

PartnerRe



Accelerated Underwriting

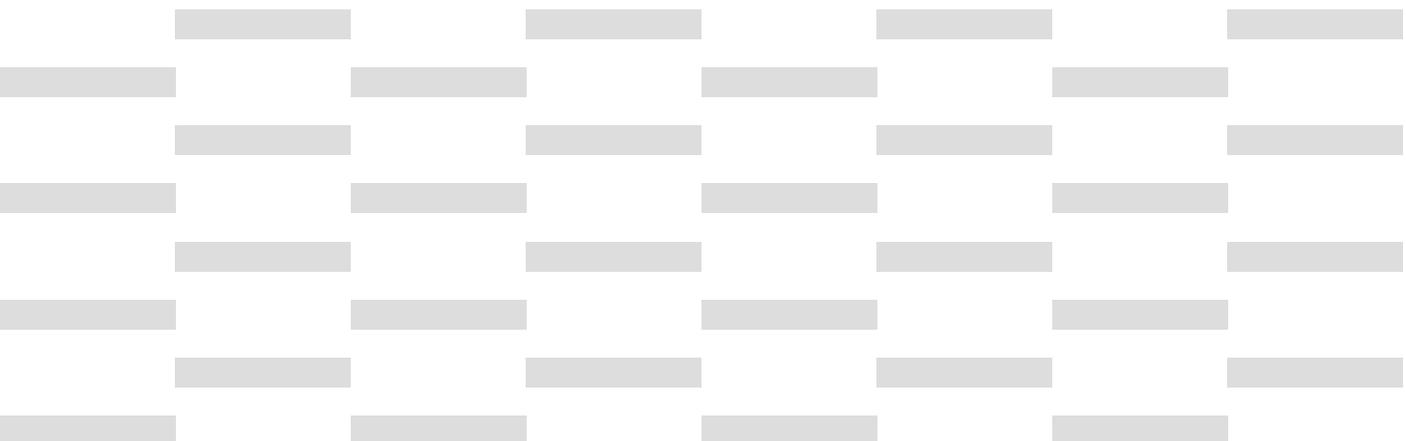
The U.S. Market View





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Introduction

Since the climate for accelerated underwriting (AUW) appears to have stabilized and the industry has reached a greater level of maturity with these programs, it's worth taking stock of where we are and where we're going. It is essential to keep a finger on the pulse of how underwriting leaders are feeling and what they are thinking about the future. Is "accelerated underwriting" now just "underwriting" with varying requirements, depending on the individual applicant's profile? What easily available data sources are sufficient to render informed and reasonable risk assessment value?

To help evaluate the current climate, PartnerRe surveyed 25 carriers in the spring of 2024 on their accelerated underwriting programs. While accelerated underwriting is not a new concept, we took a novel approach and conducted in-depth personal interviews with underwriting leaders at several carriers, allowing them to include their preferred resources as part of that call. This resulted in fruitful and engaging discussions. We explored the nuances of their respective programs, and developed a better understanding of the carriers' journeys, their underlying challenges and shortcomings, their overall successes, the philosophy and objectives of each program and their future plans. The results reflect a more qualitative view of the marketplace.

Key Highlights

With respect to the 25 carriers that participated, the PartnerRe survey took a closer look at these factors:

- **Eligibility:** The issue age and face amount parameters that carriers set for their AUW programs
- **Data sources:** The types of data sources that were universally used in the insurers' AUW programs, and which ones were used by some, but not all, of the carriers
- **Acceleration rates:** The percentage range of eligible applicants whose policy issuance was ultimately accelerated
- **Performance indicators measured:** Including turnaround times, placement rates and mortality slippage
- **Monitoring programs used,** including Random Holdouts and Post-Issue Audits, along with the percentage of carriers using one or the other—or both
- **Regulatory concerns,** including their views on the adoption or continued use of predictive models and risk scores that incorporate non-medical data sources, such as credit histories
- **Expectations and pain points:** The percentage of carriers surveyed that indicated their AUW program has generally met their expectations from an operational effectiveness standpoint—and the "pain points" they see as they continue to move their programs forward
- **Planned changes:** The specific objectives insurers are looking to achieve with their contemplated AUW program changes

Eligibility

Most of the programs focus on issue ages 18-60, while some carriers may offer an AUW path to older ages at a reduced face amount. Maximum face amounts average in the \$1-2M range. Some insurers are offering higher limits (up to \$3-5M), based on age and depending on the availability of robust and comprehensive data. Of the carriers surveyed, 40% vary maximum face amounts by age, whereas 60% do not. Products include term and permanent coverage, with some carriers excluding joint/survivorship products.

