Underwriting Requirements
Past, Present and Future

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Agenda

- A brief historical sketch of underwriting requirements during the past 30 years
- Recent developments in underwriting requirements
- Challenges and opportunities in the development of new underwriting requirements
- Emerging underwriting problems that must be addressed by underwriting requirements
The 1980’s – The Dawn of Blood Testing

- Most companies offered large amounts of coverage on a non-medical basis
- Centralized insurance laboratories were just starting
- Insurance companies had doctors and nurses on staff to conduct exams on large policy applicants
- Chest X-Rays and TVCT’s were common
- AIDS epidemic ➔ HIV testing
- HIV Testing ➔ Complete blood chemistry testing
- Cocaine abuse ➔ Urine drug testing
- Tobacco – Nontobacco Policies ➔ Cotinine testing
The 1990’s – The Emergence of Select Class Underwriting

- The industry quickly moved from contracts with only one preferred class to the current six class term structure
- Primarily based on cardiac and cancer risk factors
  - Build, blood pressure ➔ All business examined
  - Tobacco use ➔ Nicotine testing
  - Family history ➔ Specific FH questions on exam
2000’s The Senior Market Boom

- Multimillion dollar applications
- Premium financing
- Not unusual to receive applications on 90 year olds for estate planning
- Prescription history checks introduced
- Cognitive and functional testing introduced
- Electronic data searches introduced
- Financial requirements tightened
2010’s The Quest for The Middle Market

- Simplified underwriting and point of sale underwriting
- Internet and call center marketing
- Direct to consumer sales
- Predictive modeling
- Lab scoring
- Big data
Smile!

- People with the biggest smiles live longer according to researchers at Wayne State University.
- They analyzed how big the smiles were in photographs of professional baseball players who started playing before 1950.
- On average, the longevity of the non-smilers was 72.9, 75 for the partial smilers and 79.9 for the big smilers.
Requirements Under Consideration or Recently Deployed By The Industry

- Lab Scoring
- Tax Transcripts
- Expanded use of Rx Histories
- Predictive Modeling
- ID Verification
Lab Scoring

- Pulls lab values, urinalysis values, and physical measurements into one overall risk number
- Developed by insurance laboratories by comparing insured lives to Social Security data
- Large and credible datasets run through the laboratory’s own algorithms
- Too soon to know if they will better predict mortality than our current requirements
Tax Transcripts

- Tax return summaries provided by vendors pulled directly from the IRS.
- Best tool to confirm earned income and investment income
- Can be used for both individuals and business returns
- The IRS requires a separate signed authorization form
- All identifying information on the form must match information from tax returns in the IRS system
Expanded RX History Use

- Rx driven examination questions
- Typically used in a Tele-med setting but also used with Smart Paramedical exams and traditional face to face exams
- Brokerage operations use Rx histories to improve their quoting accuracy
- Rx histories are integral part of most simplified underwriting programs
- Underwriting decision engines typically integrate Rx review into their logic
Predictive Analytics

- Analysis of in force block and sampling of incoming new business
- Data mining to identify favorable or unfavorable patterns
- Development of algorithms to separate favorable cases from riskier cases
- Use it to route cases to appropriate underwriting model for the anticipated applicant risk profile
- We must be extremely careful to respect applicant privacy
- Only use data and decision trees rooted in mortality studies
ID Verification

- Large number of life sales done over the internet or via telephone
- The need to confirm the identity of person being interviewed is critical
- Questions ask to correctly identify a prior address, amount of mortgage payment, current employer, etc.
A drink a day, keeps the doctor away

- Another recent article in the *Archives of Internal Medicine* indicated that moderate drinkers tended to gain weight more slowly than nondrinkers.
- Another study of 65 to 84 year old Italians, reported in *Neurology*, suggests that moderate drinkers have a lower incidence rate of dementia when compared to abstainers.
Opportunities

- Data, Data, Data everywhere
  - Purchase habits
  - Club memberships
  - Motorcycle and Boat ownership
  - Prescription Histories
  - Historical lab data

- Electronic Medical records
  - Diagnosis
  - Tests
  - Preventive Care
Challenges

- **Consistent Underwriting**
  - Similar age and amount requirements
  - Similar preferred criteria

- **Quoting engines**
  - Age and Amount requirements shared with multiple distribution outlets
  - Preferred criteria and other underwriting requirements also shared

- **Electronic Submission Platforms**
  - E-apps, e-exams
Overweight People Live Longer…

- Recent article in JAMA studied all cause mortality and BMI
- Individuals in the overweight category lived longer than those of normal weight, underweight, and obese individuals
- Don’t worry; be happy!
Suicide is an Industry Problem

- Suicide has surpassed motor vehicle traffic accidents as the leading cause of injury mortality
- Should we consider using mental health screening questionnaires such as those used in clinical settings?
Cancer Continues to be a Challenge

- An estimated 112,800 new cases of cancer will be diagnosed and 33,200 cancer deaths will occur among U.S. Hispanics in 2012, the American Cancer Society noted in a recent news release.
- The tests currently available are neither specific or sensitive enough to screen healthy populations such as insurance buyers.
A Recipe for Longevity

- Daily vigorous exercise
- Plenty of fruits, veggies, fiber and moderate amounts of low-fat protein
- A restful night of sleep every night
- An intellectually rewarding, non-stressful job, or no job at all
- Daily body massage
- Sex at least once a day
- A regular indulgence in your favorite vice: chocolate, barbecued ribs, you name it.
  - Dr Bruce Carnes and Dr Jay Olshansky; Science at the Frontiers of Aging
Thanks!

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