

Automated Underwriting Cuts Fraud, Errors and Omissions

Carriers that have begun implementing automated underwriting share the lessons they have learned in the process.

By Mary M. Art

The insurance sales and purchase process can be time-consuming for everyone involved. Even after an application is submitted, weeks or even months may pass before a policy is issued. Companies are seeking to streamline this process in order to meet the expectations of all stakeholders, including financial professionals and prospective buyers.

To learn more about what actions companies are pursuing to automate underwriting, LIMRA surveyed 60 companies in the United States and Canada and found **nearly two-thirds already have implemented automated underwriting** for at least part of their business.

With automated underwriting, everyone benefits. Companies gain access to information in order to make more accurate decisions, process more business and issue policies faster. Financial professionals benefit from greater ease of doing business thanks to faster policy issue and the potential to use e-applications, e-signatures and e-delivery. Clients and prospects benefit from less intrusive underwriting practices that make the purchase process faster and more convenient.

Getting Started

Term life insurance is the product most typically underwritten through automated solutions, with whole life and universal life the next most common products for automated underwriting.

There are three main approaches to automating underwriting. Companies often use more than one of these methods depending on policy size, underwriting category and so on:

» **Fully automated underwriting** is

completed by a program that enables rules-based risk assessment. Risks are accepted or declined based on specific rules; underwriters are not part of the process. This often is used with simplified issue products.

» **The triage approach** uses a program to select a group of policies that may be fully automated and a group of policies to be reviewed by an underwriter. This is the most common approach used today.

» **Partially automated underwriting** applies rules-based assessments prior to review by underwriters.

Finding Success

Companies may have multiple goals for automated underwriting, but all of them seek to reduce the time it takes to issue policies. Other goals include reducing policy issue costs, achieving consistent decisions and meeting consumers' expectations. **Eight in 10 companies that currently use automated underwriting solutions report success with them.**

Companies report automated underwriting is most successful in reducing fraud, errors and omissions; achieving consistent decisions; and reducing the time to issue policies (See chart).

Overcoming Challenges

As they develop automated underwriting solutions, companies face multiple challenges, most notably in allocating human and financial resources. Companies shared a number of best practices, such as start small and add to the systems based on learning from early initiatives. Companies that are developing automated

underwriting also encourage companies that are considering it to design carefully upfront and then monitor the systems, testing regularly and making adjustments as needed along the way. It is important to involve all parties — marketing, underwriting, actuarial, information technology — to ensure buy-in and a well-thought-out design.

Looking Forward

Companies that have already built solutions have plans to improve them. Some plan to integrate straight-through processing, e-signatures and e-delivery into their solutions. Others will incorporate additional data sources and predictive



modeling as they seek to replace paper, increase accuracy and reduce the time to issue policies.

Automated underwriting can help companies move toward greater efficiencies with underwriting and policy issue. As companies streamline this process, they can expect to increase business and better meet the expectations of their customers, both prospective consumers and financial professionals. [in](#)

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