

The logo for Medicals Direct Group features the words "MEDICALS DIRECT" in white, bold, uppercase letters on a dark blue rounded rectangular background. Below this, the word "GROUP" is written in white, bold, uppercase letters on a green rounded rectangular background that overlaps the bottom right corner of the blue shape.

**MEDICALS
DIRECT**

GROUP

Panorama Conference
1st October 2009
Altitude 360°, London
Survey Results
'Attitudes' at Altitude

Introduction

At times over the past twenty years a survey of leading life and health underwriters might have been considered an irrelevance.

It would be very difficult to claim that now. In the past few years the role of the underwriter has undoubtedly assumed different dimensions.

Protection business has become more of a niche market but many of the players in it write very substantial volumes of business. The profitability of it depends upon sound and effective underwriting and reinsurers who have taken large quota-shares of providers' business are very much engaged in the process as well. On top of this, increasing attention has been focused on the time taken to underwrite, the cost of underwriting and the efficiency of processing proposals. The arrival of new techniques like tele-underwriting, set alongside the rules-based expert systems that emerged in this period, have changed the dynamics of the protection industry. Many of the services we provide at Medicals Direct have also changed the way in which underwriting is carried out so we decided that as part of the Panorama survey we would commission the first 'Attitudes' survey among UK underwriters to explore their views in detail.

We liaised with Peter Le Beau MBE, at Le Beau Visage to ensure that our survey was as focused and appropriate as we could make it.

Methodology

The first 'Attitudes' survey was carried out in late August/September 2009.

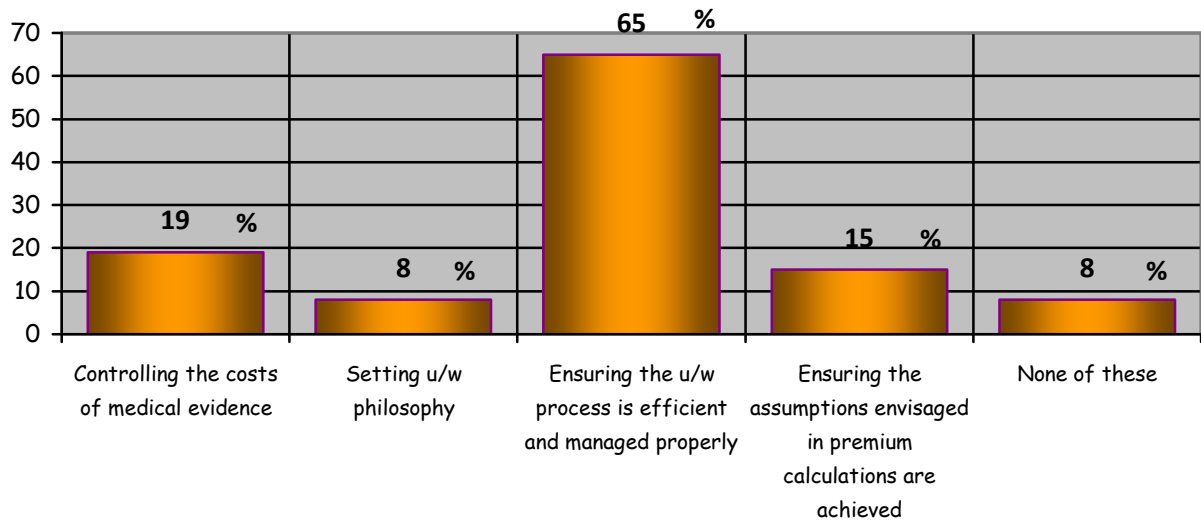
We contacted a group of the leading underwriters in the UK market and also approached a number of senior figures in the Protection market with a 20 question survey.

Answers were given online and we received responses from 33 senior figures. No names are being revealed as part of our promise to keep answers confidential but it was a very representative sample of leading UK underwriting figures.

Among these 33 were 20 providers, 5 reinsurers, 1 leading consultant and a leading adviser.

Here are their views. They did indeed prove to be underwriters with attitude!

- 1 What do you consider to be the biggest pressure on underwriting managers today?
(Some respondents supplied more than one answer)

