Focus
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Tele-underwriting
Worldwide overview
A survey conducted by selectX

SCOR Global Life
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### Glossary of terms
Disclaimer

Our report relies on all materials, data and other information that we have reviewed and received being complete, accurate and up to date. We have not independently verified the contents of such materials, data and other information and have relied on them being no other relevant documents or information. Where the materials, data and/or other information are a sample of a larger body of data we have relied on the sample being representative in all respect of the whole.

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Introduction

In 2003 SelectX co-authored the seminal Tele-underwriting Report which, until now, remained the only wide-ranging detailed discussion of the subject. SCOR Global Life and SelectX have now produced this new report, wider in scope than the original and featuring an in-depth analysis of tele-interviewing practices around the world.

In 2003, outside North America, tele-interviewing was still embryonic. In the intervening years, much has changed. Tele-interviewing is now a mainstream method of gathering risk-related information in many markets, and even in markets where it is not well established, most companies are aware of it and a number are conducting business analyses of the concept.

Central to this report is commentary on the results of the only survey carried out on tele-interviewing worldwide among life insurers. While there have been small surveys conducted in individual markets, there has been no attempt, until now, to understand the global landscape and consolidate experience.

The report provides in-depth critical review of the basis and justification for tele-interviewing in life and health insurance, embracing distributor and customer experience, the nature of processes, best practice and innovation. It also includes a chapter on tele-interviewing for better claims management.

The report will be of fundamental interest to any company with an interest in tele-interviewing.

About the authors

The report has been written by senior staff at SCOR Global Life and SelectX. There have been two additional contributors – Hank George and Stephen Dalton.

→ SCOR Global Life

Accounting for close to half of the SCOR Group by premium income, SCOR Global Life is one of the top five life reinsurance providers worldwide. SCOR Global Life offers a strong local presence, based on a network of 25 dedicated branches and offices around the globe.

In addition, SCOR Global Life is structured around five regional units so that all major markets are served by life specialists who can adapt to local conditions:

- London for the United Kingdom, Ireland and Scandinavia;
- Paris for Southern and Western Europe;
- Singapore for Asia;
- Cologne for Northern, Central and Eastern Europe and Middle East;
- and New York serving American countries.

We believe that tele-interviewing represents real, sustainable innovation in the world of underwriting and claims risk management, with the potential for far-reaching and positive effects on the quality of business being accepted, the customer experience and, ultimately, mortality and morbidity experience.

→ SelectX

Founded in 2003, SelectX is a global risk management consultancy firm that specialises in improving risk management and the processes affecting all stakeholders in underwriting/new business and claims. It combines technical excellence with strategic understanding and vision. With its strategic partners it has a wide range of capabilities underpinned by an unceasing desire to innovate.

SelectX has played a key role in the successful development of tele-interviewing in the UK and elsewhere, including co-authoring the 2003 SelectX Tele-underwriting Report. Its services include the re-design of new business processes for greater speed and efficiency – making optimal use of rules engines and other technologies – and the development of underwriting philosophies for innovative consumer propositions. SelectX is also the foremost creator of underwriting and claims manuals. SelectX’s clients include insurers, reinsurers, service providers and distributors worldwide.

Contributors

Hank George

Hank is the founder and principal of Hank George Inc. He is acknowledged as an expert on the life underwriting scene worldwide, having authored books and manuals, and been behind numerous initiatives for the benefit of the industry everywhere.

He co-ordinated the worldwide tele-interview survey and analysis for the report, and wrote the chapter on using health habits and other new information in underwriting.

For over a decade, Hank has lectured, written and consulted on tele-interviewing including chairing a series of seminars for the Society of Actuaries.

Stephen Dalton

Stephen Dalton, who wrote the majority of the chapter on managing tele-interview conversations, is a consultant with over ten years’ experience in telephone interview techniques. He was a founding director at VFM Services where he worked with a number of financial services companies, helping them develop conversation management-based solutions.
Why adopt tel-interviewing?

It is interesting to look at why companies introduced tel-interviewing in the first place. For early adopters in mature tel-interview markets (over five years experience) the main reasons were:

- Speeding up and improving service
- Reducing cost
- Reducing dependence on doctors’ reports.

For later adopters in all markets, and in some of the less developed and fast-growing economies still heavily reliant on agency distribution, the motives are more likely to be:

- Reduction of agent involvement
- Reducing anti-selection and non-disclosure
- Improving customer service.

The differences between early and late adopters, and between markets, illustrate two things: firstly the overtly uncomfortable relationship between insurers and distributors in the less mature markets; and secondly the fact that companies that have come later to tel-interviewing have learned from the experience of the earlier adopters elsewhere.

In fact, the biggest benefits of tel-interview lie in reducing the risk of non-disclosure (by eliminating the adviser), creating a new customer service and also distributor proposition that is better in terms of experience and speed.

