

E-Solutions

what's it all about and what does it mean to you

Tuesday 27th March 2012 – The Caves

Overview of Today's Presentation

•Speakers today are

- Tom Green – FOCUS Chairman and Underwriting Manager L&G,
- Zoë Belcher - Executive Director, AURA Business Development , RGA
- Nigel Mead - Underwriting Strategy Risk Actuary, Scottish Widows
- Alex Isted - Head of Claims Management, Munich Re

AGENDA

- Short presentation from each speaker
 - e-solutions background and Underwriting
 - Management Information
 - Claims
- Audience participation / Case Study
- Panel Discussion and Questions

E-Solutions

what's it all about and what does it mean to you

Zoë Belcher - Executive Director, AURA Business Development ESA Region



Reinsurance Group of America, Incorporated®

What is e-solutions or e-underwriting?

e-underwriting, often called e-solutions, is the process of electronically automating the underwriting of an application. One of the most common components is a Rules Engine.

e-solutions can be expanded to include automating the New Business process, the manual underwriting process (often called Back Office) and Claims processes.

e-underwriting also includes applications from a variety of sales channels -

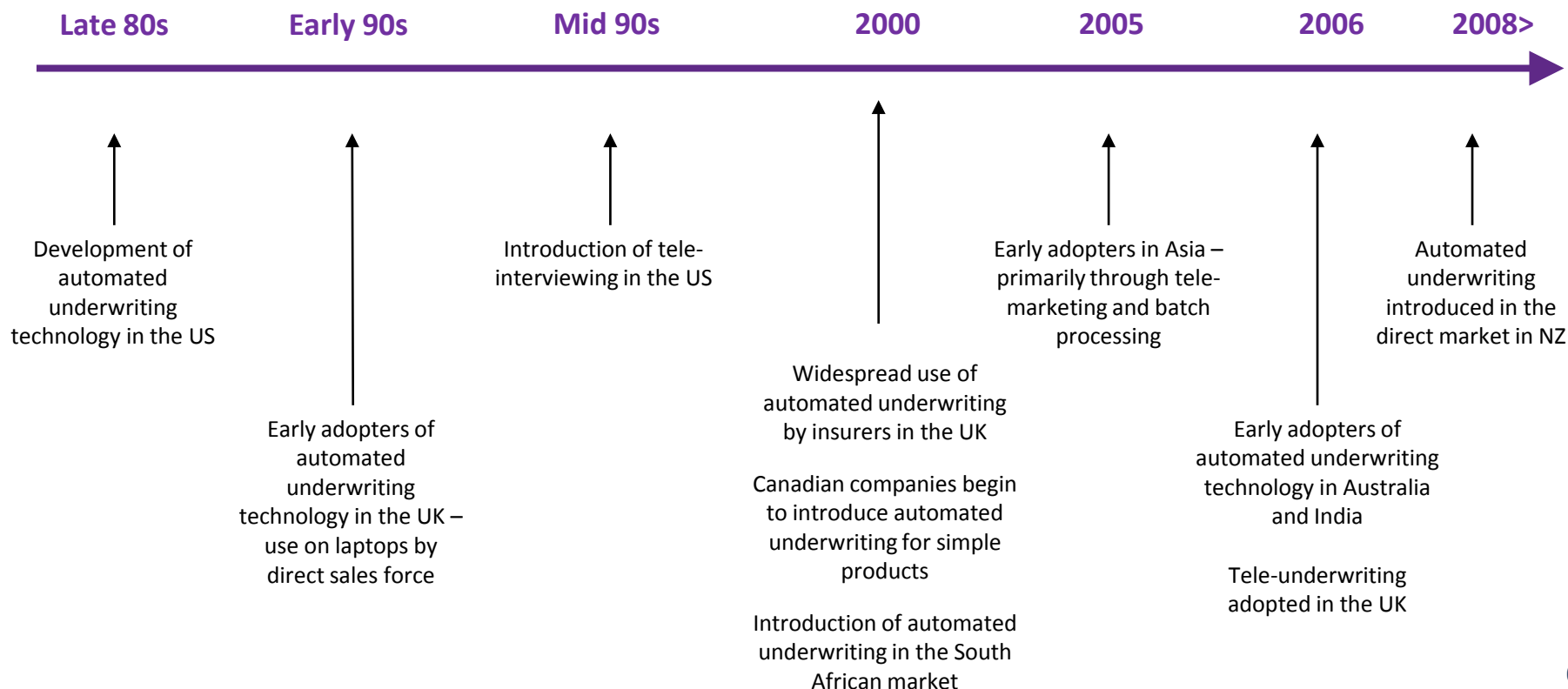
- Teleunderwriting
- Internet applications
- Intranet applications
- Bancassurance
- Head Office input of apps

e-underwriting : The basic model

Allows underwriting decisions to be made by classifying insurance risks based on input data and pre-programmed decision rules.



The beginnings of automated underwriting



Why the need?

- **Control costs of underwriting, such as medical evidence**
- **Streamline the new business process and improve service to customers**
- **Turnaround times**
- **Consistency and quality of underwriting**
- **Be able to cope with increases/fluctuations in volumes**
- **Enable allow the underwriters to concentrate on underwriting**
- **Triage claims**
- **Generate comprehensive Management Information to improve your business**

What are the key drivers?