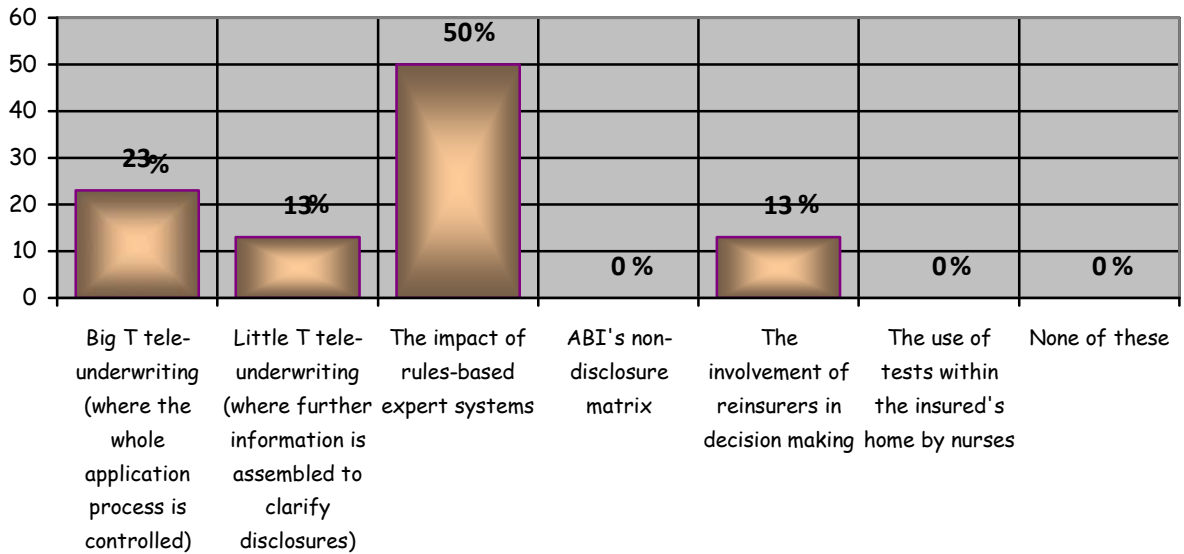


One underwriter felt the biggest pressure was to "improve the customer journey/experience", whilst another felt it was to embrace new technology and distribution channels as well as drive for lower cost processes while maintaining the risk profiles directed by the premium rates.

Medicals Direct comment

In this day and age the importance of strong underwriting management is emphasised by these comments. Underwriters must achieve a range of things but clearly to ensure the department works effectively in an era of cost containment and strong price competition, whilst trying to hit a range of other targets is a challenging feat.

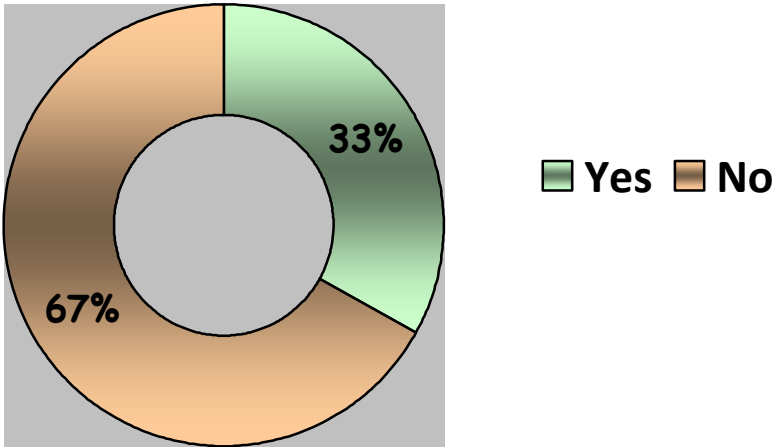
2 What do you think has been the development with the biggest impact on underwriting in recent years?



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Despite our surprise at there not being any votes for tests within the insureds' homes which has proved a robust and popular development in the UK market our panel clearly believes that the impact of expert systems outweighs anything else in this category. Given the impact of tele-underwriting this underlines how important expert systems have become. Straight-through processing is vitally important and the rules engine is the facilitator for this process. We were also surprised that the ABI's work on non-disclosure did not receive greater appreciation.

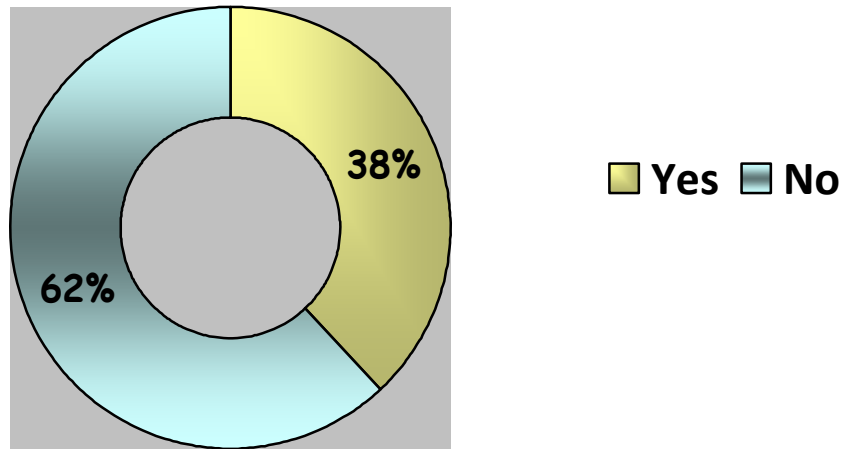
3 Do you believe that current UK underwriting philosophy is too strict in relation to lives under age 50?



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With a third of the sample feeling that the underwriting of younger lives is too strict there is clearly quite a groundswell of concern that we focus too much on medical mortality and not lifestyle when assessing younger people. Given the exponential rise in life expectancy it is not entirely clear why we concentrate so much on medical factors.

