



# MORATORIUM UNDERWRITING

Reduced Underwriting –  
why, when and how?

India\_July 2013

SWISS RE  
**150**  
YEARS



# Some clarifications



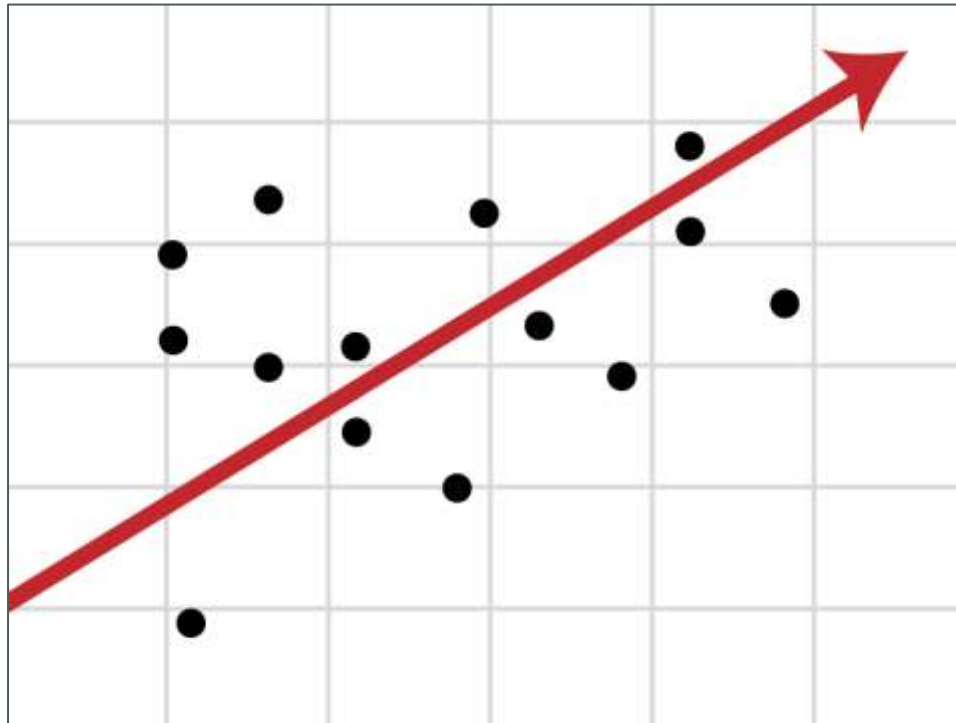


## Reduced underwriting means...

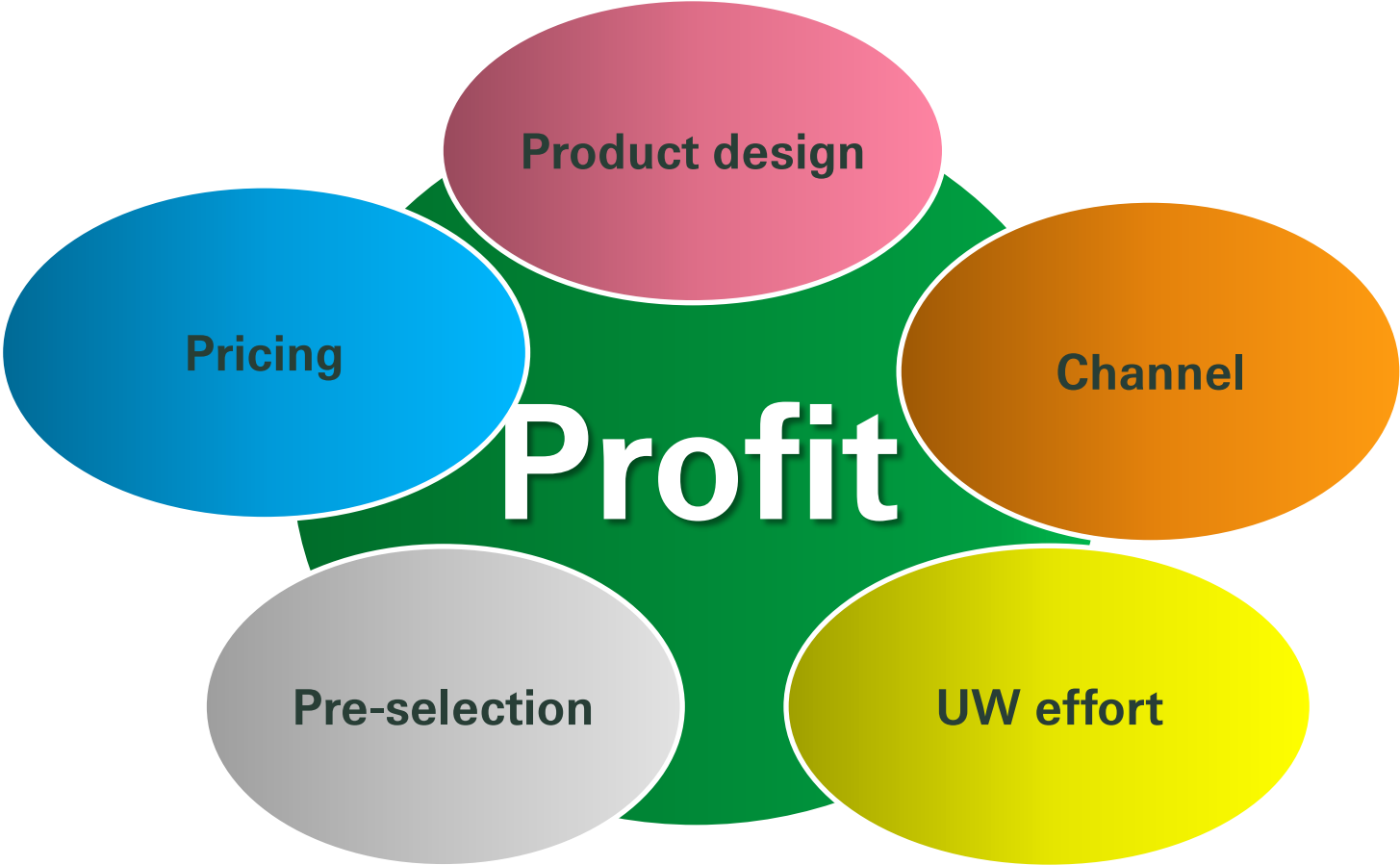
- an application process that does not employ the full range of questions and evidence requirements
- a range of approaches – from "condensed" questions to "zero" risk assessment (guaranteed issue)
