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making financial sense of the future

# Life on the Line

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Friends Provident

# The Protection market

- Employer provision
- Mortgage market
- Increasing levels of debt
- Regulation
- Medical developments
- Technology playing a greater role

# Themes and perspectives

## Themes

- Money/Technology/People/Time
- Improve Customer Service
- Improve underwriting efficiency
- Reduce sales risk

## Perspectives

- The Customer
- The distributor
- The insurer/reassurer



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# The Customer perspective

# Customer drivers

- Aging population
- Move to private provision – education, healthcare, old age
- Having children later, second families
- More flexible, less predictable employment
- Build up of debt
- Protection more important than ever
- Lack of time
- Information overload
- Technology literate
- Will use multiple channels

# Future customers

- Truly interactive
- An upgrade generation
- Little patience
- Only mail they know is e.mail
- Expect a reply in hours, not days – won't W8 4 U

# The loyalty ladder



# Protection problems

- Capacity
- Service perceptions
- Lack of control



# Underwriting barriers

- Length of application forms
- Questions get overlooked, and the forms returned
- Cases which are clearly standard rates held up in initial underwriting queues
- Waiting for medical evidence – GP Reports
- Delays reduce completion rates

# Making life easier

- New Business submission
- Expert Underwriting systems
- Teleunderwriting

# Application Forms

## Electronic applications

- On-line applications lead you through in stages
- Guided questions presented in simple bite-sized chunks
- Reminders if answers are missing

# Acceptance of Standard Rates cases

## Expert underwriting

- Rules interpret answers and make an initial decision
- Interactive questions obtain further information
- Straightforward cases accepted immediately at POS
- Advanced systems accept non-standard cases at POS

# General Practitioner Reports

Expert underwriting

- EUS drill-down questions reduce the number needed
- EUS rules often determine immediately if one is needed
- GPR can be produced immediately
- Can be taken straight to GP practice if urgent
- GPs give better service to patients than to insurers?

# Teleunderwriting

- Obtaining further details e.g employment or medical details
- Completion of full underwriting questions via EUS
- Separating data collection from the sales process

# Teleunderwriting - acceptability

## Clients

- Attitudinal differences-based on age and gender – older (45+) less likely to accept.
- Females happier with concept
- Time taken important in determining acceptability



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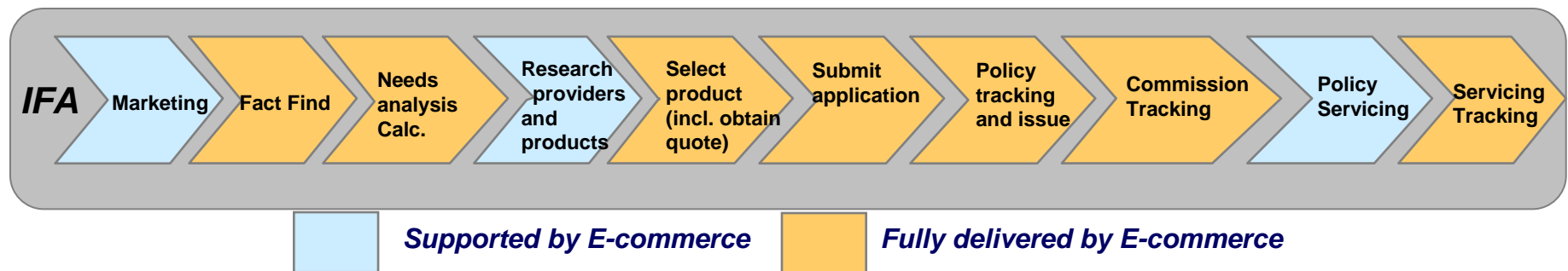
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# The distributor perspective

