

Underwriting Risk Assessment

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Technical Seminar: Improved Risk Rating

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Improved Risk Rating

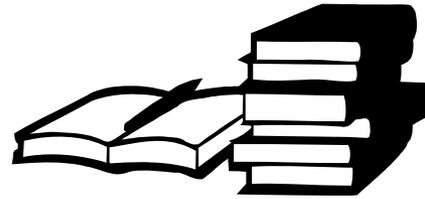
Agenda

- **Proposal forms:**
 - Importance of well designed forms
 - Comparisons of questions
 - Examples
 - International norms / proposal forms
 - Examples
 - Proposal form design - suggestions

Importance of well designed proposal forms

- **How does the underwriter select lives?**

- **Proposal form**



- **Medical Tests**



- **Financial status**



Information obtained from a proposal form

- **Material facts**

- Age & sex of the applicant
- Lifestyle issues (smoking, alcohol consumption, use of drugs)
- Occupation
- Participation in hazardous sports or activities
- Residence overseas in the past or in the future
- Personal medical history
- Current medical condition
- Family medical history

Importance of well designed proposal forms

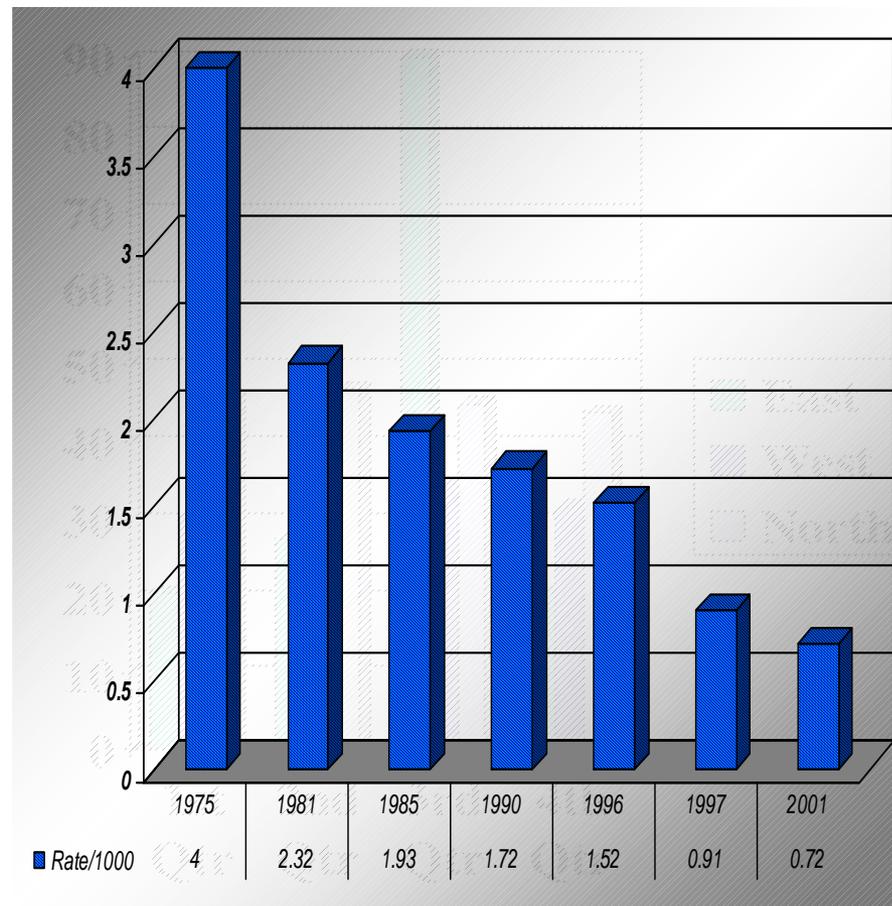
- **Potential for anti selection**
 - Higher rate of non-disclosure
- **Clear, concise and unambiguous questions**
- **Negative publicity**

Importance of well designed Proposal Forms

- **Increasing non medical limits**
 - Market ranges
 - Ages up to 35: R1 500 000 – R8 000 000
 - Ages 36-45: R1 500 000 – R5 000 000
 - Ages 46-55: R500 000 – R3 000 000
 - Ages above 55: R500 000
- **Rates decreasing**

Will The Future Slope Remain Downward?

