

Predictive underwriting for life insurers

More Metrics modelled data includes mortality, health and disability measures. These are expressed as a percentage of population mortality or propensity scores and differentiates by socio, economic, lifestyle and geographic factors.

This data is tagged by postcode, age bands and gender.

One of its applications is as part of predictive underwriting models to be used with reduced sets of underwriting questions. Predictive underwriting can be used with business that is actively sought-out by the insurer, rather than provided on a reactive basis to a request by a client or an intermediary. This covers business from mailshots, targeted inserts, social media or emails.

Incorporating More Metric data into the underwriting suite

Underwriting such business needs to cover the normal underwriting objectives of:

- Managing anti-selective early claims
- Matching the long-term experience to the pricing assumptions.

Managing anti-selection

Anti-selection is diluted through making a limited period offer to a large and reasonably homogenous group of pre-selected lives; with the higher the take-up of the offer the greater its dilution effect. If take-up is very high and targeted lives restricted to certain ages and cover amounts then this may be sufficient. However in most non-group offers it is necessary to add specific anti-selective protection. This could be of the form of “knock-out questions” such as “have you ever suffered from cancer, stroke or heart disease?” the use of limited cover/ moratorium periods such as 2 years ADB only cover on over 50’s plans or more robust short term underwriting measures.

The health and disability propensity measures from More Metrics can be used to identify clients that are less likely to pass such tests and so reduce take-up rates. It may be decided not to market to such clients, or make them alternative offers.

Long-term risk selection

More Metric’s mortality measure provides a direct measure of long-term mortality risk and so can be used to make the insurance offer to specific categories of lives with appropriate long-term mortality assumptions.

This ability can be used to meet a number of objectives, including to:

- select low mortality individuals and offer a very competitive premium
- reduce the long-term risk experience of current offers by selecting out the worse individuals and so improve profitability
- select poorer mortality individuals who are previously excluded from offers, by being able to offer them an appropriate price for their risk
- integrate mortality risk with purchase propensity and other factors to maximise profitability

Is this easy to do?

Yes: the full data set can be provided for incorporation in your system, or real-time individual calls can be made via an API link from one of our data distribution partners.

Is it compliant?

Our data is GDPR-compliant and Individualised personal data is not used in its production.

Ethnicity is included in our predictor variables set for our standard datasets. Please contact us for options to meet any selection criteria, or if you wish to use our data in end-customer pricing.

Further information

Contact Nigel.Bradshaw@MoreMetrics.co.uk to find out more about predictive underwriting and More Metrics.