- **Younger demographic, more likely to buy ‘electronically’**
- **Cost of advice**
- **Technology – smart phones / tablets / access to the internet**
- **Today’s customers expect to be able to buy it now – self service models**
- **Competition within the industry – can you afford not to have an e-solution?**
- **The need for a consistent , high quality customer experience**
- **Support to the Sales Agents**
- **Need for Management information and to understand your business**

Sales Models and Methods Must Change

A South African insurer conducted a focus group with participants in their 20s and 30s where 70% of the participants indicated immediately that they would use the internet to purchase life insurance and would not even consider using a broker”

(KPMG Survey 2011)

Underwriting Considerations for e-solutions

- Always have a 'Rules Design Philosophy'
- Consider the medium being used – internet , tele underwriter , static app
- Not always a Yes/No answer – lots of questions types and answer types
- Different questions for different benefits
- Do your rules need to cover
 - Medical
 - Financial
 - Hobbies
 - Occupations
 - Lifestyle / Behaviours
 - etc, etc
- Do not automate old static processes

Underwriting Considerations for e-solutions

- **Consideration should be given to the ‘future-proof-ability’**
 - Testing
 - Maintenance
- **Make a decision as soon as you can – Ask key questions first**
- **Underwriting is ‘flipped’ on its head – we are looking to gain the minimum but right data to be able to reach a decision .**
- **Know what your objective are before designing**
 - Increase Straight Through Processing rates (STP) – what does this mean??
 - Reduced manual Underwriting ?
 - Minimise Non Disclosure
 - Customer journey times
- **Test your design out properly and before going Live**
- **Data Capture , Management and Analysis**

“Rules based underwriting systems have the potential to transform the fortunes of insurers. They address what often appears to be the competing goals of operational performance, sound risk selection and regulatory compliance”

“Companies that do not automate at least a proportion of their business in the next three to five years will find themselves at a significant disadvantage.”

*Underwriting Engines- The new strategic imperative in the life and disability business
– Hank George 2012*

E-Solutions

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Nigel Mead - Underwriting Strategy Risk Actuary

