

CCIA Claims and Operations Symposium

Nobu Hotel – Atlanta, Georgia

November 14, 2024

Underwriting tools and processes that assist with Fraud Prevention

James Swinton, FALU, FLMI

November 14, 2024

Weight loss drugs – Impact on underwriting and mortality

AI impact on Underwriting

Covid Changes

- Any changes in claims (Actual/Expected, cause of claims, etc.)
- Older age risk
- Mental Health trends

Right Sized Underwriting requirements. Throw away the age/amount requirements chart?

- How to train underwriters to know when you have enough information?
- How to work with reinsurers or do you keep within your retention?
- How do you sell to the agents/producers?

Underwriting tools that assist with Fraud Prevention



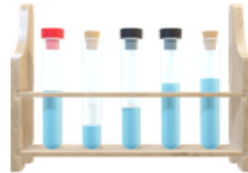
- Telemetry Models
- MIB Codes
- IAI Codes
- MIB Plan F
- Client View



- ID Verification
- Electronic Inspection Reports
- Know Your Customer Information



- Jumbo/Total Line Large Risk Reports



- Lab Testing
 - ✓ Blood
 - ✓ Urine
 - ✓ Oral Fluid
 - ✓ Epigenetic Testing



- MVRs
- MVR Models



- Rx Checks
- Medical Billing & Data Checks
- APS & EHRs (pre & post-issue)



- Public Record Checks
- Criminal Records
- Credit Checks



- Smoker Predictor Models
- BMI Predictor Models

Agency Fraud Trends

- **Rebating & Advanced Commission Schemes**

- Fast pace of application submission
- Premiums consistently matching target premiums
- High rate of early lapse

- **Policy Situation**

- Application in one state but evidence of solicitation occurring in another state
- Exams