Barriers and benefits



# Where does technology fit?



# Sound barriers?

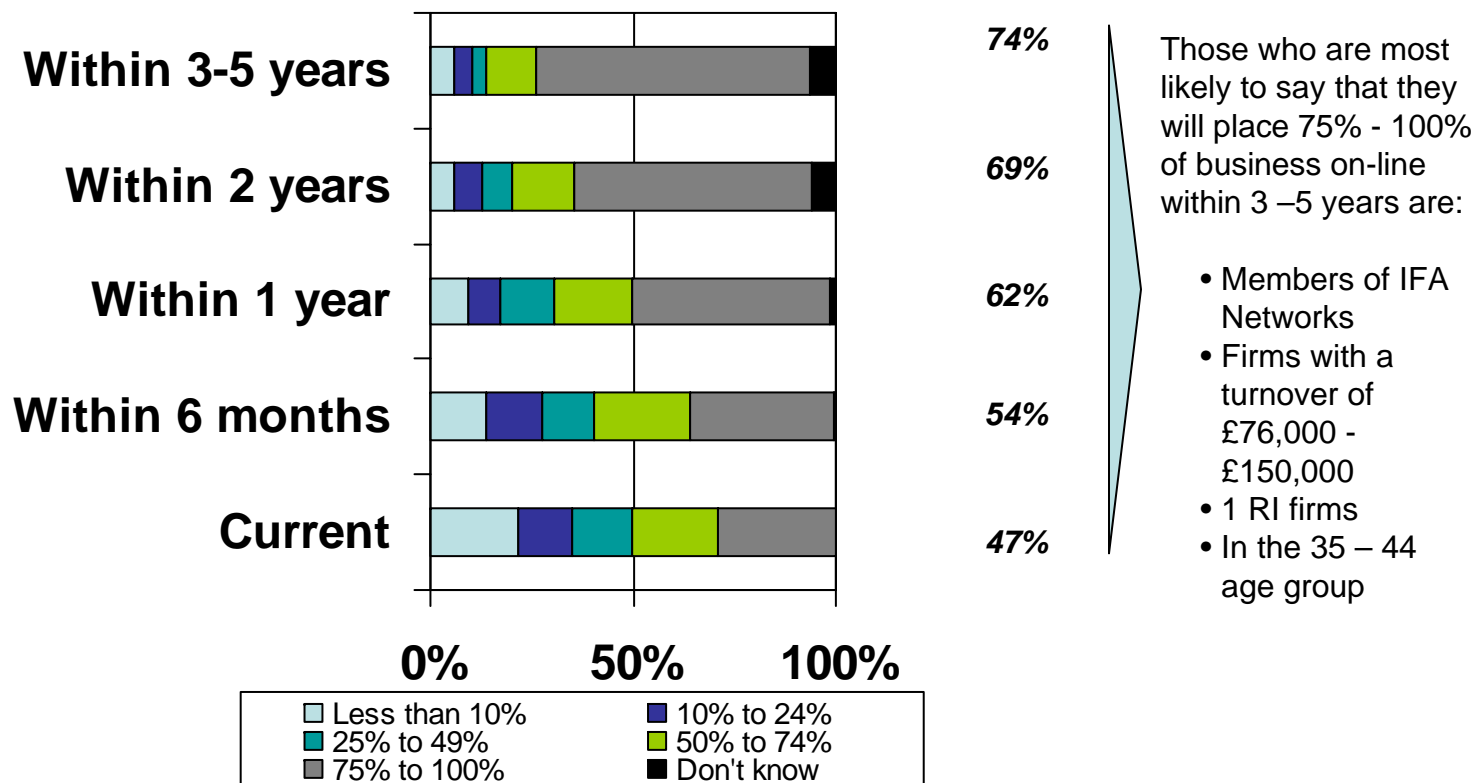
Recent research:

- Insurance companies
- IFAs
- Old people

# Projected New Business Submissions

The amount of new business submitted electronically is expected to rise from under 50% to close to 75% within 5 years

Source: NMG  
research  
March 2005



Base: 138 – February 2005 (EXISTING USERS ONLY)

