



Underwriting in the 21st Century: Investigating the APS Paradox (Scope of Work)

The APS Paradox

Attending Physician Statements (APS) have long been an industry paradox. On the one hand they are an important source of information about an applicant's insurability, but they are also inconsistent, duplicative, voluminous, and expensive to procure. Why do companies use an APS? Simply defined, an APS contains information from medical records to inform proper pricing of mortality or morbidity risk according to company guidelines. The goal of every insurer is to cut down on their reliance/volume of APS's—and innovations in risk management such as tele-underwriting, rules based engines, and pharmacological databases have contributed significantly to that end. None the less, the APS remains an indispensable tool that will continue to play a role in the risk evaluation process for the foreseeable future.

Underwriting departments are back logged with more trial apps and higher case volumes than ever before. As the population ages and becomes more affluent, the volume and complexity of the typical APS has risen considerably. This simple fact has placed an increased burden on already over taxed underwriting departments and has added to the friction between producers and underwriters. The question is: How does one balance the desire for expeditious decision making with the need for prudent risk management?

Investigating the Paradox

Parameds.com will research the "State of the APS" through a combination of surveys, one-on-one interviews and industry focus groups to examine and report on attitudes and opinions across the industry regarding the utility of the APS as an underwriting and claims examination tool.

This *APS INDEX* research initiative will be a combination of quantitative data gathering via surveys covering a wide cross section of carriers, BGA's, and medical facilities, as well as qualitative data gathering via one-on-one interviews and focus groups to be conducted over the coming months examining a number of facets of the use of the APS and data drilling down deeper into the realities of the practical issues about using the APS as a primary risk management tool. Among the issues to be examined:

- Examining the use of the APS across product lines
- Examining the use of the APS for the individual and group markets
- Examining the similarities and differences in utility for underwriting vs. claims
- Benchmarking key metrics such as average retrieval time, page sizes, associated costs, missing and illegible information, % reduction in APS orders based on use of other tools, etc.
- Use of vendors vs. internal resources
- Use of APS summaries vs. "raw" files

Conclusion

The findings from this initiative will be released in the June, 2007 issue of *On the Risk* as part of a broader white paper on the subject.

There will be a number of opportunities to participate in the research initiative over the coming months.

COMING SOON: Complete an anonymous survey and register your input. You will also be able to find out how to participate in one-on-one interviews or focus groups to discuss your opinion about this important yet vexing tool for both underwriting and claims.