SCOTTISH WIDOWS

official pensions and investment provider

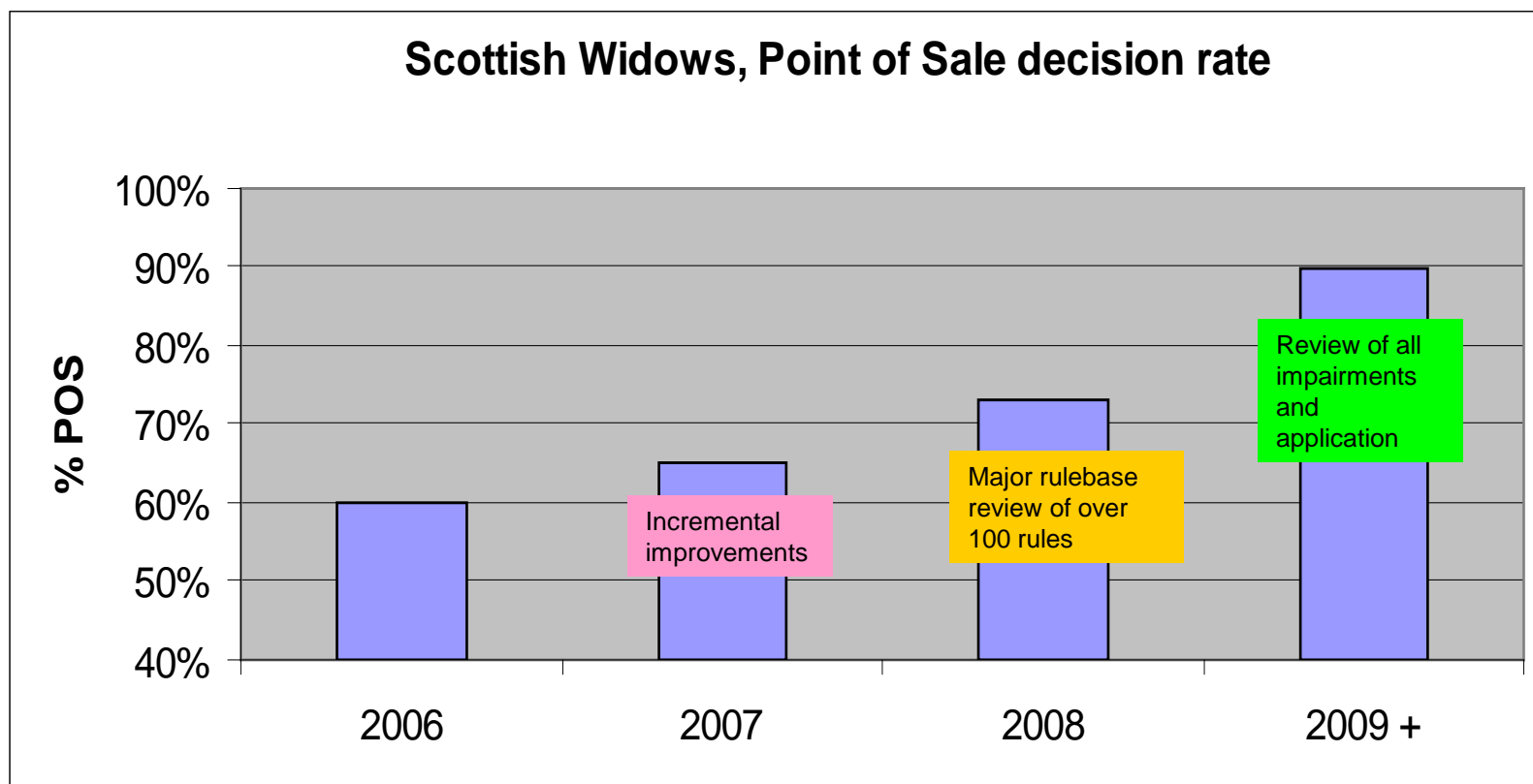


Management Information

Information available other than the straight through rate

- **Monitor processing rates and POS**
 - **Show how SW POS rates have changed over time.**
- **Rule efficiency**
- **Reason for referral**
- **Managing the business**
- **Policing the data inputted**
- **Look at how to make a rule more efficient**

