

Annual Healthcare Conference

Quickly, Safely, The Challenge Of Modern Underwriting

Warren Copp: Chief Underwriter - Scottish Re
Mike Taylor: Head of Underwriting and Claims - Axa

Quickly and Safely.....

- Changing ways to select risk
 - Electronic Underwriting
 - Teleunderwriting
- Impact on risk selection
- Teleunderwriting – A solution?



During the war.....

- Tough underwriting
- Early 1990's
 - Income Protection 80-100% GPR
 - Critical Illness – 50-70% GPR



The Modern World....

- More/better information from customers
- Less intervention at underwriting stage
 - Income Protection 30-40% GPR
 - Critical Illness – 10-20% GPR
- Greater reliance on claim management

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Changing Risk Selection – Why?

- Media
 - Telephone and on-line
- Carrots
 - Customer service - STP
 - Costs – human versus computer
 - Scalability – electronic underwriting
- Sticks
 - Customer service - GPR delays
 - Costs – GPR costs

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The GPR

- Delays/Cost
- Omissions/“Half a story”
- Expert summary of medical history
 - Provide detail on disclosures
 - Identify non-disclosure
- The Benchmark



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GPR – “The Pretenders”

- Ongoing pressure to develop:
 - Medical screenings
 - Para-medicals/pharmacy screens
 - Electronic on-line underwriting
 - Expert systems
 - Tele-underwriting
 - Specialist staff/expert systems

Impact on risk selection?

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Medical Screenings

- Undiagnosed medical conditions
- Exams
 - Doctor
 - Paramedic
 - Pharmacy
- Tests
 - Cotinine
 - Lipids
 - HIV etc etc



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Medical Screenings

- Generally low “hit rates”
 - Smoking 5% non-disclosure
 - Drug use in younger lives
- Improve “hit rates”
 - GP exams
 - Reflexing – positive impact on cost/benefit
- Point of sale testing.....?!!



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Electronic On-Line Underwriting

- Beginning to make underwriting “instant”

- Interactive questioning
- Reduce % of GPR's for disclosures



- Additional benefits

- Scalability – reduce risk of operational stress
- Consistency
- Data – evidence-based development

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Tele-underwriting

- Significant reductions in non-disclosure
 - Data still emerging – parallel studies



- Why?

- Removing salesperson influence?
- The “White Coat effect”?



- Improved audit trail – call recordings



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The Audit Trail

- Use of customer disclosures



- Ability to take action at claims stage

- Ask fair questions
 - Know when to ask a doctor
- Reasonably attribute answers to applicant
 - Teleunderwriting - call recordings
 - Electronic underwriting – wet signatures required?
- Confirmation schedules

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Risk selection - impact

- Ratios of substandard business
 - Ratings
 - Exclusions
 - Declines
- Premium income from loadings
- Quality of average risk

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It ain't (just) what you do...

- Optimum mix of various tools

If an insurer:

- Remembers that the customer is not a doctor
- Explains the underwriting process to the customer
- Proves that the disclosures were made by the customer

They won't go far wrong.....



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Tele-underwriting – a solution?

Everyone's talking about it...
...but what does it mean?

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Contents

- Background
- What is Tele-Underwriting
- The AXA Model
- Statistics
- The Benefits
- Market View
- Future
- Questions

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Background

Tougher environment for protection business

increased competition

“differentiator”

“easy to do business with”

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Background

- Appropriate risk selection
- Reduction in processing costs
- SLA improvements
- Improved customer experience

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What is Tele-Underwriting

Two models – Big T and Little T

Big T

- Capture application details over the phone
- Recorded phone call
- Can be scripted/use data capture with nurses or u/w
- Immediate acceptance



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What is Tele-Underwriting

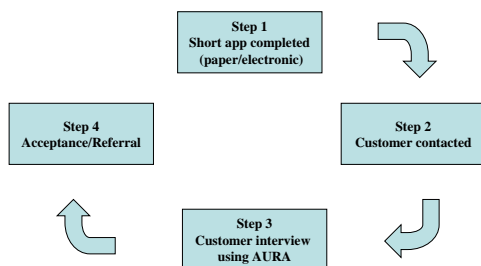
Little T

- Use phone to capture additional/missing information
- Recorded calls



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The AXA Model



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Tele Underwriting Statistics

Immediate acceptance:
25%



Acceptance without the need for further evidence:
80%

Underwriting decisions:
75-80% ordinary rates

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Tele Underwriting Statistics

Increased disclosure and quality of
disclosure:

- Recreational drug abuse
- Alcohol
- Smoking
- Heavy petting!!



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Tele Underwriting Statistics

Claims Experience and non disclosure



- Industry declines 20% of all CI claims
- At least half of this is due to non disclosure
- Current non disclosure rate for tele underwriting at AXA is 0%

Non disclosure only found through POS and Paper

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Customer Benefits

- Relevant questions
- Less embarrassment
- Less time with sales person

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Sales Representative Benefits

- Can concentrate on sales
- Reduction in paperwork
- Disclosure risk passed to AXA

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Distributor Benefits

- Better quality of disclosure
- Safe signature free process
- Reduction in medical evidence
- Reduction in non disclosure rates
- Supports Claims process

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A Market View - UK

- All major protection writers are considering Tele-underwriting
- Using a variety of in-house and outsourced approaches
- Shift in intermediary attitude to Tele-underwriting over a relatively short time

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The Future

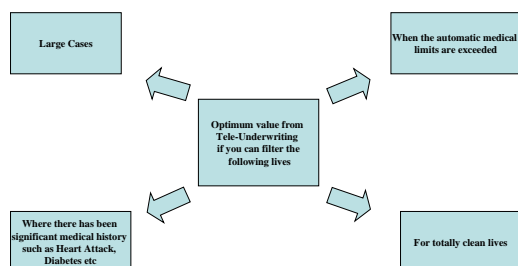
What can Tele-underwriting achieve:



- It could ensure lower reinsurance rates
- Lower rates can be conveyed back to client in the form of lower priced cover
- If reduction in non-disclosure rates can be maintained, a drop in disputed claims will follow
- All leading to the removal of routine medical evidence

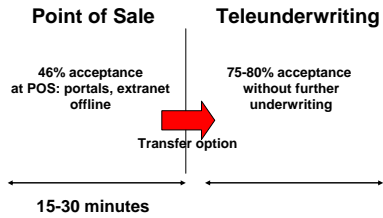
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The Future



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The Future



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QUESTIONS

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