



By
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“Rules-based” has become something of a *célèbre* in risk appraisal these days, just as “evidence-based” has in clinical medicine (and rightly so around some underwriting campfires as well).

Assuming it comes to more than vacuous labeling, “evidence-based” anything should exert a reassuring effect on those accountable for whatever such evidence is brought to bear thereupon.

Can the same be said of “rules-based”?

Last time I saw a doctor, he didn’t leave a food offering for a machine, take a coffee break and come back for “the answer.” Rather, he used “paradigm-facilitated judgment.” I was the better for it.

Dick and Jane have essentially identical insurability status based on our “rules.” Does this really make Dick and Jane equivalent risks?

Every professional underwriter can recite myriad examples wherein two risks that looked alike on the basis of a set of “rules” were, in the end, quite

different in terms of appropriate underwriting action.

Why? Because the contextual interplay of all

evidence at hand confers inherent uniqueness upon each case which transcends plausible rule-making. In other words: No two cases are alike.

Insurability assessment confined solely to preprogrammed variables, bereft of real-time judgment, suffices only for the less-complex (younger age, smaller face amount) cases.

Deployed to any greater extent, it inherently undermines adequate appraisal of insurability.

“Dear Producer, I must inform you that your client is not insurable ‘as applied for’ based on our rules, notwithstanding the fact that information beyond my purview to consider would no doubt change this decision.”

“Rules-based” underwriting—unless it “kicks out” all but the most facile cases—collides with the core accountability of the underwriter: to make the best possible decision based on all that can be brought to bear.

Perhaps one day artificial “judgment-based underwriting” will triumph in head-to-head encounters with human underwriting professionals.

Perhaps.

For now, understand that the proper role of science (“rules-based”) underwriting is to optimize the capacity of art (“human-judgment based” underwriting) to yield the fastest and finest decisions possible for all parties to the transaction.

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Rules vs. Judgment

A swing toward rules-based underwriting may influence an underwriter’s judgment.

is the evidence beyond dispute that “rules-based underwriting” is an upgrade?

Might there be a “wolf in sheep’s clothing” aspect to this putative panacea?

At no time like the present has life insurance profitability been more impacted by underwriting, a reality which should motivate us to carefully dissect any major shift in our approach to how we carry off the process.

It is held that underwriting is both a science and an art, a truism affirmed by the imposing failure rate of right-brain-challenged underwriter wannabes.

“Rules-based” fairly reeks of science. Art implies judgment.

Some would have us believe the judgment factor is adequately brought to bear at the time the rules are set.

The question is: Can the best laid “rules” compensate for judgment?

In the end, would we not be far better served by a “paradigm-facilitated” as opposed to “rules-based” approach?

In this context, bear in mind that “evidence-based medicine” is a means to an end and does not beget high-quality patient care in a vacuum.

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Two risks may look alike according to the “rules,” but are quite different once they’re underwritten.