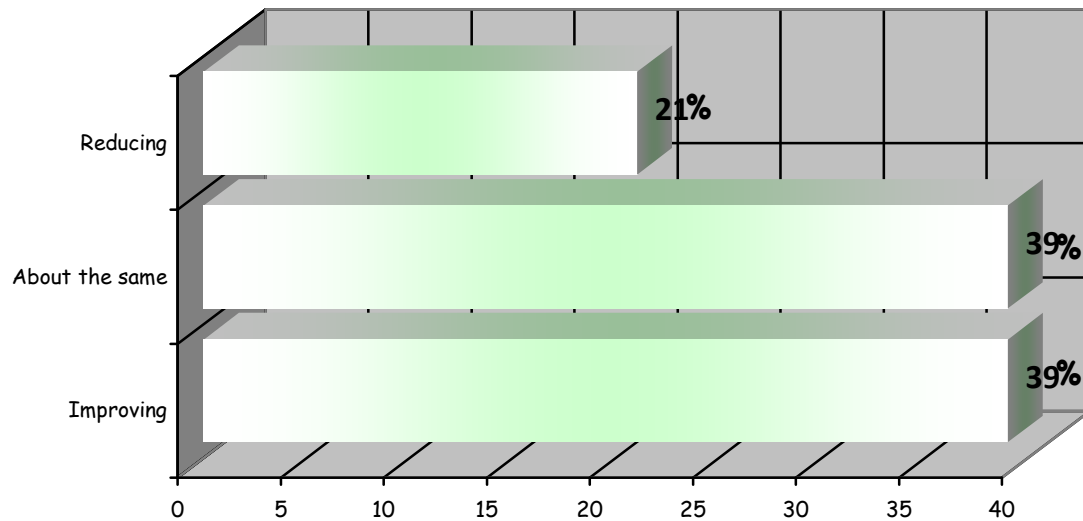
- 4 Do you believe your office is now rating more lives than previously because of a reduction in basic rates of premium?



Medicals Direct comment

This is another debate that divides the industry. One other underwriter who believes his company is not rating more lives still believes the industry as a whole is. Whilst the majority of underwriters do not, the number who disagree is significant enough to suggest there are more than pockets of the UK industry which are operating very strict underwriting protocols.

- 5 In your opinion are training facilities/programmes for underwriters, internally and across the market, improving in quality, or reducing, in the last five years?

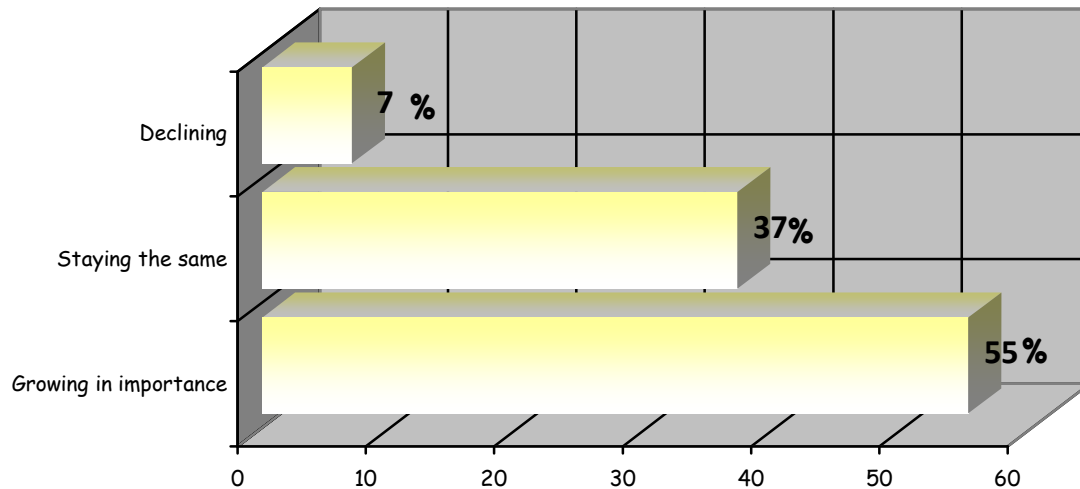


Medicals Direct comment

The division in opinion here is very interesting and may be caused by a number of things. The recession may have led to an overall market decrease in training, some reinsurers may be offering it to their clients only or the number of training options has reduced. Nevertheless the 39% of respondents who think training is improving suggests it is being done well somewhere.

Training is a vitally important function and it will be impossible to grow the market safely unless we have an increasing supply of well-trained technicians. This presents a dilemma for the protection industry.