- Mortality built on strict underwriting (process secondary to risk segmentation)
- Mortality built on solid aggregate premium not super preferred nonsmoker “water walkers”





Annual General meeting of Underwriters with more than 10 years service with one company

Proposal forms ABI Guidelines

- **One of the reasons people fail to disclose can be because of the inadequacies in proposal form design.**
- **Non disclosure Declaration**
 - Should be prominent
 - Detail consequences of non disclosure
 - Easy to understand
 - Plain English should be used.

Helpful Information?



Proposal Forms - SA market comparisons

- **Smooth flow of Underwriting questions**
 - Hazardous activities pursuits placed in between height and weight and habits
- **Spacing on application forms**
 - Legal implications
 - Ease of underwriting
- **Legible questions**
- **Non smoker declarations, not included**

Proposal Forms - SA market comparisons

- **Clause protecting company during “take-on” period omitted**
- **Acceptance of loadings or exclusions up front**
- **Question about MVA and short term insurance claims**

International Comparisons

India

- **Client identification**
 - Client issued with Pin number to be used in transactions with the company.
- **Inducement to take out insurance through rebate of premiums or commission prohibited.**
- **Authorisation for the insurer to contact employer to divulge any information required.**

India

- **Agent's confidential Report**
 - Contains specific questions regarding
 - Agent / client relationship
 - Financial position of the client.
 - Agent required to make a declaration
 - “Are you aware of anything about the Life to be Assureds’ lifestyle, participation in hazardous sports, habits, medical history, health or any other risk factor that would have an adverse effect on his her insurability?”
 - Effectively, makes the agent the first line of underwriting.

United Kingdom

- **Some companies request completion in Black INK and BLOCK CAPITALS**
 - Much easier to decipher – underwriters dream
- **Cancer Question**
 - “In the last five years have you had a lump or growth of any kind, or any mole or freckle that has bled, become painful, changed colour or increased in size?”
- **Catch all Question**
 - “Are you currently experiencing any symptoms or disorders for which you have not consulted a doctor?”

United Kingdom

- **One company offers the application in large print, Braille or on audio tape or CD**
- **Warning included in some proposal forms**
 - Advises that the life insured should complete the proposal form
 - Blocks included to indicate whether agent or assured completed the form

United Kingdom - Family History

- **“Have any of your parents, brothers, or sisters ever had any of the following medical conditions before they reached age 60?”**
 - Alzheimer’s disease
 - Cancer
 - Diabetes
 - Haemochromatosis
 - Heart disease (including cardiomyopathy, heart attack or angina)
 - Huntington’s disease
 - Kidney failure or polycystic kidney disease
 - Motor neurone disease
 - Multiple sclerosis
 - Parkinson’s disease
 - Polyposis of the colon
 - Stroke
 - Any hereditary disorder?
 - If YES details of the relative, age at diagnosis, type of disorder including site/type of cancer.
 - *We would need to add cholesterols, and HPT*

Personal Details

- | | | First Life | | Second Life | |
|--------|---|------------|----|-------------|----|
| 1. (i) | What is your height? | | | | |
| (ii) | What is your weight? | | | | |
| 2. | Do you smoke tobacco? | Yes | No | Yes | No |
| | If YES, please enter the amount of all tobacco products below. | | | | |
| | Cigarettes per day | | | | |
| | Cigars per day | | | | |
| | Tobacco grams per day | | | | |
| 3. | Do you drink alcohol | Yes | No | Yes | No |
| | What is your average weekly consumption? | | | | |
| | (one pint = 2 units, a bottle of beer is 1½ units, a standard glass of wine or a single measure of spirits is one unit) | | | | |