- looking for substitute risk mitigators
- n o t straight through processing

## Underwriting is only one element of risk control.

- Think of UW as *one* independent variable in a regression analysis (with profitability being the dependent variable)



What are the **Controllable Variables of Profitability** (at inception)?





# Reduced Underwriting: why?



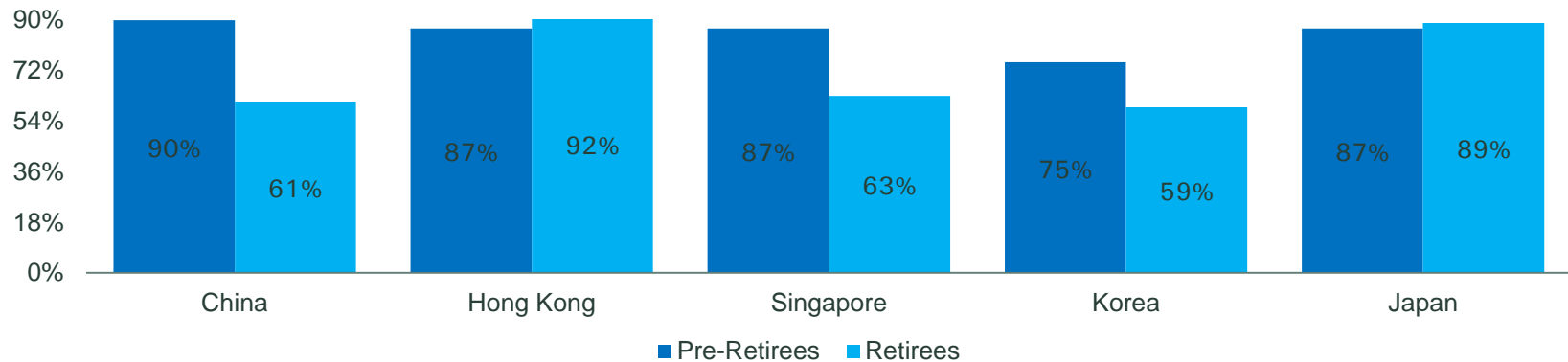
## RU enables sales.