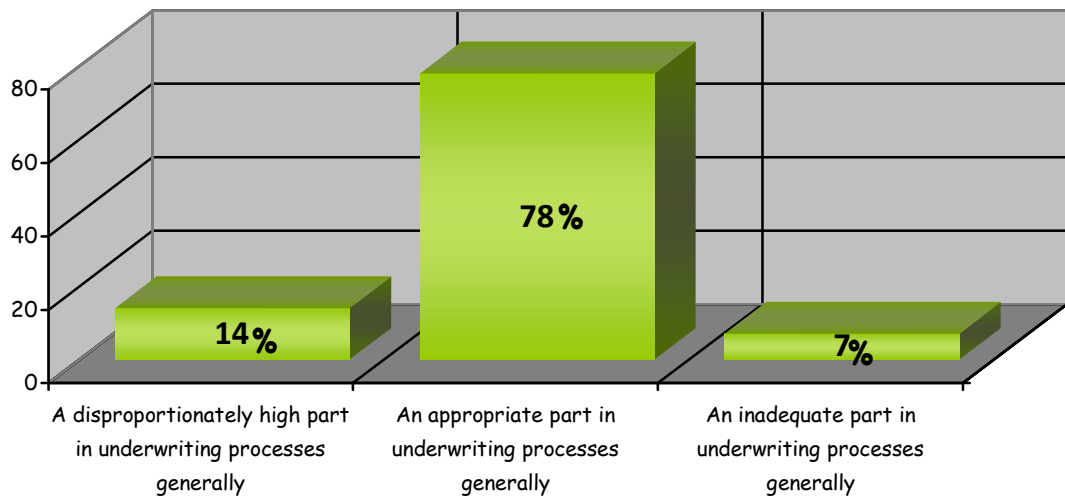
6 Do you think the role of the senior underwriter is growing in importance within your company, over the last 5 years, or declining in importance?



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This is a finding we both welcome and agree with. The status of the UK underwriting manager is, after many years, showing a significant increase and we are now producing executives who are businessmen and risk managers after years when it was often felt you could be only one or other.

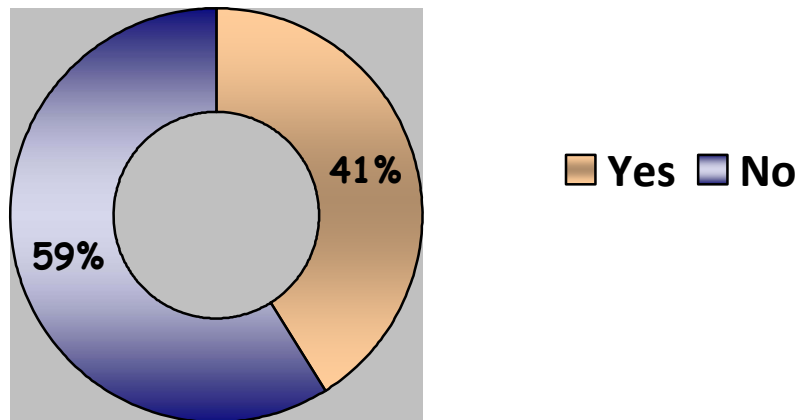
7 Do you think reinsurers play:



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While the majority view is clear this question and a later one about the influence of reinsurers showed a handful of offices who resent the incursion of reinsurers into the underwriting process and feel this is a negative thing for the industry. While the balance seem happy with the state of affairs, one (presumably a reinsurer) would like to see them extending their influence further.

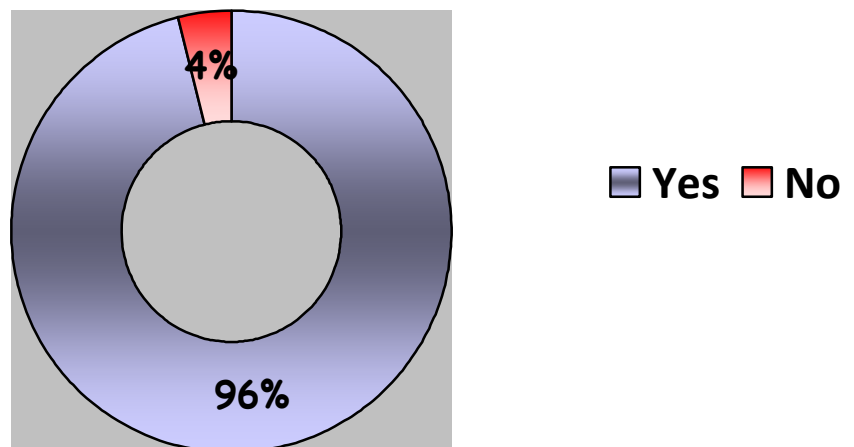
- 8 Do you believe that underwriters across the UK market are put under too much pressure to cut corners in terms of developing appropriate internal processes?



Medicals Direct comment

The split here suggests a real schism in opinion with many people feeling that the underwriter has to compromise to modify internal processes. While this is not the majority view it is strong enough for it to be a focus of real debate within the industry.

