

De-Risk Accelerated Underwriting with ForMotiv

Much in the way Uber and Netflix forever altered customer experience expectations, InsurTech “disruptors” have succeeded in changing how we buy insurance. Purchasing a life insurance policy once took weeks or months of phone calls and meetings with an agent, filling out and mailing dozens of pages of documents, going to a lab for fluid tests, and waiting weeks for a decision. Consumers now want — nay, *expect* — to get quotes from multiple carriers, complete applications digitally, receive instant decisions, and purchase a policy all in under an hour’s time. The downside to the new normal is clear — RISK. Consumers are far more likely to bend the truth on digital applications, and there is nothing carriers can do except trust often incomplete or outdated 3rd-party data sources.

This led a Top Life Carrier to seek out ForMotiv’s Behavioral Intelligence Solution.

Data Captured by Traditional Analytics Tools



A few years ago, this Carrier accelerated roughly 10% of underwritten policies. Today that number is closer to 70%, and will rise to 90% by 2025. They spend as much as \$250 to underwrite one application using up to 13 different 3rd-Party data sources. To maintain profitable growth of their AU program, it was imperative that they find a better way to fasttrack highly-qualified applicants and flag risky applicants for further testing and review. Specifically, the carrier needed to evaluate, in real-time, the relative risk of applicants in their consumer-completed medical questionnaires.

LIFE INSURANCE FAST FACTS

47%

of smokers misrepresent tobacco usage on life insurance applications

91%

of insurers are using or plan to use Automated Underwriting techniques

\$3.4B

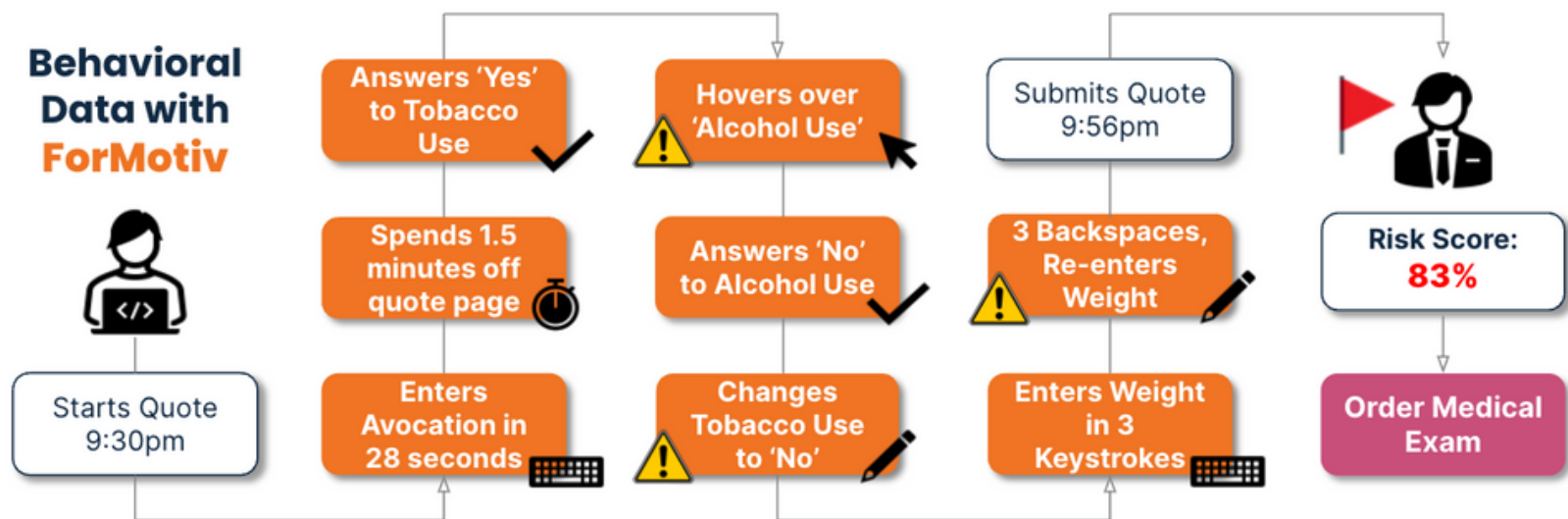
est. annual premium leakage due to tobacco nondisclosure



Prior to conducting a structured study, the Carrier was able to realize immediate value from ForMotiv’s catalog of Signals for Life Insurance. These pre-built heuristic business rules are available out-of-the-box for common use cases within lines of business like Life or P&C insurance, but can also be customized and deployed in minutes. For example, behaviors like hesitation in answering, multiple form field edits, or copy & pastes have been identified as near-universal flags for life insurers when applied to questions around weight, avocation, or tobacco and alcohol usage. In this Carrier’s case, these targeted behaviors were strongly indicative of application misrepresentations.

Medical Question	Downgrade Rate	Likelihood of Downgrade
Alcohol	31%	2.4x more likely
Tobacco	39%	3.0x more likely
Weight	32%	2.5x more likely
Avocation	28%	2.2x more likely

Applicants triggering the tobacco usage Signal were 200% more likely to be downgraded post-medical exam than the average user; applicants triggering the weight risk Signal were 150% more likely to be downgraded.



STUDY DESIGN

The Carrier randomly sampled and mandated medical exams for applicants from a population who would not have otherwise required fluid tests based on submitted answers. They were grouped into underwriting risk classes before and after the exam. On average, 12.9% of sampled applicants had their post-exam risk class downgraded.

Armed with billions of behavioral data points, the carrier then implemented ForMotiv's predictive models to great effect: the top 20% of applicants were **9 times less likely to be downgraded**. The Carrier could fasttrack these users through accelerated underwriting, offering instant fluidless decisions while minimizing the cost of additional 3rd-party data checks. ForMotiv’s models also identified 20% of applicants who were **more than twice as likely to be downgraded or declined**. The predictive models were further bolstered by ForMotiv's deterministic Signals, which identified the exact behaviors that triggered the elevated risk score, and enabled the carrier to dynamically and selectively employ specific 3rd-party data checks or fluid tests.

As a whole, ForMotiv flagged an **incremental 2.5% cases of nondisclosure** that were not identified by any other 3rd-party data set. This has resulted in an **8-figure ROI** by adjusting premiums to the appropriate underwriting class or declining to accelerate policies for high-risk applicants.