Simplified Issue and Accelerated Underwriting

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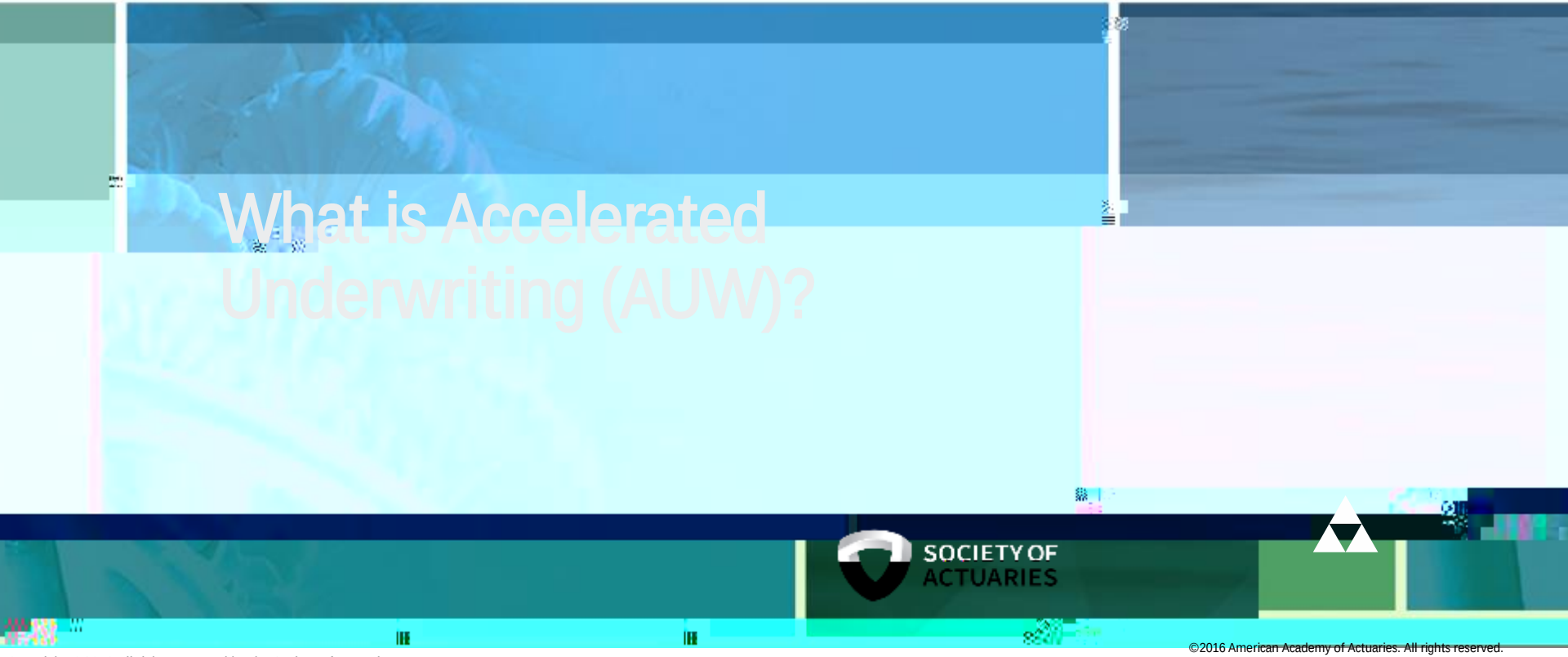
What is Accelerated Underwriting (AUW)?



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What is Accelerated Underwriting (AUW)?

‡ AUW is a process that is dynamic in that non-medical and medical information gathering may be customized to the individual applicant.

- ± The information gathered on two applicants for the same product, at the same face amounts, and for the same gender, age, and smoking status may be different
- ± The impact on the retail premium is not expected to be significantly different from impact of traditional fully underwritten processes as we know them today
- ± To achieve this dual goal the approach may involve:
  1. Reliance on traditional and non-traditional sources of information
  2. The use of predictive models that quickly interpret available information
  3. Parse the applications into cases that can be rated through non-traditional methods alone and cases that have to go through traditional underwriting

* Formal AUW definition currently being worked on by the SI and AUW Work Group

The result of AUW ‰ Œ } • • •] •- š } •] Ì _ š Z µ v Œ Á with a less invasive underwriting approach and faster time from application to issue for certain applicants with higher likelihood that collection of additional information would not change the underwriting decision.