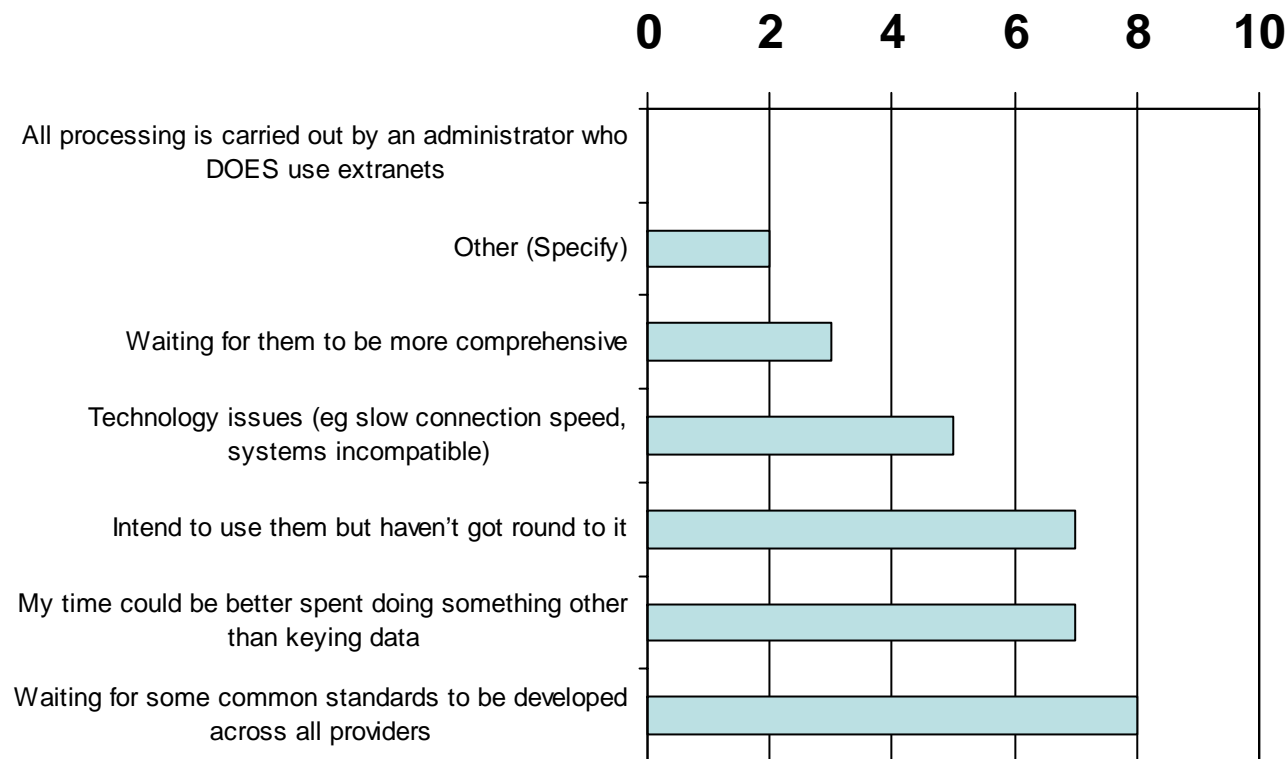
What percentage of your new protection business do you expect to submit electronically through either an extranet or portal at each of the following points?

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# Reasons for Non-Use of Extranets

'Waiting for common standards across all providers' was the most popular reason given for non-usage

Source:  
NMG  
research  
March 2005



Base: 32 – Feb 2005 NOTE: SMALL SAMPLE SIZES

Why do you not currently use provider extranets for the submission/tracking of new business?

# Sound barriers?

- Ease of use
- Fit with sales process
- Only works for healthy lives?
- Reliability
- All systems are different

# Ease of use

- Navigation
- Help screens/training
- Process time
- Policy often available immediately
- On-line trusts – signature free

# Ease of use

- Client on risk in minutes
- Complete control over sales and advice process
- On-line progress tracking
- Open all hours
- Time saved on...

