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Why don't people tell us what we want them to – and what can we do?

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What are we dealing with?

What's the scale of the issue?

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Non-disclosure in life applications

- Seven insurers - four IFA and three Bancassurers
- 100 cases where the GPR was requested as the non-medical limits were exceeded
 - there were no application disclosures warranting a GPR in it's own right
- 100 cases where the GPR was requested due to the fact that the underwriter could not make an assessment on disclosure alone
 - a valuable proxy given the desire to accept more on disclosure alone or asking for a targeted report from the GP
- **Simple question – was there significant non-disclosure?**



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Why might there be differences?

- Similarities:
 - GPR used to check non-disclosure for consistency
- Differences:
 - Customers
 - Sales people
 - Sales method
 - Application form design
 - Sales management
 - Underwriting measurement of significant non-disclosure?



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Does it really matter?

How does it affect the customer and the industry?

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Does it matter to the customer?

- The vast majority of people think they have bought a promise to pay if an event happens
- A significant minority do not have the cover they thought they had
- One of the key factors that risks eroding trust in our industry
- Companies increasingly being differentiated by claims payout rates

Does it matter to us?

- Isn't it in the experience?!?
- Yes – unless...
 - People are becoming more or less honest
 - The underwriting process is becoming more or less effective
 - Claims management techniques are more or less effective
 - Pricing shouldn't just be based on experience!



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Indicative costs of non-disclosure if 100% claims paid

Total misrepresentation	Lost premium calculation	Cost
15%	$(12 \times 100) + (3 \times 600)$	30%
10%	$(8 \times 100) + (2 \times 600)$	20%
5%	$(4 \times 100) + (1 \times 600)$	10%
2%	$(1.6 \times 100) + (0.4 \times 600)$	4%



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Possible future trends – food for thought

- Genetic testing
- Public anger with financial institutions
- FOS approach to claims
- Greater access to personal medical records



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Is it just us?

Are people more honest elsewhere?

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Six reasons why we lie

- Fear of harm
- Fear of conflict
- Fear of punishment
- Fear of rejection
- Fear of loss
- Altruistic reasons

Common lies to GP's

- Smoking intake
- Alcohol consumption
- Compliance with medication
- Diet – salads, salt, 5 a day
- Exercise levels



Techniques employed to lie

Scanty	Garrulous	Focused
Disengage	Difficult to interrupt	Closed responses
Health seeking rejection	Pose many symptoms – “crowding”	Direction
Dr feels dissatisfaction	Patient in control	Set agenda obvious

Why? Ulterior motive

- If it makes its way onto the record its solidified
- Classical examples
 - Whiplash injury
 - Low back pain
 - Stress / depression

Case example

- 55 yr morbidly obese truck driver – MI
- Admitted to SDH, clerked in and answered, healthy lifestyle, regular exercise, portion controlled diet, no fried foods.
- Wife visited on D2 CCU brought 3 staples.
- Why?
- Lied due to embarrassment



Inherent difficulty

- Probity and integrity
- Believe patients – should believe them
- Highest frequency answer from prospective medical students at interview responding to why they want to become a doctor...?
- We don't start consultations from a point of cynicism



How do we respond to suspicion?





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How do we get to the truth?

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Industry solutions

- Look at management information
- Application form redesign
- Plain english, not complicated medicolegalese
- Don't cluster inappropriate questions
- Remind the customer of being honest
- **Remind the customer of being honest**
- Educate the customer



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A more pragmatic approach

- Acknowledge realities of the sales environment
- Be realistic about applicants state of mind when applying
- Understand what you ask may not be what is read
- Use MI to examine different disclosure levels



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MINDSPACE EXPLAINED

M **MESSANGER**
We are heavily influenced by who communicates information to us
The weight we give to information depends greatly on the instinctive reactions we have to the source of that information

I **INCENTIVES**
We often respond to incentives using mental shortcuts
Incentives are used as a mechanism to motivate behaviour change but we often respond to them in strange, but predictable ways

N **NORMS**
We tend to do what those around us are already doing
We behave in ways that are influenced by the explicit or implicit behavioural expectations, or rules, of the society or groups we belong to

D **DEFAULTS**
We 'go with the flow' of pre-set options
Many decisions we take have a default option, whether we recognise it or not. It is seen that we have an in-built bias to accept the default, even if it has significant consequences

S **SALIENCE**
We respond to things that are novel and that we can understand
We subconsciously filter out much of the information we receive. As a consequence our behaviour is greatly influenced by what our attention is drawn to

P **PRIMING**
Our behaviour is often influenced by sub-conscious cues
We act in ways that can be altered if we are exposed to certain cues beforehand - such as sights, words or sensations

A **AFFECT**
Emotional associations can powerfully shape the way we behave
We are strongly influenced by our feelings and emotions. Emotional responses can be rapid, so that we experience a behavioural reaction before we know what we are reacting to

C **COMMITMENT**
We seek to be consistent with our public promises, and reciprocate acts
We tend to procrastinate and delay taking decisions that are in our best interests. Commitment devices are widely used to counter our will-power weaknesses

E **EGO**
We act in ways that make us feel better about ourselves
We tend to behave in ways that support the impression of a positive and consistent self-image.

WHAT IS MINDSPACE?

Influencing behaviour is central to public policymaking. Major advances in understanding what determines our behaviour means that we now have a new set of potentially powerful tools to use in challenging areas such as crime, obesity and recycling activities.

MINDSPACE outlines nine robust influences on human behaviour and change. These principles are underpinned by considerable research from the fields of social psychology and behavioural economics. They are therefore presented as the most robust effects that policy makers should understand and, if appropriate, use.

MINDSPACE: Influencing Behaviour Through Public Policy
Authors: Paul Dolan, Michael Hallsworth, David Halpern, Dominic King, Ivo Vlaev

Find out more about **MINDSPACE** at
www.instituteforgovernment.org.uk/content/133/mindspace-influencing-behaviour-through-public-policy



Plans for upcoming studies

- Formalising different questions asked inside and outside insurance
- Documenting the differences – more than just application form analysis
- Utilising CMOs, medical practice examples