- less hassle
  - for sales people
  - for the customer
- saving time
- making everybody happy?
  - convoluted questions?
  - additional questions asked?
  - limits?
- how often do customers go through an application process?
- how much do they care?



# Do they want to answer health related questions?

It is reasonable to be asked medical or health related questions...



## Comfort of disclosing medical or health-related info via different channels

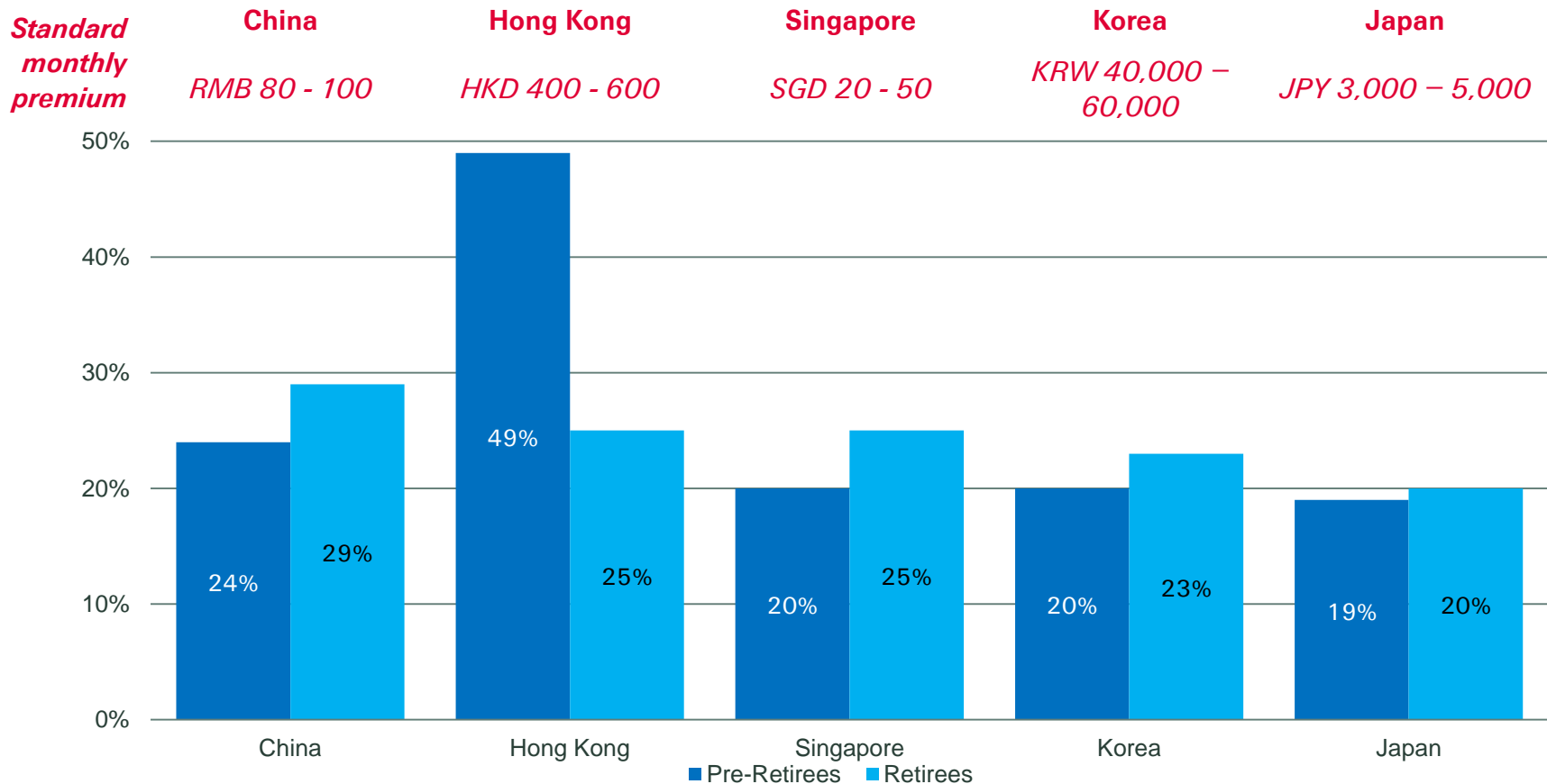
Channels sorted by number of the top preference acquired	China		Hong Kong		Singapore		Korea		Japan	
	Pre-retirees	Retirees	Pre-retirees	Retirees	Pre-retirees	Retirees	Pre-retirees	Retirees	Pre-retirees	Retirees
Insurance agents	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
IFAs	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	2 <sup>nd</sup>
Internet (Insurance Company Websites)	3 <sup>rd</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	3 <sup>rd</sup>
Bank staff	5 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>	5 <sup>th</sup>
Internet (Other Websites)	4 <sup>th</sup>	5 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	5 <sup>th</sup>	2 <sup>nd</sup>	4 <sup>th</sup>