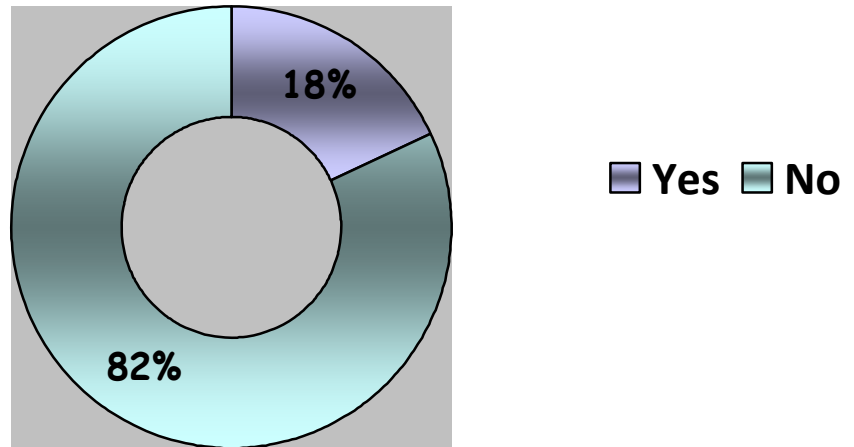
- 9 Do you believe external underwriting audits are generally a good thing?



Medicals Direct comment

The figures speak for themselves. Underwriting audits are (almost!) universally accepted

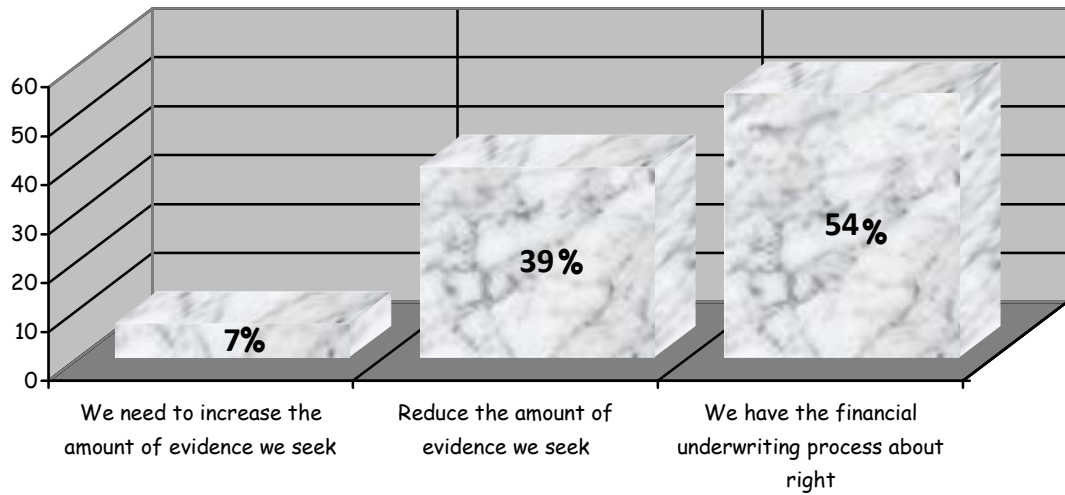
10 Do you believe the audit process is inhibiting the decision-making process of underwriters?



Medicals Direct comment

A little more controversy here with a few respondents feeling that the close scrutiny on underwriting decisions now has negative implications for some underwriters.

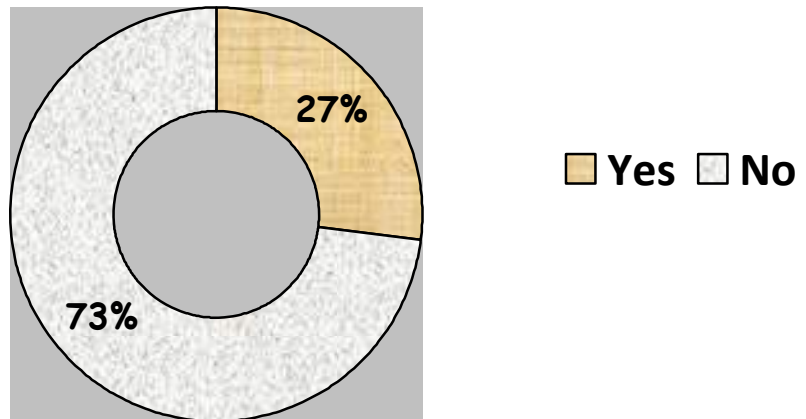
11 Do you believe that in this financial environment.....



Medicals Direct comment

There may have been some ambiguity over this question which was designed to ask if people feel that the financial underwriting process should be changed in this environment. Most underwriters answered on this basis but there was a division of opinion about whether we should cut down what we ask for explicitly (possibly because financial transactions of any size will be subject to extra scrutiny). Whilst the majority feels the process is sensible, almost 40% would like it to be scaled down

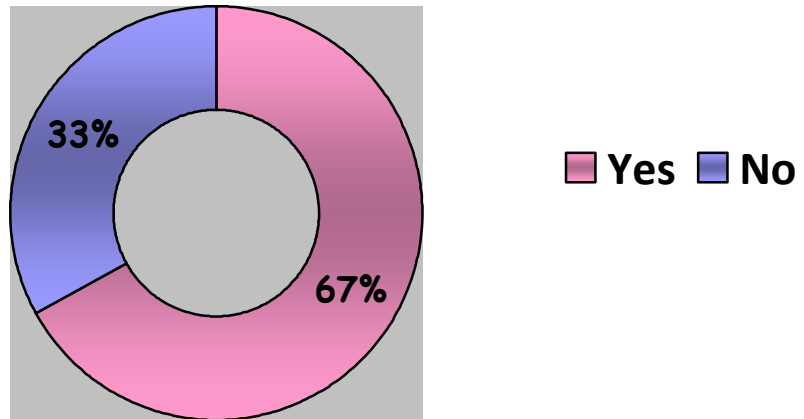
12 Do you believe the GPR form is as valuable as it once was?



