strategies, processes, and technologies that will help you stay competitive in a swiftly evolving marketplace.

Critical underwriting strategies for staying competitive

The best place to begin is at the strategic level. Although your company may include additional options, the most critical strategies for every individual life insurer include: **Implementing interactive questionnaires that use real-time analytics of public and proprietary data to crush dozens of individual life insurance application questions into a handful and present them reflexively as an application proceeds.**

Whether data is gathered by an agent or in a direct-to-consumer format, applications need to adapt on the fly. They must instantly integrate customer-supplied information with data drawn from internal and external resources and personalize every question by building on insights as the questionnaire progresses. Further, interactive questionnaires should only present relevant prompts and eliminate the need for collecting paramedical samples whenever possible.



Delivering most underwriting decisions in minutes by combining gathered information and data feeds, external and internal, with pertinent rule sets. These include rule sets you develop as well as those created by your reinsurer, insurtech partners, and other third-party providers.

Leveraging life event triggers to continuously offer policyholders and prospects products as their circumstances change, such growing their family, moving up the housing ladder or purchasing an adjacent financial services product.

But it's not enough to simply detect a life event. Your technology systems must be capable of pulling the underwriting data you already have, incorporating it with other data, applying predictive analytics, and then creating an individualized interaction based on their preferences, whether it's in an email, via postal mail, during a customer service call with a CSR, alerting an agent to make an outreach or, most likely, a combination of touches depending upon what your algorithms suggest is appropriate.

When involving a CSR or an agent, your systems should automatically supply relevant background information to ensure an individualized experience while giving CSRs and agents tools for suggesting appropriate products and solutions as a conversation with an insured unfolds.

- Establishing partnerships and ecosystems to gain insights from adjacent relationships that enable each of the foregoing strategies. The purpose of an underwriting ecosystem is providing the data and rule sets you need for developing agile, flexible, and automated underwriting processes. In addition, you'll need technology systems capable of instantaneously drawing upon and iterating partner data, as it's needed, to power the initial and continuous underwriting processes for scenarios like those previously described.

A robust individual life underwriting ecosystem will include insurtechs, financial risk score providers like

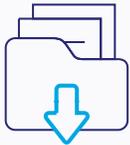
LexisNexis and credit bureaus, a health data risk provider like MIB Group or Milliman, an electronic health record provider like Human API, and a reinsurer.

- Utilizing accumulated insights for developing products and engagement strategies to gain market share and wallet share. With the appropriate technology solutions, the underwriting data you gather, along with insights from myriad other customer interactions, will no longer be locked up in legacy systems. Instead, it will be available for helping you determine which market segments should be abandoned, which segments offer opportunities, what pricing structures are appropriate, how to interact with prospective customers and when interactions are likely to yield the best results.
- Modernizing underwriting infrastructure to collect and integrate data from the sources you choose as the most relevant to your business. The best technology solutions not only empower your business users with intuitive dashboards for automating underwriting at scale, but also supply tools for using underwriting data to rapidly address evolving circumstances, whether its changes in an individual insured's situation or your company as a whole. This includes applying underwriting insights to developing new products, updating existing offerings and establishing the right engagement method for every customer in your portfolio.

Benefits of continuous underwriting:

Modernizing underwriting infrastructure to collect and integrate data from the sources you choose as the most relevant to your business. The best technology solutions not only empower your business users with intuitive dashboards for automating underwriting at scale, but also supply tools for using underwriting data to rapidly address evolving circumstances, whether its changes in an individual insured’s situation or your company as a whole. This includes applying underwriting insights to developing new products, updating existing offerings and establishing the right engagement method for every customer in your portfolio.

After you’ve assembled your underwriting strategies, the next step is understanding how the latest types of data-driven underwriting methodologies, called accelerated underwriting and continuous underwriting, contribute to establishing your overall individual underwriting program.



You can learn more about these new underwriting approaches in:
”Strategies for success: Two digital approaches for underwriting individual life insurance policies (part 2)”

Sound interesting? We should chat.

Learn more about how cloud-native coretech is helping ambitious insurers realize their goals.

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