MI Point Of Sale processing Currently SW are achieving POS 89.8%

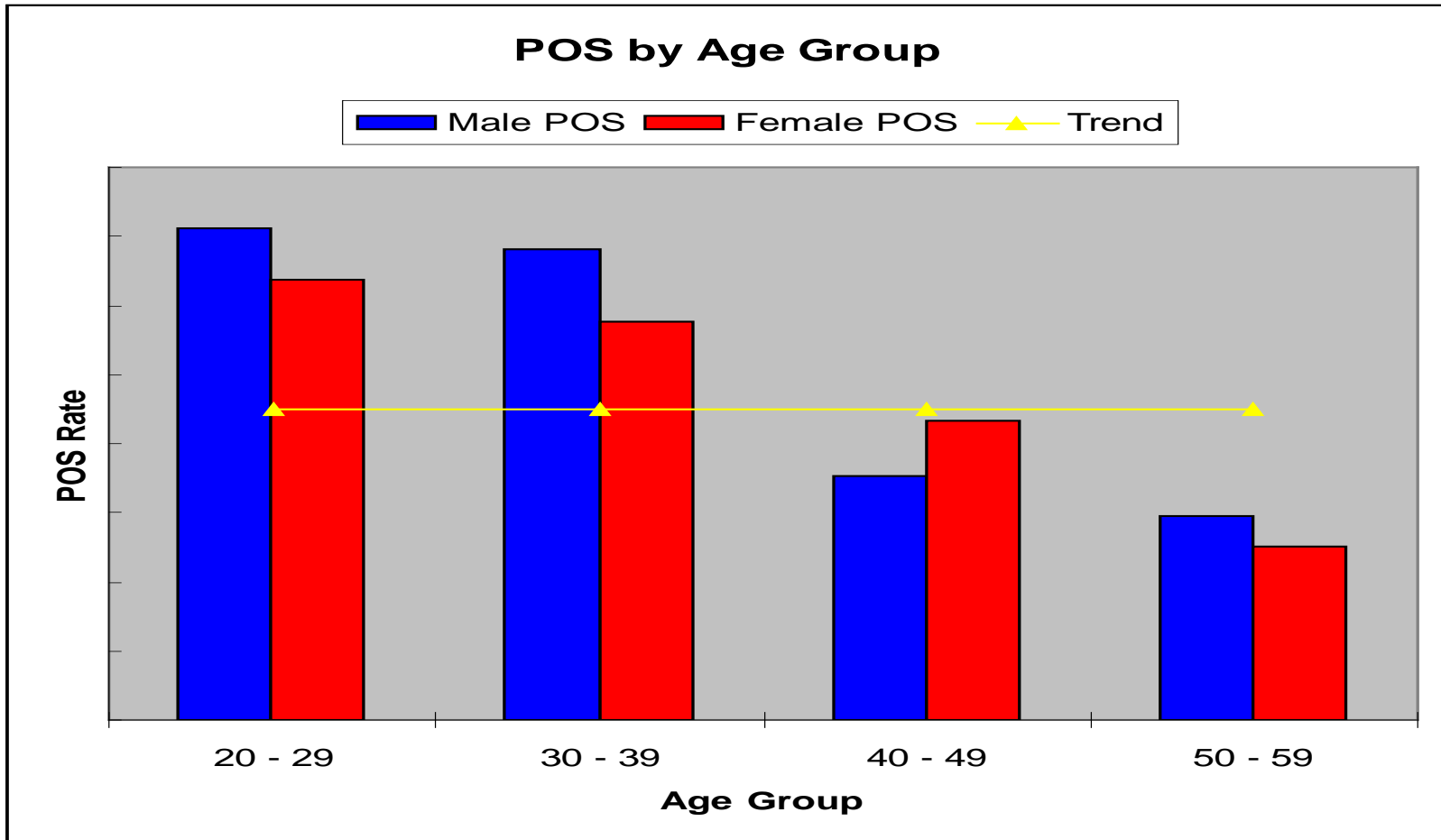


All life and life with critical illness

MI Point Of Sale by area

Region	Standard	Loaded	Refer	Decline	POS
London	80.0%	11.1%	6.7%	2.2%	93.3%
East	72.9%	12.8%	10.6%	3.7%	89.4%
North	72.3%	14.8%	11.1%	1.8%	88.9%
Scotland	66.2%	20.7%	13.1%	0.0%	86.9%
South	69.0%	11.0%	15.7%	4.3%	84.3%

