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AUSTIN, Texas - Colin Devine, principal, Colin Devine and Associates, and David Dorans, chief executive officer, Clareto, said tapping into health information exchanges, with permission from life insurance applicants, will enable life insurers to make faster, more accurate underwriting decisions. Devine and Dorans spoke with AMBestTV at the annual conference of the National Council of Insurance Legislators, held in Austin, Texas.

Colin
Devine

View the video version of this interview at: http://www.ambest.com /v.asp?v=devinedorans1219

Following is an edited transcript of the interview.

Q: Colin, let's start with you. You just finished a pretty detailed presentation with the leadership at NCOIL. We'll talk about better ways to underwrite, so things that you see and Dave's involved in.

What is the state of life products and life underwriting in the U.S.? Where does it seem to be headed?

Devine: It's moving forward slowly. I think that a big problem with life underwriting is that the process takes too long and it's too invasive, and technology we think certainly can materially speed that up.

The key to that is reconverging the life insurance industry and the health insurance industry because electronic medical records really are the keystone that underpin both.

Q: We have seen a lot of talk, a lot of insurtechs moving in this space, and they all talk about accelerated underwriting and some of the algorithms and the AI that they're using. What's the real key to making that work?

Devine: The key to making that work is having electronic health records. You've got to be able to get a record that has data that you can rely on, and you can get it fast — that's the key.

Q: Dave, this is where you come in as far as you have what you believe is better access to this information.

Dorans: Yeah. It's not new information. It's the information that we traditionally get in the industry. It's significantly improving the model that we use to get the information and changing a process that takes weeks and involves literally the use of a fax machine into much more of an automated process that can be done in seconds or minutes.

Q: OK, how does that work?

Dorans: It works by tapping into organizations that have access to the data and that have a charter that allows them to release that data with proper authorization from a client.

There's a couple of different models that are available. One, we are the most bullish on are organizations known as health information exchanges. Most of these are statewide organizations that were designed and built for the concept of interoperability.

They were built for treatment purposes. They were built so that if you showed up in an emergency room at midnight, on a Saturday, the physicians that were taking care of you would have access to your records.

They were also built to try and provide savings for the health market, so that if you had an MRI done on Monday, there's no need to have one done again on Thursday. We're really tapping into the organizations that were built on the health care side, but using those same technical capabilities that they built to the advantage of life insurers.

Q: Has this information ever been used for insurance purposes?

Dorans: It has not. We were the first ones to bring this out. Clareto's been in business now for a little under two years. We own and operate our own HIE in the central Virginia area.

When we had some people that saw what was available in the HIE and had some life insurance experience, the light bulb went off that there's a real opportunity here that could really change underwriting.

Any doctor in a region who participates in a health information exchange, it's like any other exchange organization. If you're a part of the exchange, if you want to get data out of the exchange, you have to make your data available to the exchange.

We'll work with exchanges around the country. The first one we went live with was the state of Colorado. The state of Colorado agreed that with proper authorization [from life insurance applicants], they would make their data available.

That made data available for any doctors or any hospitals across the state of Colorado that participated. We went from zero coverage to 75% coverage statewide in Colorado in a matter of minutes when we flipped the switch and turned them on. We're traveling around the country right now lining up other health information exchanges to try and build out our network.

Q: Is as any of this information making its way to insurers yet?

Devine: It absolutely is. The insurers are starting to adopt this. Underwriting is certainly for most insurance companies the most conservative part of the company. When they make decisions, they have to live with it for 50 years. What Dave's company is doing is just speeding up the process. It can take easily three months to get a life insurance policy issued, and clearly, today, that's a problem. Of that three months, about 10 hours you spend underwriting. The rest is spent tracking down the record, usually the fax or the mail, and doing the paramed exam.

Dave's company can deliver that record in under a minute. That shrinks that issue time dramatically, and that's what insurers are seeing. They have to get a lot more efficient because if you look at where interest rates are, they're under a lot of earnings pressure from low rates. They've got to get more efficient and better at what they do.

That's also how you're going to grow sales. If you make it easier to buy a life policy, the more people are going to do it.

Q: Dave, is anybody backing you in terms the insurance industry investing in you in any way, or do you see them pretty much as clients?

Dorans: Right now, it's venture capital-funded, but we've actually had a number of insurance companies who have venture funds have conversations with us. They're really excited about this idea because they, more than a traditional venture capital fund can really see the potential benefits of this and see that they can win on both sides of the equation.

Q: Colin, if all goes well, what kind of time frame are we talking about? When might this actually be in widespread use?

Devine: It's certainly coming up real-time now. There are companies that are starting to do this. I think we'll see it over the next probably two to three years.

If you look back using our X data or prescription data, it really developed over the last 10 years and now that's standard. I certainly think probably within three to five years this will be standard on every insurance application because it's just too easy, it's just too fast. It allows for better risk selection and it allows the policy to get issued a heck of a lot faster.

Dorans: When we started this, if you think about, it was a classic chicken-or-egg situation. The idea made all the sense in the world, and you went to insurers and said, "What do you think about this idea? Do you want to sign up?" And they said, "What data do you have?"

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