



SOCIETY OF ACTUARIES

**Fifth Annual Teleunderwriting Seminar
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Teleunderwriting – A Global View

Susie Cour-Palais

Teleunderwriting – A Global View

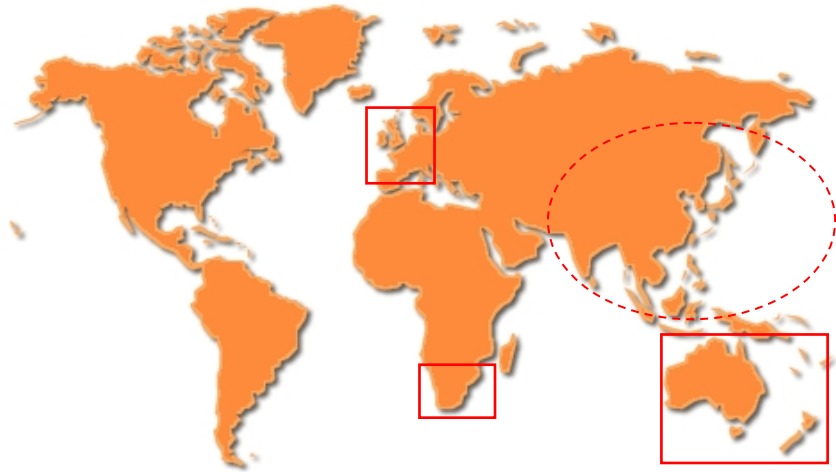
2009 Annual Society of Actuaries Teleunderwriting Seminar
Susie Cour-Palais – SelectX Ltd, UK



Global view



Global view



Across the pond ...



- Since 2003
- Now all major life insurers – and many smaller
- Term life, critical illness, disability income
- Many different models
- Regulatory impact
- Claims management

Underwriting and Claims under the microscope

- Financial Services Authority (FSA)
 - UK regulator
 - *Treating Customers Fairly (TCF)*
- Financial Ombudsman Service (FoS)
 - Resolves disputes as alternative to civil courts
 - *Decisions impacting teleunderwriting process*
- Law commission



Law
Commission
Reforming the law



Financial Ombudsman Service

"We're applying 18th century law to 21st century technology – firms need to be sure they've built appropriate safeguards into their sales processes and are able to produce reliable records"

"The clarity of the information provided, the quality of the records, and the consumer's ability to understand the transaction will always be what matters"

"[A signature] can be held as a telephone recording. The important thing is that it is made at the time of the sale, is not open to alteration and is kept in a secure manner"

Association of British Insurers

- ABI Guidance: *Improving clarity of telephone and online applications – August 2007*
 - Clarity of questions and consistency
 - Interpreting answers in phone interview
 - Audit trail
 - Applicant identity; Recordings
 - Quality checks; Complaints
 - Declarations and warnings
 - Documentation; Confirmation schedule
 - Signatures

Non-disclosure

“Tele-underwriting is the key in helping keep non-disclosure to a minimum”

Financial Ombudsman Service, UK, 2008

“Big T tele-underwriting significantly reduces non-disclosure because it is a much smarter method than a traditional paper or electronic app”

Iain Mallon, Director of Protection Marketing, Axa, UK

Non-disclosure

- Axa, UK
 - 5.78% on paper apps
 - 3.48% on electronic apps (without teleunderwriting)
 - 1.23% for teleunderwritten applications
- Outsource service providers report similar data
- Data still emerging – important to measure in similar way

Claims management

- Unacceptably high level of declined claims – catalyst
- ABI Code of Practice: *Non-disclosure and treating customers fairly - Managing Claims, January 2009*
 - Three categories of non-disclosure - different remedies
 - More difficult for insurers to reject a claim
 - Onus on insurer to obtain good and reliable disclosure at outset – ability to take action at claim!
 - *Promotes separation of the sale and evidence collection to reduce non-disclosure*
 - Onus on insurer to have robust audit trail – *evidential power of a recording*

Distributor views

- Broadly in favour ... if it makes process quicker
 - Research in 2008 among 221 IFAs (brokers)
 - 35% had experienced teleunderwriting
 - Two thirds said positive impact
- Don't have to collect sensitive information – but ..
 - loss of control
 - concerns about poor quality interviewers alienating customer
- Transfer of liability to insurer is important issue
- Some distributors setting up their own teleunderwriting processes

Distributor views

"We, as brokers, should not be taking the liability or bearing the costs for the medical interviews... when product providers take control of the interviews they can tune these to their underwriting philosophy and extend their interviews to collect all medical information thus reducing [APSS] and improving disclosure further.

