



Agenda

- 1) STP – Definitions and trends
- 2) Barriers – Why are STP rates not higher now?
- 3) 100% STP – Upside story
- 4) 100% STP – Uncertainties
- 5) Possible ramifications for the industry...
- 6) Summary

1. STP – Definition and Trends (1/5)

Straight Through Processing – how many definitions are there?

Some market consensus towards:

“An automated and final underwriting decision applied to an applicant by an underwriting rules engine where no manual intervention is required”

(A. Smith & R. Goodwin circa 2012)

Components

- standard rates
- loaded terms
- exclusions
- postpone
- decline
- downgrades

Straight
Through
Processing

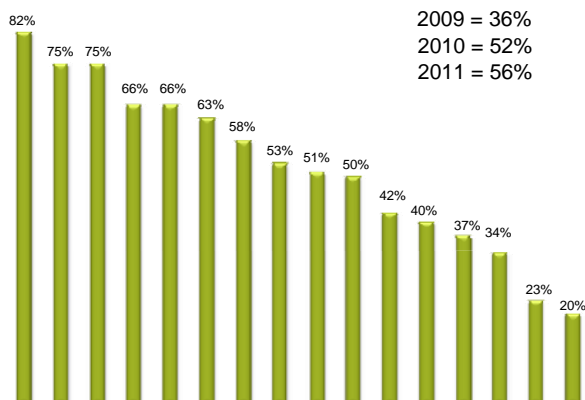
Variances

- Recorded by cover, by life or by case?
- Include further evidence requests?
- Is a decline / postpone decision actually issued or referred to UW to issue?
- Case submitted or just a decision given?
- Customer matching before or after STP figures recorded?
- Signature process – how many then alter answers provided when asked to confirm with signature?
- Are all benefit types included?
- Market sectors are not necessarily comparable

1. STP – Definition and Trends (2/5)

A view of the current UK market

Combined Benefit (Life, CI, IP) STP



Caveats

- Represents a view of the UK/ Irish markets but incomplete
- Majority don't include IP
- Differences in period of time over which measured
- Not all measured in the same way
- Different distribution channels

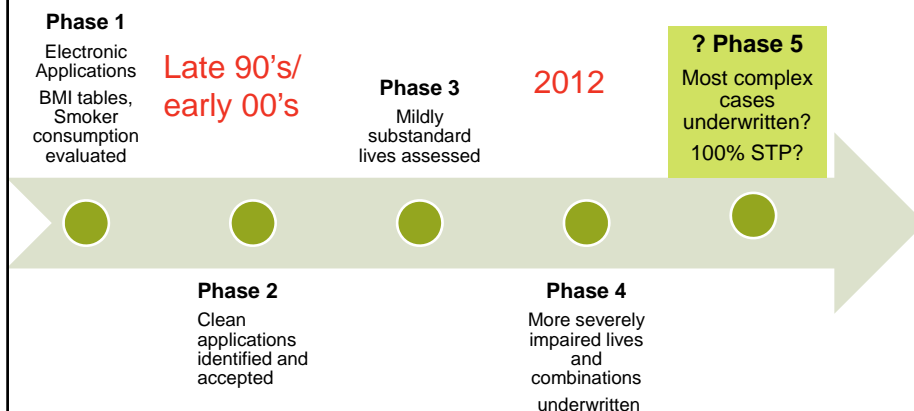
1. STP – Definition and Trends (3/5): Global Context

Other markets – can we draw upon experience and expertise elsewhere?

Market	STP average	Context
UK	52%	Highly automated market – all major insurers utilise underwriting rules engines
Australia	24%	Extensive IP sales
South Africa	30-50%	BUT includes requests for evidence (also HIV –ve required for all)
Japan	>50%	Only x1 provider of Point of Sale STP
China	57%	Non medical / savings, low sum assured
Korea	15-40%	Many living benefits and frequent hits on industry data pooling systems (KLICS / ICPS)
USA	?	<20% insurers use underwriting engines. POS issue only possible with links to external databases (MIB, Rx, MVR)

