



# Underwriting.....bovverred??

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# Agenda

- Why underwrite
- Have we changed the way we underwrite
- How do we continue to make a difference in future



# Can we win popularity contests?





# Should we underwrite?





## Should we underwrite?

### YES

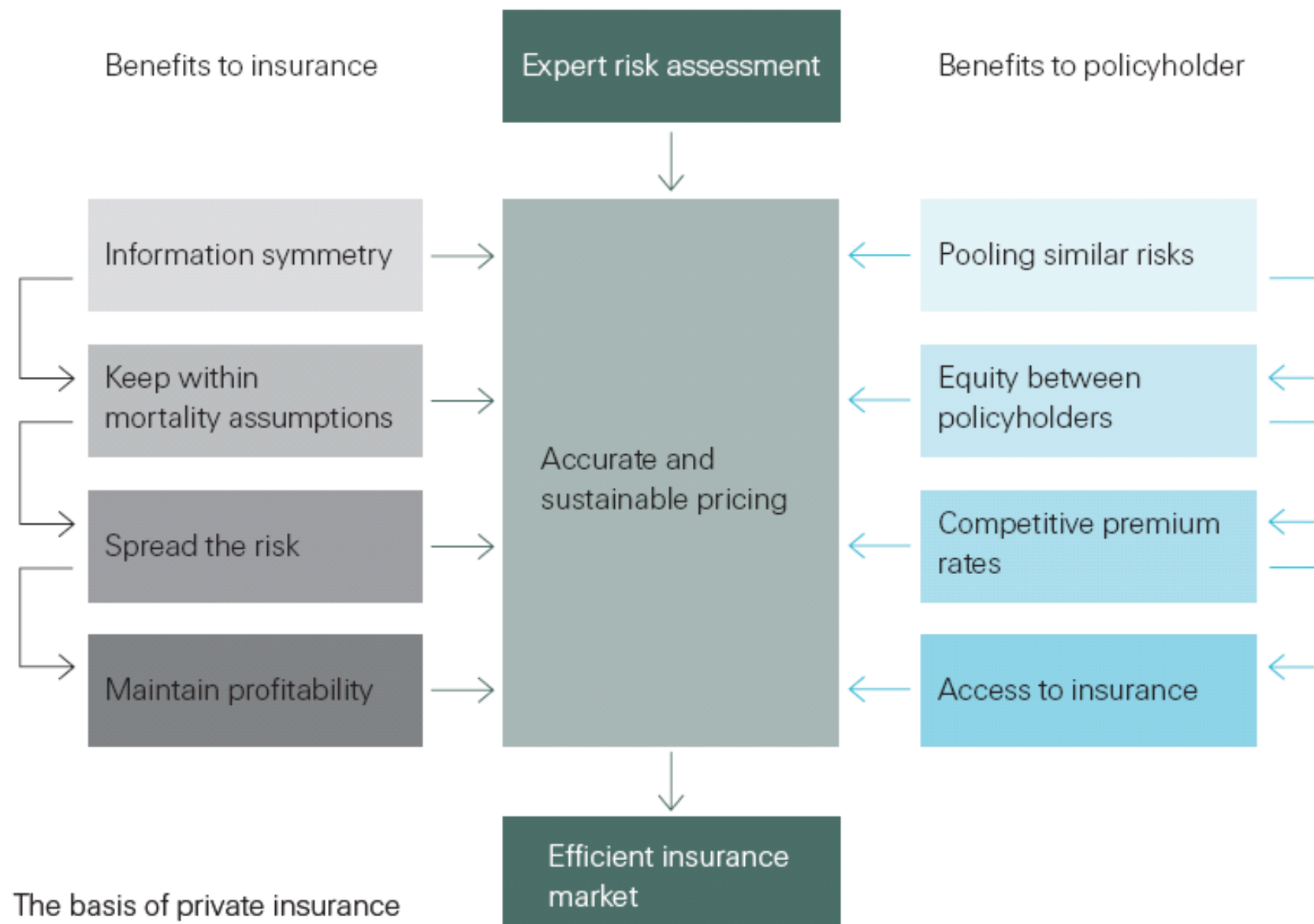
- Equal treatment for equal risks
- To remain competitive
- To protect against anti-selection
- To keep within the mortality assumptions used in calculating premium