MI Straight through by age



MI Rules frequently hit and efficiency - Life

Concept	Frequency	Efficiency		Referral
hypertension	20%	85%		15%
diabetes	11%	71%		29%
mental illness major	9%	83%		17%
arthritis	7%	99%		1%
lipids raised	6%	77%		23%
asthma	6%	100%		0%
back disorders	5%	99%		1%
coronary heart disease	3%	27%		73%
thyroid gland hypothyroidism	2%	99%		1%
Cancers (Breast)	2%	18%		82%

MI Reason for referral in

Reason for referral	% referred in
Medical evidence	63%
Target GPR	19%
Referral in for treatment or investigation	5%
Financial limits	4%
Medical Limits	3%
Occupations	2%
Country	2%
Family History	1%
Avocations	1%
Unrecognised	1%
Employment / retirement due to health reasons	0%

Life business

Managing the business review business 6 months after going on risk

	Underwriting System Decision			
	Standard	Loaded +50%	Loaded +100%	Decline
At POS	10,000	750	250	10
Random sampling	(100)	50	50	
NTU	(100) 1%	(30) 4%	(25) 10%	
Lapse	(90) 0.9%	(150) 20%	(100) 40%	
Claim	(10)	(1)	(2)	
At the end of 6 months	9,700	619	173	10

Repeat for cases manually underwritten

An Example

Policing

- ***Application Summary Amendments***
 - *Send out a copy of the answers to the medical questions and ask the client to recheck the data entered.*
- ***Random Sampling***
 - *Sample a percentage of cases to ensure that the medical information is correct*
- ***Agent Reports***
 - *Standard acceptance / impairment*

Agent	Policies sold	standard acceptance rate	Impairment rate	Smoker Rate
MR X	45	98%	5%	37%
Average		67%	38%	22%

MI reasons for referral at rule level

Rule Diabetes

Rule question causing referral	Hits
When were you first diagnosed with diabetes?	770
Readings unknown	220

MI reasons for referral at rule level

Rule Diabetes

Question	Answers	Number
When were you first diagnosed with diabetes?	<=1 year	240
	>1 and <=2 years	320
	>2 and <=5 years	210

MI Can we amend the rule ?

Rule Diabetes

***** An Example *****

Answer	Final decision	% with decision
<=1 year	Decline	100%
>1 and <=2 years	S / L / D (*)	20%/ 60%/20%
>2 and <=5 years	S / L / D (*)	40%/ 20%/40%

(*) these cases indicate that we could continue with the rule and not refer in.

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Alex Isted – Head of Claims Management

E-rules : Do We Talk to Each Other ?

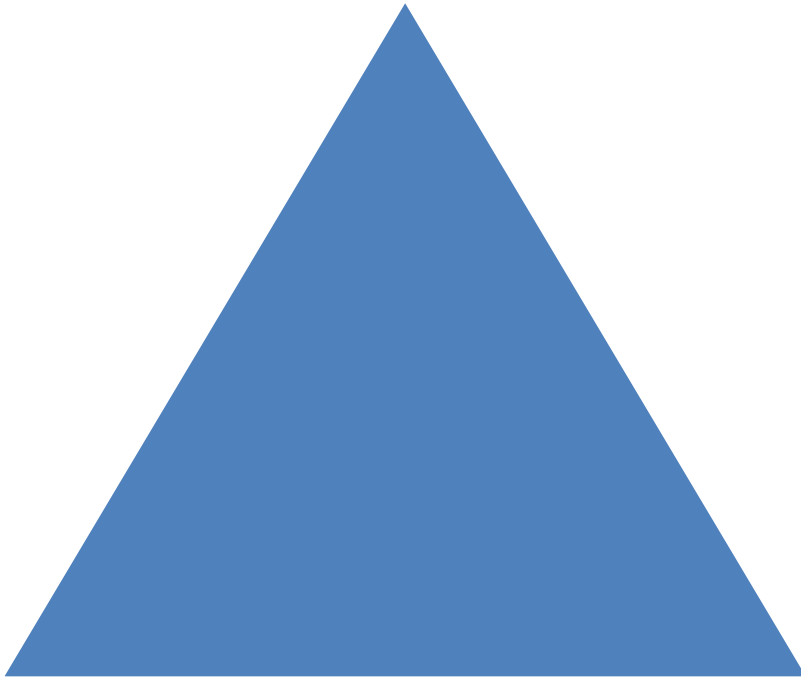


E-rules : Do We Talk to Each Other ?

Do Rules Developers talk to Claims in constructing e-rules?

- Battle between STP and asking the right questions
- Consider non-disclosure issues?
- Where does FOS fit into this?
- Impact upon ultimate claims experience?

Speed & Accurate Risk Assessment



80/20 approach - use **data** to focus on rules that make a difference (top 20 covers approx 50%, top 65 = 90% of ALL disclosures)

Pick-lists - ensure the user can find disclosure quickly: average 6-7 items, no more than 15 options

Early Decisions - determine quickly the cases on which we are not going to grant terms

Layman not UW terminology - cholesterol problems v hyperlipidaemia

Free Text - restrict the capacity for free text to the absolute minimum

Drill Down Question Best Practice

Provide sufficient answer options

- Have you experienced any complications of condition X? Y/N
- “I’m not sure, can’t I say I don’t know?”
- **Include ‘unsure’ or re-phrase the Q**

Avoid ambiguous questions

- **Have you had any symptoms and treatment in the last 12 months?** Y/N
- **Have you had any symptoms or treatment in the last 12 months?** Y/N

Is the terminology understood?