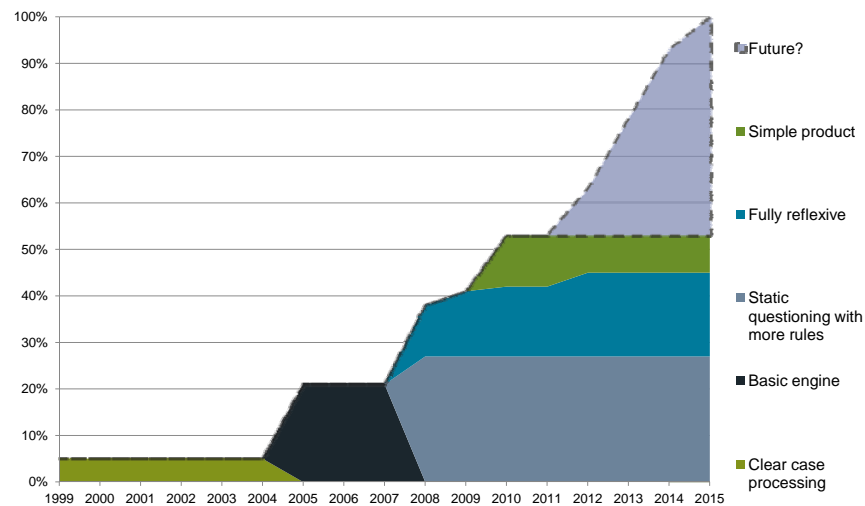
1. STP – Definition and Trends (4/5): The Evolution of Automated Underwriting - Generic

Over the past 15 years, automation has become integral to UK new business processes



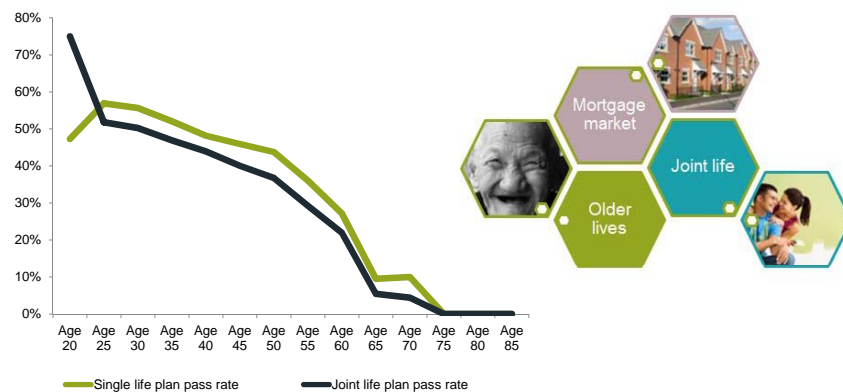
1. STP – Definition and Trends (5/5):

The evolution of automated underwriting - Individual



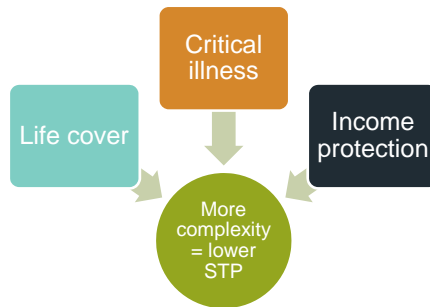
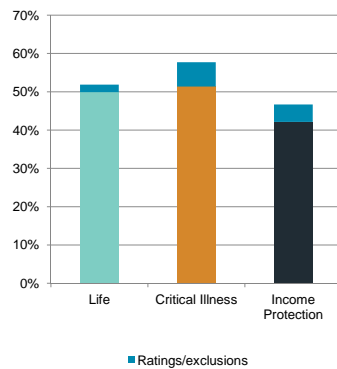
2. Barriers; Why are STP Rates not higher now? (1/5)

The Business Mix – what is the target market?



2. Barriers; Why are STP Rates not higher now? (2/5)

The Business Mix – effect of cover type



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2. Barriers; Why are STP Rates not higher now? (3/5)

Strategy and Philosophy

Product

- Single benefit or menu product?
- Addition of rider benefits?
- Sum assured and age restrictions?

Price

- Sharpest rates = fullest underwriting, greater disclosure
- Distribution & Market - online? IFA? SEG?

Underwriting

- Conservative or aggressive? (maximum loadings, non medical limits and sum assured authority for the rules engine)
- Multiple lives / business covers
- Maximum number of questions? Concerned with decisions elsewhere? Aggregation of cover for the same client across multiple plans?