Occupation / Activities / Travel

- | | | First Life | | Second Life | |
|----|--|------------|----|-------------|----|
| 4. | Please state your occupation | | | | |
| 5. | As part of your occupation, do you work at heights or underground or carry out any other potentially hazardous activity? | Yes | No | Yes | No |

Note:
Please answer carefully, giving full details and, if necessary, use a separate sheet for additional information. Tippex should not be used on the application form, if you need to alter an answer please put a line through the incorrect part of the answer and initial the alteration.

Note:
If your occupation is "Company Director" please advise the nature of the business

Please complete this section if "Own" is required"

Do any of the following activities form an essential part of your work?

- a) Manual or physical activity
If YES:
Percentage of time
Please give nature of this activity
- b) Use of machinery or tools?
If YES:
Percentage of time
Please give nature of this activity
- c) Annual business mileage greater than 25,000 miles (40,000 km)?
- d) Working at heights?
If YES:
Average height worked

Note to Financial Advisor:
Please consult the online Occupational Benefits Guidelines (in the Underwriting section of the Broker Centre) to check if your client's occupation is acceptable or "Own" Occupation PTD cover.

Note
Please sign the appropriate boxes at the bottom of Part A
Declaration (continued on next page)
Part A
(i) Data Protection

USA

- **Moral hazard, accident and financial risk**
 - “Have you been convicted of a felony or are currently on parole for any offence?”
 - “Within the past 7 years, have you filed for bankruptcy?”
- **Treatment**
 - “Have you been prescribed medication in the last 5 years not previously mentioned?”
 - Provides reasonable space for answers
- **Declaration**
 - I authorise the Insurer to obtain an investigative consumer report on me or on any member of my family who is also applying for life insurance.”
 - Authorization valid for a period of 30 months

Australia

- **Cancer**

- Company found high rate of non disclosure of breast cancers
- Included new question – specifically asking about breast cancers and breast lumps.
- Might also have highlighted relevant condition e.g. Cancer, growths or lumps; including **breast cancer**

- **Declaration**

- Lives assured under 20 automatically get smoker rates.
- From age of 20 can request non smoker rates if non smoker.

- **Very detailed questions – built in questionnaires**

- **One company considers rugby a hazardous sport!**

Proposal Forms – design suggestions

- **Intermittent review of medical questions**
 - Compare with claims experience
 - Involve underwriters, claims, legal and marketers.
- **Non- disclosure**
 - Highlight non-disclosure clause e.g. in bold print
 - Include non-disclosure clause at the beginning of the proposal form.

FAILURE TO DISCLOSE RELEVANT INFORMATION MAY RESULT IN NON PAYMENT OF A CLAIM

The application booklet

This form is made up of the following sections:

1. cover applied for
2. scheme holder
3. about policy / what are the reasons for your cover?
4. about the applicant
5. existing cover
6. occupation
7. pastimes
8. health and lifestyle details
 - a. doctors details
 - b. medical history
 - c. health in the last five years
 - d. health in the last five years – other
 - e. medical questions – other
 - f. family health
9. when would you like to cover the commence?
10. access to medical reports
11. medical declaration and consent
12. general declaration and consent
13. “declaration for scheme holder(s) who are not a life assured”
14. Bupa data protection notice
15. accidental death benefit cover

Proposal form design – suggestions

- **Ask for medical aid details**
 - Useful tool in claims assessment
- **Focus groups**
 - Group of people from target market to complete proposal form.
 - Follow up interview to compare answers
- **Financial Underwriting**
 - Up front financial underwriting

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Proposal Forms

- **Important part of risk rating**
- **Involve underwriters, claims and marketing in design**
- **Wording must be clear, concise and easily udnertsood**

Warning signs



Thank You!

Questions?



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