# Ease of use - time saved on....

- GPRs and medicals
- Supplementary questionnaires
- Validation
- Data carried forward from third parties
- Only relevant questions generated



# Only works for healthy lives?

- Identify early in the process whether a GPR is needed
- On line decisions may include ratings
- Frees up underwriters to deal with more complex cases

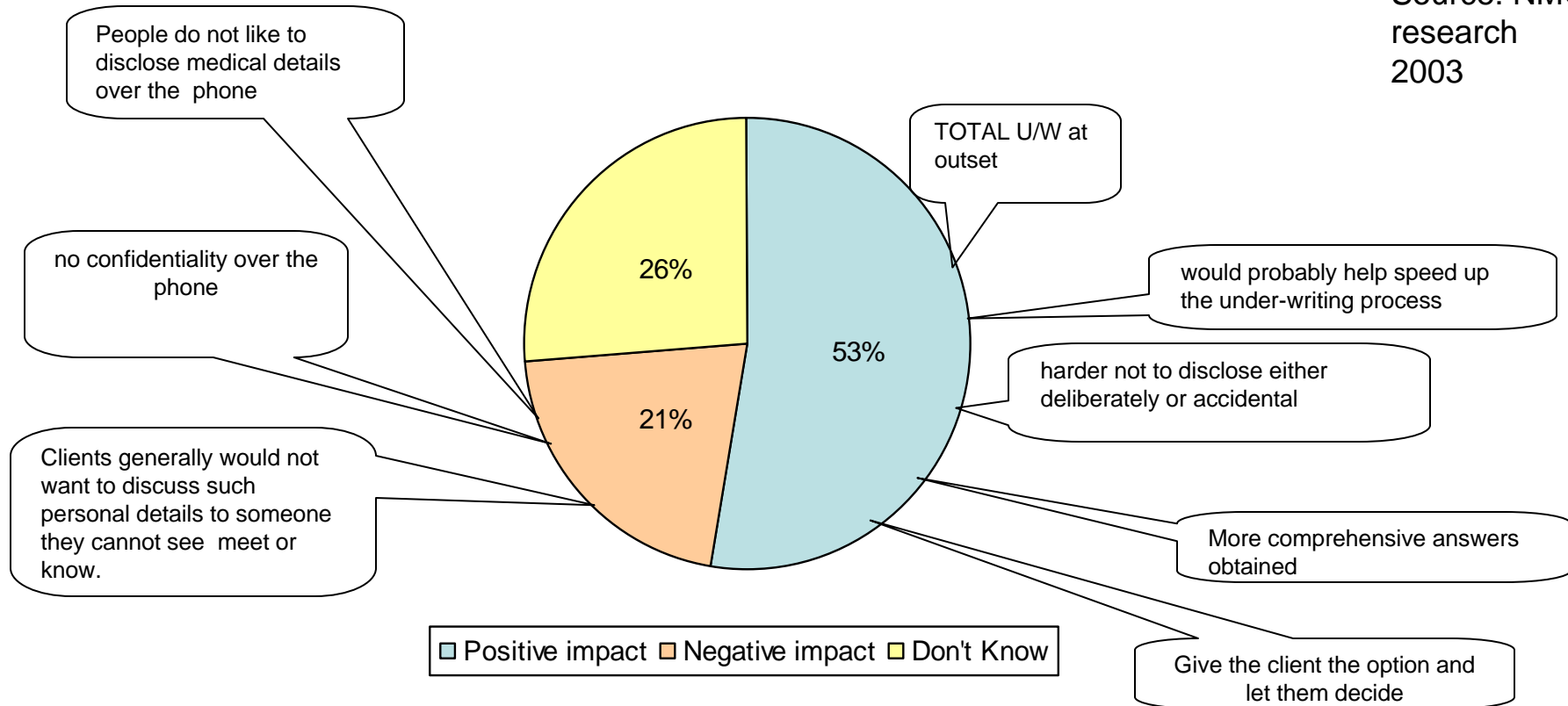
# Fit with sales process

## Different models

- Face to face
- Transcription
- Teleunderwriting
- Tailor to suit...

