

# Underwriting

2009 Fall Actuaries' Clubs of Hartford &  
Springfield and Boston

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Lincoln Financial Group  
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# Underwriting

- Agenda:
  - Purpose and Function of Underwriting
  - Risk Assessment and Mortality
  - Challenges
  - Actuarial Interfacing
  - Remote Possibilities

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## Underwriter Understanding of what Actuaries Do

$$l_{x+t} = (1-t)l_x + tl_{x+1}$$

Underwriter  
Understanding: 0

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## Actuary Understanding of What Underwriters do

- H & P: c/o CP qid
- RX: NTG

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## Actuary Understanding of What Underwriters do

- H & P: c/o CP qid
- RX: NTG
- Actuary Understanding : 0

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## Underwriting

Responsible for Maintaining the Integrity and Profitability of the Pricing Expectations, Using Sound Underwriting Principles of Risk Assessment

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# Actuarial

Science of Relative Risk Distribution



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# Underwriting

Art and Science of Individual Risk Selection



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# What Do Underwriters Do?



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# Underwriting Requires A Breadth of Knowledge and A Variety of Skills



Medical



Legal



Financial



Sales



Lifestyle

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## Underwriting

- Underwriters will review and evaluate medical, financial and lifestyle factors to develop a risk profile of the applicant. This risk profile correlates to the life expectancy of the individual . The final premium is based on the risk profile result and its mortality implication

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## Underwriting

- Combination of Art and Science and now, Marketing
- Knowledge and Savvy required

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# Underwriting

- Life underwriters have more information to work with than ever before, thanks to advances in medical testing and the internet. Competitive forces put the underwriter on the spot to make faster, competitive, decisions to meet sales expectations. Consistent, accurate mortality assessment is required to meet pricing expectations. These turbulent factors result in today's life underwriting being more demanding than ever.

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# Today's Underwriting World



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## Underwriting Risk Assessment

- Top 3 categories:
  - Medical
  - Financial
  - Lifestyle

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## Underwriting Medical Assessment

- Sources of Information:
  - Application, Exam, Blood/Hos, EKG, Attending Physician Statement, MIB, Rx Search Engine
  - Underwriting Manual Reference
  - Physician Consultation and Advice

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# Underwriting Medical Assessment

**Rx Summary**

Name: [Redacted] DOB: [Redacted]  
 Last: [Redacted] SSN: [Redacted] ID: [Redacted]

Severity	Drug Name	First Fill Date	Last Fill Date	Physician	Indication
High	ACTOSOCK (Rosuvastatin)	ED/2008			
High	KLACE (Erythropoietin)	ED/2008			
Medium	GLIBBIC (Glibenclamide)	ED/2008	ED/2008		
Medium	ACON (Acetaminophen)	ED/2008	ED/2008		
Low	LYO (Lidocaine)	ED/2008	ED/2008		

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# Underwriting Medical Assessment

**CO Pills - Backlog - Prescription**

Drug Name	Strength	Quantity	Days	Start Date	End Date	Physician	Indication
ARICEPT (Donepezil hydrochloride)	10/25	30	1	ED/2008	ED/2008		Alzheimer's Disease
HYDROCHLOROTHIAZIDE (Hydrochlorothiazide)	25	30	1	ED/2008	ED/2008		Essential Hypertension
METOPROLOL TARTRATE (Metoprolol Tartrate)	50	30	1	ED/2008	ED/2008		Anginal Pectoris   Hypertension   Myocardial Infarction
ALLEGRA-D 120 (Asthma)	120	30	1	ED/2008	ED/2008		Nasal Signs and Symptoms
APRISOXETIN (Acetaminophen)	325	30	1	ED/2008	ED/2008		Nausea   Vomiting   Stomach Discomfort   Dizziness   Headache   Fever   Pain
CETIRIZINE HCL (Cetirizine HCL)	10	30	1	ED/2008	ED/2008		Allergic Rhinitis   Seasonal Allergy   Hay Fever   Itchy Throat   Itchy Nose   Itchy Eyes
CERIVOXIN (Cefuroxime)	500	30	1	ED/2008	ED/2008		Ear Infection   Sinus Infection   Throat Infection   Skin Infection

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## Underwriting Medical Assessment

- Medical Risk Profile:
  - Favorable - ability to improve final price from manual guidelines
  - Expected – stay within manual guidelines
  - Less Favorable – pricing higher than manual guidelines

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## Underwriting Medical Assessment

- Decision:
  - Preferred, Standard, Rating, Postpone or Decline

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# Underwriting Financial Assessment

- Critical to mortality assessment especially at the older ages
- Determine Purpose and motivation
- Antiselection, Fraud, and STOLI issues

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# Underwriting Financial Assessment

- Tools developed for today's business

The image shows a screenshot of a financial assessment form. On the left side, there is a large red L-shaped graphic. The form itself is white with black text and is divided into several sections by horizontal lines. The top section contains the name 'FRANK A. JACOBI, JR.' and the title 'Executive Vice President'. Below this, there are several paragraphs of text, some of which are partially obscured by the red graphic. The text appears to be a professional biography or a statement of qualifications. The bottom section of the form contains a signature line and a date field.