The percentage of applicants eligible for accelerated underwriting programs varied widely, due in part to the nature of each carrier's business (product, distribution, risk tolerance, retention) and its program objectives. The percentage of eligible applicants averaged 66%, with a high of 95% and a low of 25%.

AUW Performance – Eligibility vs. Acceleration Rate

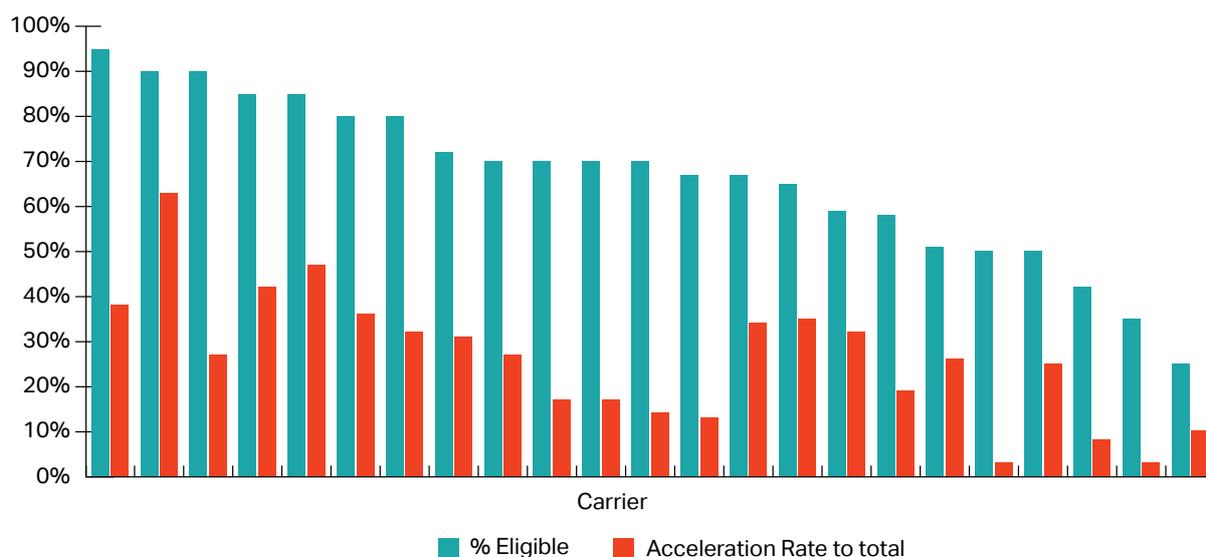


Figure 1: Comparison of eligibility and acceleration rate of AUW performance. Note: Not all carriers provided details related to this topic

Data Sources

Data sources vary, but all carriers reported data requirements that include application and MIB Checking ServiceSM, as well as prescription history and driving history. Other popular requirements, while not ubiquitous, are identity checks (56%), medical claims data (50%) and clinical lab history (60%).

Supplemental data sources, such as electronic health records, criminal history and other public record checks, are also being used. Challenges remain with the consistency, usability and comprehensiveness of the data available, relative to the costs.

Acceleration Rates

Acceleration rates for eligible applicants ran from 5-70%, with an average of 38%. For those that track acceleration rate relative to the total pool of applicants, results varied widely, ranging from 3-63%, with an average of 25%.

Performance Indicators

Turnaround Times

Turnaround time averaged 8 days for accelerated underwriting, with a range of between 1 day and 14 days. This was significantly better than fully underwritten (FUW) times, which averaged 28 days, with a range of 12 to 45 days.

