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Editor:  
SelectX Ltd

Publisher:  
John Krinik

## IN THIS ISSUE

Customers and Rules Engines

Underwriting and Claims System Integration

Customer Service vs. Profitability

Alcohol Use in Britain

Financial Underwriting Clinic—Bankruptcy

## PUTTING THE CUSTOMER AT THE HEART OF YOUR RULES ENGINE REQUIREMENTS – A THREE-DIMENSIONAL APPROACH

Imagine the following scenario:

Company A decides to invest in a new rules engine – one of the reasons being that they want to support a new direct-to-consumer or intermediary-sold product. They want to achieve a straight-through rate of 80% and get business on risk within hours.

Company A then goes into a round of rules engine supplier ‘beauty parades’ and decides to purchase the system with the sexiest user interface, promises of easy integration with other systems and production of sophisticated reports.

Company A then spends several months customizing the knowledge base to reflect the underwriting philosophy and defining an electronic application process which takes the current paper-based application form and translates it on-line – after all, the information and process is exactly the same online as it is on paper ... isn't it?

Fast-forward to the major product launch – more cash being splashed on making sure the world knows the great new product is there, ready and waiting for business.

Then what? Instead of the expected flood of new business, just a trickle ... analysis of the management

information (for those who invested the time to set up effective MI) shows that huge numbers of potential customers are starting an application, but for some reason a large proportion are not completing it. Why could this be?

OK, so maybe this is a bit of an extreme example, but it is indicative of exactly what can happen when companies invest a lot of time in defining their systems from an internal perspective and only think about the customer and the customer experience – or journey – right at the last minute or, even worse, assuming that this will all be taken care of as part and parcel of their system purchase.

In today's tough operating environments where superior customer service is a differentiator, those companies who are looking at investing in any kind of technology solution must put their customer at the very heart of their requirements-gathering process and not think of them in the order they appear in the value chain for the chosen solution – that is, the end.

In justifying the investment in developing or purchasing a new solution, companies spend a lot of time in the ‘analysis’ phase – defining the business requirements (what they want the system to do) and then the functional requirements (how they want the system to do it)

for the new solution. It is very easy to get so bogged down in the detail of these two factors from an internal company perspective that the 'other' set of users for the system – the end customers – either get forgotten or are just assumed to have a similar set of requirements to the internal users. This is the two-dimensional approach to requirements definition.

The two-dimensional approach potentially results in one of two things:

- A sub-optimal customer journey based upon processes and terminology translated from established internal equivalents at the company.
- The realization that the solution purchased and implemented will not work effectively because of an inability to embed the variations required for a bespoke customer journey.

An alternative approach, which we call the three-dimensional approach to requirements definition, is to start thinking about the customer at the same time as considering internal business and functional requirements – right from the start in fact.

Think about the customer-facing element of a system in the same way as you would for a sales person or customer relationship manager – after all, it is essentially doing the same job. When looking to employ new people in these roles, the ideal attributes include:

- Smart appearance
- Friendly
- Excellent communicator
- Trustworthy

- Inspiring confidence
- The ability to identify and generate opportunities for continuing/expanding the relationship.

Consumers are becoming much more demanding in their expectations of online experiences. They expect to be guided through a process, to have interactions and information appear as if by magic, just at the right time, whilst at the same time wanting simplicity and straightforwardness.

So, when defining the system requirements companies must first identify who their 'customers' are – whether consumers, intermediaries, telesales staff, underwriters, etc.

The next stage is to identify for each customer group what the system is required to deliver – for example speed of service, simple terminology, clear communication.

Once these customer 'profiles' have been created, it may become apparent that completely different interfaces to the same underlying system or information need to be created for each one. This information will form the foundation of the resulting customer journeys and will become fundamental to designing the e-application process to support each customer group.

Once a company has a clear picture of what it wants in terms of customer experience and interactions, it can then overlay internal business and functional requirements to truly understand what it is seeking from a system provider.

System providers and vendors, quite rightly, don't provide the kind of services to help a company define its

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requirements and design the customer journey from the ground up. Many companies don't have the luxury of dedicated internal resources to support the business teams through this crucial analysis phase – as such it is no surprise that many of these key considerations fall through the net until it is too late.

