“Tele-underwriting, a concept launched initially in the United States, is now getting momentum in various markets in Europe and in the rest of the world. Tele-underwriting can revolutionise the business process in the field of underwriting.

SCOR Global Life is positioning itself to offer tele-underwriting solutions and advice to its clients. In this newsletter, we offer you an overview of this process and its advantages. Should you need further information on the subject, we invite you to get in touch with your usual contact at SCOR Global Life.”

Gilles Meyer,
Chief Executive Officer
SCOR Global Life

Definition

Tele-underwriting is a process in which a recorded telephone interview is used to gather risk-related information directly from the insurance applicant. The first market to use the telephone as a data collection tool was the United States in the 1980s. The model has since been implemented in Europe (principally in the UK and Ireland but elsewhere too), South Africa and Australia.

The term “tele-underwriting” is distinguished from “tele-interviewing” in that it should be theoretically only be used when an underwriting decision is made after the telephone interview. But practically, both terms are used interchangeably.

A tele-interview can replace or supplement the traditional application form at the point of sale. The rationale is that this form of information-gathering provides good risk information, is quick and enhances the customer experience. The traditional process could radically change with the tele-underwriting process as its advantages are numerous.
Tele-underwriting – the different models

There are various tele-underwriting models that can be applied depending on the target customers, distributors, etc. There is no single “ideal” model: it is important to develop the process that best fits with the individual company’s business needs.

‘Big T’ versus ‘small t’

<table>
<thead>
<tr>
<th>Application</th>
<th>Data entry</th>
<th>Initial risk assessment</th>
<th>Evidence gathering</th>
<th>Final risk assessment</th>
<th>Policy delivery</th>
<th>Customer follow-up</th>
<th>Management info and audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘small t’ tele-underwriting</td>
<td>‘Big T’ tele-underwriting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“Small t”

The process for “small t” is very similar to the standard application process for gathering information. The agent completes the application form including the personal details and all the risk-related questions in full with the applicant. If the underwriter assesses the application and finds that a decision cannot be made without obtaining further information, the “small t” process is initiated. At this point, the case is forwarded to the tele-interviewer to call the applicant and get the additional information, usually in relation to a medical impairment but maybe to elucidate on another type of risk, for example an occupation or a sport or pastime. This speeds up the process as it eliminates the often lengthy delay caused by obtaining a doctor’s report.

“Big T”

With “Big T” tele-underwriting, the agent only completes the non-risk related information on the application form. In other words, the intermediary’s function is only to advise and to sell. The details of the customer and the plan applied for are then passed to the telephone call centre, which carries out the interview as soon as possible, and covers all the relevant risk factors – medical, lifestyle, occupation, pastimes and travel. This is the most advanced form of tele-underwriting: it harnesses the full power of the concept and applies it to the largest volume of cases.

The term “Middle t”, as its name suggests, is sometimes used to describe an intermediate model.

Tele-underwriting – getting it right

As detailed above, there are various models of tele-underwriting, from a small to a radical change in the new business process from point of sale to policy issue. It is important to choose the model that matches the need of the company.

Tele-underwriting is a major tool for a company seeking to eliminate paper at the point of sale, reduce technical cost, centralise and standardise the risk assessment process, or implement a service outsourcing strategy. It could also support additional objectives: contributing to reducing the average time for policy issue, the number of cases requiring additional medical reports or medical evidence, and reducing non-disclosure rates. Tele-underwriting is also a mean of differentiation and therefore a source of competitive advantage. It could potentially be constituent of a new product or service proposition.

Companies need to apply the right model for them and determine what the drivers are before teleunderwriting is implemented:

1. Is it to reduce medical evidence costs?
2. Is it significantly to speed up policy issue?
3. Is it to reduce non-disclosure?
4. Is it to create a differentiated proposition for distributors?
5. Is it to enable setting up a new distribution channel?
6. Is it to create a whole new customer experience?
An additional question is: how much money and effort is the company prepared to invest? “Small t” tele-underwriting can be introduced relatively quickly and cheaply since it is merely a small step that can easily be “bolted on” to the existing process. “Big T”, on the other hand, represents almost a reinvention of the new business process, and will have a wide impact – financially and on multiple stakeholders.

