

Life/Health

By Hank George

The very concept of insurability will be at risk unless underwriters embrace new and faster modes of risk assessment.

'Snake Oil' Pollutes Underwriting

Webster's defines "snake oil" as "any of various liquid concoctions of questionable medical value sold as an all-purpose curative, especially by traveling hucksters."

There is a somewhat analogous definition, first encountered by this underwriter upon visiting a Louisiana general agency, which holds that "snake oil" is the generous ladling-on of cleverly crafted misinformation so as to distort reality and sway the gullible. Snake oil is in our midst.

And it is anthropomorphized by those decrying the inevitable transformation of life and health risk management from that which impedes business into that which facilitates it.

In January, I spoke to senior life company executives at a golf resort. During my comments, I conceptualized this transformation, detailing its natural history and hailing its advent. One facet of my message was pointed disapproval of slow, costly risk-selection tools, whose time has passed in favor of faster, cheaper and better alternatives. I refer to such albatrosses as chest X-rays and stress tests.

When I finished, a prominent medical officer said, for all to hear, "I feel as if I have been listening to a huckster." He then groundlessly questioned the verisimilitude of some of my allusions to medical studies. And then sat down.

Some weeks later, I received an unexpected gift from my host. It was a copy of *The Future and Its Enemies* by Virginia Postrel. Enough said.

A few points of clarification are indicated at this juncture:

Life and health risk selection is now undergoing a radical transformation. The tedious and burdensome protocols of the past—anchored in costly medical studies and excessively tethered to physicians' records—are giving way to fresh paradigms.

The key components of this new path include telephone interviews, oral fluid screens, markers of risk-taking behaviors and an emphasis on the whole individual as a candidate for coverage.

These new paradigms are compatible with expectations of customers and virtual mandates of changing modes of distribution. More to the point, if they fail to come to dominate our risk management landscape—and soon—the whole concept of insurability (that makes affordable insurance available to the many) will be in jeopardy.

Not all efforts to impede such progress are so blunt as the aforementioned allegation of hucksterism.

A recent issue of the *Journal of Insurance Medicine* contained a putative protective value study on the treadmill electrocardiogram as a screening test in life underwriting. Awash with appendices overflowing with mathematical

data, the study came to some worrisome conclusions, including:

- "The treadmill could be especially useful at younger ages..."
- Insurers (not sufficiently dragging out the underwriting process) were admonished to "...reconsider current face amount thresholds for their treadmill requirement in light of this valuable risk-selection information."

God forbid that direct writing companies take these affirmations to heart!

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Which is not to say that they are not, strictly speaking, "actuarially sound" in an abstract sense.

I know two of these authors well, as I do their top-notch actuarial peer reviewer. They are outstanding members of our risk management community. I do not question their erudition. Rather, what is troubling is their keen vision of "the trees," for want of "the forest."

During an underwriting audit for a major carrier, I happened upon a \$3 million case on a 20-something pro hockey player, declined because a screening treadmill EKG had not been sent on time. This is not underwriting. This is, as a great orator once said, "stinkin' thinkin'."

An essay in these pages two years ago, provocatively titled "What Lies Beneath," argued that the screening chest X-ray "...holds considerable value." That is odd, given that the only published industry study found no value in them and, further, that use of screening chest films at admission to hospitals was denounced 17 years ago in a peer-reviewed medical journal!

Three careful clinical studies have similarly ascribed no value to routine testing EKGs and stress EKGs.

Insurance underwriting differs significantly from clinical medicine. Nevertheless, it is at the very least curious how studies touting these tools, now in overdue decline due to blatant incompatibility with our future, seem to originate from those who perceive themselves as having a vested interest in clinging to the past. Which, of course, they do not. **BR**



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