- **Conflicts of Interest**

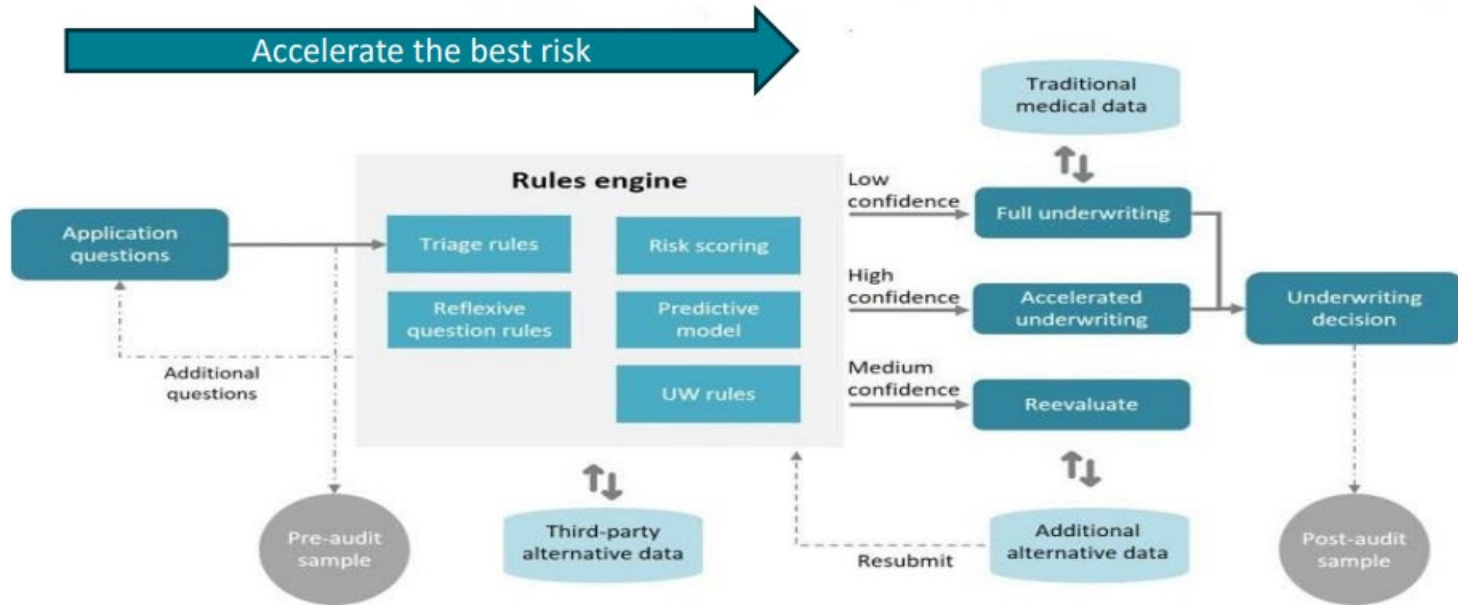
- Trustee
- Owner
- Beneficiary

MIB Jumbo Report

MIB											Alert generated November 1st 2022, 01:00 PM		Company		
Female Applicant											Total Line Alert		Aggregate		3,000,000
51 years old													Current Application		3,000,000
Female													Pending (IAI)		0
Policy # LB064XXXXX													Active (In Force)		0
													Terminated (Inactive)		12,000,000
Current Application (Policy # LB064XXXXX)															\$3,000,000
Pending Applications (IAI) - Last 120 days of activity															\$0
First Name	Middle Name	Last Name	Date of Birth	Carrier	Policy Number	IAI Report Date	Product Type	Joint	Face Amount						
In Force Policy Data															\$0
First Name	Middle Name	Last Name	Date of Birth	Issue State	Carrier	Policy Number	Policy Issue Date	Product Type	Joint	Policy Status	Face Amount				
Terminated Policy Data- Not included in aggregate															\$12,000,000
First Name	Middle Name	Last Name	Date of Birth	Issue State	Carrier	Policy Number	Policy Issue Date	Product Type	Joint	Policy Status	Face Amount				
Female Applicant			51 years old	OR			8/26/15	T	N	LAP	3,000,000				
Female Applicant			51 years old	OR			12/21/17	T	N	LAP	3,000,000				
Female Applicant			51 years old	OR			12/4/19	T	N	LAP	3,000,000				
Female Applicant			51 years old	OR			12/23/20	T	N	LAP	3,000,000				
Legend															
Product Type			In Force Status				Terminated Status			TRP - Terminated due to RPU					
T - Term			PMP - Premium paying				LAP - Lapsed			CNT-Terminated as a Continuation					
U - Universal			CLM - Policy in claim pay out (only applies to DI or LTC)				CER - Ceded in error			DTH - Death					

Current State of Underwriting

The need for accelerated underwriting has led to more sophisticated underwriting platforms.



However, the traditional role of the underwriter has not significantly changed.

Electronic Application - Location, Location, Location

■ Why Location Matters

- ✓ VPNs can fool IP address collection & IP addresses are reassigned often.
- ✓ GPS Coordinates, not IP addresses, give a definitive address of the applicant which can be tracked
- ✓ High-risk locations can be identified and avoided like adult living facilities, hospice care facilities, psychic shops, etc.
- ✓ In wagering schemes, the perp is often not where the insured is located.
- ✓ Location analysis can also show links (or lack thereof) to the applicant's location
- ✓ Prior address analysis should also be part of the evaluation

Core Requirements

- Name, DOB, Occupation
- Historical personal information verification
- SSN Verification
- Address Verification
- Drivers License Number

Other essential AUW Tools

Prescription Codes

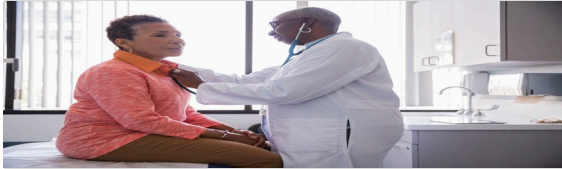
Rx



Making sure Rx Calibration aligns with your morality assumptions is very important!

Claims Diagnostic Codes

DX



DX codes provides an excellent source for mitigating fraud.

Electronic Health Records

EHRs



Recent Munich Re study overwhelmingly confirmed the effectiveness of EHRs as a core underwriting tool.