All of which is why one of the recurring themes throughout the forthcoming SelectX/Hank George Inc. report on rules engines is that these systems are not a buy-and-leave proposition. A program of continuous analysis and improvement needs to be adopted, with the customer journey and experience forming an integral part of this process. Establishing effective management information reporting comprising both actual data and session log files can help to give a company a good idea about the customer experience. 'Back end' data, however, is no substitute for soliciting customer feedback, and mechanisms need to be put in place to encourage and capture feedback.

And remember, making consumers unhappy puts brands at risk. In today's connected world of powerful social media, bad news travels even faster. 'Think customer' the earliest you can.

## UNDERWRITING AND CLAIMS SYSTEM INTEGRATION

For several years now, claims professionals have looked across at their underwriting neighbors with a tinge of envy – while they struggle on with piles of paper and processes heavily dependent on manual input, many of those lucky underwriters get to play with sophisticated workflow and imaging systems, rules engines, tele-interviewing and a growing host of facilities that the claims folk can only dream of.

But why? Aren't underwriters and claims handlers following many similar processes? (see graphic at right)



Knowing how the underwriting data coming out of these new technologies is being used, isn't there at least as much potential in the claims data that could be extracted from applying similar technologies to claims? Don't underwriting and claims teams need to work together to deliver success to both the internal and external stakeholders?

As part of a global survey\* into various aspects of claims technology conducted jointly with SelectX earlier this year, we looked at the area of integration between underwriting and claims technology – what's in place, what is seen as important and how companies see the future. This showed the following global picture from the 122 companies surveyed, with imaging and workflow coming out on top, but still only integrated in just over half of companies (see graph next page):

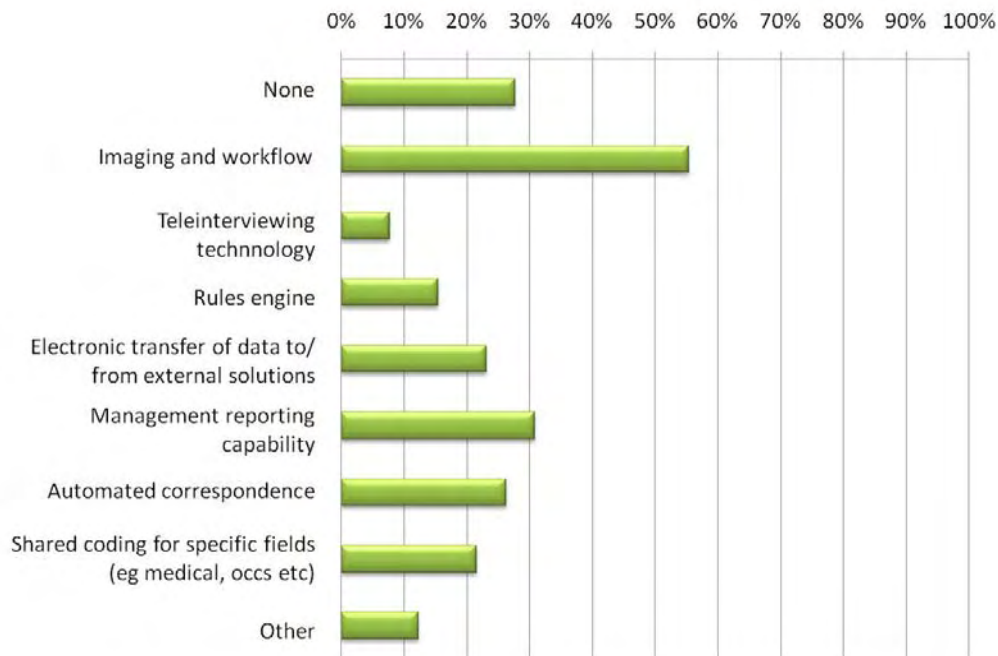
Most of the other areas where technology could be shared or where integration would be desirable for providing business insights, such as management reporting capability, show poor levels of integration. For companies who have implemented much of this technology in underwriting, every detail of every transaction is recorded and the data can be analyzed:

- Why cases were rated?
- How many were accepted at standard despite a significant medical history?
- Why, maybe, a certain producer's cases are always standard (when you'd expect a few lives deserving of a rating)?

The smarter companies are now beginning to relate new business case information to claims experience, for example:

- What is the correlation between rated cases and claims received?

## Integration of underwriting and claims technology



easiest quick wins that can be adapted for claims use from existing customer service call centre platforms, or existing teleunderwriting units. Currently, even where 'teleclaims' is established, or becoming more prevalent, the highest level of integration between underwriting and claims teleinterviewing technology is seen in the US at 18%. Contrast this with the UK where teleinterviewing at underwriting stage has taken off in

- What proportion of standard cases end up as claims?
- What is producer A's claims experience compare to producers B,C and D?