2. Barriers; Why are STP Rates not higher now? (4/5)

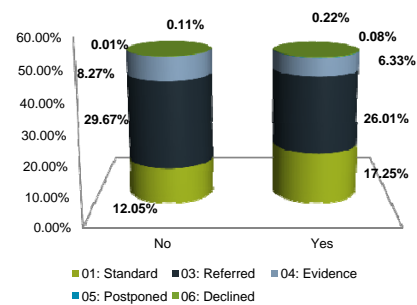
• The Customer

Understanding of the condition?	"I take a red pill in the morning, a blue pill at lunch and a white pill in the evening"
Misunderstanding of the questions	Have you had any complications of this condition? "What are the complications of diabetes? What if I don't know?"

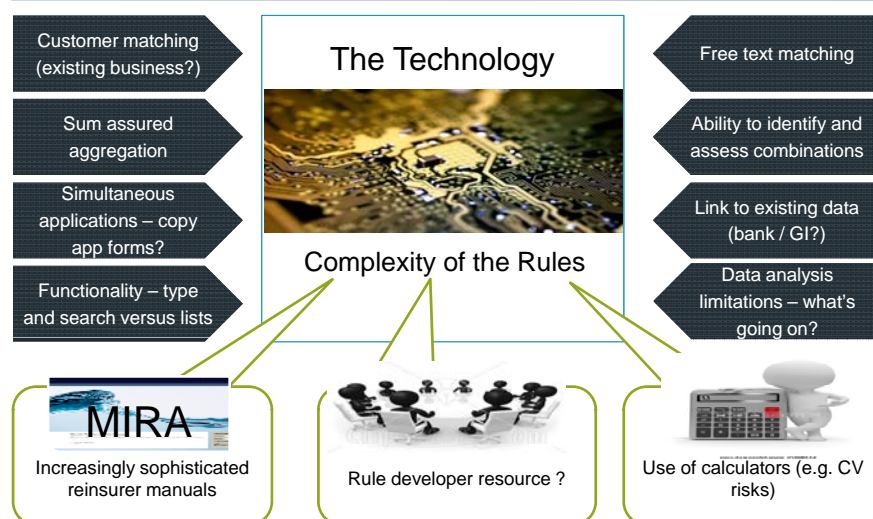
Customer Present?

5% more STD rates
3% less refer to UW
2% less evidence

**10%
STP
Uplift**



2. Barriers; Why are STP Rates not higher now? (5/5)



3. 100% STP - Upside story (1/5)



How would the customer gain?

- ✓Faster application process – on cover more quickly
- ✓Improved customer journey – no intrusive medicals
- ✓Cost savings translated into cheaper premiums
- ✓Potentially increase commoditisation of Life products – a bad thing from customers perspective? (reduction in the protection gap)

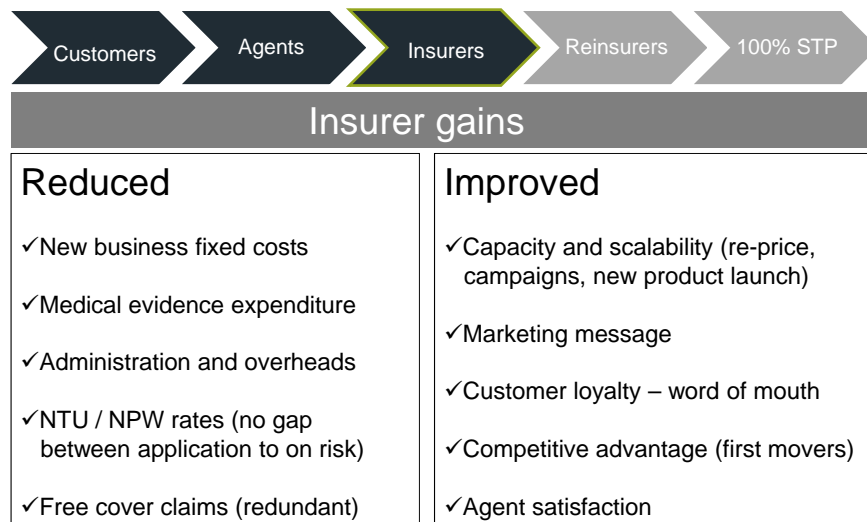
3. 100% STP - Upside story (2/5)



