

New data and advanced analytics continue to shake up the way life insurers underwrite mortality risk.

Our R&D team is focused on understanding the predictive value of LexisNexis Risk Classifier in life insurance. Research shows that data used in the scoring model may well be the next frontier in life underwriting.

What is Risk Classifier?

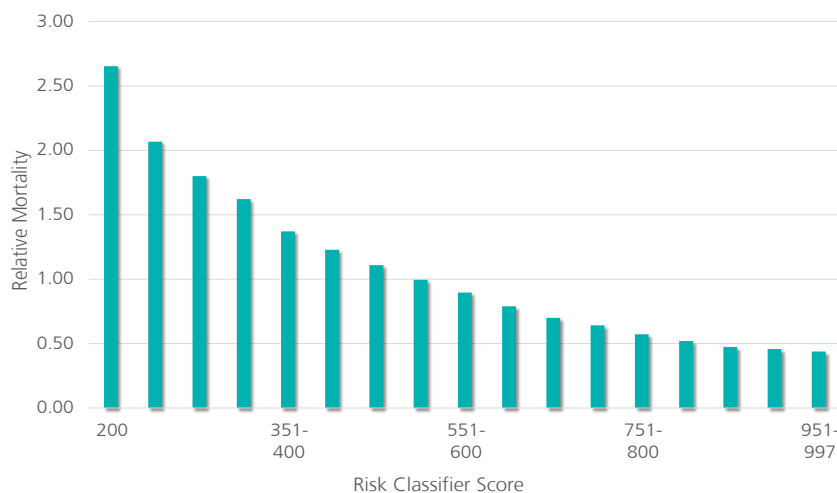
It is a risk assessment solution from LexisNexis that uses data from attributes derived from public records, driving history and credit to assess a proposed insured's risk profile. LexisNexis then distills findings into a numeric score.

We used LexisNexis data and output from their predictive model to analyze the correlation between their Risk Classifier scores and mortality in the sample population that was provided.

The depersonalized data included 7.5 million records from a property and casualty insurance population and contained more than 200,000 deaths.

Our comprehensive review found that Risk Classifier is an excellent predictor of all-cause mortality in the population that we studied with many indicators that could be applied to life insurance assumptions.

Relative Mortality by Risk Classifier Score

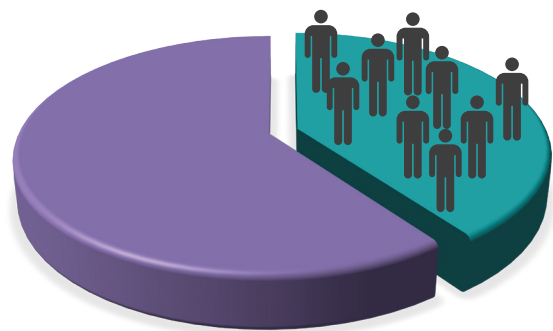


It works

Risk Classifier is a capable predictor of *relative* all cause mortality. The granular nature of the score allows a very precise definition of target ranges. The graph to the left shows the trend between relative mortality and the Risk Classifier score. The relationship between overall mortality and Risk Classifier will vary by target group. However, the trend line with relative mortality remains fairly constant.

Simulating an insured population

To better understand how Risk Classifier may apply to a life insurance population, SCOR developed a process to simulate life insurance applicants. We used model inputs to form reasonable proxies for income. We divided the sample population into five income groups, from lowest to highest, to simulate potential applicant pools. We further subdivided the sample population by age and gender. This allows for specific calibration of the scores to fit various insurer populations.



How Risk Classifier scores can be applied to life insurance

Research on LexisNexis Risk Classifier shows significant predictive value in the use of Risk Classifier in mortality risk selection. We look forward to collaborating with clients in the further study and application of Risk Classifier in life underwriting.

Highly configurable

Risk Classifier scores interact with age, gender, target market, qualification range and mortality results in a very predictable fashion. This makes it possible to achieve desired outcomes by selecting specific cut off values. The resulting solution can be tailored to fit a client's specific business need as opposed to using a one-size-fits-all approach.

Target Market Qualification Percentage
Example: Male 40-49

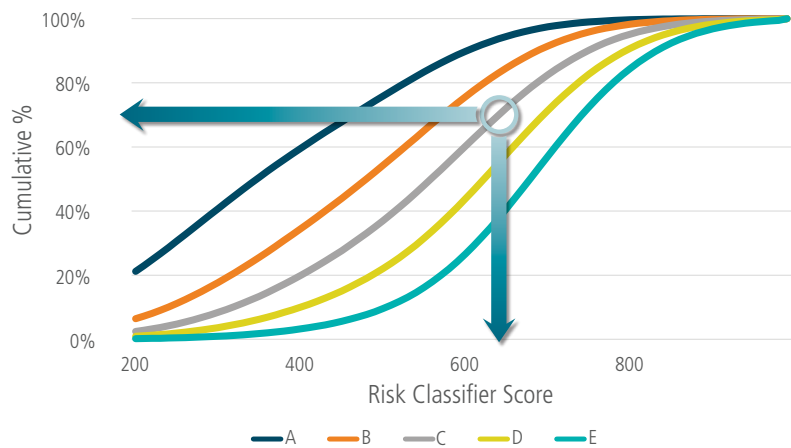
Risk Classifier Range	Target Market					All	Relative Mortality All
	Low End	High End		
200 Exact	28%	8%	3%	1%	0%	8%	2.35
200 to 300	51%	21%	9%	4%	1%	17%	1.98
200 to 400	71%	40%	22%	10%	3%	29%	1.71
200 to 500	87%	62%	40%	22%	10%	44%	1.49
200 to 600	95%	81%	63%	44%	27%	62%	1.28
200 to 700	99%	94%	85%	73%	59%	82%	1.12
200 to 800	100%	99%	96%	92%	86%	95%	1.03
200 to 900	100%	100%	99%	99%	98%	99%	1
200 to 997	100%	100%	100%	100%	100%	100%	1

Flexible solutions

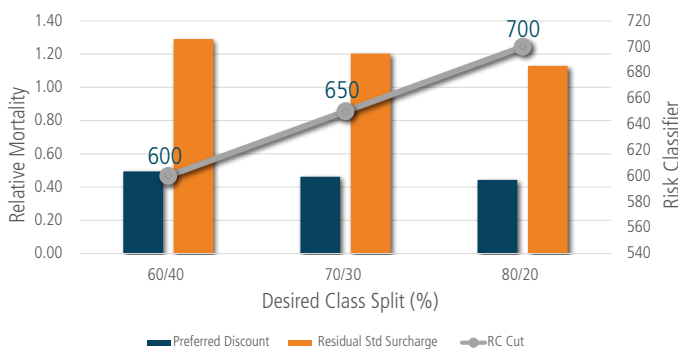
Risk Classifier can be used to underwrite to a specific mortality outcome, as seen in the graph to the right, or to a specific class split percentage, as seen in the chart below.

SCOR can help in selecting appropriate Risk Classifier values to fit specific life insurance scenarios.

Risk Classifier Score by Target Market
A-Lower End...E-High End



Risk Classifier Score by Class Split
Example: Male 30-39



Next Steps

Applying Risk Classifier to Your Business

SCOR is heavily invested in studying and understanding the effectiveness of new and emerging data sources.

We welcome the opportunity to collaborate with your company in determining the value of using Risk Classifier scoring in your underwriting process.