# How much more are they willing to pay for not answering medical questions

## The price of answering medical questions



## RU: By the way, why not?

- less disclosure
- more adverse selection
- more drama at claims time
- can we price for this?
- is it compensated by sales volume?
- are we exposed to reputational risk?



# Why do we underwrite anyway?

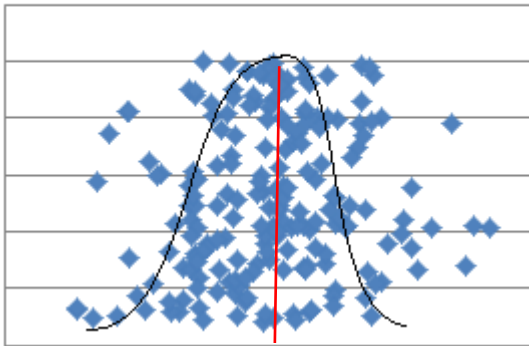
Underwriting does not change the mortality of an individual...

... but it does **reduce uncertainty**

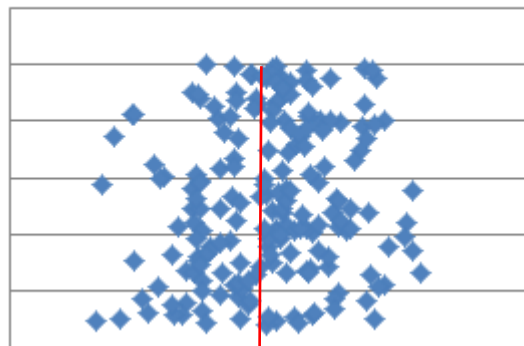
... and it does **reduce the mortality of a portfolio**

