



## The Revolution In Impaired Risk Underwriting

by Allan D. Gersten, CLU, CFP®, ChFC, as seen in



Impaired risk underwriting isn't what it used to be. Advances in medical technology, big data, and information sharing are transforming it from a 1970 Plymouth into tomorrow's Tesla.

The dramatic changes are ushering in new processes, assisting with creating enhanced metrics, and opening the way for underwriting methods that are innovative, refreshing, and far-reaching—for both clients and advisors.

Enormous strides in medical technology are making available new and improved clinical testing, evaluation and diagnosis. Couple these striking enhancements with improved underwriting knowledge and understanding, and life insurance underwriters have the ability to make better offers.

Following is how these methodologies contribute to improvements in IR underwriting.

### **Use of prescription database**

Using this database can help determine the reality of a client's medical status without ordering an APS. This can be helpful when it's unlikely that an APS review will add significant additional information. Quite often an acceptable offer can be made when it seems that there is relative clarity in the client's medical status.

### **Use of big data**

Information pertaining to a client's habits, lifestyle and status that may or may not add up to various risk factors is now instantly available. Access to this information can be invaluable for both simplified and full underwriting, as it provides information on the risk that was unavailable or difficult to access previously.

### **Use of interviews, Internet, MIB and Consumer Files**

Taken together, these four factors are critical underwriting components. Use of the Internet helps to ferret out lifestyle evidence that can contribute to making or breaking a case.

MIB searches and personal interviews have long been used and are still key components in building the client's file. Access to various other databases can provide the underwriter with information that was difficult or impossible to obtain previously. These information sources speed cases along and help to minimize underwriting requirements.

### **Use of a wide variety of manuals**

Historically, companies would use a single manual to assist in assessing a risk. Some larger life companies had proprietary manuals built for their use. Now, it's not unusual for companies to have two or three manuals. And several companies have four manuals for risk assessment.

Using strengths from each of multiple manuals can make for very aggressive offers with competitive pricing that can mean the difference in placing the case or not getting the business.

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## Use of up-to-date medical research and testing

There is an accelerating trend in the quality of diagnostic tools for underwriting such major risks as cancer, heart disease, and diabetes that helps clinicians and underwriters recognize and classify the medical issues patients and proposed insureds are facing.

New medical and drug treatments that are continuously coming online have also accelerated the pace with which patients' health outlook, status, and prognosis can improve.

Carriers have removed requirements for echocardiograms with many substantially reducing their requirements for an EKG, and substituting the NT-Pro BNP blood testing at certain ages.

All of these factors have a positive effect on mortality and help the underwriter make offers that are better than ever.

## Underwriting personal habits

The outlook for improvements when dealing with personal habits remains a mixed bag:

**Alcohol abuse.** The position of life carriers regarding alcohol abuse is relatively unchanged. A mild or moderate abuser can secure a mild or moderate rating. Anything more severe typically will be rejected, requiring a number of years of sobriety and abstinence to obtain an offer. In addition to the use of the APS, driving records, and interviews, there are multiple lab markers used to help in evaluating the applicant's usage.

**Addiction and Abuse of Narcotics** has become more prevalent and is challenging when making offers. Offers are made, but the compliance and control are important.

**Underwriting Marijuana and Cigar Usage** continues to improve so that preferred nonsmoker offers are available.

**Driving Under the Influence.** The circumstances, occurrence dates, current habits and particular carrier niches all impact offerings. In other words, the details are important.

Hot areas with recent improvements in offers:

- Seniors - Over age 70 now available with multiple credits; better with acute coronary syndrome.
- Sleep Apneas - Some are now available at preferred rates
- Asthma - Can secure preferred rates.
- Prostate Cancer - Using watchful waiting over age 65. Previously uninsurable clients can now get standard ratings.
- Hepatitis C - Using new drugs, previously a declination or highly rated can be cured. These clients can now secure standard or even preferred rates.
- Cancer - Certain cancers can receive preferred nonsmoker treatment.
- Diabetes - Preferred rates are now possible for an increasing number of well controlled diabetics.
- Heart Disease - Single vessel coronary artery disease can get preferred nonsmoker rates.
- HIV - Clients with HIV can now get offers from a number of companies. This is an example of companies considering a previously uninsurable medical scenario because of historic data and medical advances.

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All in all, more insurance companies are improving their rate classifications for a variety of risks. This is due to improved mortality data, as well as treatment protocols that are more promising for patients' long term health.

Companies have developed mathematical algorithms to determine where they can speed up the underwriting process, improving costs while they are saving time. The life insurance industry has been trending toward doing less testing, particularly where blood and urine tests are no longer needed.

They have also downgraded the need for a physician's exam to a paramedical exam, and more often we can expect to see downgrades to no exam at all. Simplified underwriting can use automated underwriting techniques to make offers that range from preferred classes to clients that get offered policies with moderate ratings.

### Projections for future trends

- There will be an acceleration of use of new and improved testing by both clinicians and insurance companies to help improve mortality.
- Companies will find more pathways to avoid ordering attending physician statements, relying on personal health interviews and searching various databases for relevant information. However, some companies are avoiding personal inspections and gathering what they feel is sufficient information from various databases.
- Predictive modeling becomes more important and more useful in evaluating mortality than ever expected.
- More companies will avoid using EKGs.
- Companies will have their own unique methodologies for evaluating labs.
- Medical breakthroughs will allow better mortality and offers where previously there were none.
- More clinicians working with gene testing are having an impact on client offers.

It's becoming clear that companies will be relying on their own resources to refine their modus operandi in underwriting a case. This means they will make good, profitable offers while maintaining an appropriate and workable market share.

Life insurance companies will find advanced selection techniques that save time and money. This is good news for advisors and their clients. Clients will benefit from a long awaited streamlining of the underwriting process by receiving better offers, and those that best reflect their actual health, while advisors will deliver the best possible products at a highly competitive cost.

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