- Asthma Attack – UW definition = severe / ICU / oral steroids
- Man on the street – episode of wheeze? Use of inhaler? What is an ‘attack’?
- **Ask about specific symptoms or treatment you need to assess the risk**

E-rules : Base Questions and Pick Lists

Order base questions according to disclosure priority, followed by a pick-list in the identical order.

- *Do you have or have you ever had.... Asthma, Bronchitis, Pneumonia... etc?*
>YES

▼	
1.	ASTHMA
2.	BRONCHITIS
3.	PNEUMONIA

Advantages, other than being user friendly?

- ✓ *Removes responsibility from the applicant for describing their condition*
- ✓ *Avoids having to decide where a disclosure should be made & ultimately lapsing into free text*
- ✓ *Assists subsequent data analysis*

E-Solutions for Claims ?

Automated claims handling.

- Speed up process
- Teleclaims / Internet
- Assessment making or information gathering?

Mobile Technology

- I Pad?
- One stop?
- Barcode scanners



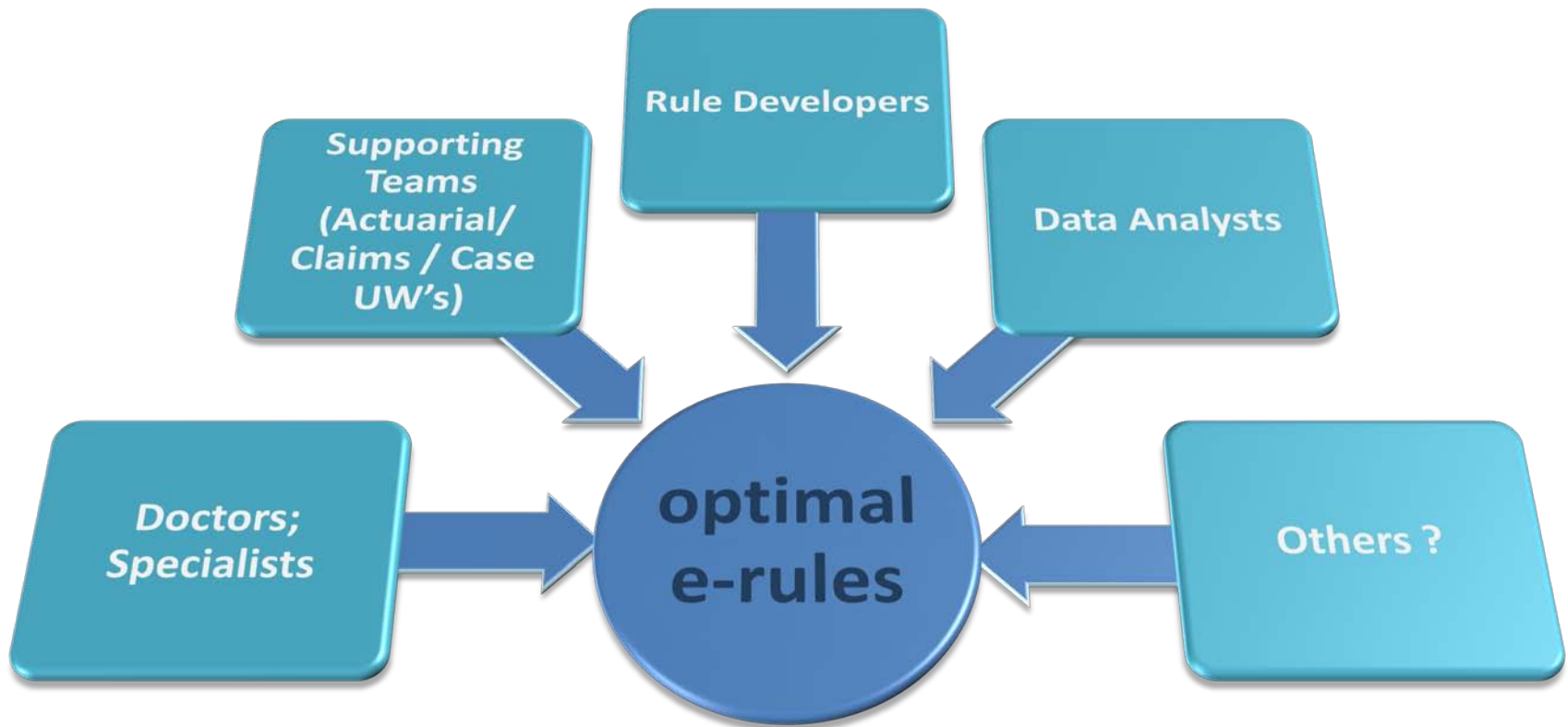
AUDIENCE PARTICIPATION TIME !!!

**Each table is a team
Grab paper and pens**

CHALLENGE 1 - 5 mins deliberation
- 5 mins audience discussion

WHO SHOULD BE INVOLVED IN CREATING E-UNDERWRITING RULES AND WHY?

E-rules : Who Should Be Involved?