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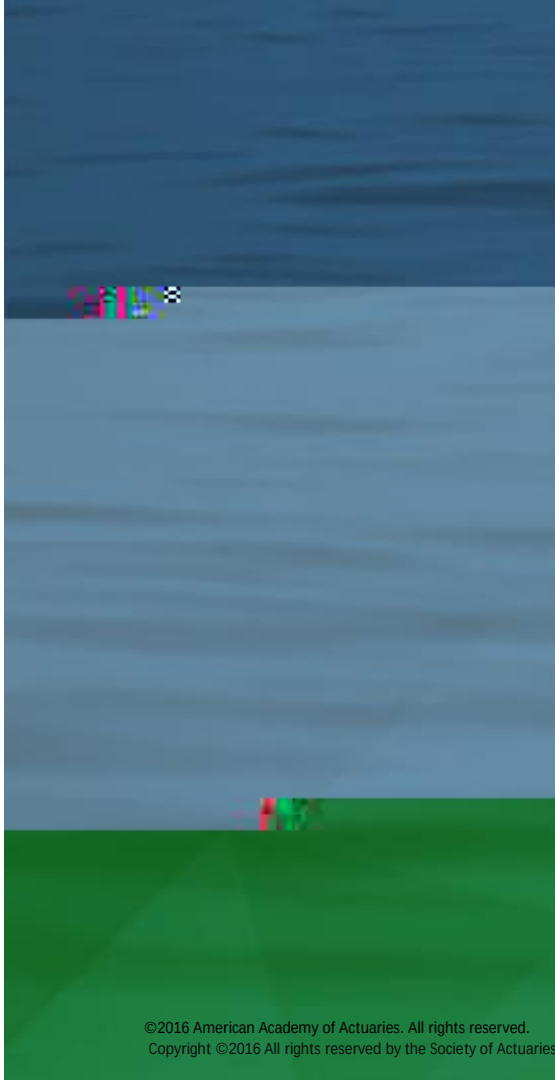
Identifying AUW

- AUW may look like an expanded simplified issue process but with mortality that aligns more closely with fully underwritten business
- AUW is often modeled using predictive modeling and complex algorithms
- May include
  - Traditional underwriting sources collected through different



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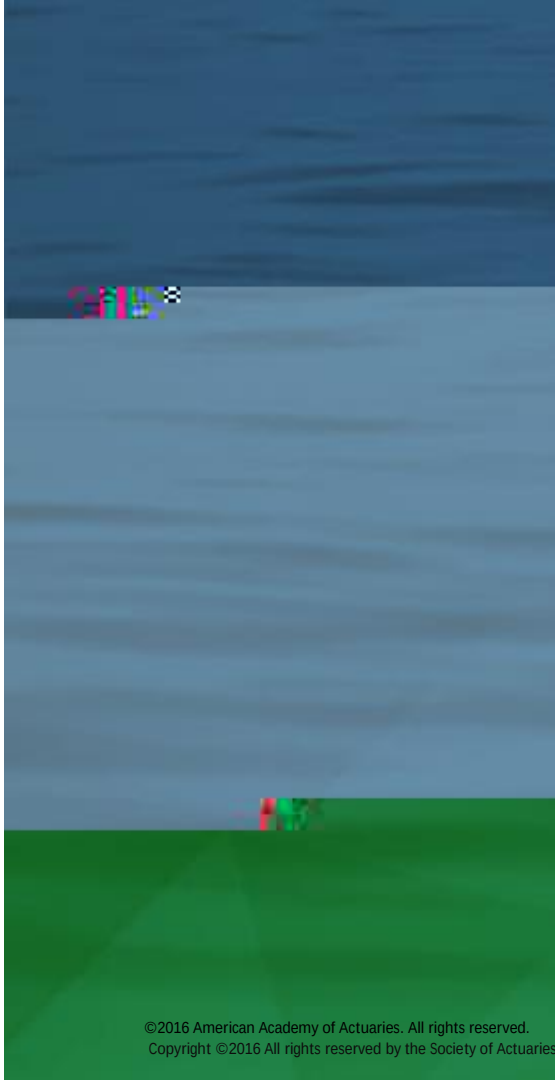