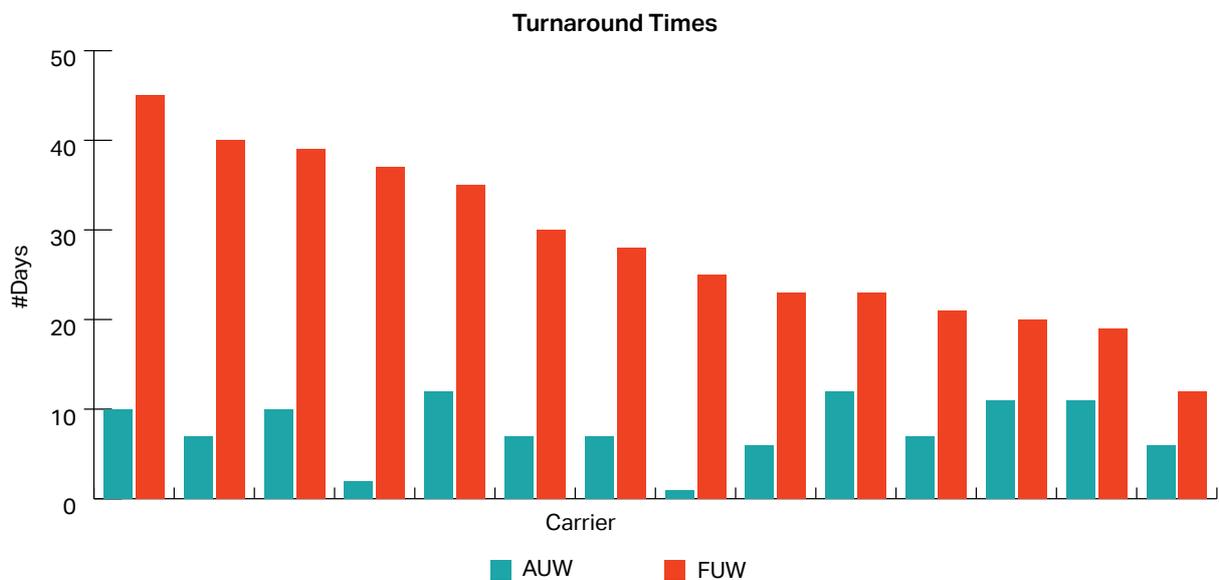


Figure 2: Turnaround times of AUW programs vs. FUW. Note: Not all carriers provided details related to this topic

Placement

While there was a meaningful difference in turnaround times for accelerated business, as compared to fully underwritten business, carriers did not feel there was a significant boost in placement rates, which may be due to distribution and customer expectations.

Accelerated underwriting placement rates ran between 60% and 98%, versus the full underwriting placement rate range of 66-85%.¹

An interesting, and somewhat less intuitive finding was that placement rates did not correlate to actual AUW acceleration rates. Instead, placement rates were more correlated to AUW eligibility rates. There is no clear indication as to the reason for this finding, however, we may conclude that increasing AUW acceleration rates does not necessarily drive better placement.

¹ Placement rate was measured as the percentage of applications issued which were to put in force.



Slippage

Mortality slippage is running ~13% on average, with a range of 4-25%. This, however, was difficult for some to monitor and report, as varying approaches and methodologies are used in tracking this measure.