It is also very important to decide about internal or outsourced operations. Both have advantages and disadvantages. One of the main drivers for outsourcing is the reduction in the initial cost of the infrastructure, specifically the development of a call-centre with trained interviewers that have the ability to manage high volumes of calls.

The quality of the planning and implementation processes is truly key to success. A pilot is necessary to test the concept and highlight any problems.

Tele-underwriting best practices and issues

If you have read this document you would have probably understood that tele-underwriting is faster, cheaper and more efficient than the traditional process based on application forms, GP reports and other medical requirements.

Does it mean that tele-underwriting is becoming a panacea, regardless of business lines, distribution channels or market areas? We at SCOR Global Life believe that there is still some space for more detailed cost benefit analysis, and further consideration of legal and compliance requirements as well as best practices.

Tele-underwriting is not a standardised process that could be implemented in any company, it needs to be tailor made to suit the individual organisation. It might be the right answer to some concerns in the underwriting process, once they have been correctly identified following a full review of the whole process.

Faster?

No one can contest that tele-underwriting is time saving. A 20-30 minutes interview is usually quicker than filling out a lengthy application form, gathering the data in the underwriting department, and chasing the GP report that is usually requested in a significant number of cases. The advantage of tele-underwriting is even greater if you take into account the percentage of application forms that are not completed correctly. However the potential gain of time will be considerably limited if the customer has to sign the script of his answers because of legal issues.

Tele-claims

The tele-claim interview approach is fast and gains immediate responses. Valid claims are paid promptly and invalid claims are identified sooner and managed out of the claims process. This provides a better customer experience and improves the customer relationship.

As soon as the insurer receives notification of a claim, this information is passed directly to the claims tele-interviewer. Instead of completing a claim form, applicants are interviewed over the phone by a trained interviewer. Extensive reflexive questioning ensures all appropriate avenues are explored.

The aim is to triage the case to establish whether the claim is valid or not, and to identify the appropriate action – perhaps specific investigations or monitoring for subsequent developments. Interviewing in this way is especially useful in disability income policies, where prompt action and intervention might prevent a lengthy claims.
Cheaper?

Initial set-up costs aside, the cost benefit analysis is favourable to tele-underwriting, depending however on the non-medical limits. If most of the underwriting relies on application forms, with a limited number of GP requests, because of low risk benefit / young applicants, it is not so clear that it will be much cheaper than a traditional underwriting process. Also, if your core business is large cases (key man policies...), it is not clear either that tele-underwriting will be cheaper than traditional underwriting, because tele-interviews will only replace the application form but not additional medical evidence such as GP report, blood tests, ECG, and so on. However, it will replace discretionary medical evidence requests for medical conditions where the proposer can provide sufficient information to make a final underwriting decision.

More efficient?

The most challenging issue is the quality of information that is gathered through tele-underwriting in comparison to the traditional process, and its impact on mortality.

- Tele-underwriting first started in North America in the 1980s but it has only been used on a large scale basis since the 1990s, which is too short to make unequivocal statements about mortality / morbidity experience but enough to make overall judgment.
- There is no reliable survey nor robust evidence that mortality experience of life portfolios improved because of tele-underwriting (life expectancy improved significantly each year during that period for several reasons that are not connected to the way business has been underwritten) although there is anecdotal evidence that experience is at least as good as traditionally underwritten business. Not surprisingly life companies keep such sensitive information to themselves.

- From our own experience, SCOR Global Life has found that non-disclosure rates are significantly reduced with tele-underwriting compared with paper forms. This can be due to a proposer being less reluctant to disclose personal information about his medical history and lifestyle through an interview driven by a professional using a drill down questionnaire, than through a face to face interview based on a standard questionnaire, regardless the client’s age and risk profile. Also, the proposer may feel more comfortable discussing their medical history in the privacy of their home with a nurse or qualified tele-interviewer. In addition, the call is recorded and they are reminded of their duty of disclosure throughout the interview.

- Tele-underwriting is well adapted to collect lifestyle information and common impairments like musculoskeletal or mental disorders that are of particular interest to assess income protection. There are some risks for which the underwriter needs detailed information that only a physician’s report can supply. Examples are cancer and heart disease in which the results of investigations are central to full understanding of the risk.

