Executive summary

A survey conducted by selectX

Global Life
Tele-interviewing and specifically tele-underwriting, is the most important underwriting innovation of the past decade. Far from being confined to the United States, the market where the concept originated, it has swept the world, and is now used or being considered by companies in every major insurance market.

The staid world of underwriting and new business processing has been shaken up by the development of tele-interviewing and the concepts can also be applied at the claims end of the business. However, there is no ‘one size fits all solution’ and how each company applies tele-interviewing will fundamentally influence whether it is successful.

The terms ‘tele-interviewing’ and ‘tele-underwriting’ can be confusing and can mean different things to different individuals. However, for the purposes of this report, tele-interviewing is a recorded telephone interview to gather risk related information directly from the applicant; tele-underwriting is the overall process used to make an underwriting decision based on the tele-interview.

SCOR Global Life in partnership with consultants SelectX, and US underwriting expert Hank George, have conducted the first worldwide survey of insurers to gauge the extent of take-up, how it is being used and what the experience has been.

The survey of over 70 questions was conducted in seven different languages and issued to underwriting managers and other executives with control over the underwriting function at companies in North America, UK/Ireland, Continental Europe, South Africa, Australia/New Zealand, Asia, the Middle East and Latin America/Caribbean.

Responses were received from over 360 companies making this the largest single underwriting survey ever conducted.

The report offers detailed commentary on the results of the survey and considers some of the fundamental decisions that must be made by insurers who implement tele-interviewing, what works and what doesn’t, the challenges and the benefits (some unforeseen) and how it has affected distribution, customers … and experience. A strong case is made too for the use of tele-interviewing at claims stage.

Who is using tele-interviewing?

According to the survey, around three-quarters of companies in North America, the UK, Ireland, South Africa, Australia and New Zealand apply tele-interviewing in some form. Elsewhere, usage is variable, but in some markets reaches 30% of life companies. In most markets over half the insurers who do not tele-interview are considering it or are actively in pilot, notably in most parts of Asia, in Spain and in Germany. In some markets there was less awareness of the concept, including countries in Latin America and continental Europe.

Approval ratings were highest in mature tele-interviewing markets (where interviews had been done for at least five years), with the most positive response from underwriters themselves and senior management. In the less mature markets it is too soon to say for most companies. Not surprisingly, there is a mixed reaction in all markets from distributors.

Outside North America, where experience goes back over 15 years, tele-interviewing is a relatively recent innovation. A handful of companies in the UK, South Africa and Australia have done tele-interviewing for over five years, but the majority of companies have less experience.
Why adopt tele-interviewing?

It is interesting to look at why companies introduced tele-interviewing in the first place. For early adopters in mature tele-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 tele-interviewing have learned from the experience of the earlier adopters elsewhere.

In fact, the biggest benefits of tele-interviewing 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.

Distribution - who and how?

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

Alternative channels - North America

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Internet</td>
<td>10.8%</td>
</tr>
<tr>
<td>Worksite</td>
<td>7.7%</td>
</tr>
<tr>
<td>Direct mail</td>
<td>15.4%</td>
</tr>
<tr>
<td>Bank</td>
<td>12.3%</td>
</tr>
<tr>
<td>Telephone</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

Alternative channels - Asia

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>30%</td>
</tr>
<tr>
<td>Employer/Worksite</td>
<td>25%</td>
</tr>
<tr>
<td>Direct mail</td>
<td>25%</td>
</tr>
<tr>
<td>Bancassurance</td>
<td>40%</td>
</tr>
<tr>
<td>Telesales</td>
<td>80%</td>
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</tbody>
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The response ‘other’ was mostly for direct sales, including telesales.

The use of tele-interviewing in ‘alternative’ distribution channels such as worksite, direct mail, telesales and the Internet is growing, and in all markets there is recognition that tele-interviewing is a natural fit with bancassurance. In Asia, Australia and South Africa there appears to be greater use of tele-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 salesperson 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, a significant minority of companies use nurse interviewers, largely driven by their use at certain outsourcers. Underwriters and call-centre staff (with some medical terminology training) account for the balance.

By contrast, in North America, nurse interviewers are largely unheard of owing to cost constraints, most being call-centre staff with some medical training.

In Australia and Asia, the majority of interviewers are call-centre staff, underwriters or new business clerical staff.
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 in all mature tele-interview markets more than three-quarters of companies responded positively. In the majority of companies were more confident in the correctness of disclosures has improved too, compared to traditionally medical reports contain diagnosis-based information whereas tele-interviews are more likely to elicit symptom-based disclosures and lifestyle information. Traditionally medical reports contain diagnosis-based information whereas tele-interviews are more likely to elicit symptom-based disclosures and lifestyle information. 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.

In mature markets with tobacco-differentiated pricing, the majority of companies were more confident in the correctness of the tobacco-use disclosures using tele-interviewing. Survey results for the UK/Ireland and North America - both of which have tobacco-distinct pricing - showed clearly that companies thought tele-interviews produced more truthful answers about tobacco use than traditional methods of gathering this information.

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.

Reduction of 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.

There is growing recognition that health habits and lifestyle choices, such as sleep duration and patterns, dietary choices, degree of physical activity (occupation and sports) and compliance with routine health screening all influence mortality and morbidity outcomes. Tele-interviews provide an ideal medium to collect this information, and their use is most prevalent in the UK and Ireland, probably because of the relatively high proportion of disability income business. In the report we discuss how health habits and other ‘new’ information available from tele-interviews can be collected and used in risk assessment.

Tele-interviewing is starting to change the role of the underwriter as it collects ‘different’ type of information. Traditionally medical reports contain diagnosis-based information whereas tele-interviews are more likely to elicit symptom-based disclosures and lifestyle information. Over the next few years, as tele-interviewing becomes more mature, it is likely that reinsurers’ underwriting guidelines will reflect this change.
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 mostly 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 reactivity ‘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 of the information gathered, eliminate redundancies and 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 an 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.

The 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.

The report covers the implementation process; from setting the business case, the challenges and decisions to be made by insurers, best practices for a successful process, risk management, maintaining a robust and quality process through auditing and monitoring the experience and benefits to the stakeholders. Some insurers volunteered to share their experiences and there are various case studies covering the issues that were faced by these insurers and how they resolved them; these provide invaluable lessons for any future implementations.