Streamlining underwriting, point-of-sale underwriting, enhanced case management, and more effective data integration and analysis are all key enablers of streamlined underwriting supporting straight-through processing and providing efficiency and growth opportunities for life insurers.

Executive summary

Competitive forces and not-to-be-missed opportunities are driving many insurers, and should be driving all insurers, to reexamine the underwriting process. To launch compelling new products and enter new channels and markets, new and enhanced capabilities are needed in underwriting.

A number of life insurers have implemented innovative solutions that reduce the cost, complexity, and time to assess a risk and issue a policy. These streamlining efforts are helping to enhance the experiences that agents have in doing business with the insurer and give consumers the purchasing speed and simplicity they want. Underwriters are finding that more efficiency improves the quality of the job and offers expanded job opportunities.

Many streamlining solutions have not been widely adopted in the life insurance industry. As the life insurance market continues to evolve, the underwriting function must keep pace. Insurers who ignore this imperative almost certainly imperil future profits.
Strategic and operational changes

As insurers seek opportunities to streamline underwriting with greater efficiencies and improved capabilities, many are targeting both high-level strategic decisions and discrete points within the risk selection process, such as procedural tasks and underwriting parameters.

Many are finding that streamlining can do more than create efficiencies. Bringing more information and rigor to decision-making can reduce fraud, errors and omissions. Others have been able to achieve their growth strategies by raising their risk tolerance for term life policies, policies with low face values and policies directed to specific target markets, such as middle markets and millennials. Still others have introduced more simple-issue universal, term and final expense policies.

Rules-based decision-making, point-of-sale underwriting, enhanced case management, and more effective data integration and analysis are all key enablers of streamlined underwriting supporting straight-through processing and providing efficiency and growth opportunities for life insurers.

Rules-based decision-making

Rules-based solutions have been used in underwriting for decades. However, many insurers have been slow to enhance their legacy systems with rules-based solutions. Others have replaced their legacy systems with more advanced solutions but are not yet taking full advantage of all the capabilities. With the pace of technology innovation, many of these investments made even a few years ago may no longer be “advanced.”

Life insurers making greater use of their rules-based systems are gaining efficiencies and expanding their product offerings to include the simplified-issue policies growing in popularity among consumers. They are also able to maintain or reduce staffing levels even as their application count grows.

The degree to which a rules-based system can bring greater speed and efficiency to the underwriting process ranges from minimal to complete. In a minimally automated process, the system uses rules to review simpler aspects of the case, such as the applicant’s age, gender, smoking habit and medical results, and then forwards it to an underwriter who reviews deeper family medical history and lifestyle to come to a decision.

In a partially automated process, established rules within the system determine which cases can be approved without an underwriter’s review and which to forward to an underwriter for additional review before issuing. For example, a specific policy face value can be established for those policies that can be approved without an underwriter’s review.

On the fully automated extreme, once the agent or consumer, depending on the channel, has entered the case details, the system reviews the entire case and forwards the application to policy administration, eliminating underwriter involvement altogether. End-to-end automation has enabled insurers to create and serve the new and growing market of online consumers.

Point-of-sale underwriting

Point-of-sale, real-time underwriting is increasingly becoming part of the overall strategy to streamline underwriting. For good reason: it can shorten the time frame for issuing a policy from months or weeks to just minutes. Products with direct distribution can be issued with a limited set of questions through contact centers or online. For captive and independent agents, point-of-sale underwriting can significantly enhance the ease of purchasing a policy, raising consumer and agent satisfaction.

A point-of-sale underwriting system that combines online data validation, real-time quotes, predictive analytics and other external data feeds can be used to forecast loss outcomes on an individual basis. Using the system to determine whether to send an application straight to policy issue, decline it altogether or forward it to an underwriter for further evaluation can significantly reduce application processing speed and costs.