# Do you think the provision of a service to ask medical questions to your clients over the telephone would have a positive or negative impact on the protection industry?

Source: NMG  
research  
2003



# Teleunderwriting - benefits

- Frees up time
- Responsibility for disclosure?
- Reducing the need for GPRs
- Making life easier for the adviser
  - no need to ask difficult questions

but

- Client ownership and relationship
- Ability to place business depending on client's health
- Impersonal nature
- Lack of control

# Reliability

- Minimum specifications
- Save as you go
- Constant challenge

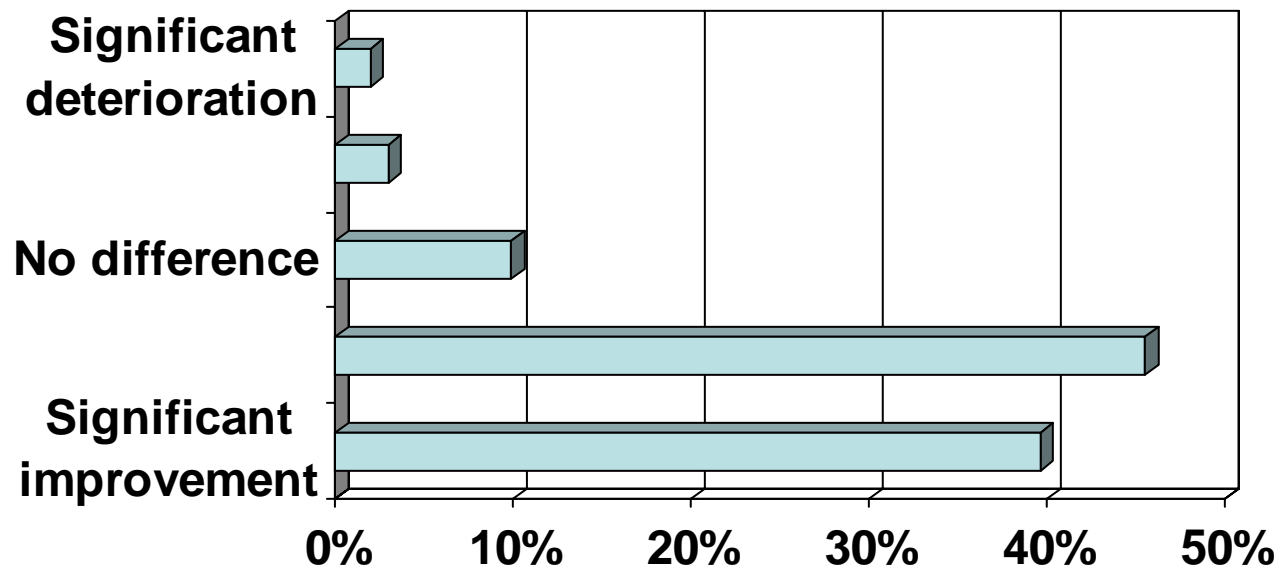
# All systems are different

- Competitive advantage
- Need to link to back office
- The pace of the slowest ship?
- Origo – Unipass

# Impact of On-Line Underwriting

A positive message emerges with 8 out of 10 respondents having experienced “some improvement or significant improvement” from the introduction of on-line underwriting

Source:  
NMG  
research  
March 2005



Base: 101 – Feb 2005.

Overall, what impact has on-line underwriting had on efficiency of new business underwriting and processing?