Over half of the companies surveyed worldwide reported a reduction in acquisition costs but this is likely to be very dependent upon the type of process that is adopted. One thing that is important to remember in acquisition costs is to consider this over the long term as the cost savings may not be as significant in the implementation stage due to added development and start-up costs or for routine tel-interviews.

Application-to-issue ‘cycle’ times were reduced according to almost half of companies, with a net reduction of between four and six days. However some companies reported an increase in cycle time, particularly at outset, reflecting the problems of introducing an extra step or steps to the process.

In the US and Canada tel-interviewing is predominantly routine and use what we describe in the report as ‘big T’ tel-interviewing replacing the traditional application form. Elsewhere, the picture is mixed. For example, in the UK and Ireland, 46% said that they used it on a discretionary basis depending on the client disclosure (‘small t’ model which in many cases can replace a doctor’s report), compared with 36% who cited the routine process and 12% who employ a combination of the two.

Distribution - who and how?

Worldwide, the main distribution channels using tel-interviewing are broker, bancassurance and agent sales force, and the extent to which tel-interviewing is used in each of these channels reflects the predominance of distribution in each market. Variations by market are shown in the charts.

The response ‘other’ was mostly for direct sales, including telesales.

The use of tel-interviewing in ‘alternative’ distribution channels such as worksite, direct mail, telesales and the Internet is growing, and in all markets there is recognition that tel-interviewing is a natural fit with bancassurance. In Asia, Australia and South Africa there appears to be greater use of tel-interviewing as a follow-on from a telephone sale.
The results of the survey show that 40% of companies implemented tele-underwriting without involving their sales force during the design stage, which could cause resistance during the implementation period. For the tele-interview programme to be a success it is important to involve all the stakeholders at the design stage right through to implementation. Related to this point, in many markets there are still barriers to be overcome in terms of convincing advisers of the benefits of tele-interviewing, and perhaps the greatest barrier to overcome is perceived “loss of control”. Companies who have been successful in overcoming advisers’ concerns have involved them from an early stage in the process, listened to their suggestions, counteracting doubts and putting in place a carefully considered process that satisfies the needs of this important stakeholder group.

Half of companies in North America, the UK, Europe, Australia and South Africa allow advisers to choose whether or not the application goes through a tele-interviewing process. In most cases, there is a direct correlation with companies who have broker-mediated sales. Interestingly, insurers also say that it is more difficult to measure the impact of tele-interviewing if advisers have a choice, and that inevitably experience is skewed.

In Asia, where most companies distribute through an agency force, banks or telesales, all companies without exception said they did not give the salesperson any choice. A significant minority of companies in North America, Australia and South Africa permit the sales adviser to be present during the tele-interview. This is linked to the distribution method, particularly agent distribution and sales in a bank branch where often there is a warm handover from adviser to interviewer at the point of sale. It is difficult to see any justification for this practice, as it undermines one of the basic tenets of tele-interviewing - separating the sales person from the evidence collection and evaluation process.

What products is tele-interviewing used for?
Results from the global survey show that in addition to pure life insurance, tele-interviewing is used for critical illness, disability and health insurance. Of significance is the effectiveness of tele-interviews for disability insurance (particularly income protection or disability income). Health insurers in North America have also embraced tele-interviewing for individually underwritten health plans and small group scheme business, and there is widespread use among long-term care insurers in the United States.

Who does the tele-interviewing?
Outsourcers have been a powerful influence on the take-up of tele-interviewing. In markets where there is more than one tele-interview outsourcing service available (such as the UK - see chart), over half of companies outsource the function. Conversely, in markets with a single outsourcer provider or none at all, tele-interviewing drops off sharply. If a company does not yet do tele-interviewing, the predominant reason given was the lack of outsourcers and high start-up costs of in-house development.

It is possible that the development of tele-interviewing in Latin America has been slowed by lack of outsourcing resource.

One of the biggest differences between markets is the profile of the tele-interviewer. In the UK and Ireland, nurse interviewers predominate (see chart p 12), largely driven by their use at certain outsourcers. Underwriters and call-centre staff (with some medical terminology training) account for the balance.

ExEcutivE summary

In Australia and Asia, the majority of interviewers are largely unheard of owing to cost constraints, most being call-centre staff with some medical training.
What is the typical profile used for doing the tele-interview? Interestingly, this varies depending on different markets so there is no definitive answer to this question. Anecdotally, nurse interviewers score well with consumers and that should translate to better levels of disclosure but good results can be achieved with call centre staff with good interpersonal skills and the correct training. Medical experience and training is not a prerequisite to being a good tele-interviewer and conversation management is extremely important. Also, some markets use underwriters, who have the added value in that they have the knowledge as to the risk information that is required but are expensive and not always good communicators.

Experience and Risk Management

Does the theory of improved disclosure rates apply in practice? In all mature tele-interview markets more than three-quarters of companies responded positively. Companies also reported emphatically that the disclosures were worse. For disability income, the improvement in quality of disclosure is particularly pronounced.

