



By  
Hank George

Unlike “Terminator” movies, the machines in question here are the so-called “underwriting engines.”

These “straight-through processors” have been around for years. Yet despite smashing success in the United Kingdom and other markets, they have languished in North America.

This appears to be on the cusp of changing now, due to the confluence of (at least) five key factors:

- Downsizing of underwriting staff driven by the economic downturn.
- Increasing focus on controlling

long and portends a demoralizing drop in placement rates.

By teaming engines with novel underwriting assets in lieu of those that require extended time intervals, we have the legitimate expectation of risk assessments in hours, rather than days, weeks or worse.

Traditional simplified-issue products have not been competitive with fully underwritten coverage. This is because of the higher premiums needed to adequately cover risks incurred where underwriting is restricted to a handful

of knock-out questions. By knock-out, we refer to a skimpy list of risk-related questions wherein a single

“yes” answer disqualifies the applicant.

Super-simplified underwriting is a hybrid. We ask more questions and focus on contemporary drivers of excess mortality; then, we meld the answers with several rapid-acquisition requirements. Additionally, we may choose, in those few cases where insurability could be settled with one more bit of information, to pursue that further evidence and thus optimize the conservation of quality business.

The core underwriting asset in this paradigm is the tele-interview with drill-down questioning to amplify the proposed insured’s medical history. When same-day action is obligate, interviews can be “warm-transferred” the minute the essentials (name, address, amount of coverage and so on) are input.

Stir in electronically acquired Medical Information Bureau reports, pharmacy profiles, motor vehicle reports and possibly other e-database information, and straight-through engine processing of the vast majority of applications becomes a reality.

Engines also will have a key role in fully underwritten business. They can eliminate tedious subjective requirements such as ECGs, treadmills, chest X-rays and doctor examinations.

Two years ago, this underwriter yawned at “straight-through processing.” All he can say now is “gentlemen, start your engines!”

BR

# Rise of the Machines

Straight-through underwriting processors have languished in North America, but soon could increase output twofold.

operational costs.

- Allure of the long-neglected middle market, where traditional underwriting is innately incompatible.
- Opportunities with “super-simplified” issue products.
- Novel underwriting assets complement engines.

Jet underwriting has been with United States carriers for decades. It has accommodated accelerated appraisal of 25% to 35% of life applications, especially for insurers not largely concentrated in niche (older age, impaired risk) markets.

Underwriting engines have the potential to increase this hands-free output twofold, which means underwriters will limit their interventions to a subset of cases with significant insurability issues.

The main reason bancassurance has been a qualified failure here—again, in marked contrast to other markets—is the incompatibility of traditional underwriting with the demands inherent in bank-mediated distribution. Said simply, it takes too

**Underwriters will limit their interventions to a subset of cases with significant insurability issues.**

*Hank George, a Best's Review columnist, is the principal in his own consulting and training firm, Hank George Inc., and author of a new book, Underwriting: What Every Producer Must Know. He may be reached at HankGeorge@aol.com.*