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## The insurer perspective

Growing the business

Reducing cost

Managing resource

Managing risk

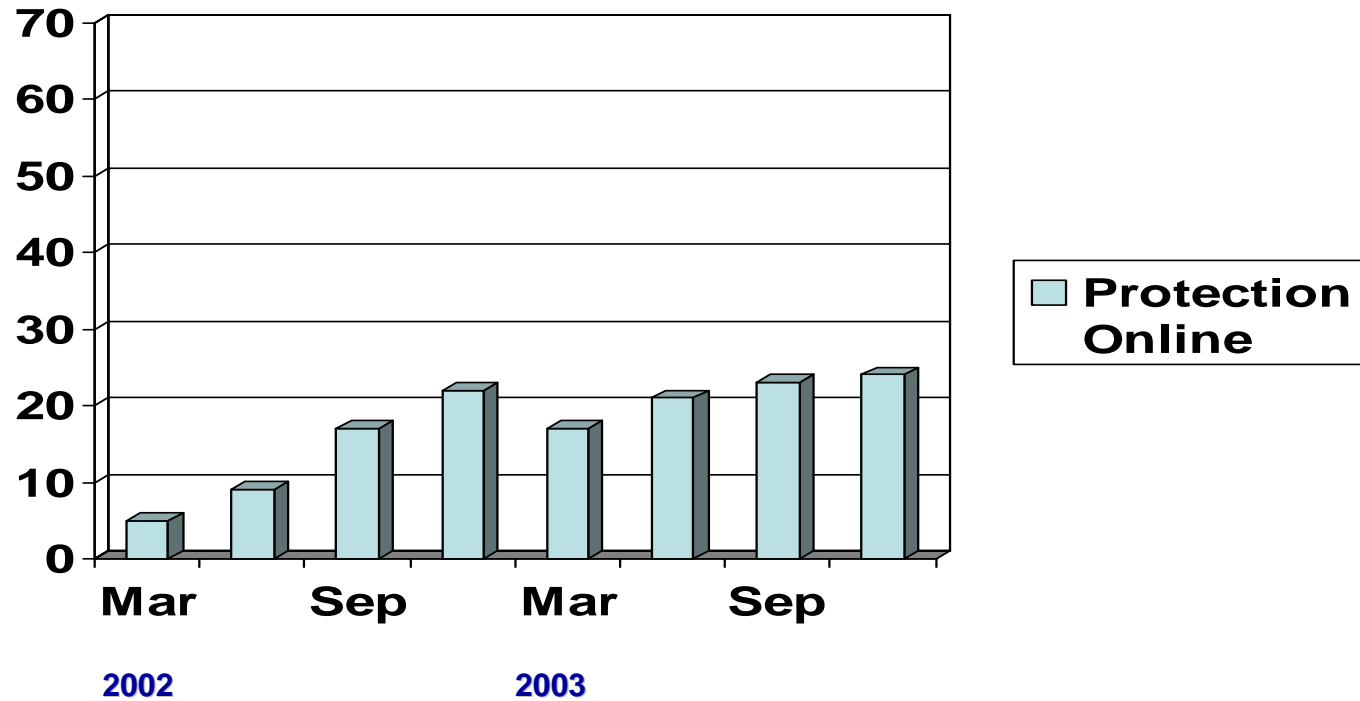


# Business drivers

- Capital, costs, margins, persistency and resources under pressure
- Cost cutting pressure from legislation and regulation
- Competition and consumer adding to pressure
- Options for driving down unit costs
  - Sell more / grow business
  - Pay less for reaching customers
  - Simpler products and processes
  - Technology replaces people where possible and appropriate
  - People and process efficiencies
  - Lower paid workers
  - Focused management structure
  - All of the above

