

DEFINING OCCUPATIONS – TIME FOR MODERNISATION

A short while ago we discussed the lost art of occupational underwriting. While the overwhelming majority of life insurance applicants are accepted at standard rates, the occupation plays a crucial part of the underwriting of disability business. We wrote about the fact that most occupation rating guidelines and rules based systems use an approach based on occupation titles and not the duties involved in performing that job.

Many have written and campaigned about the lack of interest in and poor sales of income protection business in recent times. Low sales volumes are often blamed on a lengthy, complicated underwriting process that results in a significant proportion of applicants being accepted at an increased rate of premium. We wonder if current practices related to occupational underwriting exacerbate the problem.

As part of our ongoing interest in this area we have taken a look at some of the occupation lists that drive quotation systems and rules engines providing on-line acceptance. Our research reinforces our conviction that the most realistic way to assess occupational risk is by using job duties rather than titles. Some of the occupation lists appear to have been written in the 1960s and have a heritage dating back long before then. Here are some gems to illustrate the point.

‘Drayman’: a drayman was historically the driver of a dray (a low wagon), most commonly drawn by horse. The term then became mainly reserved for the brewery delivery man. Needless to say the use of horse-drawn drays is now virtually non-existent. Historically, underwriters would have been concerned that draymen would routinely sample deliveries en route, but in these days of drink-driving laws and, of necessity, highly efficient logistics, both the risk and the job have changed out of all recognition.

In the railway industry we find a number of outdated terms like ‘tippler operator’, ‘wagon traverser operator’ and, best of all, ‘bunker control man’ – a job that disappeared with the passing of the steam locomotive. Technology has reduced staffing requirements and made multi-skilling the norm, making most of the old job titles redundant. And many of the titles, like ‘stationmaster’ (station manager) and ‘motorman’ (train operator) seem to be oblivious to the arrival of women in the workforce.

In the merchant marine world these days ships are powered by diesel or gas turbine engines; as in the railway industry, steam remains the motive power only in the odd ‘heritage’ vessel. So why do job titles such as ‘stoker’ and ‘fireman’ still remain on these lists. Indeed ‘lightermen’ (who transferred goods to and from unpowered vessels called lighters) disappeared from UK docks and waterways in the 1960s.

There are many more examples of outdated job titles such as ‘screw man’, ‘film joiner’, ‘punched tape operator’ and, our personal favourites, ‘costermonger’, ‘sword swallower’ and ‘wall of death rider’, that also remain on these lists. Why? It must be due to inertia. These lists really are ripe for overhaul.

Conversely there are many occupations such as ‘business analyst’ and ‘change manager’ that don’t get a mention.

You have almost certainly heard the expression ‘you could drive a coach and horses through it’. It seems to apply beautifully to occupation lists. Isn’t it about time the underwriting profession moved into the 21st century and started using job duties rather than job titles to assess the risk?