Medicals Direct comment

This is one of the biggest talking points of the survey. The GPR has been the form that generations of underwriters have turned to as the best insight into a client's medical condition but problems with GPRs (see later) and new underwriting techniques have radically altered this opinion. With almost three quarters of the sample feeling it has lost its value, does this foreshadow a real change in the way we underwrite in the UK?

- 13 Do you believe the quality of information received by Big T tele-underwriting and Little T tele-underwriting is better than that obtained by GPR?

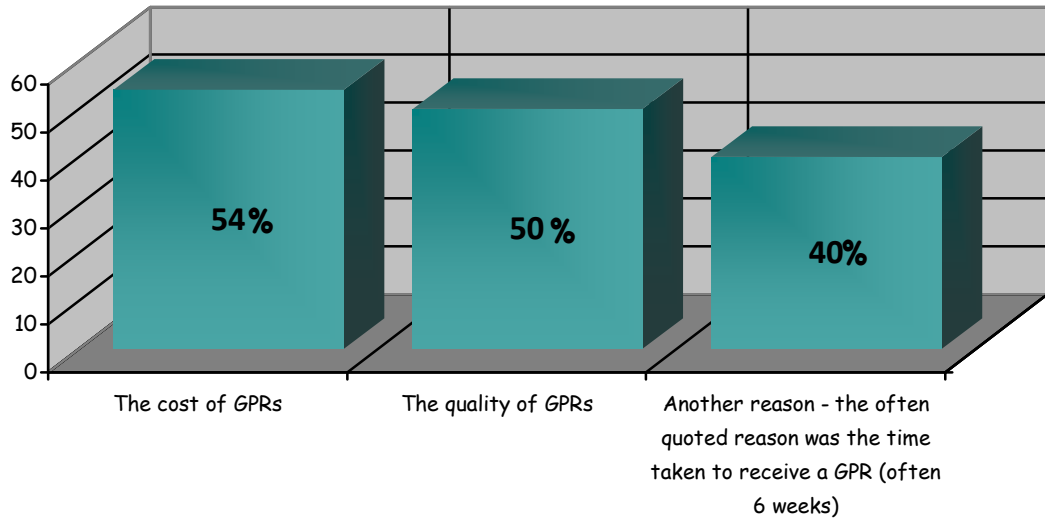


Medicals Direct comment

Following on from the last question this is a very significant result. Tele-underwriting is only a few years old but has revolutionised the way we underwrite in the UK and two-thirds of the sample believe it provides more helpful and accurate information than the GPR. This provides serious food for thought for the BMA!

14 Do you seek alternative sources of evidence to GPRs? *Around 67% of the sample said yes.*

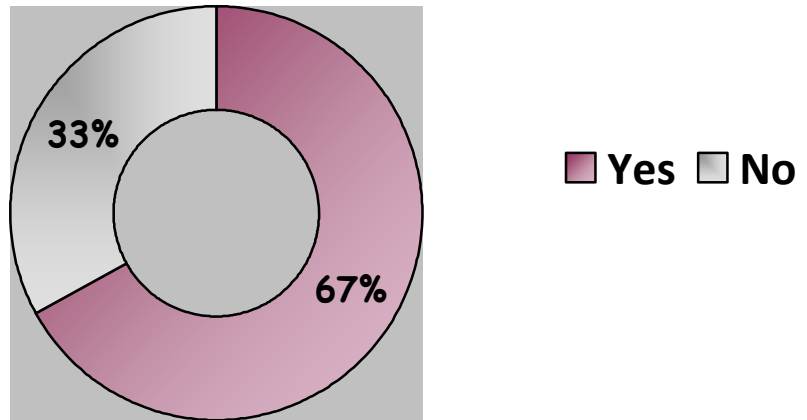
Is this because.....



Medicals Direct comment

Between the two-thirds who sought alternative sources for evidence, cost, quality and time-delays were the three major reasons for so doing. This is a salutary lesson for the medical profession. The industry is no longer as dependent on their input as was the case. This is no great surprise when given that most of the other global protection markets do not have access to centralised health records, it was inevitable that innovative ideas would be used to get evidence. These ideas (which customers seem to like) are now being used all over the UK market. Is the genie now out of the bottle? Are we hearing the death-knell for the GPR?