In the UK and Ireland two-thirds of companies reported that for each of the main product lines - life, critical illness and disability income - the quality of disclosures was significantly better or somewhat better. No companies said that the disclosures were worse. For disability income, the improvement in quality of disclosure is particularly pronounced.

Reducing non-disclosure

An improvement in the quality of disclosure is evidenced by survey responses to the question of whether material non-disclosure has changed since the introduction of tele-interviewing. Although half of companies did not know their non-disclosure rates prior to the introduction of tele-interviewing, there is clear evidence of a shift downwards in levels of material non-disclosure since the introduction of tele-interviewing. Again, this is more marked for disability income insurance.

Who is making these additional disclosures?

The value of tele-interviews at older ages is clearly very high as they tend to have more “interesting” health histories and therefore more to disclose. However the survey respondents reported that their tele-interview use is skewed towards younger ages that may not have so much to disclose. One area that is worth progressing is revising scripts for younger age applicants to obtain better information about lifestyle information and biopsychosocial factors.

The use of an automated underwriting system in conjunction with tele-interviewing is widespread in some markets, with South Africa, the UK, Ireland and Australia the most aggressive adopters of integrating the interview into a straight-through process. We expect to see greater use of engines in North America as companies target the underserved mid-market with simple products and underwriting which dispenses with the traditional attending physician’s statement.
Worldwide, software vendors have recognised the importance of tele-interviewing, building underwriting platforms with the functionality to integrate tele-interviewing into the new business acquisition process. However, insurers still need to work with their reinsurers to develop the system so that the content is in line with their individual philosophy and processes.

Although tele-interviewing improves the volume and quality of risk information overall, it cannot be expected to eliminate non-disclosure completely. This is why it is important to have sound processes associated with it - so that when it is necessary to challenge what was disclosed at application, a fair challenge will succeed, before a court or an ombudsman or some other official arbiter.

The majority of companies worldwide provide applicants with a summary of what they have told the interviewer modestly in the form of a paper transcript; and more than half of these companies still require a ‘wet’ signature on the transcript and for the document to be returned to the company before the risk is assumed. Reliance on voice signatures is gaining acceptance however, particularly in North America, Australia and South Africa, where although a transcript is sent to the customer for checking and making changes if necessary, a wet signature is not required, and risk is assumed immediately or after a short period.

Notably, worldwide more than a third of companies have used the digital voice recording of the interview to resolve a dispute of some kind, and in over 90% of cases the presence of the recording contributed significantly to resolution of the situation.

Surprisingly, 10% of companies in Australia, 5% in North America and 3% in the UK do not record interviews, thus losing out on two key benefits: evidence of a sound process and a robust audit trail.

### The importance of auditing

In more mature tele-interview markets, over 80% of companies stated that they audit their tele-interviews. Of these, over half do so proactively on a regular scheduled basis, usually monthly, and the balance reactively ‘as needed’. Surprisingly, depending on the market, between 10% and 20% of companies state that they do no auditing at all either reactive or proactive.

In the less mature tele-interview markets over 60% of companies do no scheduled auditing. In Asia, over one third of companies do not audit their interviews at all, whether reactive or proactive. Over two-thirds of companies who audit listen to previously recorded interviews and between 10% and 25% listen to live interviews.

Over two-thirds of companies in mature markets review and revise their tele-interview scripts on an ‘as needed’ basis, but 10% never review the questions on the scripts. Considering that the quality of the tele-interview goes right to a company’s bottom line, particularly if the trade-off is fewer physician records, interview scripts must be reviewed regularly to maximise the protective value and reduce omissions, and to iron out things (for example scripting) that do not work optimally and thus impair customer experience.

### The customer experience

Improving customer experience is given as a prime motive for tele-interviewing, but worldwide over 70% of companies responding to the survey said they made no attempt to contact customers after the interview. Interestingly, of those companies who do regularly contact customers to assess their satisfaction with the interview, the overwhelming majority say that feedback is positive.

The tele-interview may be the most important contact the customer has with the company. A call with a knowledgeable and pleasant interviewer can leave the customer with very positive feelings - that they are dealing with a professional and efficient organisation, with an interest in them and their well-being. And a poor-quality interview can have just the opposite effect. The factors that need to be considered by companies: process, interviewer skills and interview guides - are discussed in the chapter on customer experience.

The global survey suggests that reinsurers in the UK, Ireland and continental Europe have responded particularly favourably to companies implementing tele-interviewing, providing advice and other practical support to their client companies - and in some instances encouraging the use of best practice in tele-interviewing through reinsurance discounts. In North America, reinsurance support was neutral or only mildly supportive, with little practical assistance. In other markets support was minimal.

For most markets it is still too soon to estimate the extent to which mortality and morbidity experience has been affected. But notably, almost no respondents to the survey believed that there was an adverse effect.

### This comprehensive report and survey is required reading for anyone currently using tele-interviewing and especially for those thinking of implementing it for the first time.