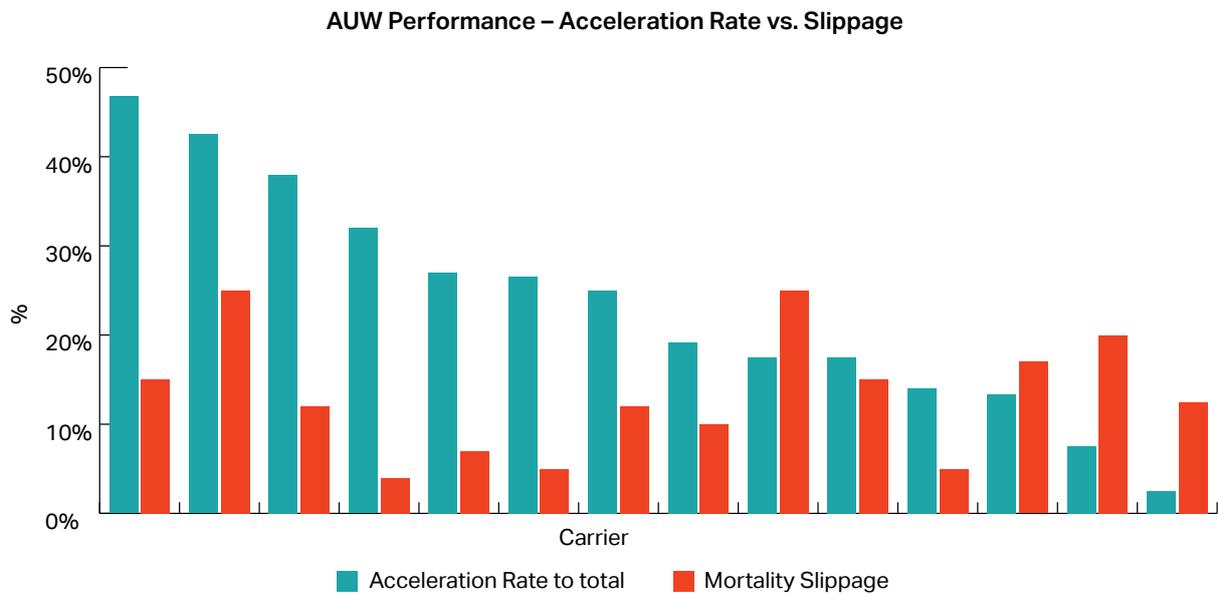


Figure 3: Comparison of acceleration rate and slippage for AUW performance. Note: Not all carriers provided details related to this topic

Unit Cost

Similarly, unit cost varies widely in range (\$111-\$564), with an average of \$323 per application. However, no standard methodology exists, and different carriers include and exclude various elements (e.g., underwriter salaries, non-underwriting requirements, etc.), which makes it difficult to draw direct comparisons.

Persistency

In general, persistency is not a common measure used and applied to underwriting programs. It may still be a bit too early to evaluate whether persistency will remain consistent with historical levels. Some carriers do believe that, because the accelerated process offers less friction in acquiring life insurance, persistency may be lower, as the application process has become easier. Additionally, we expect that this will have a material impact on mortality experience, as those with less favorable risk profiles are less likely to shop for new coverage.

Monitoring

The two approaches to monitoring programs are Random Holdouts (RHO) and Post-Issue Audits (PIA). Of the carriers surveyed, 42% are utilizing both RHO and PIA to monitor their business.

