

## IFAs and Expert Underwriting Systems

### A Match Made in Heaven or A Recipe for Disaster ?

Healthcare Conference  
Warwick  
26<sup>th</sup> April 2004

---

---

---

---

---

---

---

## IFAs and EUSs

### A Match Made in Heaven

Debbie Akers  
Chief Underwriter  
Friends Provident

---

---

---

---

---

---

---

## Instant Acceptance Benefits The Whole Industry

- Consumers are happier
- Advisers are happier
- Insurers are happier
- Reinsurers should be happier



---

---

---

---

---

---

---

#### A Few Opening Challenges...

- Money Marketing 22/1/04 – Bright Grey are the fastest in the IFA market, average time 25 days!
- Consumers see insurance as a commodity product. Why don't we?
- Technology is speeding up and improving our lives, except for the process of buying life insurance.

---

---

---

---

---

---

---

#### What would you want as a consumer?

- Quick and easy forms
- **My policy NOW!**

---

---

---

---

---

---

---

#### Why Are Consumers Happier?

- Easier to provide the information required
- Less suspicious of the process of underwriting
- Not likely to get follow-up questions later
- **immediate acceptance**
  - some of the time at least

---

---

---

---

---

---

---

### What would you want as an IFA?

---

- Slick process
- Control
- **My commission NOW**

---

---

---

---

---

---

---

### Why Are IFAs Happier?

---

- No need to have the right paper form or questionnaire
- Easier to complete form correctly
- Manage customer expectations
- Fewer delays waiting for GPRs

---

---

---

---

---

---

---

### Why Are IFAs Happier?

---

- More in control – power!
  - easier to track progress
  - less time chasing underwriters
- Better take up
- **Commission paid sooner**

---

---

---

---

---

---

---

### **What would you want as an insurer?**

---

- Better control of risk
- More profit

---

---

---

---

---

---

---

### **Why Are Insurers Happier?**

---

- Proposition based on service as much as price
- Fully completed forms!
- Consistency in initial underwriting
- Fuller disclosure
- Fewer GPRs

---

---

---

---

---

---

---

### **Why Are Insurers Happier?**

---

- Management information
- Reduced underwriting costs
- Opportunity for teleunderwriting
- Easier to get scale
- Insurers are happy if IFAs are happy

---

---

---

---

---

---

---

### Why Are Reinsurers Happy?

- More objective risk assessments
- Easier to audit
- Reinsurers are as successful as their clients
- Reinsurers can price (and charge) for risks

---

---

---

---

---

---

---

### So if Everybody is Happy Then it's Lovely Jubbly



---

---


---

---

---

---

---

**The Actuarial Profession**   
making financial sense of the future

### IFAs and EUSs

### A Recipe for Disaster

Perry Thomas  
Managing Director  
RGA UK Services

---

---

---

---

---

---

---

**It's Just Like a Blowfish ...**

---

- In theory it is fine ...
- ... but get it wrong ...
- ... or lose control ...
- ... then it will kill you.



---

---

---

---

---

---

---

**Some Things are Ultimately Bad News for Everybody**

---

- Bad news for Consumers
- Bad news for Advisers
- Bad news for Insurers
- Bad news for Reinsurers



**Just like Osama ... or worse still endowment mortgages**

---

---

---

---

---

---

---

**Problem 1 – Lack of Trust and Lack of Control**

---

- Do you trust all IFAs?
- How can the insurer control IFAs?
- Fitting the premium
- Ease of re-broking



---

---

---

---

---

---

---

### Problem 2 – Misalignment of Interests

---

- Distributors want short term gains, reinsurers want to manage long term risks, insurers want both...
- ...and to keep distributors and reinsurers happy.
- Problem is largely due to distributor remuneration.
- No alignment of risk taking.
- Easy for IFAs to open then close and move on.

---

---

---

---

---

---

---

### Problem 3 – Ownership

---

- Who owns the data?
- Who ensures accuracy of data?
- Who is liable for underwriting negligence?
- Who is liable for mis-selling risks?

---

---

---

---

---

---

---

### Problem 4 – Will Savings Occur or are They an Illusion?

---

- Do insurers price for mis-selling and non-disclosure risk?
- How much of the premium goes in admin, versus commission and claims?
- Will e-solutions and outsourcing really save...
- ...or are we kidding ourselves?
- Don't worry Rodney, this time next year we will all be millionaires!

---

---

---

---

---

---

---

#### **Problem 5 – More Problems for the Insurer?**

- What will the role of the insurer become?
- Will the wires be put together to make things work?
- Insurer's admin is in the shop window
- More difficult to control volumes

---

---

---

---

---

---

---

#### **Lovely Jubbly or Being Strangled by the Distributors?**



---

---

---

---

---

---

---