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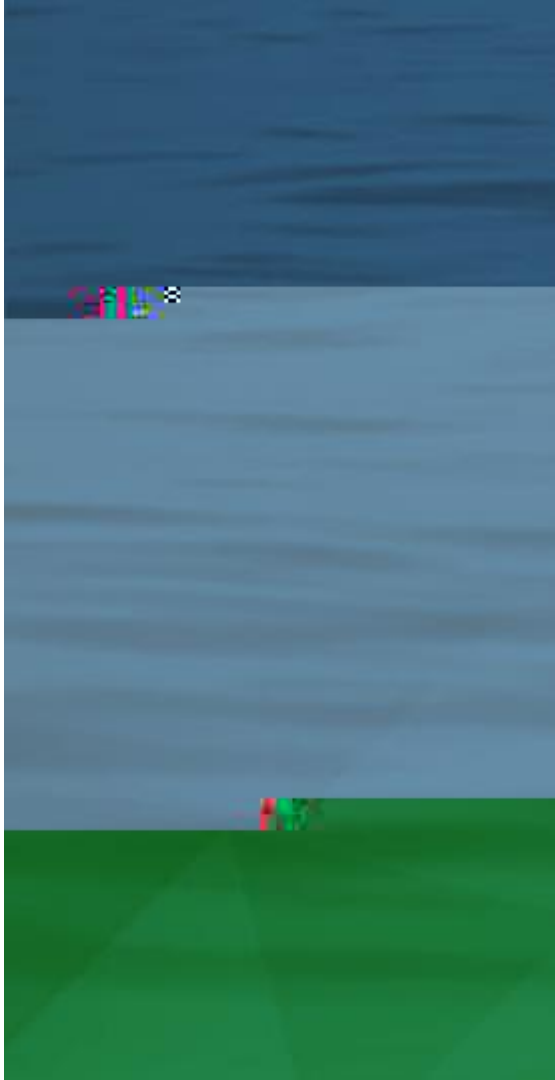

Company motivations and approach to AUW varies and often drives structure of program

- Attract new customers
- Aging underwriter force
- Aging distribution network
- Reduce expenses
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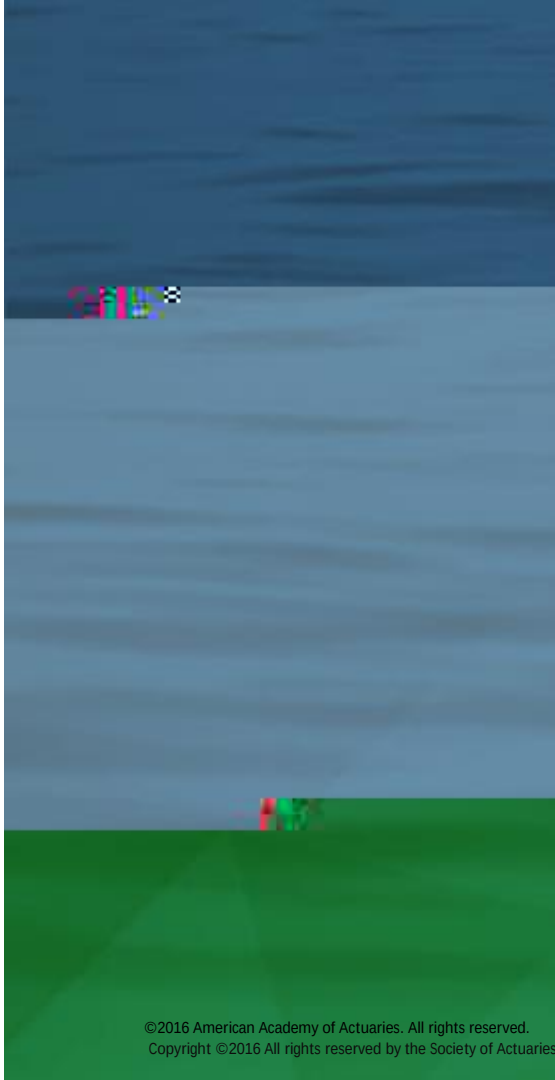