Using good data and intelligent analysis to drive improvement in product design, pricing and operations makes for a more efficient, more successful and more profitable business. The familiar control cycle can now be revitalized and given some real power.

But these data comparisons, whether supported by technology or not, can't be made without some fundamental agreement between underwriting and claims functions as to consistent terminology, coding and basis of calculations. If the lack of shared coding reported by our survey group is typical, it suggests that companies are currently losing valuable opportunities to gain business insights that are vital for understanding why some portfolios are profitable and others are not.

Taking teleinterviewing as another example of an area ripe for integration, this is potentially one of the

recent years, but where the figure for integration with claims is only 7%.

Another of the key developments for underwriters has been the use of a rules engine at the core of the technology solution by:

- Automating routine decision-making, reducing the need for manual intervention and unnecessary evidence
- Triaging more complex risks and routing to the appropriate assessor or third party
- Triggering the next steps in the process: requirement ordering, documentation generation
- Being a repository of data related to every assessment.

All of this is equally relevant in a claims context, whether it is applied to the whole end-to-end process or to specific modular parts, such as eligibility checking.

A fear expressed by some in the claims community is that a rules engine would detract from the skill and

judgment required but, as has been seen in underwriting, it merely restricts skilled resources to where they can add genuine value – setting up the rules, managing complex cases and exceptions, presenting a human face to customers who need it, etc.

‘Wiggle room’ can be set by the company according to its own philosophy and degree of tolerance for variance from the rules. That’s why the most important part of setting up such a facility is to think carefully about the rules themselves, to get expert help if in-house resources don’t have the necessary experience, and to retain the ability to review the rules regularly and update them as required, without the need to go running to the IT department every time.

Companies have recognized that competing purely on price, product and commission is not sustainable and that competitive advantage will come from making it easier for distributors and customers to do business with them through service enhancements (speed of process, improved communication with customers and flexibility of access).

In SelectX’s 2011 global survey of rules engines\*\* among over 200 direct insurers from major life insurance markets, three key areas that respondents cited as their main objectives for implementing an underwriting engine would also strike a chord with claims managers:

Reducing workload on staff	85%
Improving consistency	81%
Improving the quality of underwriting data	75%

If we add to that the desire for faster settlement of claims (a universally reported objective), there would seem to be compelling reasons to at least investigate the use of a rules engine in a claims context.

Many of the claims technology survey group foresee

a rise in online self-service facilities, powered by similar technology as that used in the new business quotation and application process. Effectively, this transfers much of the back office function into the control of the customer, shifting and reducing costs along the way and simultaneously improving transparency and service delivery for the customer, whether that is an individual, an intermediary or a group scheme administrator.

As customers’ expectations change as a result of their experiences in other industries, the pressure to extend such facilities to the delivery end of the customer journey – as well as to the front end when premiums are being taken – will become more intense. There is a growing chasm between how the industry is seen to treat people when taking their money and when paying claims – at the time of real need. That chasm is just unsustainable in a consumer-driven competitive world.

*\* Life and disability claims: strategies for a technology-enabled world – a new report produced jointly by SelectX and Karin Lloyd builds on and goes far beyond, a survey of 120 insurers in key markets worldwide. The report examines in detail the current landscape for life and disability claims processing, the case for investing in technology, the importance of data in portfolio management and new customer propositions enabled by technology. For more information or to purchase a copy, see visit [www.selectx.co.uk/Research-Studies\\_Claims-Technology-Report.html](http://www.selectx.co.uk/Research-Studies_Claims-Technology-Report.html).*

*\*\* Underwriting rules engines report: SelectX and Hank George Inc will soon be publishing the 2011 report on underwriting rules engines. Based on a survey of insurers world-wide, interviews with key firms and SelectX’s own extensive knowledge and expertise, the report takes a long, hard look at engines with particular focus on their strategic role in today’s tough and fast-changing long-term insurance markets, the potential for mining digital gold – crucial data for the business as a whole, not just for sound risk management and the critical success factors for implementation and operation.*

For more information or to pre-order a copy, visit [www.selectx.co.uk/Research-Studies-Rules-Engine-Report.html](http://www.selectx.co.uk/Research-Studies-Rules-Engine-Report.html).

