

## **UNDERWRITING MANUALS: STRATEGIC DILEMMAS**

### **Part 2**

In part one of this series of articles we considered maintaining and resourcing an underwriting manual.

In this second part we look at how access rights are granted and managed, how manuals can work as training resources, and consider briefly the hot topic of evidence-based ratings.

#### **Access**

On the Web, a manual usually has secure entry because the producer wants to protect its intellectual property. It wants to deny non-clients the benefits of its efforts and to avoid want competitors downloading material, benchmarking ratings and plagiarising content. Secure entry also means that the producer can analyse usage, enabling a sharper focus for ongoing research and development – that is, concentration on the subjects that matter.

So the issue of access to the manual presents its creator with a series of dilemmas:

- What is the distribution strategy – who gets it?
- Does it give it away to all and sundry for free?
- Do only ‘good’ clients get it?
- Should users be charged explicitly – a cost per click, maybe?

#### **Training**

Most manuals try to be all things to all people. Indeed most manuals claim they are aimed at underwriters of all experiences from old hands to junior underwriters who are just learning the art (or the science depending on your point of view).

But is this a reasonable objective? Can this be achieved in the one delivery vehicle without ending up pleasing no one? In these days when technology can provide so many tricks in terms of flexible navigation, is it reasonable to clutter up a rating guide for a senior technician with a wealth of textual content that simply isn’t needed? Equally, can a manual truly be a training tool for more junior underwriters, or should this be achieved by another, more focused, delivery method?

Another complexity surrounds who actually writes the content. If it is a medical officer, there is the possibility that the content is more accessible to doctors than to underwriters, who have to keep reaching for their medical dictionaries. Some might argue that it would be better, and cheaper to use, say, the Merck manual as a resource, but that would be far from ideal: underwriters’ information needs are different from those of the general public or medical students. The right solution may be to construct a manual that is written by underwriters for underwriters, and consider training as a separate issue.

#### **Evidence base**

What level of supporting evidence is required for the manual of the future?

In recent years there has been wide acknowledgement of the need for evidence-based ratings in the same way that the medical profession has increasingly looked at evidence-based approaches to treating patients.

It is unlikely that all the ratings in the manual need to be robustly supported by large quantities of insured data. But research should be applied to devising rating approaches that are up to date and in line with statistical data where it is available. This enables justification and explanation of rating policy to consumers, regulators and other stakeholders as

necessary. Ratings need to differ from one geographical region to another, and maybe, sometimes, from country to country within those regional boundaries. There then arises the challenge of obtaining suitable data supporting these individual approaches.

In the past insurers have relied heavily on their reinsurers for evidential support to challenges, and no doubt this will continue. However, given the power and persistency of the challenges from modern-day consumers, pressure groups, etc (the Internet has enabled access to and sharing of knowledge on a scale almost undreamt of a decade ago) responses to them need to be thorough and highly credible. Importantly, action in this area needs to be much more than mere reactive defence or back-covering; consumers everywhere have the right to a fair deal from their local life and disability insurance industry.

In the final article of this trilogy we will examine some of the other strategic issues faced by the producers of underwriting manuals. If you would like to discuss the issues we have covered here, please get in touch.

June 2009