



As children we learned that how we asked a question had a lot to do with the type of answer we received. We might not have realized it, but we were already on our way to becoming behavioral economists!

The principles of Behavioral Economics (BE) are becoming a regular part of our industry's marketing and actuarial efforts. While other companies may be trying to apply it to gain operational efficiencies, RGA in Asia is focusing on using BE in solution design. One of the ways we are doing this is studying how applying these principles to customer questionnaires, surveys and applications may generate more, and better qualified, responses.

The results have been interesting. We are seeing that the way a question is asked, and the number of answer options available, appears to play a role – perhaps subconsciously – in eliciting greater participation and more accurate disclosure.

For example, you'd think that on insurance applications the smoker/non-smoker question is binary: either you smoke or you don't. However, being a smoker has subconscious and conscious negative connotations for applicants. Reflexively, a smoker may feel defensive about the question. Consciously, too, they are aware that being a smoker is the question 'normalizes' being a smoker by



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Figure 1

- assuming the applicant smokes
- The response options have been increased so that our significant cut-off is disguised
- The options were reversed so that 'Never' is the last option

This resulted in a 33% disclosure rate with, interestingly, the main increase in disclosure from those who smoke less than 10 per day.