## PUBLISHER'S NOTE: CUSTOMER SERVICE VS. PROFITABILITY?

*The purpose of a business is to serve a customer.  
Profit is the essential means to fulfilling that purpose.*

Peter F. Drucker, *The Practice of Management*  
(1954)

Peter Drucker was the 20th century's pre-eminent 'management guru' before anyone had ever heard the term.

Unfortunately, 21st century executives and managers tend to think the purpose of a business is to make a profit and that customers are a necessary inconvenience to fulfilling that purpose.

Seeing the insurance process—from sale to claim—through a customer's eyes shouldn't be that difficult. After all, nearly all insurance company employees are also insurance buyers, policyholders and claimants at some time in their lives.

The two previous articles illustrate the importance of serving the customer with an *attitude* that places the applicant / policyholder first in the insurance process—every insurance process.

And attitude is the most critical component in designing any business process meant to attract and retain customers.

Removing impediments to the buying, application and claims processes requires thinking like a customer during the planning, building, testing and implementation phases.

"So easy a caveman could do it ... " has become a famous insurance company advertising slogan in the U.S. But the ultimate test of customer service occurs at claims time.

All the modern technology at insurers' disposal will certainly contribute to profitability—if it's truly user friendly. And *user friendly* has to be more than a trite phrase insurers use with technology vendors. It can't be designed only for the ease of trained underwriting and claims professionals. It must be designed for the human being who has little or no knowledge of insurance other than they will pay a premium and they might file a claim.

## THE TROUBLE WITH ALCOHOL IN BRITAIN

The second LUCID (Life Underwriting, Claims and Insurance Doctors) conference has just drawn to a close in Cardiff, Wales. One of the speakers was Professor Sir Ian Gilmore, past-president of the Royal College of Physicians and an eminent liver specialist, whose theme was the 'troubled relationship' the UK has with alcohol.

And the Brits do seem to have a problem. While death rates generally are on the decline, those for liver disease are soaring – in contrast to trends elsewhere. Women are increasingly being treated for alcoholic hepatic cirrhosis – almost unheard of in the past. Busy moms now relax after a stressful day juggling work and family with a (large) glass of wine or two. Great 'girls' nights out' are fuelled by bottles of chardonnay or shiraz.

And drinking is rife among the young: it is well known that in Britain, for them a decent night out consists of large quantities of alcohol, an Indian meal, vomiting and sex – the last three in no fixed order. At weekends in towns and cities all over the country the police, ambulance services and ER departments are kept busy dealing with the medical and criminal aftermath of youthful revelry. (OK, some exaggeration here but, uncomfortably, the truth is not too far distant.)

Of course, young folk always have always consumed alcohol in large quantities – booze is, of course, a brilliant social lubricant – but the tendency was that they settled down with a job, marriage and a family, and drank far more modest quantities; affordability was

probably a factor in that. But now that ‘settling down’ comes later in life, and alcohol IS now so affordable: while the cost of drink in pubs and the like has kept pace with inflation generally, prices in supermarkets have fallen significantly in real terms. Getting smashed has never been so easy on the wallet or the purse.

It’s interesting that in continental Europe, where drinking has long been part of daily life, their regular few glasses tend to be consumed around meals. Britain stands out (until it falls down) as a place where you just drink – although there are signs that French youth is picking up the same bad habits.

The huge increase in consumption of alcohol generally and wine especially over the last 15 years or so is partly due to the widespread belief that it’s ‘good for you’. Hasn’t it been proven that a glass or two a day helps stave off coronary heart disease and generally prolongs life expectancy? Well maybe there are some stats to suggest that but the medical consensus is moving in the opposite direction, and there is perhaps a fine line between the adverse and any beneficial impacts. And that classic J-shaped relationship between mortality and alcohol consumption: is that because a bit of alcohol is good for you? Or is it just because the non-drinkers include the ex-heavy drinkers who will relapse and those with alcoholic liver disease that have seen the light and given up (but still pose a higher risk)?

You can’t escape the fact that alcohol is an addictive, mind-altering drug. Moreover, the strength of beer, wine and liquor is creeping up.

Besides making this member of the audience (and

alcohol lover – moderate quantities only) think differently about the need for action to discourage drinking, it also prompted fresh thoughts about underwriting the alcohol risk. The unwanted social impact of excessive drinking is well known, but there appears to be an insidious major threat to the health of drinkers whose habits are much less obvious and are probably regarded as pretty much acceptable in the context of current social norms. Should British life insurers just live with the largely unknown level of risk – as they have always done – or should they start to take it more seriously?

