

# Continuous Underwriting is Underutilized in the Life Insurance Industry



## Traditional Underwriting's Limitations in the Modern Era

The basic underwriting model has served life insurers (and other types of insurers) well in traditional markets. But today's rapidly evolving markets demand a competitive price that will turn a prospective customer into an actual one in minutes – while still increasing the insurer's profit margin and reducing risk, based on the applicant's probable health outcome.

The last major change in underwriting took place in the mid-1990s, when insurers desired more sophisticated underwriting processes, but found that their policy administration systems were largely unable to support them. This led to the birth of packaged underwriting solutions and automation, among other benefits.

Another underwriting revolution is here. The Internet of Things (IoT)/wearable technology, customer engagement platforms and social media, among other sources, offer insurers a veritable treasure chest of health-related data that is tracked and updated constantly. Leading insurers are beginning to use continuous underwriting and it is anticipated that this trend will grow.

## Factors Powering Continuous Underwriting

There are important factors that will underpin the rapid rise of continuous underwriting by generating seemingly never-ending streams of up-to-the-second customer data.

### The Internet of Things (IoT)/Wearables

Information gathering is already greatly improved compared to the early days of IoT. Insurers are reaping benefits from integrating with wearable technology and the “connected self” as part of the overall IoT. As with social media and customer engagement platforms, wearable technology (wearables) is generating helpful information that can be utilized for improved underwriting.

### Customer Engagement Platforms

Getting customers to sign up for branded customer engagement programs generates a wealth of data on life insurers' client base. If the engagement program syncs with wearable technology and health applications, there will be an even greater reservoir of data and a more accurate overall snapshot. The insights mined from this data can be used proactively to influence and fuel continuous underwriting processes.

### Social Media

The application of advanced analytics to social media is already beginning to disrupt the traditional underwriting process as users openly broadcast the minutiae of their lives. A few innovative insurers are building their brands and offering a unique customer experience by providing optimized social media content and using the data obtained from social media to shape their underwriting strategies.

## Business Benefits of Continuous Underwriting

Continuous underwriting offers many benefits to life insurers.

### Minimizing Risk

Insurers today don't have to wait to get scraps of information during the renewal or claims processes. They can become aware of risk factors as they appear and try to work with the insured to minimize or eradicate them. Better yet, they can work to prevent potential negative outcomes from occurring in the first place.

### The Impact on Price and the Bottom Line

New pricing models will emerge, based on the continuous data analysis. This could include premium pricing options that are influenced by the degree to which a policyholder shares personal data. Bonus programs for meeting set targets and flexible premiums are also possible.

Life insurers will be equipped with a tremendous amount of data-points that will shape their strategy on how much capital to reserve (and it's important to note that the available reserve generated by accurate pricing can be invested).

These approaches will be shaped by real-time, granular data and frequent touch-points. The risk-reserve probability will be significantly improved by statistical evidence and superior algorithms.

## Learn More

Expect continuous underwriting to strengthen as a trend in the immediate future – the time to prepare for it is now. For more information, please request our detailed white paper on this subject and/or schedule a meeting with Sapiens.

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