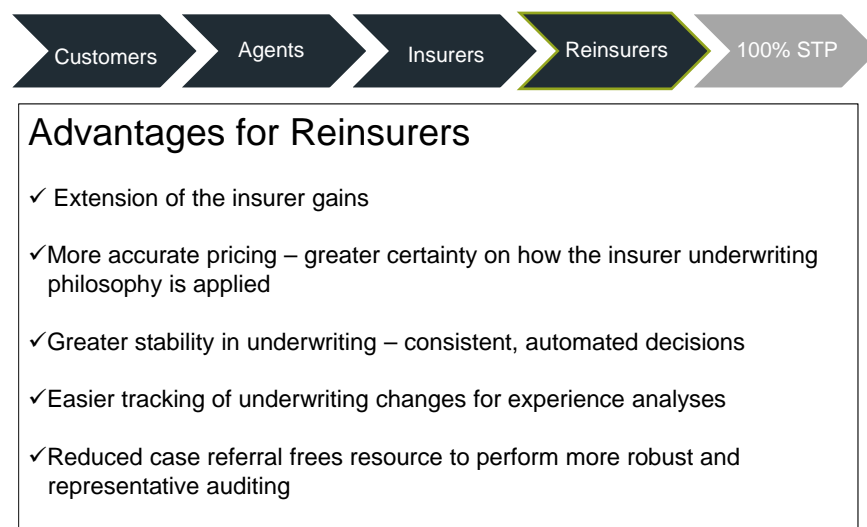
Intermediary benefits

- ✓On risk more quickly so commission paid earlier
- ✓Easier process facilitates easier sales
- ✓Rated business easier to convert – terms available now versus weeks later
- ✓If majority of insurers offer 100% STP – market opens up and permits genuine like for like comparisons

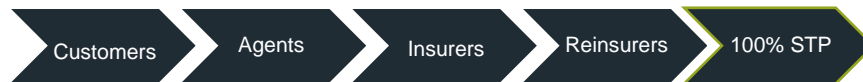
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3. 100% STP - Upside story (5/5)

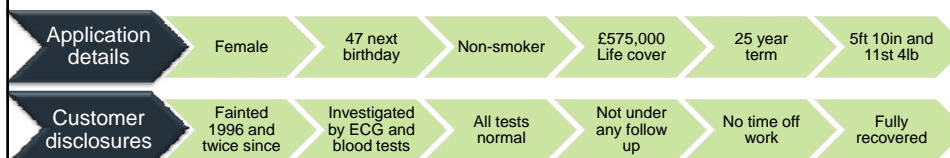


So if everybody gains, why are we not seeing 100% STP processes already?

4. 100% STP – Uncertainties (1/4)

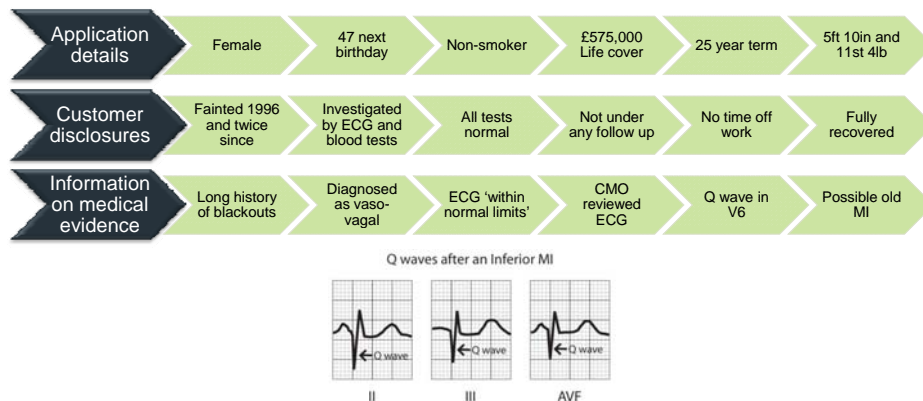
- Can we underwrite accurately based on applicant disclosure?