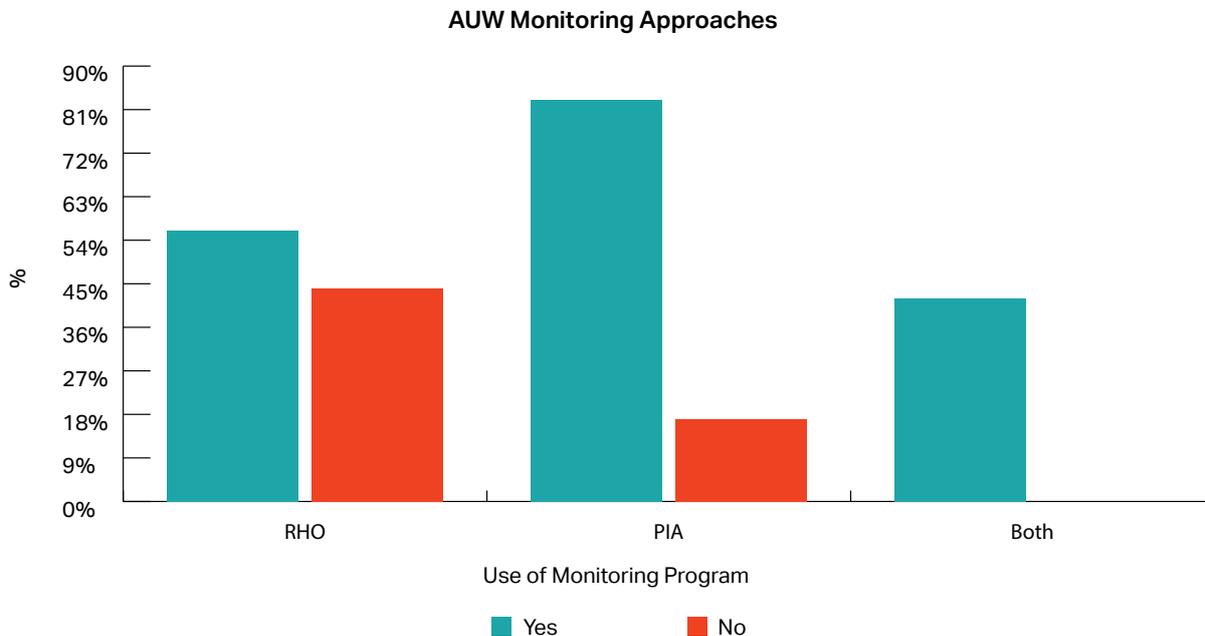


Figure 4: Approaches to AUW monitoring

In the early days of accelerated underwriting, Random Holdouts (RHOs) were a quick and straightforward way to maintain the sentinel effect and spot check business expected to move through the accelerated process. However, many carriers noted challenges as producers and applicants have come to expect to progress to a more client-friendly accelerated program process. Currently, 56% of carriers interviewed have some variation of the RHO process in place. Typically, 5-10% of eligible cases are subject to RHO. While not commonly tracked, some carriers noted a drop-out rate due to RHO of 5-20%.

Post-Issue Audits (PIAs) have become more prevalent. Carriers note that there is a greater opportunity to evaluate cases that have moved through the AUW program and utilize different data sources after the fact, without disrupting the client experience. Common data sources being incorporated are Attending Physician Statements (APS), Electronic Health Records (EHRs) and medical claims data. We also observed the increased use of follow-up monitoring solutions (code solutions and prescription), lab results and criminal history checks. Of the carriers surveyed, 83% are utilizing some sort of PIA process and are auditing anywhere from 1-50%, with the mean audit percentage range of 10-20%. Some carriers vary the percentage they audit, based on product, face amount, age, market and expectations. In addition, 65% of participants have pursued rescissions where PIAs identified material misrepresentation or fraud.

Carriers also noted that, while they will review claims, they believe that at this point, the number of claims is insufficient to provide insights as to the program's overall effectiveness. However, there are techniques that can be applied to evaluate even small numbers of claims to gain valuable insights.

