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A new criminal history screening tool offers improved results for underwriting

## Criminal History in Underwriting: Closing the Gaps with Improved Screening

Studies show that mortality experience is less favorable among individuals with criminal histories than those without criminal records. Due to the stigma related to having a criminal record and the desire to obtain a policy at the best rate possible, there is a propensity for applicants to conceal this information when applying for life insurance. As life insurers continue to evolve their accelerated and automated underwriting processes, it will be critical for them to incorporate effective third party data services that enable comprehensive screening for criminal histories.

The industry has struggled to find an effective tool to screen for criminal histories. This is due to the complexity of navigating court filing systems across various jurisdictions, issues with matching applicants to records and ensuring

regulatory compliance. Hannover Re's underwriting team continues to evaluate new sources of data and risk selection tools to solve insurers' challenges. Through existing partnerships, Hannover Re is able to experiment and test various new tools resulting in substantive learnings that benefit clients. For criminal history screening, Hannover Re has identified several key aspects that carriers should consider when implementing a criminal records screening tool. These key considerations include:

1. Rapid results and technology enabled access to screening information
2. Verified records searches that return confident matched results
3. Structured data retrieval for automation and acceleration

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Over the last twenty-four months, Hannover Re has worked closely with Choice Screening, a Denver based global accredited background check company, to gain a deep understanding of their products and their application in the life insurance space. A felony case review resulted in notable findings.

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## Felony Case Review Highlights

Sampled 2000 cases looking for felony records

Reportable felony record hit rate between 4-5%

Approximately 75% of the felony criminal hits reported by the Choice Screening product were not picked up by commonly used products in the industry.

The quality of data in the reporting provided by Choice Screening was more complete and accurate, providing greater protective value. While there may have been a parallel hit with another product, the quality of the data was more robust, in particular the severity of the crime (misdemeanor versus felony), as well as the dates used.

Based on Hannover Re's findings, Choice Screening performs better at identifying current registered sex offenders than other products on the market. In the sample there were eight individuals currently registered that were not flagged in comparable offerings.

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## Rapid Checks

Choice Screening has developed advanced technology and software to help life insurance carriers and underwriters strengthen their screening practices by enabling them to connect to the Choice Screening platform via API. Additionally, robust reporting capabilities provide accelerated access to get a clear depiction of the applicant.

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## Case 1

46 year old male | \$250,000 face amount

Admitted criminal history on application: none  
Other products reporting criminal history: clear

Choice Screen results: July 2007 – first-degree felony statutory rape (two counts) and child molestation (victim less than 12 years old). Sentenced to ten years in prison. Currently on the Sex Offender Registry and lifetime probation due to severity of crime.

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## Verified Searches

Many of the screening products available on the market opt not to report a finding if they are uncertain of a match, creating material gaps. Choice Screening employs certified researchers who can verify records to ensure that life insurers receive an accurate and complete history of each applicant. The verification process confirms a legally reportable record that is up to date, complete and compliant. The Enhanced Verified National Criminal Search combines SSN validation, address history, alias name searches, plus access to over 1,000 sources and over 800 million criminal records. All records are verified by the researcher directly at the source prior to reporting. In addition, Choice Screening provides state and county level searches for those states that do not report to the National Database.

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## Case 2

42 year old male | \$1,000,000 face amount  
Resident of Colorado

Admitted criminal history on application: none  
Other products reporting criminal history: clear

Choice Screening results: Passed Enhanced Verified National Criminal Search (Colorado does not report records to the national database). Colorado State Search – October 2020 (two days prior to application) second-degree felony kidnapping (two counts).

## Accelerated Underwriting & Automation

The structured data received from Choice Screening can be incorporated as another third party data source within automated decisioning such as hr | ReFlex, Hannover Re's automated underwriting solution. When included in accelerated/automated underwriting programs, in combination with other third party data sources, Choice Screening will support holistic underwriting decisions.

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### Case 3

30 year old female | \$1,000,000 face amount

Admitted criminal history on application: none  
Other products reporting criminal history: clear

Choice Screening results: March 2019 – first-degree felony domestic battery, first-degree felony aggravated assault and first-degree misdemeanor, interference with emergency communication.

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## Summary

The insurance industry faced countless challenges over the last twelve months. With these challenges came many opportunities, catapulting the market, as a whole, into a new era of underwriting much faster than would have been had the global pandemic not been present. Many carriers had to quickly implement changes to their workflow and buckets of requirements had they not already done so. It will be important to continue to monitor these changes very closely, making sure to close any gaps that may exist.

Hannover Re has been at the forefront researching new data sources and risk selection tools. Working with a partner that is flexible and can provide tailored solutions is paramount in today's environment. Choice Screening offers an array of products and data sources that can be used to refine and enhance both process and automated underwriting programs, providing protective value and a considerable amount of flexibility along the way.

As illustrated in the case studies above, Choice Screening methodologies uncover critical information key to making

accelerated and informed decisions. Contact Hannover Re to learn more about the evaluation of Choice Screening and its benefits in life underwriting.

### Contact for more information



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