# Impact On Our Business

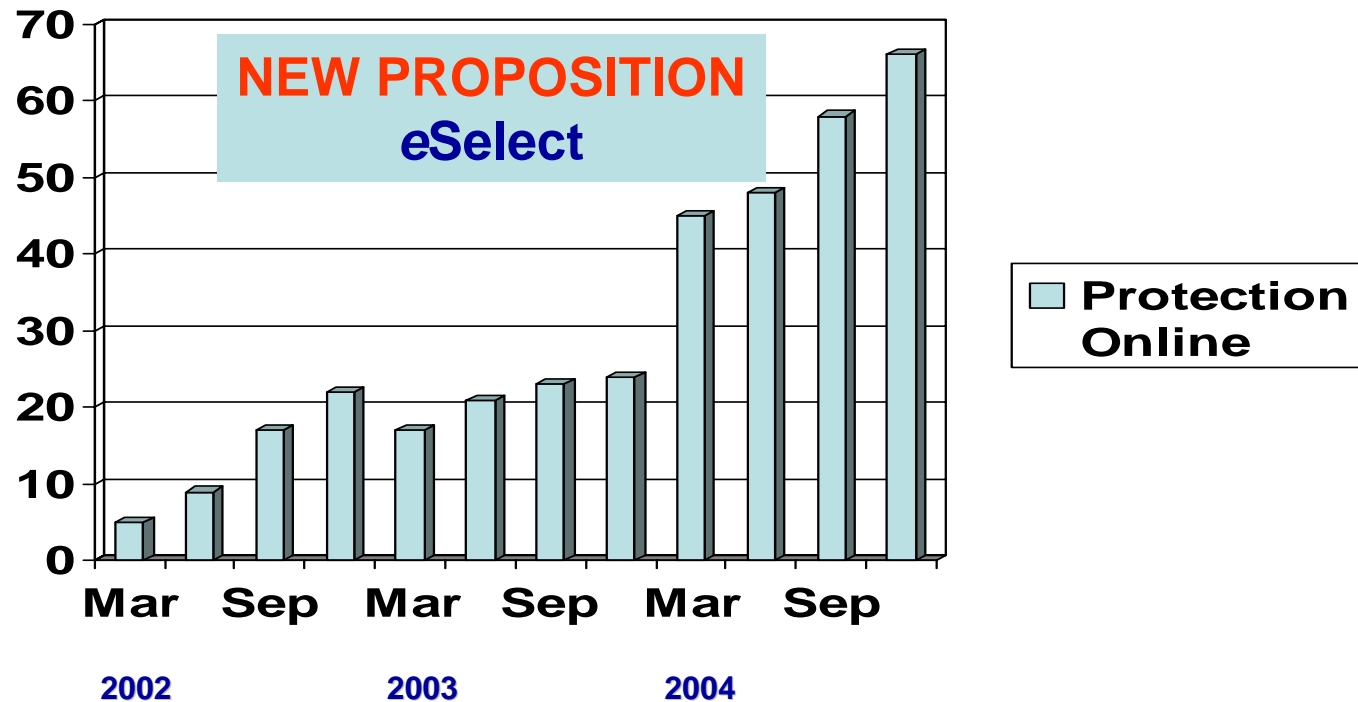
Growth in business written Online - Protection



