

ART OR SCIENCE? CULTIVATING THE NEXT GENERATION OF 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.

7ZR FHQWXULHV DJR OLIH XQGHU 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.¹ Underwrit - LQJ DW SUHVHQW LV D ¿QH EDO 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 that as health data became structured and digital in nature, underwriting risk calculations would become more automated, and the art of underwriting would JUDGXDOO\ Thirty years later, that prediction is worth re-examining.

)XWXUH \$XWRPDWLRQ DQG WKH writer Let us establish that an automated future for un-GHUZULWLQJ LV D UHDOLW\ DQG economics, a concept called the Balassa-Samuelson Effect explains how countries that do not adopt innovative technologies eventually experience higher SULFHV LQÀDWLRQ ORZHU LQ currency exchange rates. Similarly, the industries, professions or corporations that do not adopt emerging technologies experience higher costs, lower margins and eventually lower returns.⁴

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 IXWXUH ¿W DQG UHWDLQLQJ WKH U convergence of the art of underwriting and the science of technology presents many challenges. Insurers and reinsurers must plan accordingly.

)RU H[DPSOH LQ)RUG ORWRU &R produced the innovative assembly line concept to manufacture cars. This technology reduced car production WRPH RUPKH BRXUV WR KRUV D boost. Compared to the competition, Ford produced more cars at lower costs and improved the quality of each car, as well as machine. Ford also offered the highest wage rate in the industry. The underwriting equivalent would be the automation of tasks increasing the underwriting costs, 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



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

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