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Underwriting Financial Assessment  
STOLI Real Estate Value Fraud.....  
Zillow check of addresses will  
sometimes turn up interesting info



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## Underwriting Financial Assessment

- Decision:
- Approve amount applied for
- Offer alternative amount
- Decline

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## Underwriting Lifestyle Assessment



- Risky behaviors
- "high" profile applicants
- Avocations
- Aviation
- Occupation

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## Underwriting Lifestyle Assessment

- Interrelate with Medical and Financial risk profile
- Decision:
- Accept, rate, postpone/decline

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## Underwriting Assessment – Legal

- Adherence to State Laws
- Confidentiality and Privacy laws
- Professional File Documentation:
- Material Misrepresentation – Recissions
- Depositions – Expert Witness

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## Underwriting Mortality Assessment

- Case Study:
- 63 year old business man with history of heart disease . Exam notes BMI of 33, slightly elevated BP on 3 readings Current EKG shows nonspecific st segment changes and Q waves indicative of MI.
- Had Angioplasty 3 years ago with limited physician visits for follow-up.
- Private Pilot and flies to business meetings
- Center of influence for Agent – more associates to apply with significant premium potential

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## Underwriting Mortality Assessment Challenges



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## Underwriting Mortality Assessment Challenges - Clinical Approach Differences

- Conflicting Medical Diagnosis
- Insurance Medicine differences
- Less than ideal care
- Wait and See approach - Decision needed without all the facts



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## Underwriting Mortality Assessment Challenges – Sales Pressure

- Lincoln Distribution Channel Model:
  - Brokerage
    - MGA
  - Closed
    - Wirehouse
    - Banks
    - Institutions
  - Retail
    - LFA
    - ABGA
    - GA
    - IMO



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## Underwriting Mortality Assessment Challenges – Sales Pressure

- Lincoln Distribution Chain:
  - President Sales
  - Exec VP Sales
  - Channel Sales VP
  - Regional Sales VP
  - Regional External Wholesalers
  - Regional Internal Wholesalers
  - PLUS – Agency Case Managers, Agency “Underwriters”, Agent/Broker, Agency/MGA Principle Partner
  - AND – Relationship Management, Result vs. Goal daily reporting



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## Underwriting Mortality Assessment Challenges – Competitive Forces

- Trial Shopping
- “mistakes”
- Product nuances
- Risk Class criteria differences
- Time service
- Adherence to Reinsurance treaty criteria



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## Today's Underwriter



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## Actuarial Interfacing With Underwriting

- Don't Silo
- Interact and Meet regularly
- Identify competitive issues/concerns from both viewpoints
- Incorporate suggestions
- Team approach to Internal and External audiences

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## Actuarial Interfacing With Underwriting

- Lincoln Interaction
- Actuarial/Underwriting Reinsurance meetings
- Actuarial/Underwriting Competitive meetings
- Actuarial/Underwriting Exception meetings
- Actuarial/Underwriting Product meetings
- Actuarial/Underwriting Bonding meetings



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## Actuarial Interfacing With Underwriting



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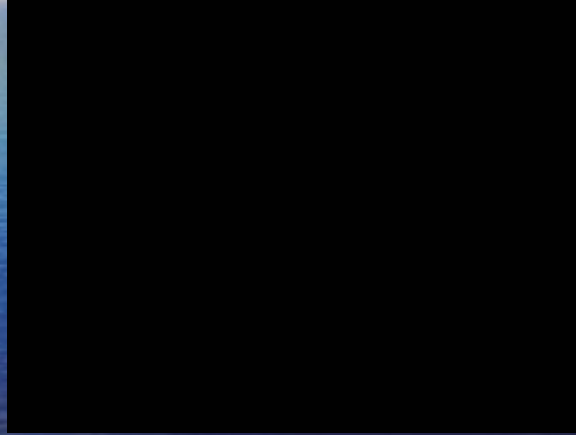
## Remote Possibilities – What's New in Underwriting

- Remote Underwriting is the newest Underwriting phenomenon and is becoming increasingly necessary to offer to retain and attract underwriting talent in today's competitive environment



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# Bad Underwriting



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# Good Underwriting



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Underwriting

Thank you!

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