## Taking the portfolio view

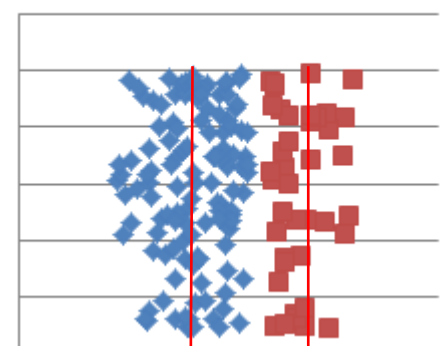
Population



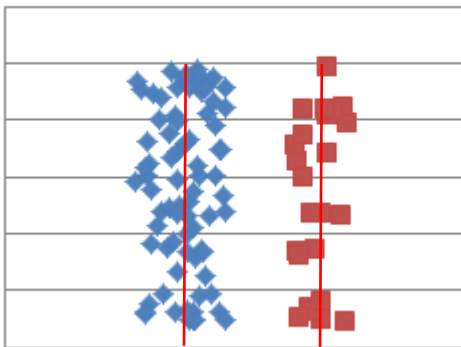
Insurance



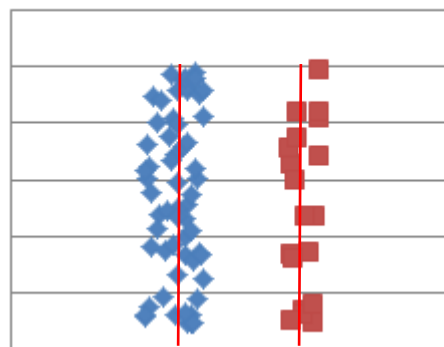
Insurance 5 Qs



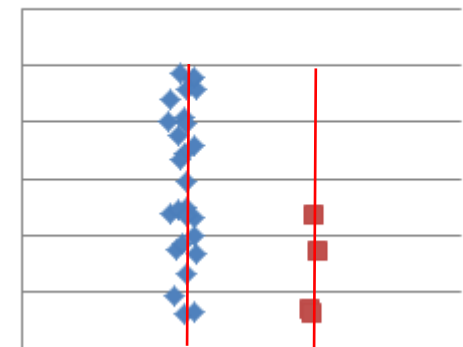
Insurance 15 Qs



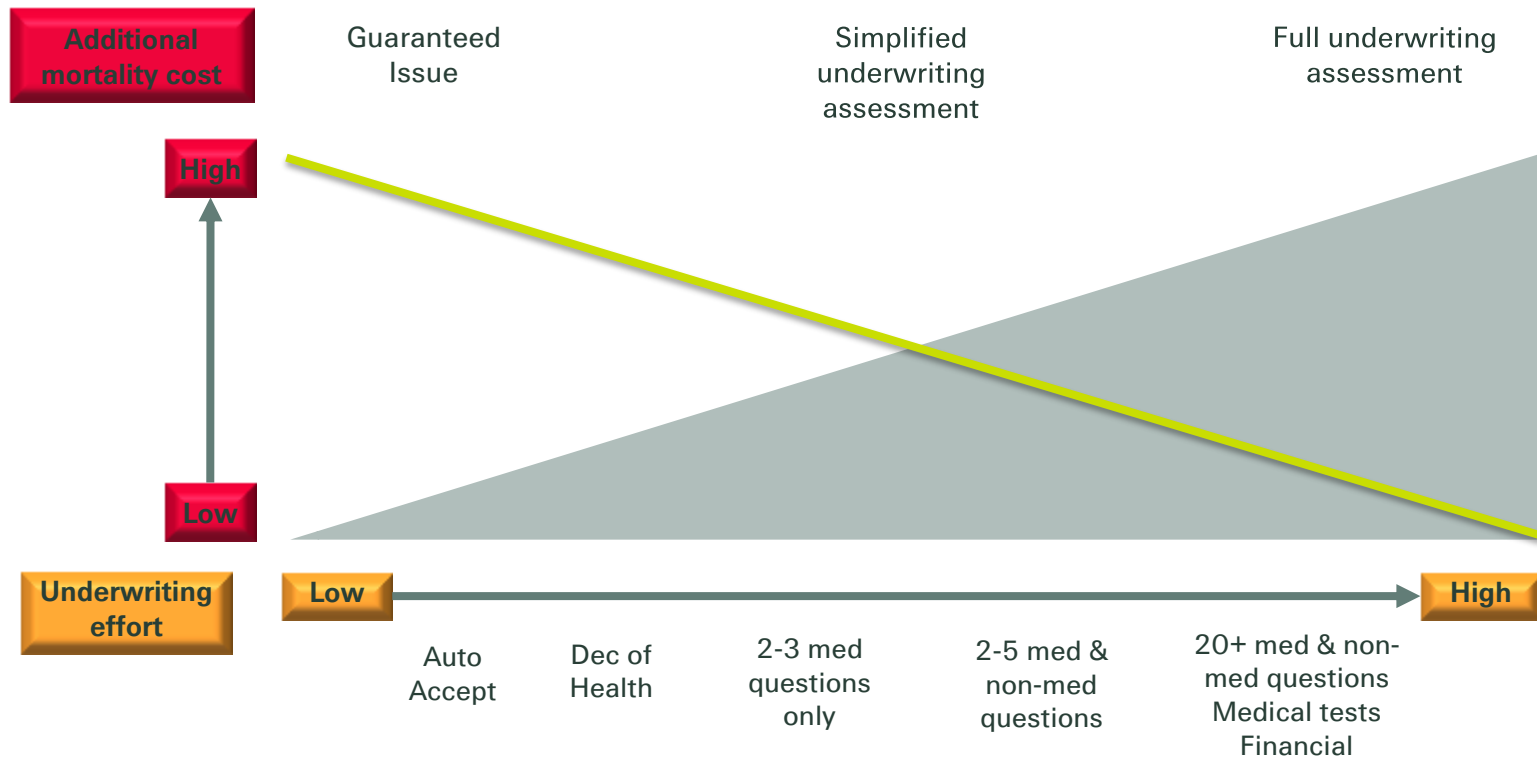
Insurance 15 Qs + Bloods



Insurance 15 Qs + Blood + other



# Balancing risk management, pricing and efficiencies



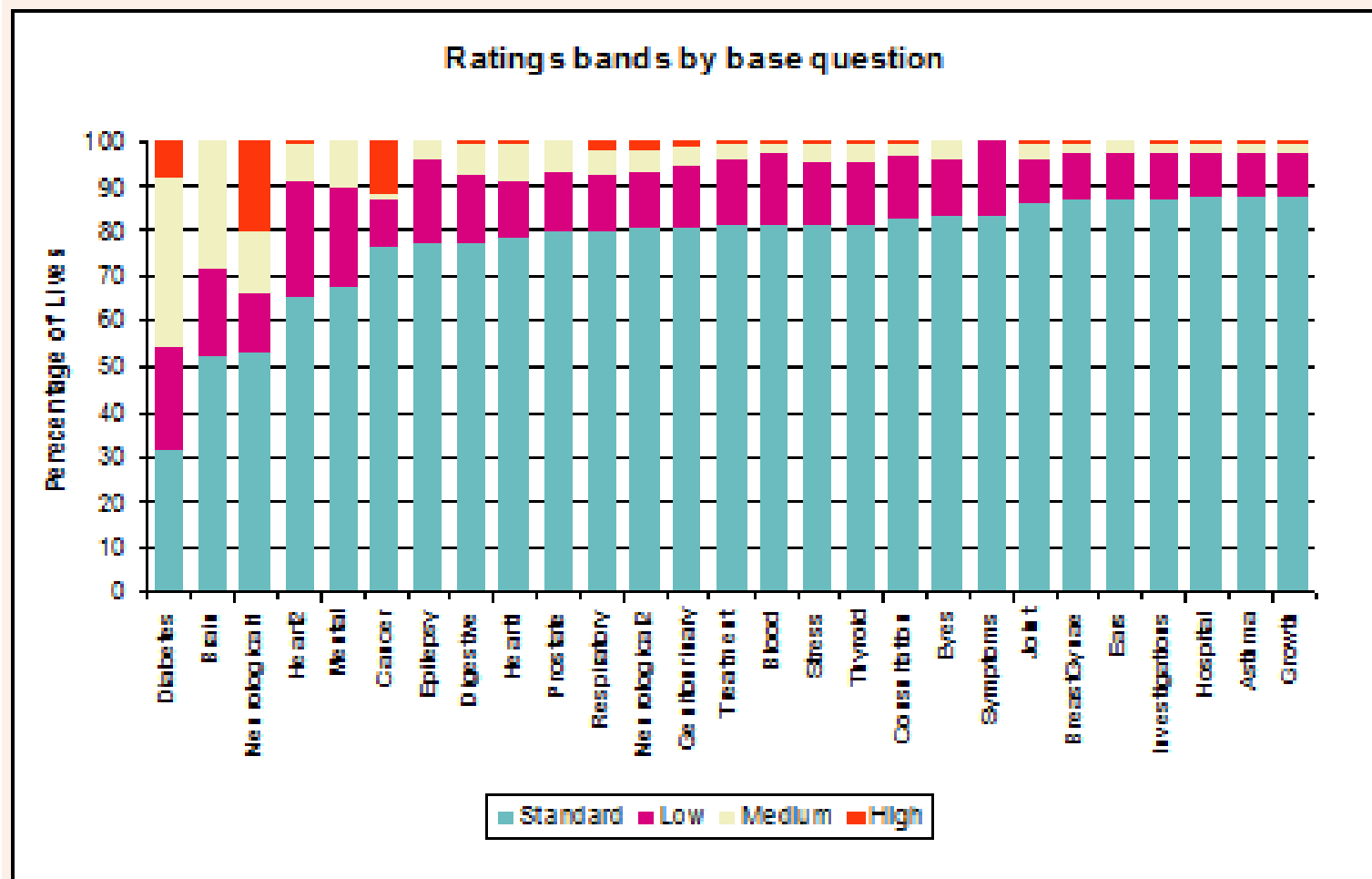