This has to be the better way"

Tom Baigire, Managing Director, Lifesearch UK, 2008

Conversation management

- Origins in “cognitive interviewing” used by FBI
 - Witness testimony, investigation, statements
- Adapted for commercial use in P&C claims
- In 2003, a UK company specialising in P&C claims pioneered cross-over to life underwriting because ...
 - teleinterview approach did not support the building of a rapport with the customer - potential for misunderstandings and complaints
 - interviews could generate far higher levels of disclosure than were being achieved

Conversation management

- Improves customer experience – brand loyalty
- Improves quality of information captured
- Identifiable structure which can be controlled and maintained
 - *Unlike most soft skills training*
- Creates optimum environment to encourage honest disclosures!



Are CSRs well trained in conversation management techniques as effective as nurses / underwriters?

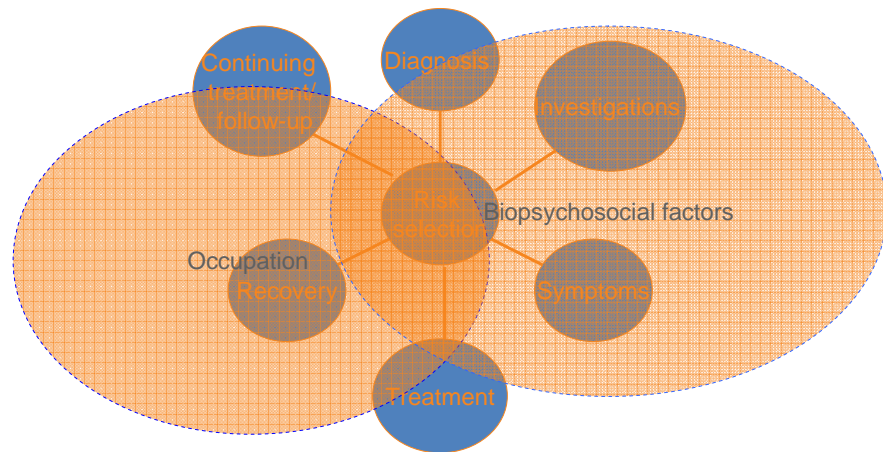
Underwriting the morbidity risk



Underwriting the morbidity risk ...



Underwriting the morbidity risk ...



Underwriting the morbidity risk

- Occupation details
 - Job title can be almost worthless ...
 - Duties, physical work, bending, kneeling, dexterity required, driving, use of tools/machinery
 - Exceptional sensory or health requirements eg musician; pilot

Underwriting the morbidity risk

- Importance of 'softer' factors ... *biopsychosocial factors*
 - Measuring *attitude* to work
 - Frequent consultations for trivial illness?; Frequently off work off work for minor illness – or never sick?
 - Repetitive, boring, frequent job changes
 - Domestic and social environmentAdditional health information eg sleep patterns



Are there constraints on how we use this information to assess risk and will we be able to rely on this information to rescind a claim?

Continental Europe



- Since 2006/7
- Initial fears about consumer resistance and data protection unfounded
- Some outsourcer activity
- Strong reinsurer involvement

Teleclaims

*Telephone interview as the **primary** method of collecting medical and psychosocial information on claimants*

- Disability income, TPD, WP, Critical illness
- End to end case management
- Specially trained interviewer (claims assessor, nurse)
- Customised interviews and 'scripts'
- Recorded calls

Down under ...



- Major boost since 2006
- Links to use of rules engines / straight through processing

South Africa



- Since 2004 / 5
- Three major life insurers
- Various pilots ongoing; start-ups with alternative distribution models

Metropolitan Life – South Africa - Case Study

- Aggressively re-engineered existing process – revolution rather than evolution
- Almost completely paperless NB acquisition process
- Voice-recording as signature
- Insourced

- Needed radical change to survive
- Needed to create greater access to products and sharpen profits in low income market

Greatly improved disclosure – agent filter removed; better and targeted questions, recording has sentinel effect

Voice-recording as signature in all cases

Over 70% applications auto-accepted

> 50% reduction in app to policy issue time

Additional evidence requests reduced by > 40%

Reassurers as influencers ...

- Pricing discounts
- Revised underwriting evidence criteria
- Involvement in process design
- Teleinterview scripts and drill-downs – rules engines
- Modified underwriting guidelines
- Developing alternative distribution models with clients
- Reassurer as outsource partner
- Claims management

Global differences – 2006 SOA Conference

	North America	RoW	Result
Auto-accepted business	Low %	High % Up to 60% acceptance life and CI	Teleunderwriting must work with existing processes
Face amount threshold for screening	Low	High < age 40: no bloods or med exam < \$700,000	Business case for 'routine' teleinterviewing more difficult to make
"Living benefit" riders	Low %	High % CI strongly linked to mortgage market	Impact of interview on claims management is very important
Use of vowels and hyphens!	"teleunderwriting"	"tele-underwriting"	Divided by a common language ...

Global differences – 2009 SOA Conference

North America	Rest of the World
Elderly lives	Disability income
Additional underwriting information to work with interviews • Rx profiles, MIB, MVR	Influence of regulation and legislation on process
Increasing focus on mid-market	Conversation management - nurse interviewers
	Claims management

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