Technologies for valid electronic signatures and electronic contracts have helped underwriting move into the front office. The technology that is used to support electronic signatures, such as signature pads, voice signatures or online click wrap signatures, will depend on the distribution channel.
Case management

Streamlined activities are helping to ensure that cases are assigned to underwriters with the level of experience needed to make an effective decision. Many insurers have gained speed and accuracy in the underwriting process by sorting cases according to attributes such as product type, face amount and riders. Cases can then be matched to underwriters based on skill level, product knowledge and experience.

Underwriting activities need to enable efficient risk assessment for a case and not hamper it. Controls need to be in place to ensure underwriters have balanced workloads and the time to work their cases effectively. For example, time can be saved by creating checklists to help assistant underwriters validate an applicant’s information before a senior underwriter reviews the case.

Many underwriting groups have added front-office responsibilities, such as engaging with distribution partners and agents, to the underwriter’s case management responsibilities. The underwriter then needs to be able to shift focus at a moment’s notice and must have quick access to appropriate information. Seamless access to all information via a single system and eliminating the need to log in to multiple systems allow underwriters to make quick transitions from one activity to another.

Data delivery

Underwriters can often be stalled in gathering the information they need to work a case. The automated delivery of information and data from third parties eliminates the need for underwriters to search and wait for critical information. For example, data from MIB and Hooper Holmes can be integrated into the underwriting system and pulled into the case evaluation, automatically delivering the data to an underwriter’s desktop to verify information provided by the applicant.

Running applicant information against third-party electronic data can allow for faster and easier enrollment for agent-driven, direct-to-consumer and voluntary life insurance benefit offerings. Extensive use of new data sources can reduce operational risks and eliminate the need for medical exams, allowing policies to be approved and issued within minutes.

A prospective source of future information is the genetic profile of an individual, which would illuminate disease susceptibility, disease-specific genes and some existing conditions. Again, this information would be automatically fed into the rules-based system to generate underwriting results. Regulations will undoubtedly be put in place to define how genetic profiles can be used.

Data analysis/excellence

Evolving predictive analytics may eliminate the need for intrusive procedures such as blood tests and physical exams, which add costs, slow the sales and underwriting processes, and deter consumers from buying life insurance. Bringing information from motor vehicle records, financial records, credit history, demographic information and personal lifestyle choices into the rules-based system may also reduce the number of cases that are reviewed by an underwriter by assigning a rate class on a case-by-case basis.

The next generation of advanced analytics may go a step further and predict the decision an underwriter would make by using more external information, such as economic indicators, consumer marketing data and social media activity.

An individual’s digital footprint created through online activity is a treasure trove for insurers. Information shared online, such as eating, drinking and smoking habits; extent and modes of travel; health club memberships; interests in risky adventure sports; and any unreported personal or family health history, can be used to create detailed risk dossiers of individuals.

Information can also be obtained directly from consumers. Wearable fitness trackers and blood pressure monitors can convey information directly to social media applications. Consumers can then be encouraged to share this information with incentives such as lower premiums.

Clearly, a mass of valuable data is available to insurers. Rules-based systems that employ advanced statistical algorithms are needed to analyze all this data and convert it into information ready for interpretation. The first step is to bring in commercially available analytics solutions. The second is to create detailed risk profiles of existing and prospective consumers using this information. And the third is to identify correlation patterns between the profiles and the behaviors over the life of the policies. The outcome will be predictive models that can be used to automatically classify risk and further simplify the underwriting process.
A critical element of this evolution to using more advanced data analytics for risk assessment and decision making is that a clear enterprise digital strategy for acquiring, compiling and accessing data is required. In the absence of developing this capability today, carriers will be hard pressed to ‘catch up’ to those in the marketplace in streamlining the underwriting decision process.

**Outsourcing**

Transferring underwriting activities to an outsourcer is an established way to streamline underwriting, as the outsourcer will naturally make the process more efficient to reduce costs and improve margins. Outsourcing also transfers the need to adjust staffing as the number of applications ebbs and flows.