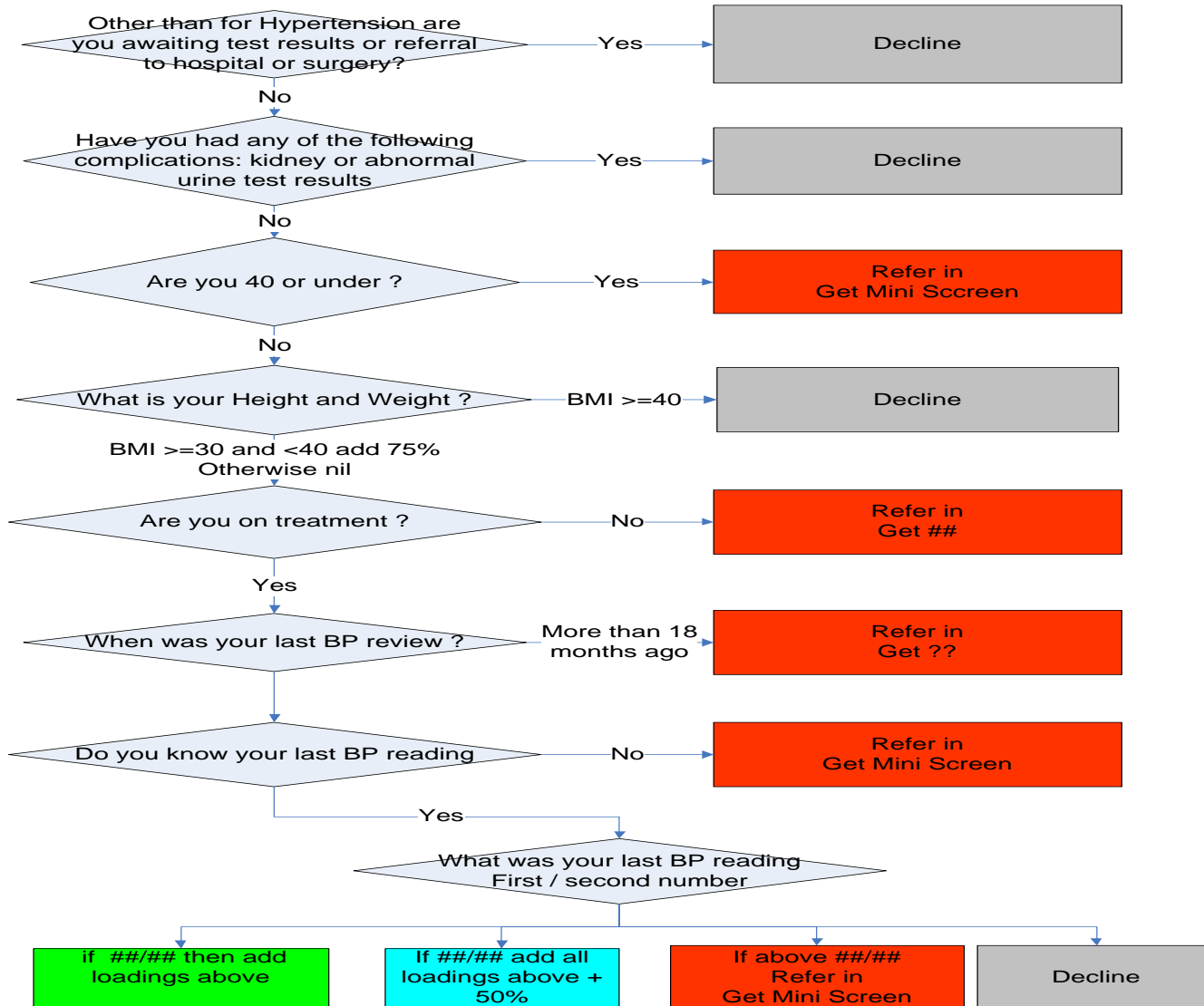
CHALLENGE 2

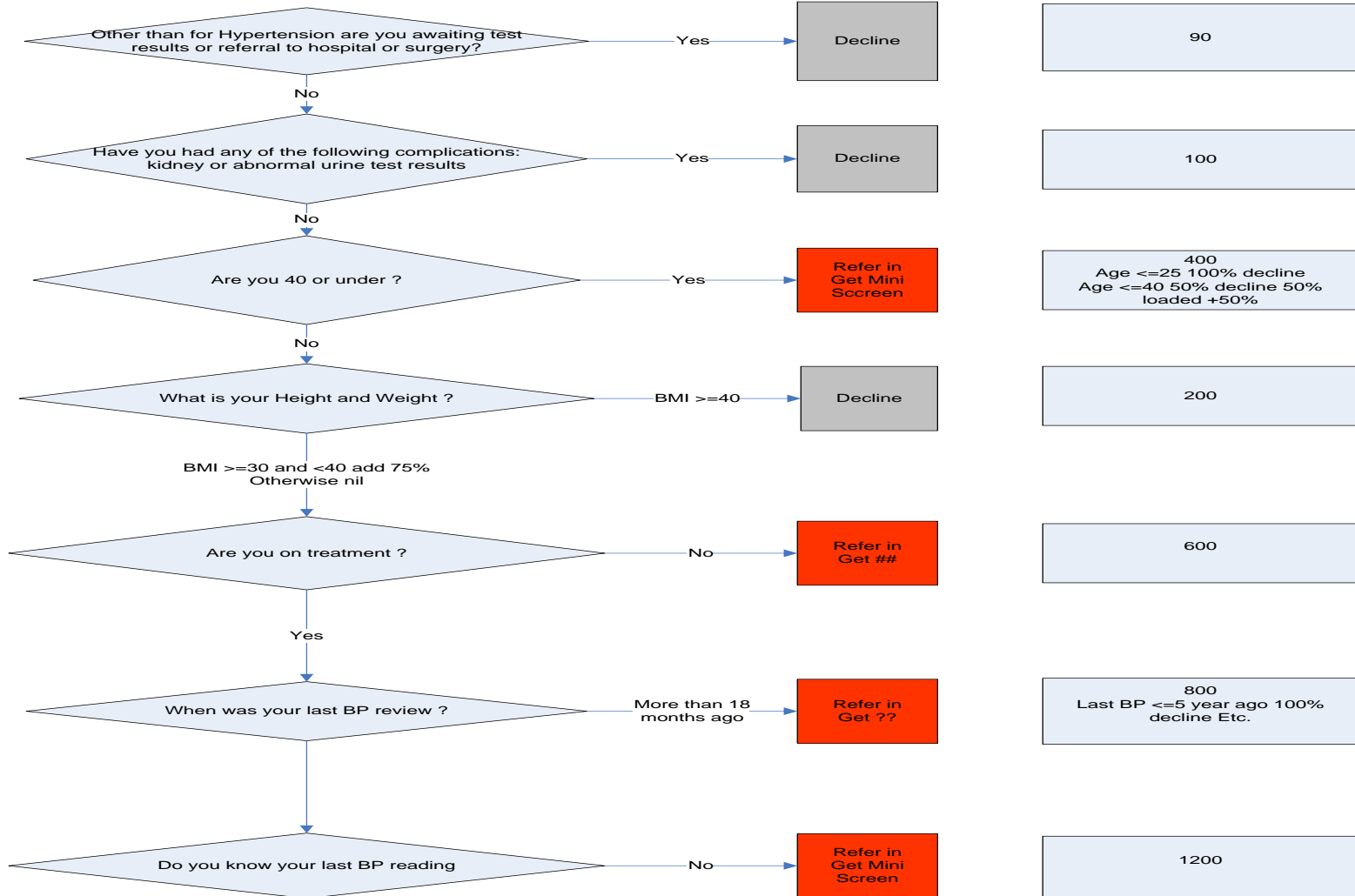
Design a question set/tree for Hypertension

- **Team effort – everyone should have input**
- **Business Channel = Internet**
- **Benefit = Life Only**
- **Must fit on one page of A4 / flip chart**
- **Maximise Point of Sale Acceptance**
- **Reduce Non Disclosure rates**
- **Maximise data capture**
- **15 minutes to decide, 5 mins to present**