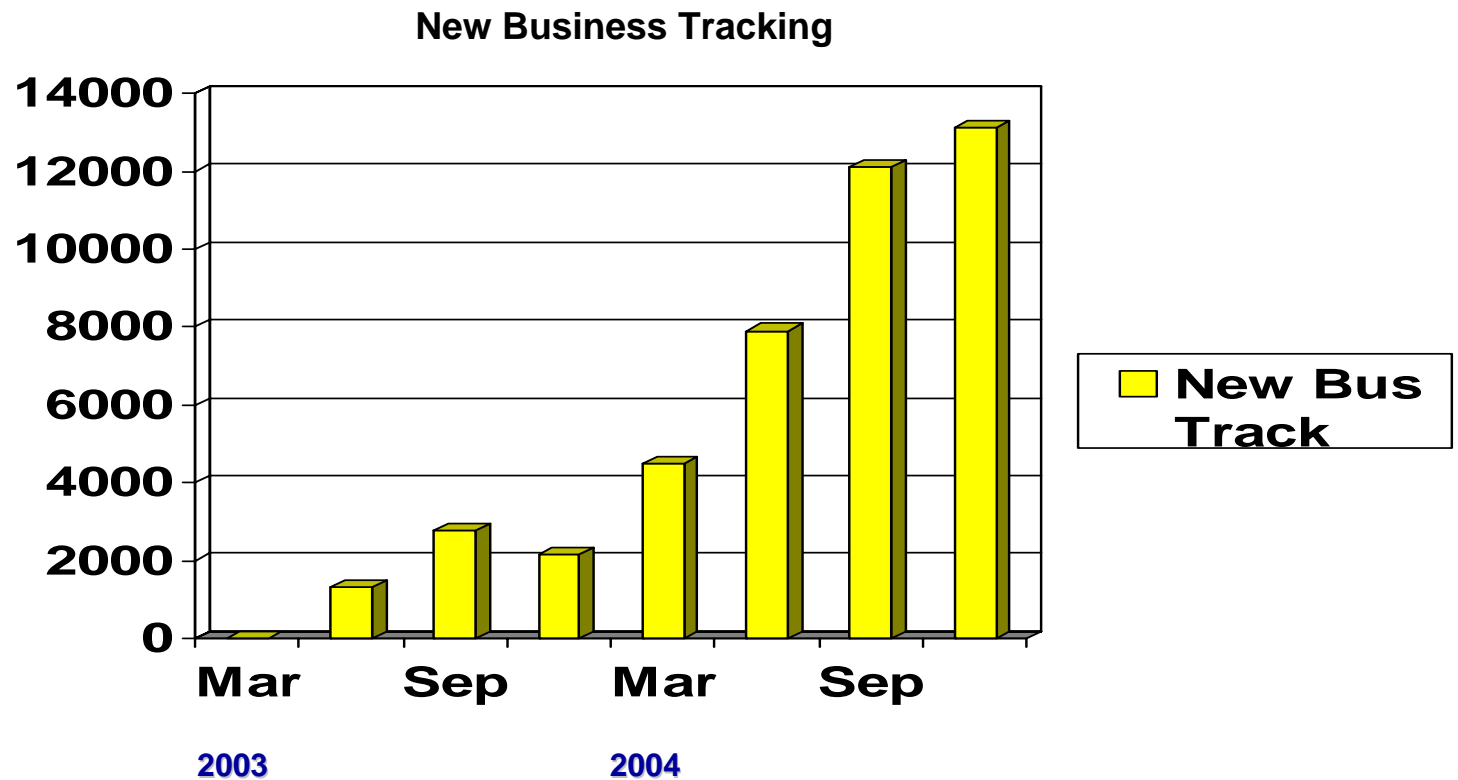
## Basic Online service

# Impact On Our Business

Growth in business written Online - Protection



# Impact On Our Business



# Managing profitable growth

- Enhanced proposition
- Scalability
- Cost savings
- Better service means less price sensitive?
- Better use of resource
- Greater underwriter satisfaction
- Quality of disclosure

# Managing risk

- Consistency in initial underwriting
- Management information – data is key
- Operational efficiency v. risk
- Robust processes
  - Client letters
  - Spell out the need for continuing disclosure and the implications
  - Need to check data input on their behalf
  - How to change data
  - Audit trail
  - Signatures?
- Easier to spot systematic abuse
- Easier to audit

# Teleunderwriting – some issues

- Better disclosure
- Alignment of interest
- Call recording – positive evidence (but can highlight faults)

but

- Scalability
    - On all cases?
    - Targetted
  - Attract more complex business
  - Difficulty in contacting clients
  - Fixed cost – impact on small premiums
  - Cost – commission implications
  - Will it give materially better disclosure?
  - GPR v Teleunderwriting
-



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# Summary

Benefits

The future


The challenges



# Summary of on-line benefits



**Speed**  
**Control**  
**Premium rates**  
**Customer service**  
**Fewer GPRs**  
**Commission uplifts**



**Better management of risk**  
**Fully completed forms**  
**Better disclosure**  
**Fewer GPRs**  
**Reduced costs**  
**More efficient use of skilled staff**

# The future

- Continual development
- Mobile computing - wire free internet access
- Increased tailoring of questions
- Appropriate combination on-line and Teleunderwriting
- Flexibility to reflect different processes
- Rapidly increasing proportion of life business will be on-line

# The challenges

- Understanding the different needs of different distributors and customers and being flexible enough to meet them
- Optimising the mix of on-line and teleunderwriting
- Run the same race faster than your competitors
- Run a different race...