Life insurers have chosen to outsource one area, multiple areas or the end-to-end underwriting function. Carriers outsourcing for the first time may want to consider these lower risk areas:

- **Bottlenecks and resource underutilization.** Inefficiencies may arise in functional areas regarding resource availability. Sending tasks such as imaging, data entry and interpretations to an offshore outsourcer can eliminate processing pinch points.

- **Low complexity activities.** Many life insurers start outsourcing with low complexity activities, such as summarizing and sorting attending physician statements. Using an outsourcer for this and other low complexity activities can quickly clear a backlog of records.

- **Noncore activities.** Tasks that offer no competitive advantage may be a sound choice for outsourcing. Conversely, underwriting activities that are critical and pose competitive risk if shared with a vendor are not likely to be. Any activities that require sharing proprietary rules and predictive models with a remote outsourcer may be better hosted internally.

**Opportunities to streamline underwriting with greater efficiencies and improved capabilities**

- **Rules-based decision-making**
- **Point-of-sale underwriting**
- **Case management**
- **Outsourcing**
- **Data delivery**
- **Data analysis**
Ongoing enhancements
Insurers will need to take an iterative approach to streamlining underwriting, continually revisiting key areas of the operating model to take advantage of emerging opportunities.

Governance and controls
Accountability may need to be reconsidered and increased compliance built in to the underwriting environment as processes and responsibilities evolve. Clear governance and well-defined controls are key components of designing and implementing streamlined processes and higher levels of automation.

Roles and responsibilities
Revisiting roles and responsibilities will help to ensure that underwriting talent is used effectively. Experienced underwriters focused on high-risk cases may become more active in the sales process, shifting the focus of their activities to spend more time on rules development and sales support as they spend less time on application assessment and case management. As the role of the underwriter evolves, the skills profile may change.

Processes
Internal and outsourced processes may need to be revisited regularly as streamlining progresses. For example:

- More interactions with the sales channels, including traditional and digital, may further influence underwriting processes.
- New processes will need to be introduced for maintaining and updating system rules.
- Processes will be needed to manage outsourcing relationships with third-party vendors.

Enterprise implications
Insurers streamlining underwriting operations will want to address a number of practical implications in areas beyond the underwriting function.

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<thead>
<tr>
<th>Group</th>
<th>Implications</th>
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<tbody>
<tr>
<td>Product development</td>
<td>More streamlined and automated underwriting operations pave the way for new products and new target markets. Insurers need to be tuned in to emerging opportunities as underwriting becomes more efficient.</td>
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<td>Distribution</td>
<td>Changes to underwriting operations must support existing or new distribution strategies and channels. For example, captive agent portals will need to support new processes and encourage use, rather than deter it.</td>
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<td>Contact center</td>
<td>Contact centers may need to be more involved in the front-end sales process to answer an applicant’s questions about risk parameters. For example, simplified underwriting could lead to telephone applications that require contact center support with representatives prepared to ask a few short medical questions to determine whether to issue the policy.</td>
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<td>IT organization</td>
<td>Integrating new technology solutions into existing systems and maintaining them may present challenges for the IT organization. The infrastructure may need to be updated to support predictive analytics. Self-service tools may be needed to support low-touch servicing of low-cost products. New interfaces may be needed to give underwriters access to third-party data feeds.</td>
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Streamlining underwriting can help life insurers lower their operational costs and shorten approval times. New data and tools are available to support underwriters in making faster, more reliable, more consistent, and better informed risk decisions. In fact, many risk decisions need not even involve underwriters. Optimal use of information, technology, and outsourcing can free underwriters from the need to review all applications and allow them to participate more actively in strategic and sales activities.

The organization and its underwriters are not the only beneficiaries of these improvements in cost and speed. Customers, perhaps most important, will also benefit. Streamlining underwriting is ultimately about eliminating the friction that an agent or consumer may experience when trying to sell or buy a life insurance product. Those carriers that take up streamlining are likely to find themselves leading in their markets as they focus on changes large and small that make it a pleasure to do business with them.

Conclusion
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