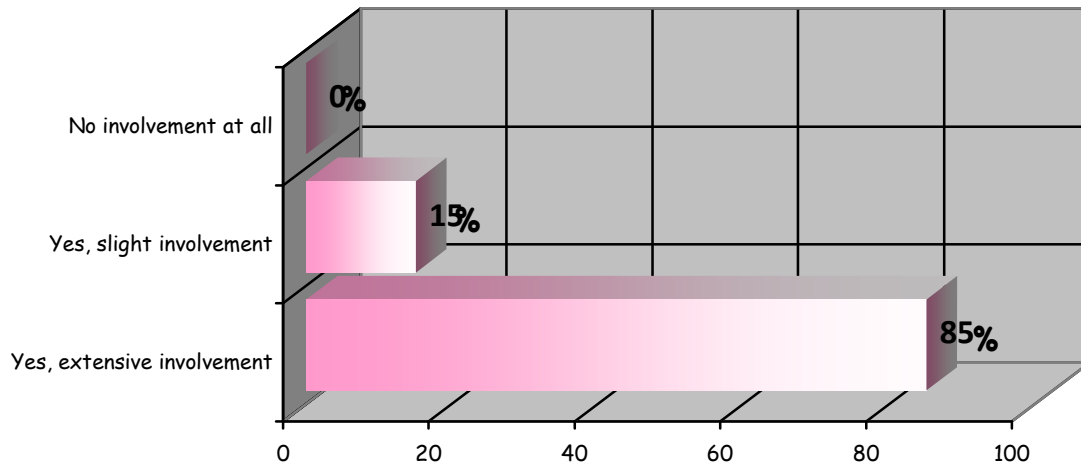
- 15 Do you have more contact with intermediaries (e.g., IFAs, salesmen) than you did 5 years ago?



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UK underwriters are now regularly communicating with advisers on cases. Whilst not all companies encourage it, it emphasises another skill that senior underwriters must develop... the ability to discuss cases and to justify decisions in the face of adviser enquiries.

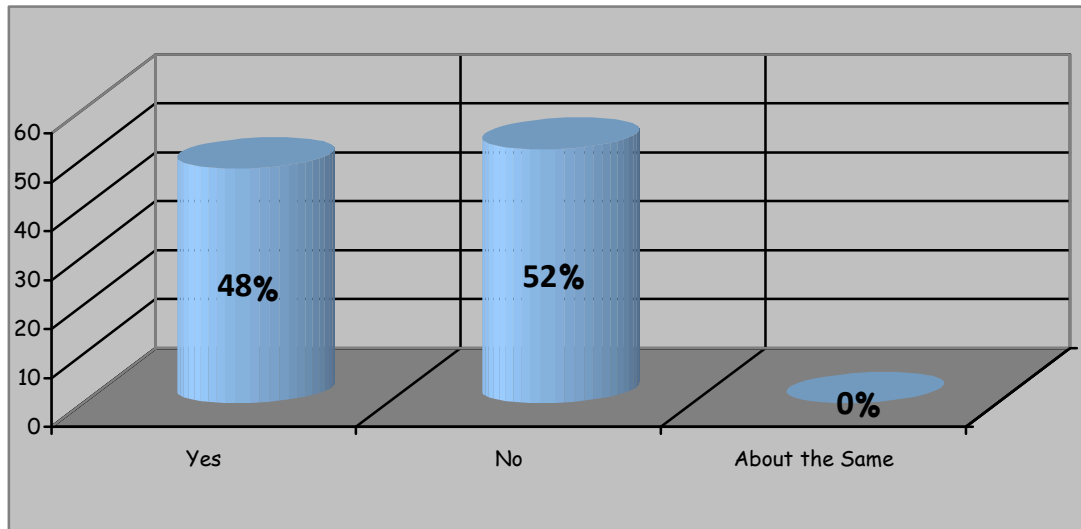
16 Do you have any involvement in new protection products being developed in your company?



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This is a welcome finding and is no great surprise, illustrating as it does the way in which underwriters are evolving and the skills they have to cultivate. Protection players who did not include their underwriter in picking the method(s) of selection they are going to employ for a new product would be foolish indeed but underwriters must equally accept that there is more to the success of a product than its underwriting methodology.

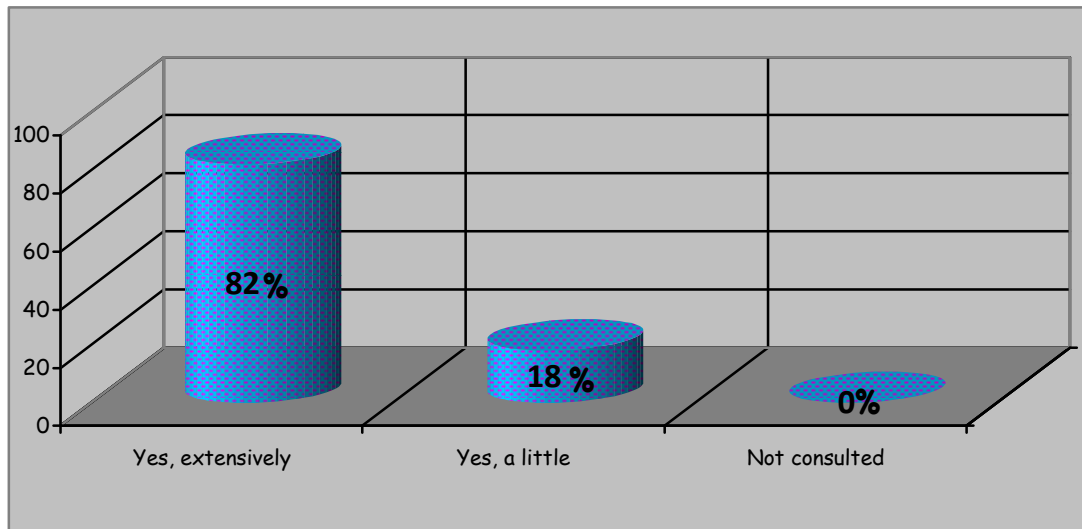
17 Do you believe non-disclosure is becoming more of a problem in the last 3 years?