## Full vs. Simplified Underwriting (Example)

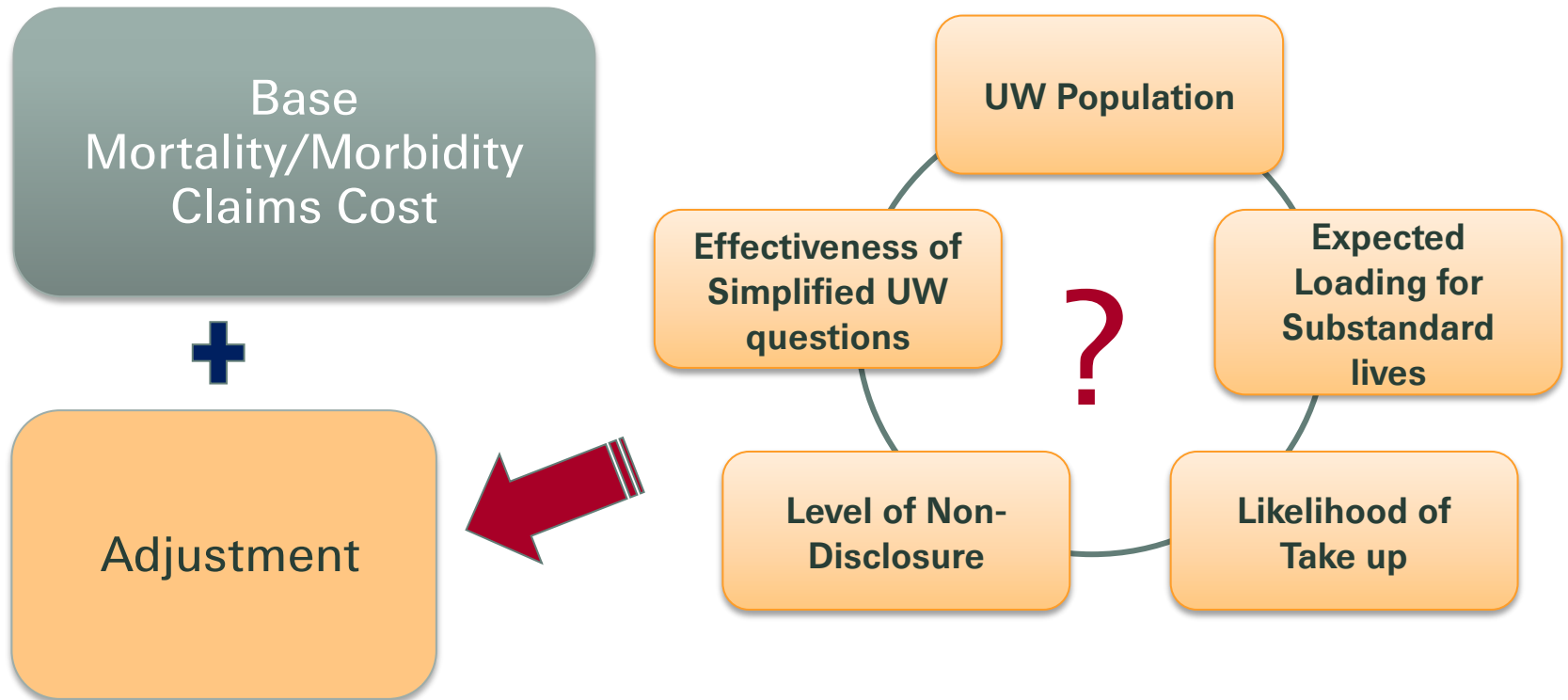
Full Underwriting	Simplified
<ul style="list-style-type: none"><li>• Have you ever been treated or told to have...64+ specific conditions in 11 categories</li><li>• Previous applications ever been postponed or accepted in special term</li><li>• Alcohol consumption</li><li>• Drugs</li><li>• Smoking</li><li>• Height and weight</li><li>• Travel – travel abroad for more than 3 months</li><li>• Regular doctor</li><li>• STDs</li><li>• HIV, AIDs (tested for or have)</li><li>• Medical tests</li><li>• Female conditions</li><li>• Financial details</li><li>• Past time</li><li>• Occupation</li><li>• Family history</li></ul>	<ul style="list-style-type: none"><li>• Have you ever been treated or told to have...15 specific conditions</li><li>• Consulted a doctor in the last 3 years</li><li>• Past time</li><li>• Occupation</li><li>• Family History</li></ul>