Tele-underwriting is a powerful instrument which, if applied in the right way and tailored to a company’s needs, can yield major benefits. In fact it is truly the modern, and preferred, method of risk information gathering. This is why companies are using tele-underwriting successfully from Estonia to Spain.

SCOR Global Life’s team is here to help you get the most benefit from tele-underwriting.
Advantages of Tele-underwriting

- It speeds up the process from application to policy issue.
- It provides more detailed and prospective information.
- It reduces non-disclosure rates (medical and non-medical).
- It generates a higher policy take-up rate, by reducing the need for General Practitioner (GP) reports and issuing policies more quickly.
- It allows an automated processing of data, which is both cost effective for the company and satisfying for the customer.
- It reduces agent and underwriters workload, allowing them to concentrate on their main areas of expertise.
- It enhances customer service and improves customer experience.

Who carries out the tele-interview?

In any of these scenarios, you need more than a phone. You need the right person to do the job.

The person asking the questions must have the knowledge and ability to drill down further and get the appropriate information that is required to make a decision. There are different options available as to what skill-sets the tele-interviewers will have and as to how the information is acquired. Companies will determine which best suits their needs.

**Nurses**

Nurses have proven to be very successful tele-interviewers. They have good medical knowledge and are able to empathise with and gain the trust of the customer, putting him or her at ease, creating an environment which encourages full disclosure of detailed information. Nurses can be particularly adept at probing the medical history in complex cases.

**Trained call-centre staff**

Aside from the usual interpersonal skills, the interviewers need a training programme covering the principles of risk selection and a grounding in the risks they will encounter, as well as how to handle potentially sensitive situations. They are especially efficient with smart and closed answer questionnaires.

**Underwriters**

Many companies do not want to use underwriters for making calls – they pay underwriters to underwrite and do not consider that carrying out tele-interviews is the best use of their time. A benefit of using underwriters is that they have the knowledge of the information that is required to make the decision and they can make an immediate decision without any further delay in the process. However, underwriters may not have the requisite interpersonal skills, and they may be reluctant to work in the evening when the majority of tele-interview calls take place.
Legal aspects of tele-underwriting (German and Spanish example)

Any tele-underwriting process should comply with the current legal requirements. The Spanish and German legislations have the same bases regarding the applicant’s rights and duties.

In Spain, the laws that guarantee constitutional rights require to proceed as following when using tele-underwriting: the identification of the applicant needs to be verified before starting the interview by way of a personal password; the interview date and the applicant’s statement must be recorded; the applicant will be warned that the interview is done to fulfill the legal requirement (Spanish Insurance Law) that the policyholder has to inform of all the risk factors.

In Germany, the tele-underwriting process should respect the legislation in force and take into account the provisions of the new Contracts of Insurance Act (Versicherungsvertragsgesetz - VVG). Under Section 19 (1) sentence 1 of the Act, the insured person has an ongoing duty to notify the insurers of all risk-related circumstances that come to his attention at any time up to the submission of his contractual declaration, insofar as they are material to the insurer’s decision to enter into a contract on the agreed terms.

Moreover in Germany, the client must read through the application sent after the interview and check whether the answers contained in it are true, cross out anything that is incorrect and make any necessary additions.

As far as the data protection requirements are concerned, in Germany, the declaration of consent must refer expressly to the recording of the telephone interview and it must be explicitly pointed out that the applicant’s personal data will be recorded during the telephone interview. It should furthermore be noted that the recorded telephone interview, i.e. the actual sound recording of the conversation itself, only needs to be kept for as long as is required by the conditions of the contract between the insurer and the insured. The written documentation of the interview is subject to preservation for a compulsory period of six years under Article 257 of the German Commercial Code (HGB). As soon as there is no further obligation, whether statutory or contractual, to preserve the data, the insurer is obliged to destroy it.

In Spain, there must be an explicit request for recording the telephone conversation, and an explicit consent is needed for treatment of the health data (art. 7-3 Spanish Data Protection Law). It is legitimate for the insurer in Spain to retain the data as long as there are legal or contractual liabilities. The data will be defiantly deleted once insurance responsibility is finished.