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Nobody sat on the fence here although opinions are widely divided. It is clear that whether non-disclosure is increasing or not it looms as a serious underwriting concern.

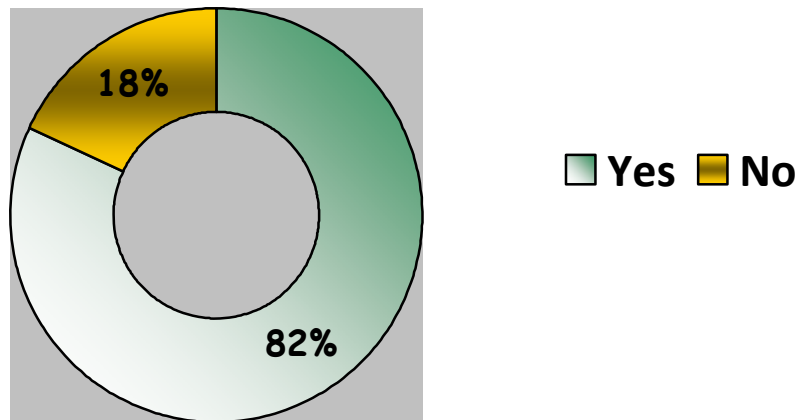
18 Are you extensively involved in your company's initiatives in implementing "Treating Customers Fairly"?



Medicals Direct comment

While we would have expected 100% to be consulted in an ideal world, this is an encouraging result. The underwriting process impacts heavily on customers.

- 19 Do you think that we are using the information we are gathering from innovations like tele-underwriting effectively to improve the quality of underwriting processes?



Medicals Direct comment

It is obvious all through the market and all through this survey that the underwriter's world is changing and changing at a very rapid pace. The lessons we learn and the data collected will ensure that the underwriting process will be one of continuous learning and evolution. Exciting times are ahead.

20 If you could implement one improvement in the status and/or responsibilities of underwriters in the UK market what would it be?

The verbatim comments of the underwriters who replied to us illustrate some of the concerns that they have and the distance that the underwriting profession still needs to go before its journey is anywhere near complete

"We need a louder voice, not focus on costs and think further than the end of the reinsurer's manual."

"Better interaction with the customer at point of sale is needed."

"Get underwriters more involved in the sales process, increase their understanding of the pressures IFAs face and generally get truly motivated about helping IFAs get more clients on risk."

"Replicate what Axa have done and get underwriters out of the office and into the field."

"Give underwriters a stronger voice."

"Underwriters should spend a greater part of the day on value-add underwriting."

"Interaction with pricing /marketing to align risk management with wider company strategy."

"Case ownership would encourage more underwriters to be proactive."

"I don't consider changing the status of underwriters is the issue. The focus should be on ensuring that underwriters are fully integrated into business production."

"It would be good if we could change some IFA perceptions that we are risk-averse."

"All underwriters should have to study towards the CII diploma in life/disability underwriting."

"The focus on bells and whistles has resulted in training and development not moving on as we have seen in previous years."

"Make professional qualifications mandatory for underwriters!"

"Increase focus on quality of decision-making rather than a pure numeric focus."

"Work with distributors and Actuaries."

"More acceptance of the underwriter's impact on profitability."

"Make it easier to obtain medical evidence from the GP."

"The need to collect and analyse data is key to making the process more customer friendly and cost-effective."

"Companies need to raise underwriters' commercial IQ."

"Enable underwriters to analyse their data better."

"More underwriter to customer contact"

"Update underwriting practices to increase the accessibility of products."

"Free the underwriter from STP costs."

Conclusion

What an agenda these comments would make and how insightful some of the remarks are!

But are they an impossible and conflicting wish-list?

Our belief is that greater commercial awareness has brought respect to the underwriting profession and in an era of huge cost competitiveness, the edge that can be supplied by great risk management ideas and innovation is vitally important. Innovation is usually achieved by data analysis and continuous improvement as much as by flashes of blue sky imagination.

At Medicals Direct we seek to work with our clients to improve their process, increase their resource and to give them new insights and rating tools.

This first "Attitudes" survey is a very interesting snapshot of the UK underwriting scene as we move towards the end of 2009.

We intend to use it to develop our strategic thinking and to try to be even more relevant to the market as we move into 2010.