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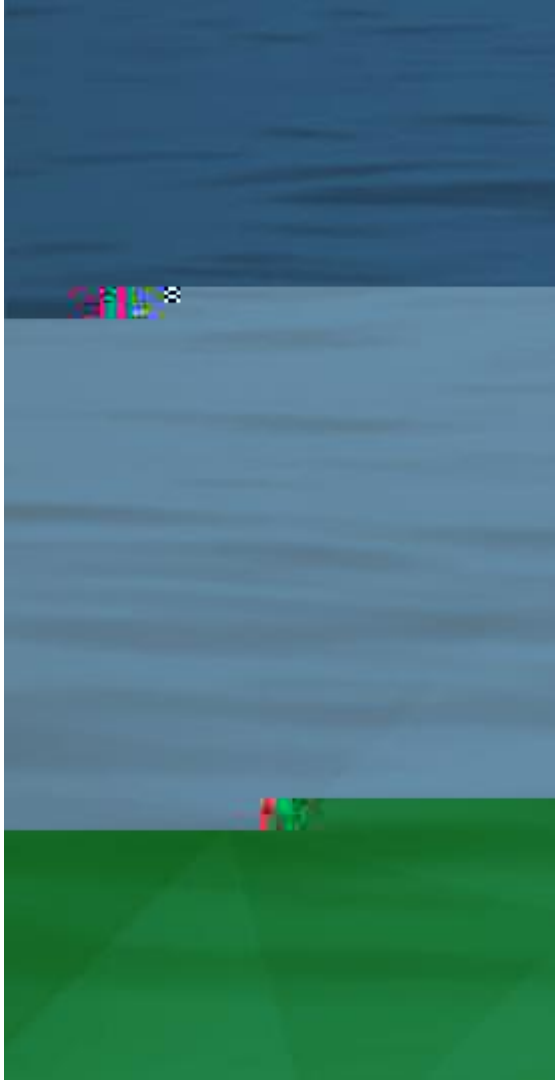