Getting Through Underwriting

The Preparation

Find your Identity

- High-Risk
- Unhealthy

The Application



Getting Through Underwriting

The Preparation

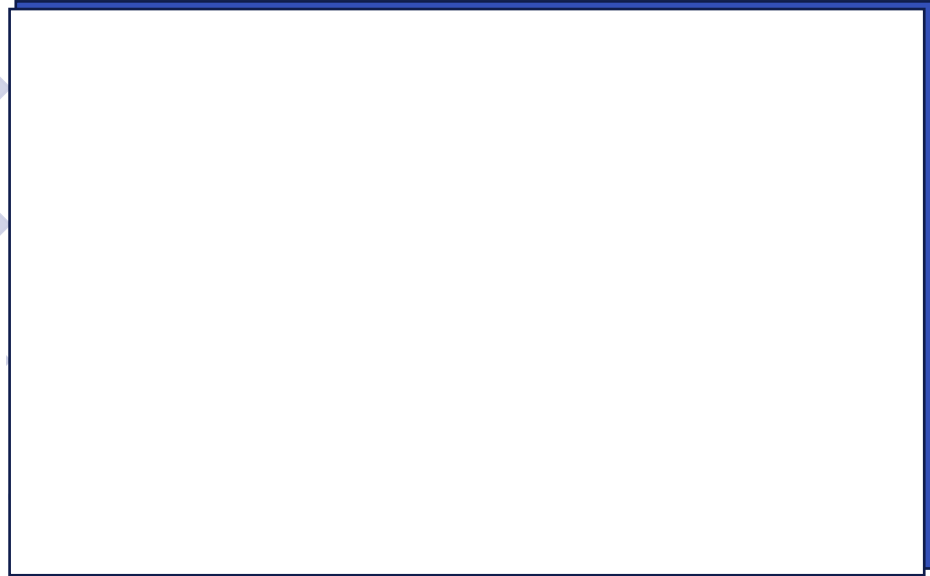
Find your Identity

- High-Risk
- Unhealthy

Create data records
for the identifiers

- Hybrid
- Full Synthetic

The Application



Getting Through Underwriting

The Preparation

Find your Identity

- High-Risk
- Unhealthy

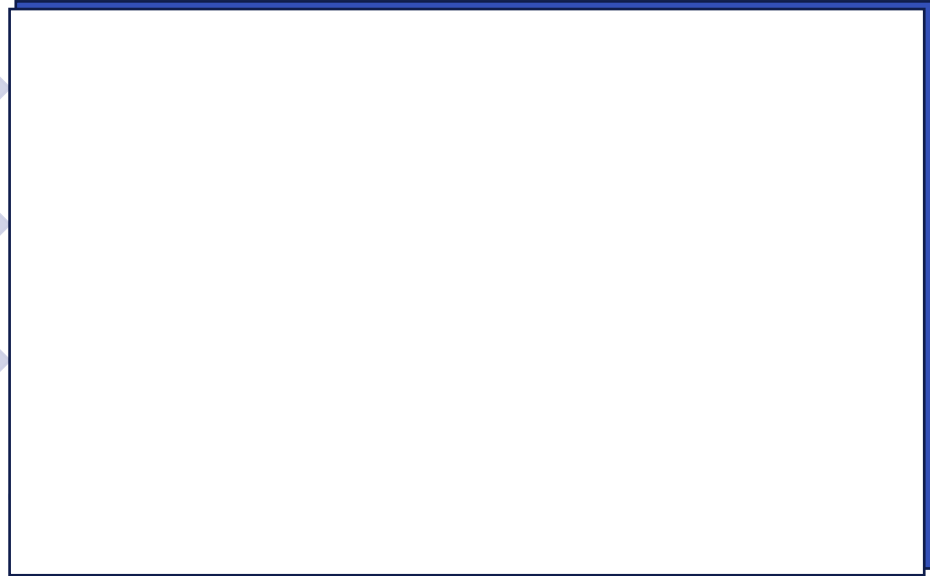
Create data records
for the identifiers

- Hybrid
- Full Synthetic

Cultivate over time
(if needed)

- Apply for credit
- Credit repair services

The Application



Getting Through Underwriting

The Preparation

Find your Identity

- High-Risk
- Unhealthy

Create data records for the identifiers

- Hybrid
- Full Synthetic

Cultivate over time (if needed)

- Apply for credit
- Credit repair services

Select your target companies

- Electronic apps are favored
- Convert an agent to assist

The Application

- Use “clean” identifiers or slightly changed real identifiers
- Use contact information belonging to yourself
- Use mail forwarding services
- **Beneficiary may be listed as a close relative, but relationship is often incorrectly stated**
- **Beneficiary / Ownership changed soon after issue**
- Initial payment by credit card (no name required)
- Typically, no medical admissions
- **Listing AP that is not really an AP**

Trial and Error: The Perp can try many times and only has to get it through once

Definition

- A life insurance policy that is taken out on an insured, generally without the insured's knowledge and consent, by someone who has no interest in the insured's continued life; instead, the policy is purchased in the anticipation of profiting from the insured's death. And the quicker, the better.