But if they want to take it more seriously they can’t rely on applicant disclosure. People tend to underestimate what they drink, even with the best of intentions. (If you’re a moderate drinker, dear reader, can you state accurately how much alcohol you consumed over the last week?) Some, of course, just lie. No, some sort of objective measure would be required, which implies lab testing. Leaving aside which tests could be reliable indicators of future mortality and morbidity, and the cost involved, routine lab screening is virtually unknown in the UK, where consumers and producers expect the simplest and quickest new business process possible. A whole new risk appraisal model would be required.

But whether or not radical change is necessary is something risk managers have to ask themselves from time to time. Alcohol is another example of how the changing pattern of risk, coupled with improved understanding of it, exposes inadequacies in traditional risk appraisal processes. It is also an illustration of how important lifestyle and lifestyle choices are in the hierarchy of risk today.



## FINANCIAL UNDERWRITING CLINIC

### BANKRUPTCY DEMOGRAPHICS

The 2010 Annual Consumer Bankruptcy Demographics Report: A Five Year Perspective of the American Debtor was published by the Institute for Financial Literacy, Inc. ([www.financiallit.org](http://www.financiallit.org)) in September, 2011.

Unsurprisingly, Americans who are unemployed saw a jump in filings by 23% since 2008. Americans 45 years and older increased the rate of filing bankruptcy by 19%, a reflection of the trend among employers to lay off older workers first (and not hire applicants over 50).

The reasons primarily are because the more older workers an employer has in the health insurance group plan, the more claims will be experienced, thereby raising the group premium. In addition, pension plan vesting can be decreased by carrying only younger workers on the payroll and either offering them no employee benefits or reduced benefits.

In addition, unemployed workers now find that employers searching for workers are refusing to interview the 'currently unemployed,' thereby increasing the long-term unemployment of anyone laid off.

Americans age 34 and younger decreased the rate of filing bankruptcy by over 30% since 2006. Again, for the reasons above, younger workers are more financially secure than older workers.

Some of the surprises in the report included this: college education doesn't appear to ward off bankruptcy as the rate of degree holders filing bankruptcy increased by 20%. Worse, Americans with advanced degrees are filing at higher rates. And bankruptcy filers earning incomes above \$60,000 increased their rate of filing by over 66%.

Other findings included:

- The Gender Gap in bankruptcy filings is closing;
- Americans who are married are more likely to file and represent over 60% of all filings. Of those filings, nearly 35% were joint petitions.
- Americans who are married have seen a 12% increase in filings since 2006.

The percentage of Americans reporting reduction of income and/or job loss as a cause of financial distress increased by 24% and 21% respectively since 2006.

The other common causes of financial distress reported by Americans include: overextended on credit, unexpected expenses, and illness/injury and divorce.

The 'Great Recession' that began with the Wall Street mortgage securities collapse in 2008 is fundamentally changing the demographics of bankruptcy. Recoverability from unemployment is more difficult

than at any time since the post-World War II era began.

If a recent bankruptcy filing is part of the financial history of a life insurance applicant, it may beg the questions: Why is life insurance being purchased at this time? Is the applicant's financial recovery complete? Are income and employment stable and reliable for the near future?

**For additional information about an inspection service whose investigators have skills in financial analysis and can talk intelligently with CPAs, corporate treasurers and other financial advisors, contact First Financial Underwriting Services Inc. Phone: (800) 570-3477 Fax: (800) 571-3477; E-mail: [ali@firstfin.com](mailto:ali@firstfin.com)**

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P.O. Box 2990, Binghamton, N.Y. 13902-2990

Phone : 607-724-3992, Fax: 607-724-0041, E-mail: [ualert@yahoo.com](mailto:ualert@yahoo.com)

**Editorial correspondence:** Susie Cour-Palais, *Editor*

Address: SelectX Ltd, P.O. Box 70, Rickmansworth, Hertfordshire WD3 5ZE United Kingdom

Phone: +44 1923 282 320, Fax: +44 1923 286 213, E-mail: [susie@selectx.co.uk](mailto:susie@selectx.co.uk)

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## **First Financial Underwriting Services, Inc.**

9021 Oakhurst Road, Suite F  
Seminole, FL 33776

**[www.firstfin.com](http://www.firstfin.com)**

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