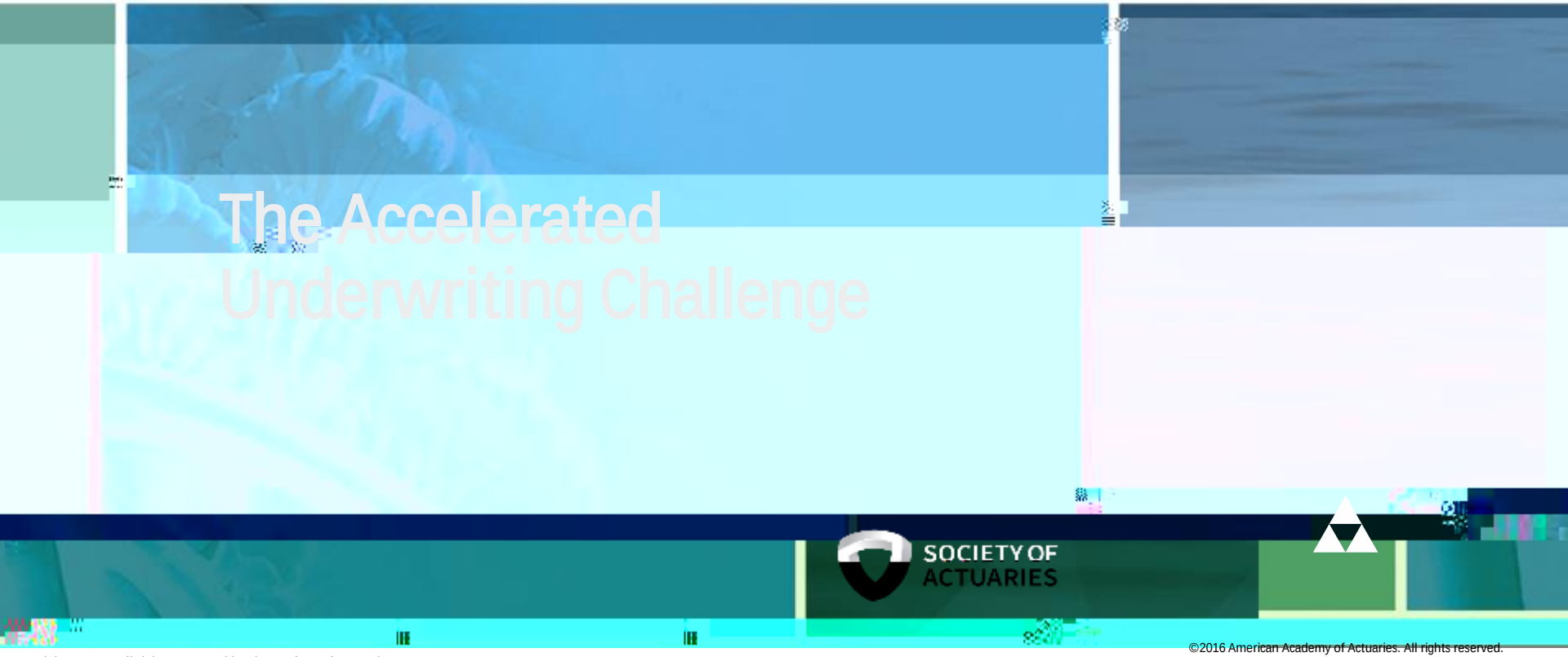

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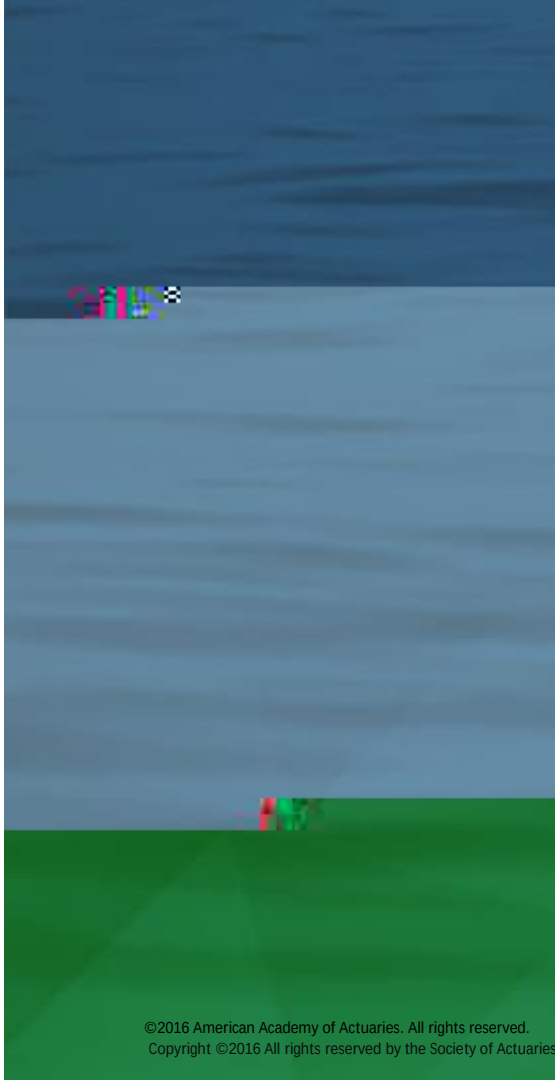
Upcoming challenges with emerging changes

- Deterministic valuation under VM-20
  - Most SI and some GI business issued as level premium term;
  - AUW business issued both term, UL, WL, and ULSG
  - Prescribed method does not fully contemplate GI/SI business or the blurring between traditional SI business, accelerated underwriting and fully underwritten
  - RR Tool does not apply for underwriting without fluids nor consider new data sources
  - Acceptable support for use of new data sources, mortality credibility, etc.
  - Nonforfeiture and tax implications with blurring definitions for underwriting regimes