Case Study



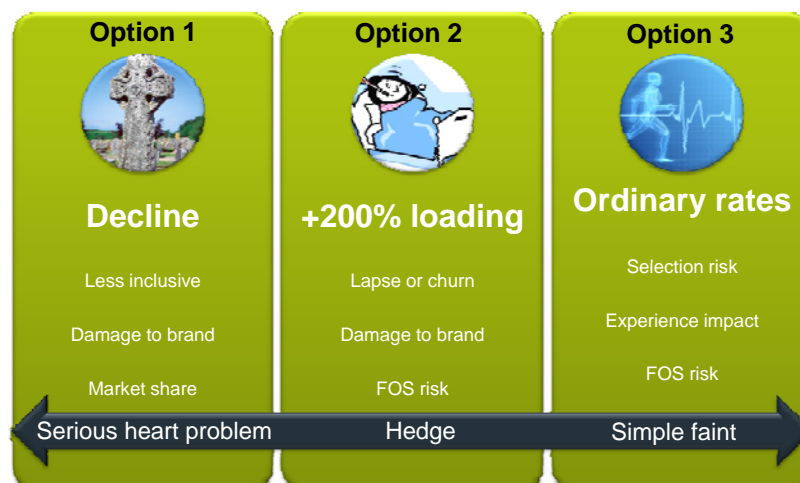
4. 100% STP – Uncertainties (2/4)

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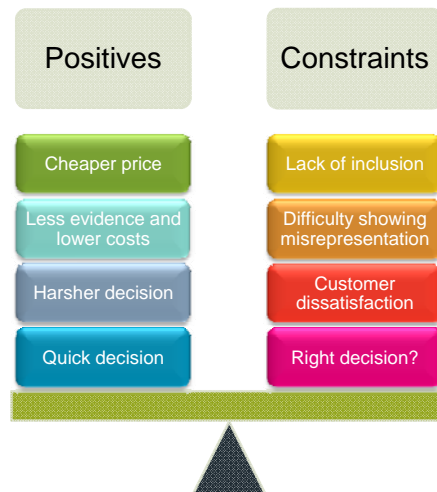


4. 100% STP – Uncertainties (3/4)

- A variety of underwriting decisions could have been reached from the application disclosures alone

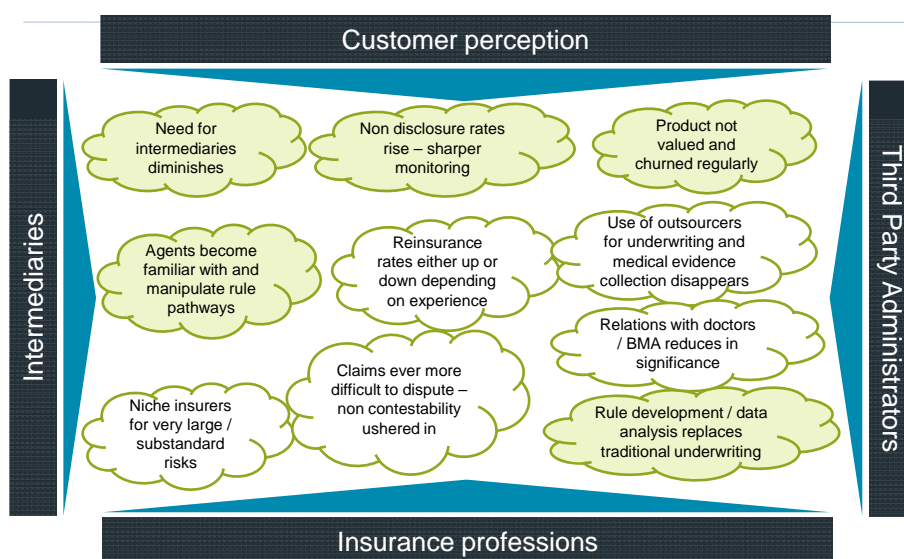


4. 100% STP – Uncertainties (4/4)



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5. Possible ramifications for the industry...



6. Summary

- Are good reasons why 100% STP at competitive rates is not yet a presence in our market
- Technology may improve but it will always be limited by the applicant's knowledge and understanding of their own conditions
- Digitalisation of medical records could facilitate 100% STP if this ever materialises, but this is probably a long way off
- Will customers ever be happy with a machine turning them away - "Computer says no?"
- Shorter term goals for rules development; reduce free text, identify existing customers and improve automated assessment of combinations of risks
- It is likely the necessary premium loadings to cover the margin for underwriting error, will permit the insurer that is willing to use full underwriting to under-cut a provider of 100% STP