Hot Notes™

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# DYNAMIC CHANGE IN UNDERWRITING

## AN INTERVIEW WITH KEVIN OLDANI

Kevin Oldani is SVP and Chief Underwriter at Hannover Re. He has 35 years of experience in our profession on the direct side and with both ING Re and Scottish Re before joining Hannover in 2009.

Kevin has been involved in leadership roles in underwriting associations and other groups. As an AHOU officer, he chaired the program committee.

Because of his keen insights into our industry, we asked Kevin to share his perspectives by responding to 4 questions about where underwriting and the industry are headed.

He graciously agreed.

***How do you balance speed of decisions with needing the proper underwriting requirements to meet your mortality goals?***

We need to consider the overall economics of product pricing, including underwriting expenses, placement rate and persistency... not just mortality. Dynamic underwriting processes, which are gaining traction in our industry, help us balance the need for speedy decisions with the need for requirements.

In these new processes, the underwriting requirements are determined based on the risk profile and information available for each individual applicant rather than a static age/amount grid. This enables insurers to require more underwriting information from riskier/questionable applicants and less underwriting information from lower risk applicants.

Kevin Oldani
Senior Vice President and Chief Underwriter
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As a result, customer experience for many applicants will improve, and this should positively impact the placement rates, purchase decision and lapse rates.

***As the way people purchase life insurance changes, how will the new business process change from an underwriting perspective?***

With the evolution of new underwriting paradigms, a number of things will change, most notably: the application itself, the application process, and the data used in risk selection.

The application with regard to collecting medical questions will change, and warm transfers to tele-interview and online self-response will become more common. More direct-to-consumers marketing may

change the way the Home Office will interact more directly with the applicant. I also expect increased utilization of automation and predictive analytics as part of the underwriting process.

As e-processes take over, the days of agent-collected paper applications are numbered. Soon, we will see the majority of applications completed on computers or smart devices such as iPhones or tablets.

We will continue to use different information to determine the risk class, but it all must be vetted to insure proper use. The vetting process must include that the information is verifiable, accurate and explainable to the consumer. We must make sure these new data do not discriminate against any one class.

The ultimate objective is to sell more life insurance to people who are currently not purchasing. Adding data points gives us the potential to refine the underwriting process and decrease the time it takes to make a decision.

***Predictive modeling has been focused more on the non-medical risks. Do you see this evolving more into medical risk selection?***

Yes. Predictive analytics can also provide additional insight into evaluating medical information. Lab Scoring is one example. The multivariate aspect of predictive modeling can help break down the "silos" of underwriting information so that we can approach risk selection more holistically.

As electronic health records are made available we will build models that are dependent on the input from these records: less manual review and more electronic review. Only the most difficult or multi impaired risks will be seen by an underwriter.

***Using alternative tools to underwrite, what risks are you most concerned with that might slip through the net and impact mortality?***

When we consider alternative underwriting tools and risks that might slip through, several concerns come to mind. These include smoker non-disclosure, producer steering and undiagnosed impairments such as diabetes, hypertension and high cholesterol. Additionally, applicants who have an optimistic view of their BMI due to self-reported height and weight may be a concern.

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