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Upcoming challenges with emerging changes

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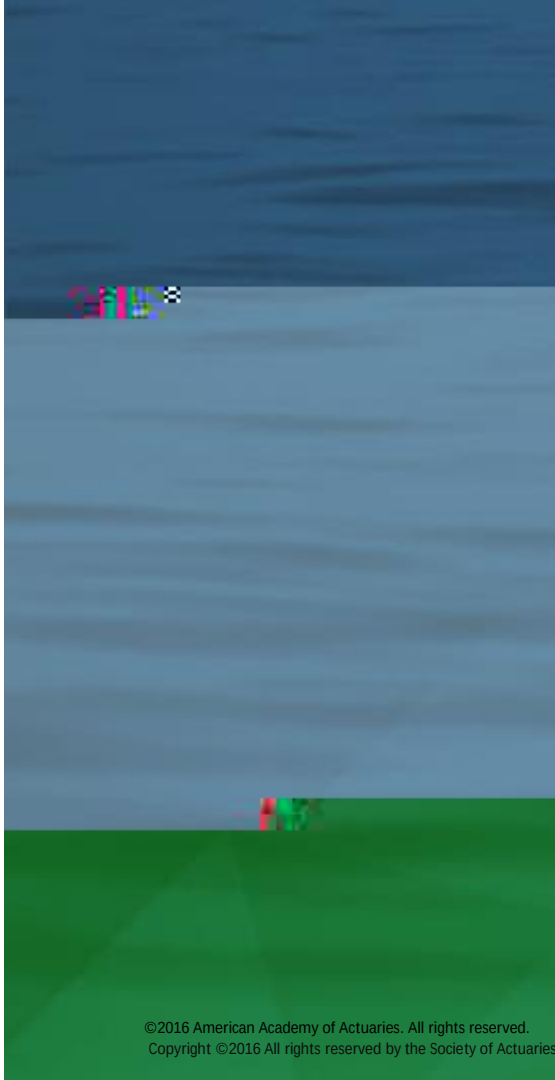
‡ Mandatory data collection under VM-51

- ± Need different data than traditional to differentiate and understand programs and expected mortality outcomes as underwriting becomes less homogenous
- ± Need definitions as SI/GI not currently part of mandatory data collection
- ± Frequent program modifications and refinements to predictive models in order to achieve desired mortality outcomes will create additional noise in the experience analysis and will be difficult to measure



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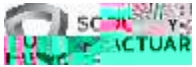
From August NAIC LATF Meeting

- For the range of business issued under either a simplified or accelerated underwriting regime*
  - Explore development of an approach for companies to use to set valuation mortality rates based on specific levers and expected experience
  - Develop definition for VM-20 to address when this process would or would not apply



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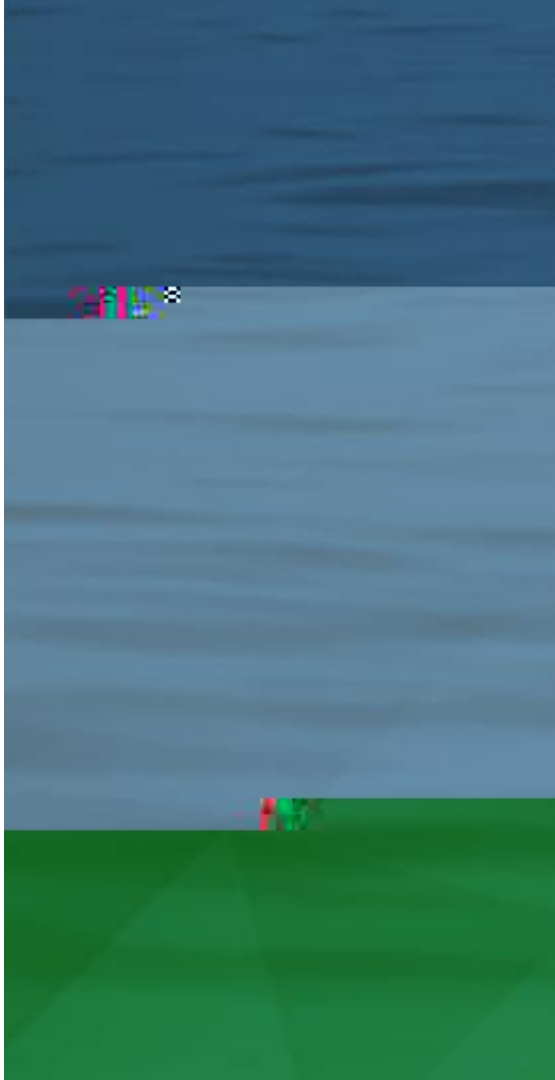