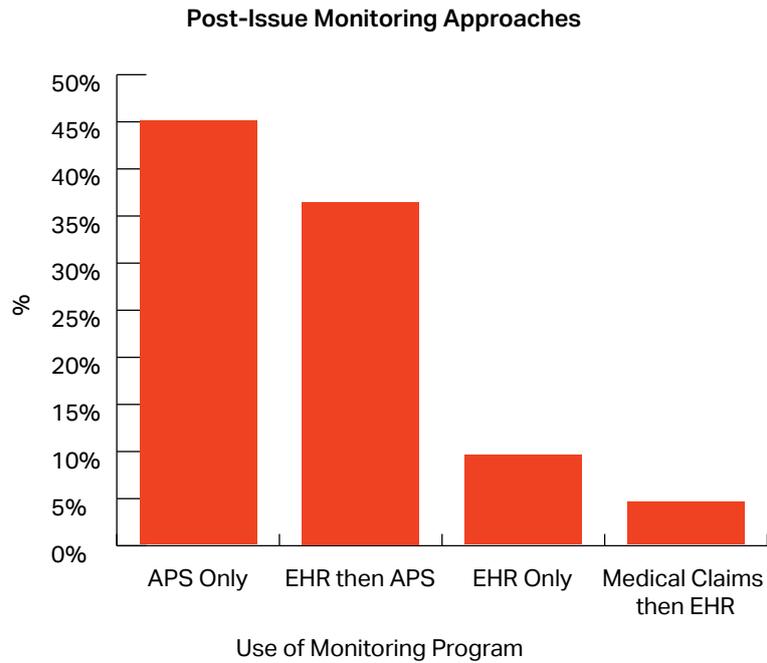


Figure 5: Comparison of post-issue monitoring approaches

Regulatory

Discussion about the regulatory environment, while not quantitative, indicated this is top of mind for carriers with concerns related to inconsistencies across states, lack of clarity and adaptability and non-traditional data sources. There's a growing emphasis on internal governance. There continues to be some reliance on vendors for bias testing, as well as a preference for "safe" data. Some carriers noted a reluctance in adopting or continuing to utilize predictive models and risk scores that incorporate non-medical data sources, such as credit histories, due to the challenging regulatory climate.

Expectations and Pain Points

Overall, most carriers (71%) surveyed indicated that their program has generally met their expectations from an operational effectiveness standpoint. At the same time, there was widespread recognition that there are elements of the program that need addressing. Some were neutral (25%), and a small percentage (4%) felt their program came up short of expectations. There was widespread recognition that programs were potentially deployed too quickly—in response to market pressures, COVID, or due to a specific objective—and without as much emphasis on the ongoing management and monitoring of the outcome, which is now garnering more attention. In addition to monitoring and reporting needs, IT support and integration with current rules engines and workbenches were pain points. Resource and budget constraints, field expectations and the ability to consume new data sources (such as EHRs) easily and effectively continue to be challenging.



Planned Changes

What our survey results make clear is that no carrier is standing still. Insurers are looking to achieve specific objectives with their planned changes—be it to reduce slippage, manage costs, or drive greater acceleration. Programs and approaches continue to evolve, and the focus is on enhanced monitoring and reporting, expanding eligibility limits and optimizing data sources.

Conclusion

The landscape of accelerated underwriting has changed significantly in the past 10 years and programs and approaches continue to evolve. The industry is beginning to see efforts to transform the entire underwriting journey, without making a distinction between an accelerated and fully underwritten path. The idea is to take a more individualized approach to obtaining the right mix of requirements for each applicant, without having a standard approach or set of requirements to apply to a cohort of proposed insureds.

Key Findings:

- Most of the carriers surveyed offer programs for issue ages 18-60; some offer AUW at older ages (at reduced face amounts). Maximum face amounts average \$1-2M, although some insurers offer higher limits, based on age and the availability of data. The percentage of eligible AUW applicants averaged 66%, with a high of 95% and a low of 25%.
- All carriers reported data obtained included application and MIB Checking Service, as well as prescription history and driving history. Supplemental data sources are also being used.
- Turnaround time averaged 8 days for AUW, with a range of between 1-14 days, compared to fully underwritten times, which averaged 28 days, with a range of 12-45 days. Accelerated underwriting placement rates were 60-98%, versus the full underwriting range of 66-85%. Placement rates seemed to be more correlated with eligibility limits than acceleration rates.
- The two approaches to monitoring programs are RHO and PIA. Of the carriers surveyed, 42% are utilizing both to monitor their business. For those that employ only one method, PIA is more commonly used.
- Most carriers (71%) surveyed indicated that their AUW program has generally met their expectations. Still, there was widespread recognition that there are elements of the program that need addressing.
- Carriers indicated that their programs were potentially deployed too quickly, and without as much emphasis on the ongoing management and monitoring of the outcome.
- AUW programs continue to evolve. AUW programs are still viewed as an area of differentiation in the market. Carriers are looking to achieve specific objectives, including reducing slippage, managing costs and driving greater acceleration.
- Early perceptions around large reductions in underwriter head count/instant decision have been dialed back. The carriers' focus is now on enhanced monitoring and reporting, expanding eligibility limits and optimizing data sources.

For more information, please contact your PartnerRe client partner.



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