Wagering may or may not involve the insured's knowledge (STOLI v. Nomadic)

Poor health, dangerous lifestyle, and homicide can all play a role in accelerating the death

Underwriting Details

- Simplified Issue Application – Face Amount \$125,000
- Male age 21, Lawn Care Business – Stated income \$60,000 annually
- Part 1 and 2 questions revealed no significant history
- Beneficiary Mother
- Underwriting Process – Instant Issue – No underwriting referral

Claims/Investigation Details

- Claim submitted 7 months after issue
- Cause of Death - Homicide
- Investigation revealed insured was not steadily employed. Was employed by Lawn care service at age 19
- Insured had pending criminal homicide charges
- Greatly likelihood that mother completed the application

Underwriting Details

- In April 2019, a ten-year term application was submitted on Stevens for \$1,000,000
- Stevens' residential address was listed in New Jersey and born in Pennsylvania
- Stevens was employed 30 or more hours a week and had an annual income of \$139,000
- Stevens' height/Weight was stated as 5.6. 150 lbs. respectively.
- There were no significant non-medical or medical history stated
- Application listed the sole beneficiary as Marks, who identified as the spouse of Stevens
- Application was approved as applied

Claim Details

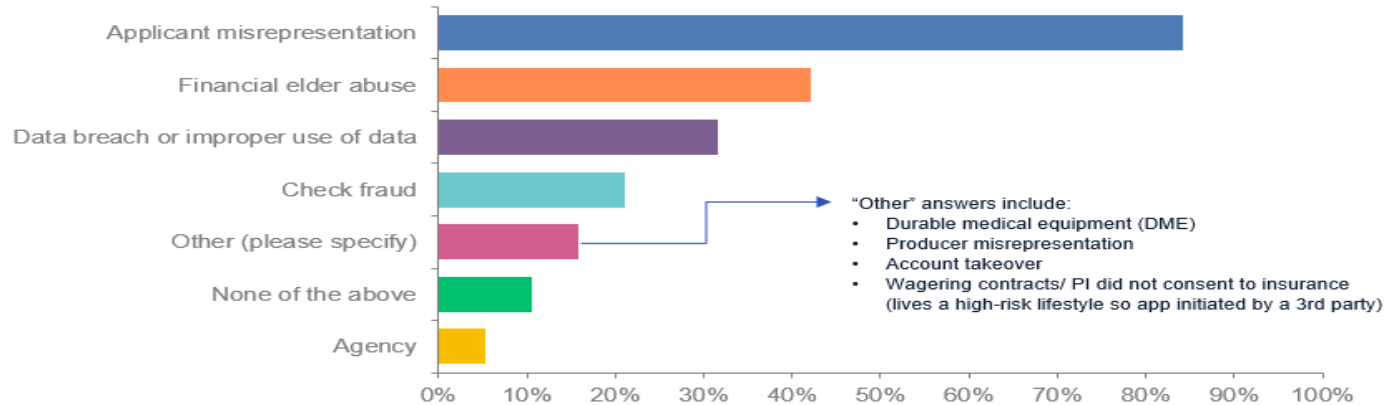
- Stevens passed away in August 2021 from multi-organ failure, acute respiratory failure, COVID 19, obesity and atrial fibrillation. Her last known address was Boynton Beach, FL
- Marks reported Stevens' death in November by submitting a Claimant statement. The Claimant Statement raised immediate concerns. Among other things Marks claimed to be also known as “Bobby Williams”: an alias that appeared nowhere in the application or other documents.
- Marks listed his address as New Jersey and included the death certificate which identified the spouse as Bobby Williams. The death certificate also stated Stevens was a “homemaker” in Florida and was born in Chicago, IL

Investigations Details

- Stevens never resided in New Jersey. Marks never lived at the address in New Jersey. The address was identified as a commercial building.
- Investigators spoke with the owner of the commercial address in New Jersey and found out the following:
 - The owner had numerous problems with late rent and unusual activities until the office was vacated.
 - Due to the noncompliance with the lease provisions, the owner entered the suit and found the following.
 - A single computer, a chart describing the assignment of social security numbers
 - Many letters from different insurance companies addressed to many different names

Applicant misrep is the most common upward trending fraud type

Q: Which of the following types of fraud have trended upward in the last five years, based on your company's experience?