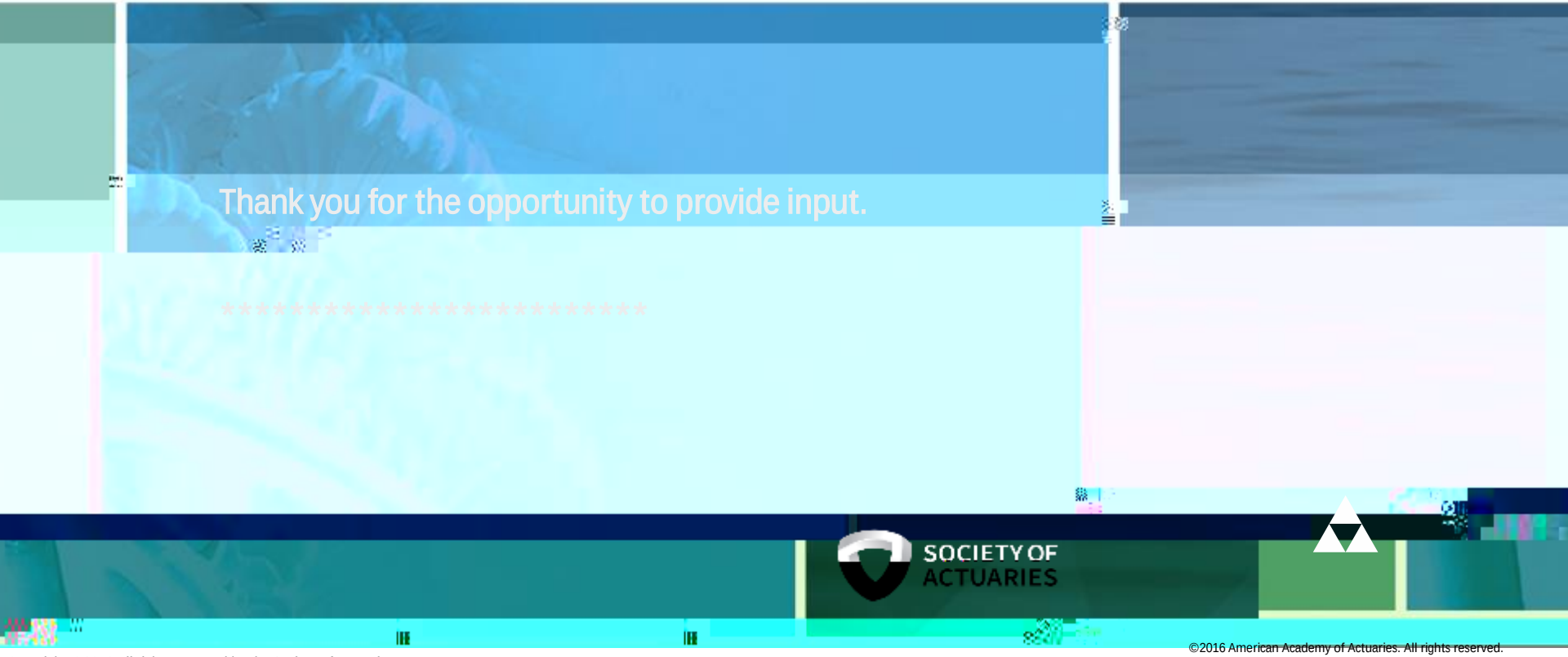

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