The New Age Of Underwriting

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Genetic Testing

Multicultural And Global Marketing

Alternative Distribution Channels

Life and Health Insurance Risk Management

Genetic Testing

Technology Advances
“Distribution continues as CEOs' top issue”

-Trevor Thomas
The National Underwriter
April 3, 2000
“Alternative Distribution”
Means

• Direct mail
• Telemarketing
• Bancassurance
• Internet sales
• Retail sales
Simply stated, the turnaround time required to effectively deliver products sold through alternative distribution channels will rewrite the rules of risk management.
Are new business systems including “Pending File Management” and “Jet Issue” essential now, to remain competitive?
Teleunderwriting is now
Why is teleunderwriting the best thing that ever happened to agents and brokers?
Personal History Interview

The #1 risk management tool of the North American underwriting millennium

What is it?
How is it done?
Who does it?
Why is it so prized?
The Seamless Union

Part I/II and PHI

One set of questions asked once, by phone or website
**Motor Vehicle Report (MVR)**

- Fast
- Effective
- Under-appreciated

<table>
<thead>
<tr>
<th>1990s</th>
<th>2000s</th>
</tr>
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<tbody>
<tr>
<td>Mostly male</td>
<td>Both genders</td>
</tr>
<tr>
<td>Based on Part I answers</td>
<td>Universal, at ages</td>
</tr>
<tr>
<td></td>
<td>16-90</td>
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</tbody>
</table>
## Leading Causes of Death
### U.S. Males/1997 Data

<table>
<thead>
<tr>
<th>Ages 20-39</th>
<th>Ages 40-59</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Accidents</td>
<td>Heart disease</td>
</tr>
<tr>
<td>#2 Suicide</td>
<td>Cancer</td>
</tr>
<tr>
<td>#3 Homicide</td>
<td>Accidents</td>
</tr>
<tr>
<td>#4 HIV</td>
<td>Cirrhosis</td>
</tr>
<tr>
<td>#5 Heart disease</td>
<td>Suicide</td>
</tr>
</tbody>
</table>

Underwriting Screening of Adult Applicants

Ages 18-40
- Trauma
- HIV
- Disease
- Urine/Oral fluid

Ages 41-90
- Disease
- Trauma
- HIV
- Blood
Oral Fluid

- HIV-1
- Cotinine
- Cocaine
- Hepatitis C
- Glycated albumin

Urine

- HIV-1
- Cotinine
- Cocaine
- Urinalysis
- Microalbumin
- Bile acid test
Oral fluid + urine screening

Non-medically underwritten

Agent collection

Paramedically underwritten

Paramed collection
The enduring paramedical

- Fast
- Customer friendly
- Superior medical histories
- Physical measurements needed for preferred rate

How can we enhance parameds for the 21st century?
C-reactive Protein

A potential reflex test to identify BEST CASES involving significant CV risk profiles and applicants who have had an MI or cardiac revascularization procedures.
Underwriting tools in decline

Chest x-ray
Electrocardiogram, treadmill
M.D. exam
Inspection report
Attending physicians statement
Hard questions insurers must now ask

Do you order too many APS reports?

Can you cut back on APS ordering, using PHI and enhanced Rx information?
Rx = Dx

Using pharmaceutical information to expedite underwriting
“People are terribly afraid of any mention of mental problems in their records. Instead of seeing a psychiatrist for depression, they’d rather buy a jar of St. John’s wort and not have anyone else know.”

-Dr. Monica Yoshinaga
  Internal Medicine
  Kodiak, Alaska

As cited in On The Risk
Americans now spend more money on alternative and complimentary remedies than they do on visits to primary care MD’s and DO’s
Is a 45 year-old man taking silymarin (milk thistle) a good risk?

How about a 68 year-old man on saw palmetto?
We need to greatly increase our expertise concerning the use of herbs and other nonconventional remedies.
What North American underwriting innovation has captured attention worldwide?
Preferred/superpreferred

An (irresistible) innovation of the New Age of underwriting
Why?

- Positive message to customer
- In harmony with the new age of health consciousness
- Fully feasible with contemporary science
- Profoundly favorable mortality impact
5 issues in contemporary preferred risk
Occasional cigar = nonsmoker?

Preferred smoker?

Occasional cigarette = nonsmoker?

Preferred on BP Rx?

Preferred on lipid Rx?
“If conventional insurers hope to withstand new competition...they must win the battle for their customers’ trust and respect”

-Peter Le Beau
Swiss Re
The National Underwriter
July 20, 1998
“Nonsmoker”

• Introduced early 1980’s, based on “cigarettes only” definition
• Became “user” vs “abstainer” in late 1980’s
• Enthusiastically received by customers, regulators, courts
The new age of underwriting

Health habits and insurability
the spectrum of health habit underwriting

- Risk-taking behaviors
- Leisure time activities
- Food choices
- ADLs/IADLs
- Pet ownership
- Healthful interventions
Healthful Interventions

Aspirin-a-day
Hormone Replacement (HRT)
Temperate alcohol (wine?) intake
Herbs
Antioxidants
Calcium/Cox-2 inhibitors

Do you stay **current** on these topics?
Are HRT users better risks per se?

Studies have shown these favorable risk factors in postmenopausal HRT users:

- Higher education
- Temperate alcohol
- More exercise
- Have own M.D.
- (Very) Rx compliant
- Use calcium supplements
- Higher socioeconomically
- Less often smokers
Should voluntary use of aspirin-a-day prophylaxis be credited in Preferred Risk analysis?
Using teleunderwriting, can we probe health habit choices like leisure time physical activity, dietary choices, food choices, etc., and give credits/debits on risk profiles?
Does growing evidence for the beneficial effects of antioxidant dietary supplements and temperate alcohol use justify including these aspects in risk appraisal?
A little story about breast carcinoma in situ
“Daunting as the prospect may be most U.S. insurers and reinsurers must go global if they want to be part of the growing world economy…”

-Mark Van De Voorde
Deloitte & Touche

-James Slattery
Swiss Re America

-The National Underwriter. 6/29/98
Annual
Projected 1998-2005
Premium growth

Mature Markets
U.S.A. (1%)
Western Europe (2.3%)
Japan (2.8%)

New Markets
Latin America (>6.5%)
Asia (>6.5%)
Eastern Europe (>6.5%)

-The National Underwriter. 6/29/98
<table>
<thead>
<tr>
<th>Year</th>
<th>Policies (millions)</th>
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<tbody>
<tr>
<td>1977</td>
<td>13.6</td>
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<tr>
<td>1982</td>
<td>15.6</td>
</tr>
<tr>
<td>1985</td>
<td>17.1</td>
</tr>
<tr>
<td>1990</td>
<td>14.0</td>
</tr>
<tr>
<td>1997</td>
<td>11.1</td>
</tr>
</tbody>
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Source: LIMRA’s Individual Life Insurance Sold In U.S.
Bootleg Sales

Properly Licensed insurer
“International Business”
...right here
Targeting Urban Markets
Genetics and mortality

What do you know about brca 1 / 2 and apolipoprotein e?

Stay current
One last question

Is your company doing critical illness insurance (yet)?
JournalScan®

A bimonthly risk management newsletter

Underwriting-focused synopses of key articles appearing in over 60 medical journals published worldwide

Stay current - Stay informed

For a complimentary copy, contact Esther at LedesmaE@aol.com