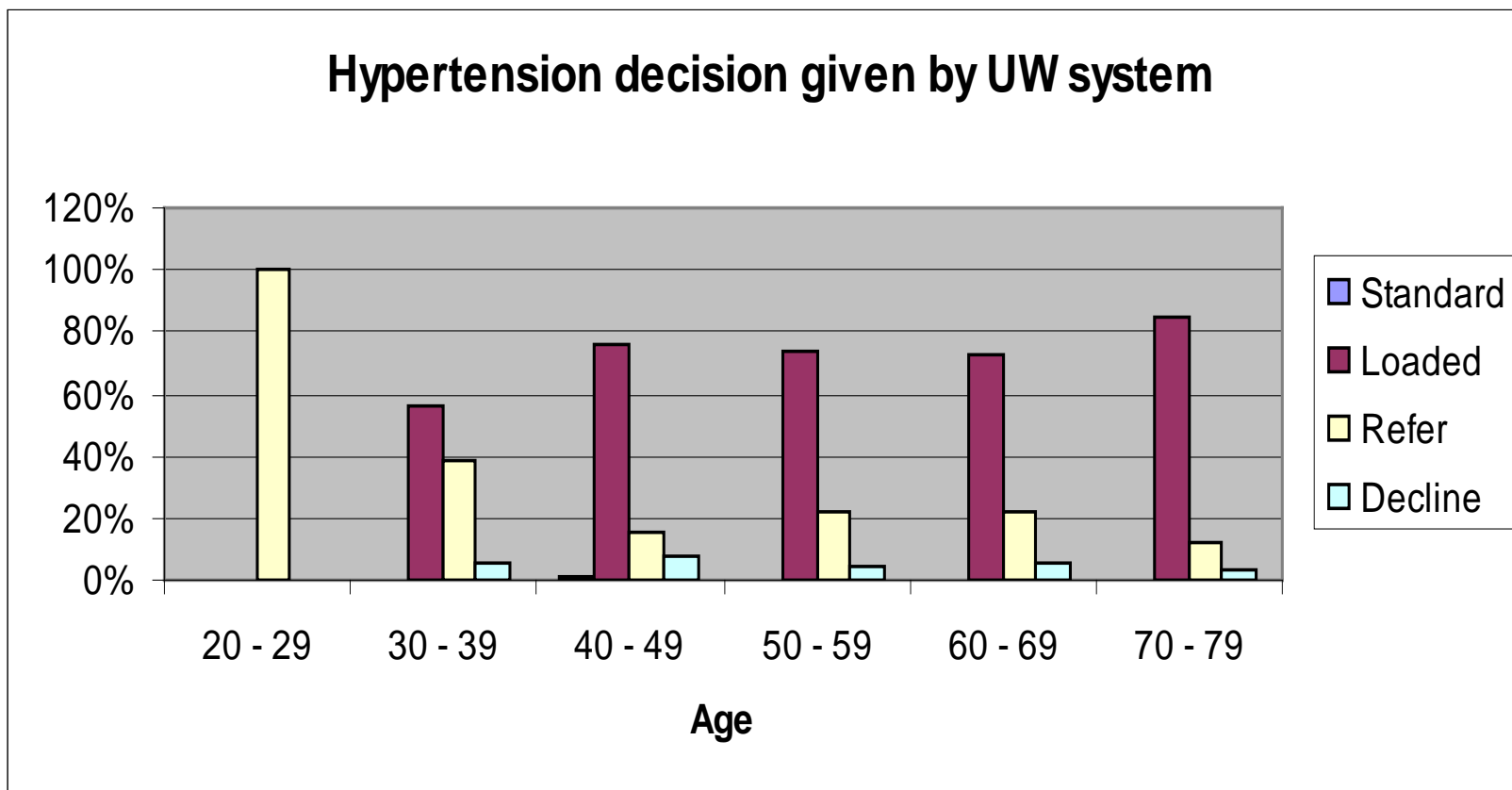
FOCUS

Forum Of Claims and Underwriting Scotland

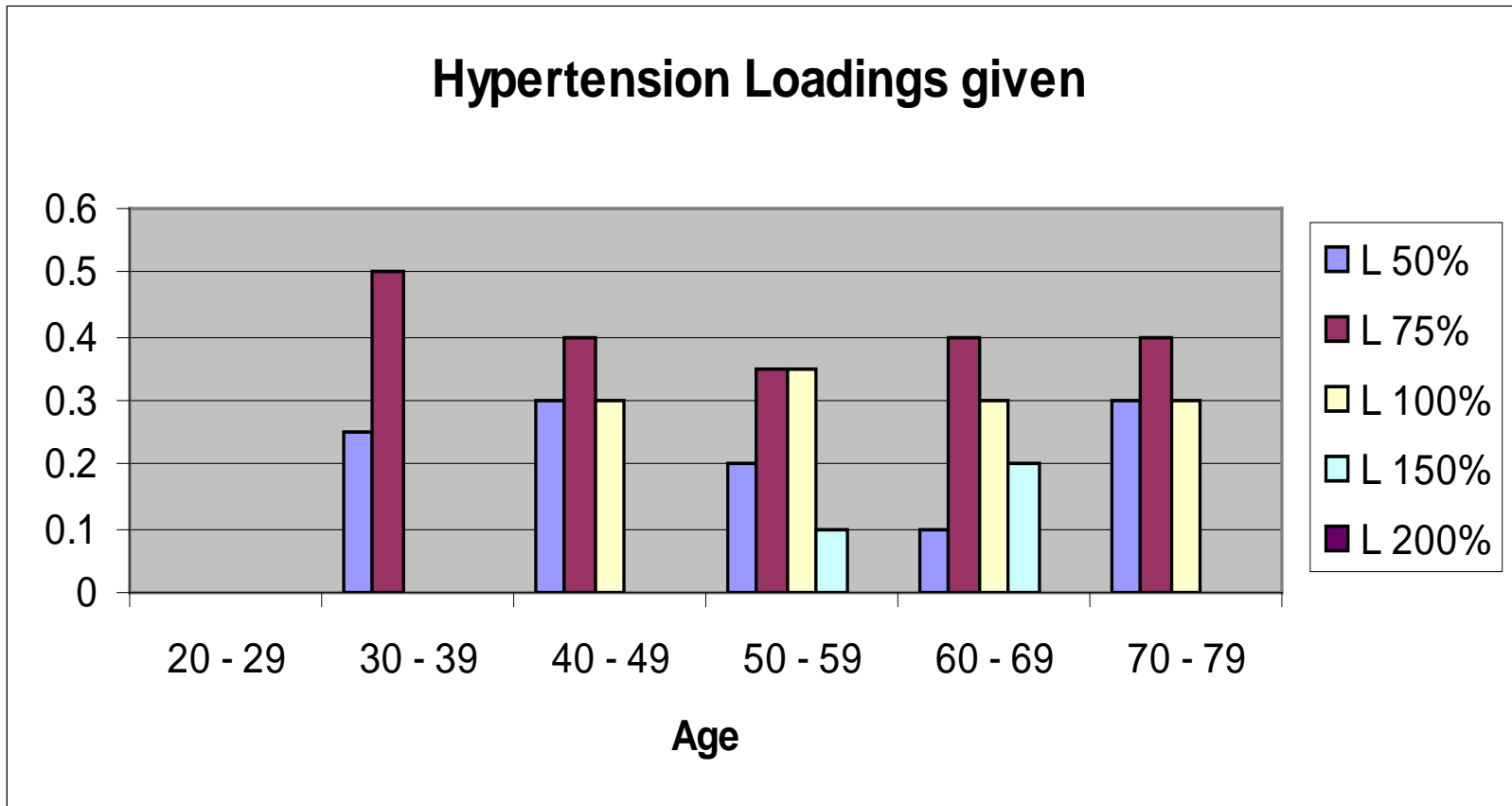




Example decision outcomes from hypertension



Example loadings given by UW system



Final Round Up and Questions



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THANK YOU