



Data provided by ExamOne compares applicant responses.

Tele-Underwriting vs. Paramedical Collected Underwriting Information

For some time now the life insurance industry has believed that tele-underwriting produces higher quality information relative to that collected via other mediums. That statement falls one step short of being useful. What is significant is the actual quantification of this statement from an underwriting/actuarial perspective. The value depends upon the benefit. Benefit depends upon surprise debits uncovered. These features lie at the foundation of a protective value study.

First Steps. How is value described? Let's consider a simple example. The industry is flush with data on the mortality associated with smoking. Underwriters need to be able to identify smokers to ascribe them to their appropriate risk class. Not all underwriting tools are created equal for detecting smokers.

ExamOne provided data that allowed us to compare tele-underwriting exam results with paramedical exam results on nicotine use and other medical questions. When the initial response to an exam question is "yes", it is followed by drill down questions. The de-identified data came from a market served by both paramedical exams and tele-interviews. The agent selected the path (tele-underwriting vs. paramedical) so the target market remained the same. The results came from two distinct sets of applicants. Table 1 presents the proportion of applicants who answered "yes"

to the question relative to the population of applicants within each exam type. In other words, out of all the tele-underwriting exams conducted, the answer to the nicotine question was "yes" 22.9 percent of the time. On the other hand, in the paramedical exam population, this question was answered "yes" 8.1 percent of the time. Table 1 contrasts the number of times an applicant said "yes" to various questions via the tele-interview process and the paramedical exam.

Table 1

Impairments Identified	Tele-Underwriting	Paramedical
Nicotine	22.9%	8.1%
Stroke	1.1%	0.7%
Cancer	8.1%	4.9%
Alcohol/Drugs	2.6%	1.6%
Mental	10.5%	5.7%

These are striking differentials that deserve deeper investigation. For example, additional nicotine questions to consider include:

- What type of nicotine is used?
- How much nicotine is used?
- When was nicotine last used?

Then we can calculate the mortality implications inherent with this question applying our knowledge of smoker mortality. These differentials will enable us to define the difference in expected mortality outcomes between the two processes.

We are going to research these and related examination questions in more detail throughout 2015. Stay tuned to learn how these findings and the greater detail uncovered drive quantifiable outcomes that will better help you manage your business going forward.

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