### NO

- Simple to apply for coverage
- Increased sales
- Reduced acquisition expenses (u/w requirements)
- Reduced staffing costs



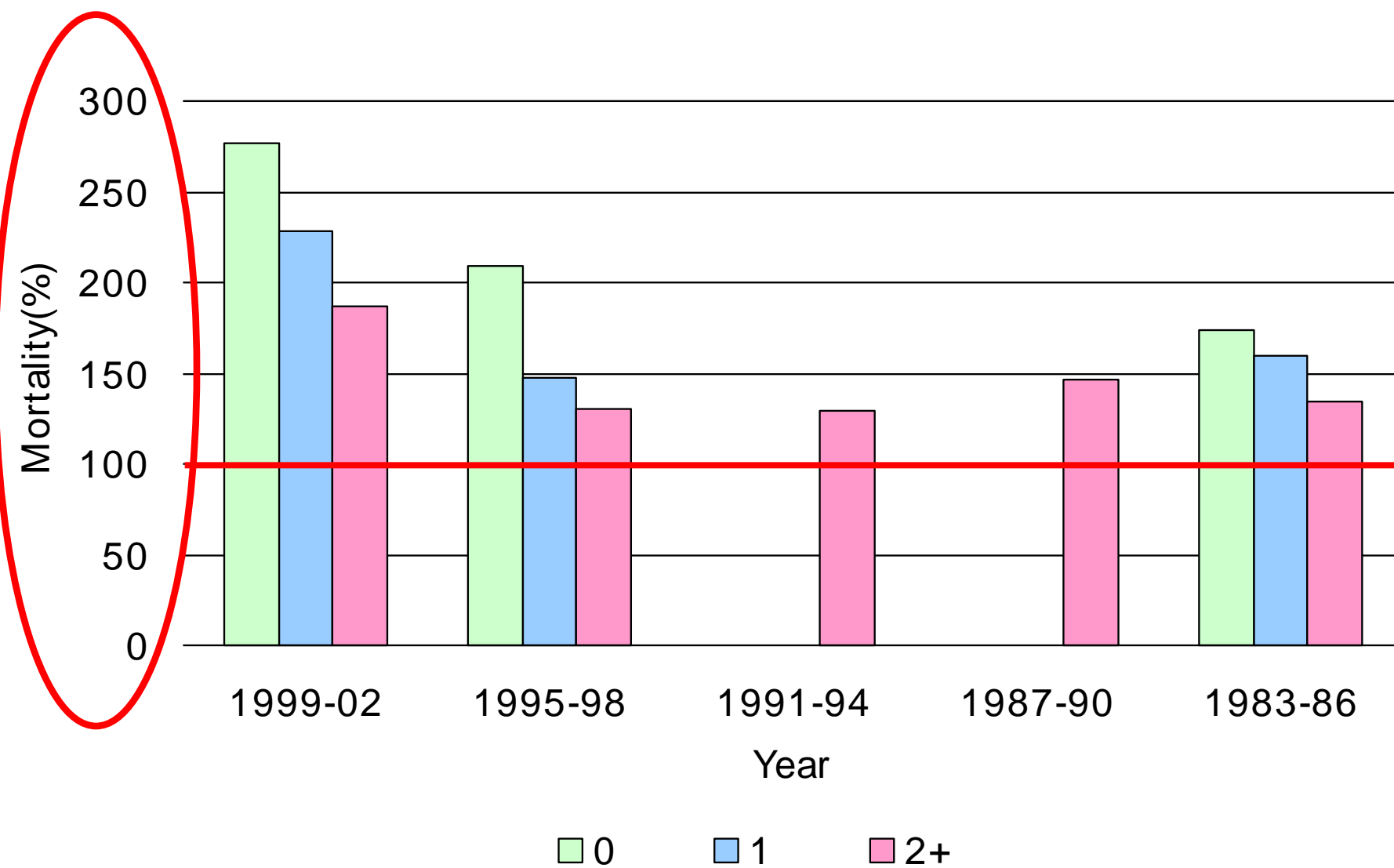
# Why we underwrite





# What happens if we don't underwrite?

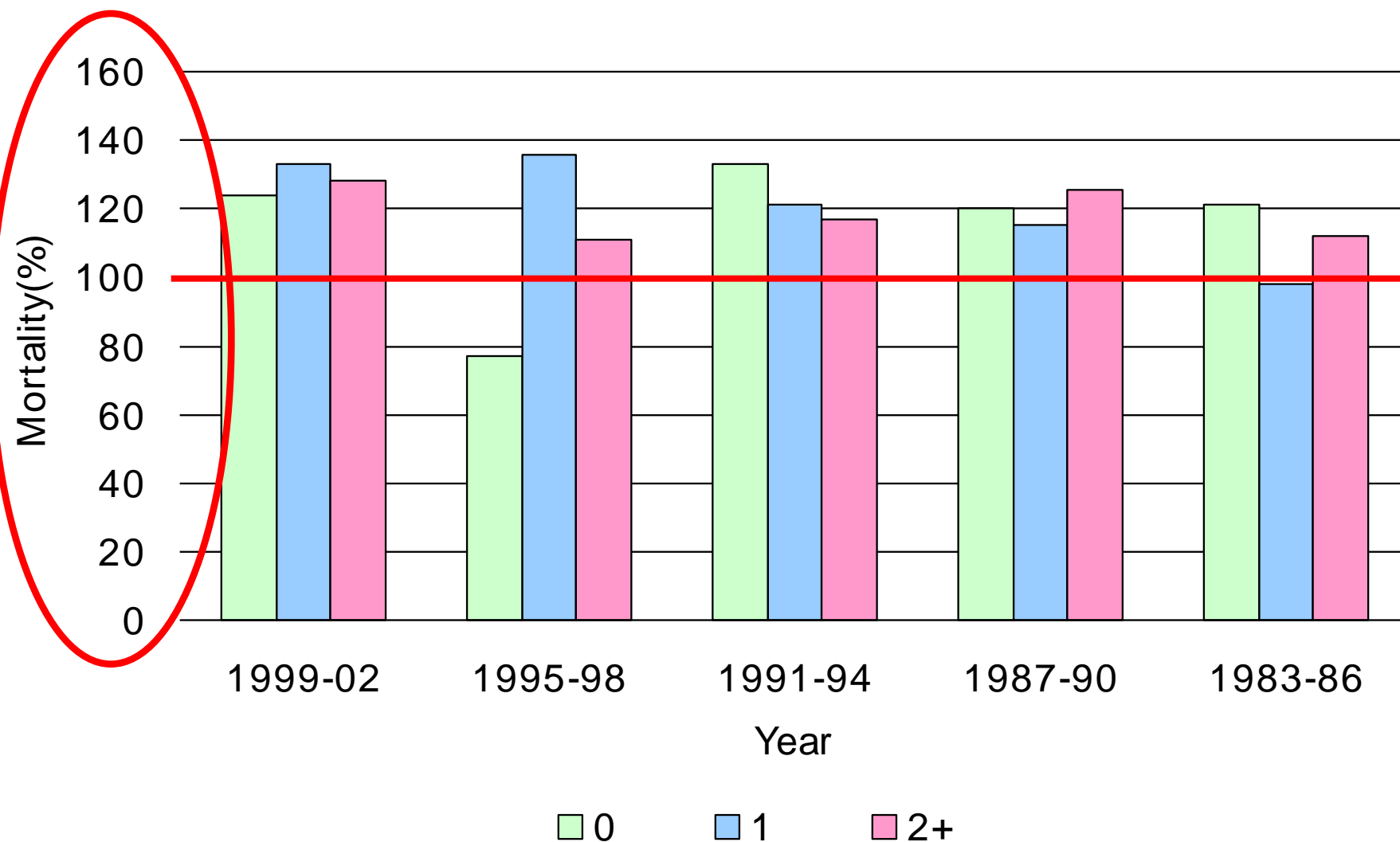
## Guaranteed issue: male insured lives





# What happens if we barely underwrite?

## Minimum evidence: male insured lives

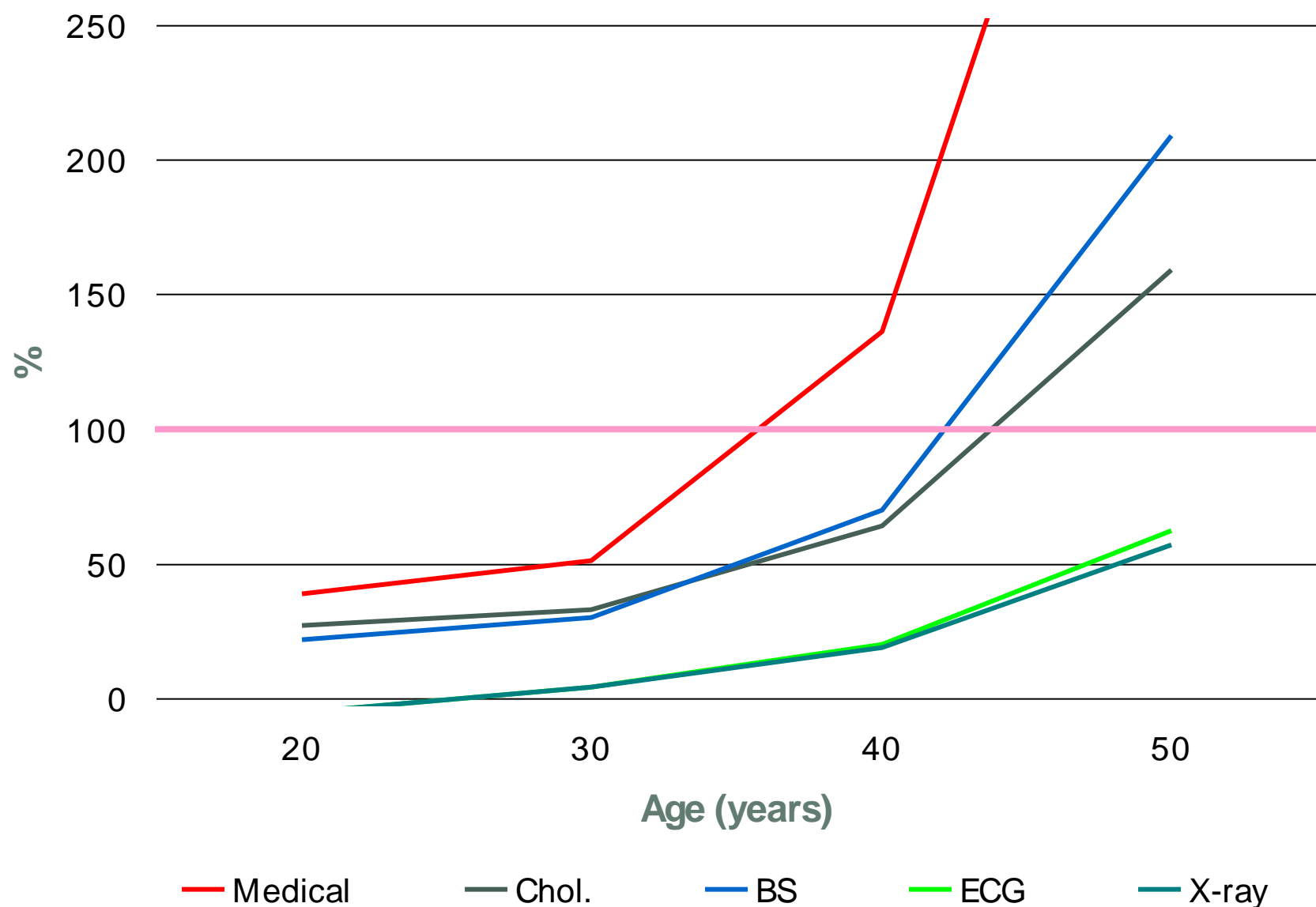






# Does the evidence we get add value?

*Rate of return  
is measured  
by mortality  
savings*





## What happens if we underwrite poorly?

<b>Percentage of cases where average underrating is 25 debits</b>	<b>Estimated percentage reduction in profits</b>
<b>10%</b>	<b>5%</b>
<b>15%</b>	<b>7.5%</b>
<b>20%</b>	<b>10 %</b>
<b>25%</b>	<b>12.5%</b>



## Have we changed the way we underwrite?

- In many ways our role today is not so different from 20 years ago
  - Our primary purpose is to ensure mortality and morbidity experience is consistent with that assumed in the pricing basis
  - The underwriting approaches we adopt and the type of evidence we request have changed but not significantly
  - We try and **balance** good underwriting with the pressure to increase sales and reduce acquisition costs
  - We still discuss the need for claims, underwriting, and pricing to work closely together in product development and the control cycle; the reality is we often continue to treat each other as alien species
  - ...and we are still trying to explain to agents and others why financial underwriting is necessary!



## The future

*It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.*

Charles Darwin (1809 – 1882)