

ART OR SCIENCE? CULTIVATING THE NEXT GENERATION UNDERWRITING TALENT HOLDS THE KEY

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Today, humans make the underwriting decisions with some help from machines. Tomorrow, machines will make the underwriting decisions with some help from humans.

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underwriter would interview the client in person and make an assessment. The concept of evidence-based underwriting emerged about a century ago when the science of health data gained credibility underwriting.

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approach. Underwriting risk scoring is becoming increasingly evidence-based, with advances in the GLJLWLJDWLRQ RI KHDOWK FDUH improvements in predictive models. This is step one WRZDUG DXWRPDWLRQ , Q D that as health data became structured and digital in nature, underwriting risk calculations would become more automated, and the art of underwriting would JUDGXDO ~~Thirty Years~~ later, that prediction is worth re-examining.

Let us establish that an automated future for um
economics, a concept called the Balassa-Samuelson Effect explains how countries that do not adopt innovative technologies eventually experience higher inflation rates. Similarly, the industries, professions or corporations that do not adopt emerging technologies experience higher costs, lower margins and eventually lower returns.

Executive Summary Life underwriting professionals are experiencing a paradigm shift in modus operandi, driven by the introduction of automation initiatives. Multiple consulting studies and analyses indicate that automation in underwriting is a valid business need. It will transform the role of the underwriter, so it assumes an even more valuable function within the industry. New technologies will enable the underwriter to better engage with clients, conduct research and develop innovative processes. The coevolution of humans and technology must be supported by business strategies that focus on identifying necessary underwriting skill sets, training machines and underwriters to become convergence of the art of underwriting and the science of technology presents many challenges. Insurers and reinsurers must plan accordingly.

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duced the innovative assembly line concept to manu-
facture cars. This technology reduced car production
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boost. Compared to the competition, Ford produced
more cars at lower costs and improved the quality of
each car as well. At the same time, Ford also offered the
highest wage rate in the industry. The underwriting
equivalent would be the automation of tasks increas-
L Q J W K H X Q G H U Z U L W L Q J F D S D F L W \ R I D
ing the underwriting costs down, improving the quality
of underwriting decisions, and boosting the earning
potential of every underwriter with the right skill set.

A common concern associated with the coevolution of robotic automation and underwriting processes is automation could put underwriters out of their

jobs. Let us look at an example from a closely related engagement, data science, innovation philosophy and LQGXVWU\ WR DVVHV V WKL V FR QFHTU platforms WKH O DW H V DXWRPDWHG WHOOHU PDFKLQHV \$70V ZHUH LQWURGXFH G for retail banking. Bank employees feared the teller/ The third challenge in this future is inherent to the FDVKLHU MREV ZRXOG YDSRUL]H technology. Machine learning platforms that WHOOHU MREV PRUH WKDQ GRXE automate risk scoring, developing new models and past data. \$70V DQG KDYH VLQFH JURZQ DW ,Q WKHDQ WXRUWK Q HUZDUHG DWD VRXUFH RI *'3 JURZWK DQQXD0O\ the internet of thingsgenetic testingand even newly discovered health conditions will be available :KDWWULJJHUHG WKH H[SORVLYHI RQ FXQHQGDNUHZ UQWWEQOCHIWLWRBQ"PDNLQJ The banks re-trained their tellers to do more thanand underwriters will understand the implications of just cash counting. Tellers learned to spend morethis new information on risk scoring, machines will time in customer engagement, product upselling andhave to undergo a lag phase to accumulate enough daily branch management. This made tellers more GDWD WR EH HIIHFWLHY ,Q RWKHU ZR valuable to a bank compared to the pre-ATM era. writing would still be more relevant than the science Similarly, automation in underwriting will enable of automation in these newer cases. The artistic un-underwriters to focus on valuable tasks beyond justunderwriters would chart the unknown territories and risk scoring. This will increase the worth of their skill\$then train the machines to do their jobs. DQG OH DG WR KLJKHU GH PDQG ,Q DGG LWLRQ DFFRUGLQJ WR WKH \$/8 /LIH 8QGHUZULWHU & HTQEWXNing KRDQAI ReadWKH OLIH underwriters will retire in the next 10 yearsWK ,W LV GLIxFXOW WR LPDJLQH D IXWX automation and a retiring workforce, underwriting ZLWKRXW D KXPDQ WRXFK :KLOH WRG promises to become a highly sought-after profession: risk scoring and decision making in underwriting, machines/robots help them make these decisions

The established consensus is automation in underwriting is a necessary boon. To achieve the future develop risk scores, apply underwriting guidelines state combining robots and underwriters, however and issue policies. As with bank tellers years ago, the industry needs to address a few challenges and think through the long-term implications. and these future human underwriters will need to adapt and develop the skills to serve as the guardians of

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ZKDW ZLOO XQGHUZULWHUV GR" \$Q cultuvhny and reXnqg th(eright underwriting
study suggests the future underwriter will be thealent. Future underwriting teams will be more than
custodian of the whole process. The underwriter wiljust groups of medically savvy individuals. They will
be an eclectic mix of sales executive, data scientist, a mix of technology enthusiasts, data scientists,
customer advocate and innovatoAs this becomes medical professionals, management intellectuals and
the norm, current underwriters should consider up-³VXSHU VPDUW URERWV
VNLOOLQJ WKHPVHOYHV WR EHFRPH ³IXWXUH ¿W ' 0F.LQVH\
& Company has projected the future underwriterNotes
ZLOO PRYH DZD\ IURP WRGD\IV FRPRHM WDKHNG TKEYRQWLRQ RI OHGLFDO 8QGHU

The second challenge concerns the training of underwriters. Machines are going to take over the simple cases. SOHUFDVHV DQGH[SHULHQFHG will handle the complex cases containing extensive medical charts. The question is, where would junior underwriters work, and how would they receive WUDLQLQJ WR EHFRPH H[SHULHQFHG SURIHVVLRQDOV", Q the near future, companies with a sound strategy and capability to cultivate the right talent will thrive. Underwriter training will need to include departmental rotations to understand aspects of customer



About the Author

Rahul Garg, MD, is a physician turned management professional who is passionate to facilitate the transformation of life and health related professional services. A degree in medicine and an MBA have enabled Rahul to wear multiple hats as a clinician, health care strategist and an executive consultant for the insurance providers in transforming the legacy practices into sustainable digital cultures. Previously, Rahul authored thought leadership white papers addressing the future outlook of life underwriting, challenges of implementing blockchain in health care, fail-and-success factors for digital health, and the possibilities Team, based out of Toronto.