➤ A prominent example of upward trending "individual applicant misrepresentation" is tobacco misrep in AUW programs, which has been steadily increasing across the industry and averaging over 40% (as a percentage of all tobacco users) in 2023, as demonstrated in Munich Re's AUW mortality slippage study¹

✓ **Medical Misrepresentation**

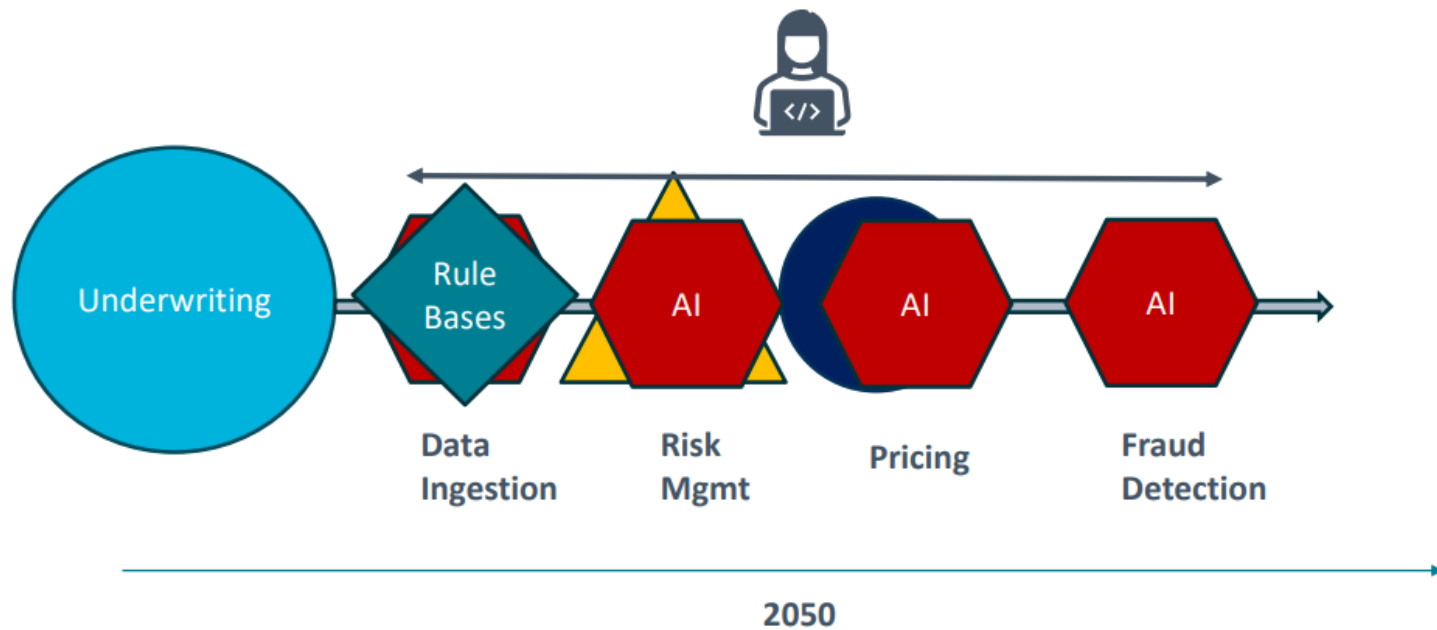
- ✓ **Whether Accelerated or Traditional Underwriting the most impactful impairment misrepresented is cancer**
- ✓ Although often difficult to pinpoint the exact time period evaluated started, post issue monitoring with RX, DX, and APS/RX is very beneficial
- ✓ For accelerated underwriting, it's extremely important to make sure application question wording gives you a solid opportunity to defend
- ✓ For DTC products criminal history misrepresentation is significantly higher compared to other products

Financial Elder Abuse

- **Helpful tips to keep in mind:**
- Complete training on elder financial abuse. Employees interacting with customers and handling policy-related requests (e.g., beneficiary changes, policy cancellations, and policy loans/surrenders) should be trained in how to recognize red flags for financial abuse. Certain states now require such training.
- Implement a clear procedure for escalating matters to the Special Investigation Unit (SIU) when any suspicious activities are detected.

Towards 2050

AI will affect all aspects of the underwriting process and change the role of the underwriter



AI

- Will monitor risk signals that could lead to a risk event or higher exposure probabilities and provide risk analytics to clients. Investigate complex cases.

AI

- Unstructured documents will no longer be a challenge

AI

- Health records will continue to be, but fitness data and social platform will play a big role

Fraud can occur and/or manifest itself anytime throughout the product life cycle

- ✓ Train all staff on fraud related issues (inconsistencies)
- ✓ Stay current on trends
- ✓ Review early claims for potential fraud and trends
- ✓ Feedback loops between relevant areas, especially Claims and Underwriting

Questions?

James Swinton, FALU, FLMI
Munich Re
jswinton@munichre.com