# Impact of specific health questions on UW outcomes



# Costing Considerations for RU







## Distribution Channels

Favourable

- Outbound TM
- Bank
- Direct Marketing
- Upsell Cross sell campaign

Less Favourable

- Inbound
- Agency
- Financial Adviser

## Other Risk Mitigators

- Pre-existing clause
  - understandable?
  - policable?
- RoP
  - time?
- Accident only
- Lien
- Age limits
- Sum assured limits

## Other Risk Mitigators (cont'd)

- Pre-selection
  - occupation
  - age
  - affinity
  - geography
  - health (own data)
  - .....
  - ...pre-selecting (favourable) characteristics



## Risk modelling/data analytics/predictive underwriting

- predicting (health) outcomes in a defined cohort
- using non-traditional data
  
- Issues:
  - finding and accessing data in a workable format
  - addressing the predefined population
  - (unfair) discrimination?



What else?

Fundamentals!!!





Our business as insurers is...

...to offer peace of mind...

... to be able to cope with the financial consequences of life's risks



## Offer peace of mind...

- *My policy pays out when I need it*
- *I have a good chance of getting a fair policy (cover and price)*
- *There will be no surprises when applying, buying or claiming*
- *Help will come quickly*
- *I got the right advice*



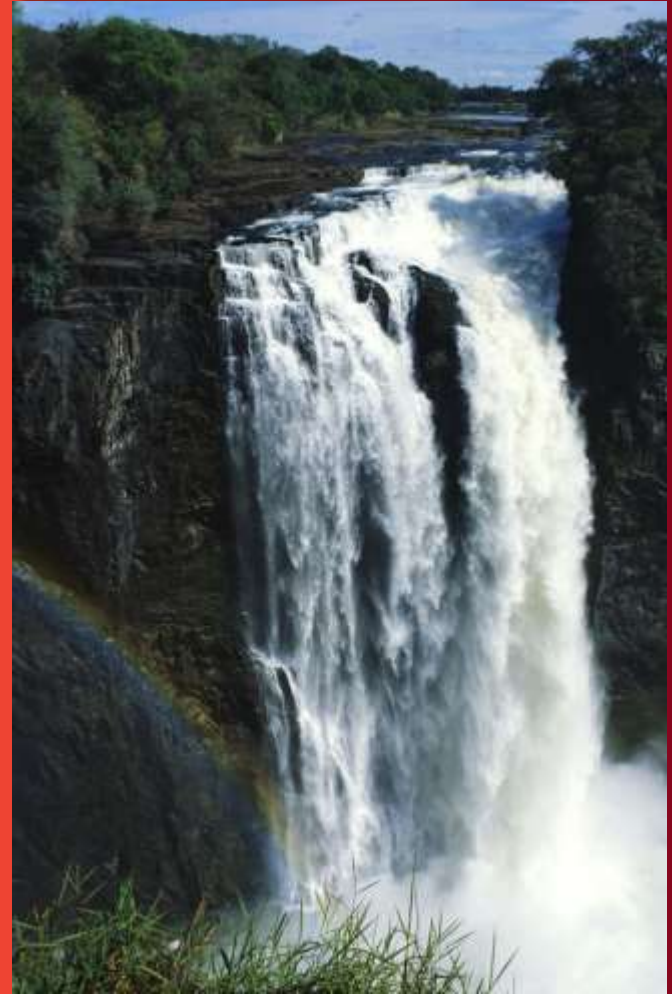
Our business as insurers is...

...to offer peace of mind...





# Summary/conclusions





## Summary/conclusions

- Reduced UW is on high demand
- It can be done
- We use clever tools to make it work
- We should always ask ourselves how important and beneficial our concepts are *for the insured*
- Are we offering peace of mind?

Swiss Re



Questions/comments?

SWISS RE  
**150**  
YEARS



## Legal notice

©2013 Swiss Re. All rights reserved. You are not permitted to create any modifications or derivatives of this presentation or to use it for commercial or other public purposes without the prior written permission of Swiss Re.

Although all the information used was taken from reliable sources, Swiss Re does not accept any responsibility for the accuracy or comprehensiveness of the details given. All liability for the accuracy and completeness thereof or for any damage resulting from the use of the information contained in this presentation is expressly excluded. Under no circumstances shall Swiss Re or its Group companies be liable for any financial and/or consequential loss relating to this presentation.