

MorganAsh News

Summer 2008

Welcome

Special points of interest:

- Reinsurance discounts make Tele-Interviewing free
- ZERO contested claims to-date
- Met SLA every month for every customer
- Opened office in Germany
- Tele-Claims service success

Welcome to this Summer's edition of our newsletter to keep you up-to-date on the progress of Tele-Interviewing /Tele-Underwriting in the UK & Ireland. While the volumes of protection sales in the market fell in the first half of 2008, I am pleased to report on significant progress of Tele-Interviewing in all areas.

We report on our performance, with regard to quality, turnaround times and claims experience. Our performance has been excellent and we have met every SLA for every customer for every month for the year to-date. This has been with a background of fluctuating volumes, including 120% variation week on week.

Over the last six months reinsurers have become markedly proactive in promoting Big T Tele-Interviewing and Tele-Claims, offering significant discounts on reinsurance rates, enough to pay for the Tele-Interviewing and Tele-Claims itself.

We opened our own office in Cologne, Germany in February and this is progressing well. We are delighted to report that we were nominated for an award in the "innovations" category at this years "Protection Review" and feel justly proud.

We include case studies from Lincoln Financial and Pioneer/Exeter Friendly society for Big T and little t implementations. We discuss how to detect what is not said in interviews — paralanguage and how human lie detection techniques can be used within Tele-Interviewing to reduce fraud.

As well as maintaining our record of ZERO contested claims, we understand the Financial Ombudsman Service in the UK has yet to receive any case that has been Tele-Interviewed.

We hope to see many of you at our seminar in Bristol UK on 16th September. We trust you find this useful

Best regards

Andrew Gething (Managing Director)

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Service results first half 2008

We report on our performance from January to June 2008. We have met our SLA's for every customer, every month and we are delighted to report on the mean figures here. We are pleased to report we have improved turnaround times, as well maintaining quality with varying volumes of business.

Furthermore we contacted 73% of applicants within 20 minutes of the beginning of their 1 hr slot and 85% within 30 minutes.

Turnaround times

Our turn round times improved greatly at the end of 2007 and we are pleased to report

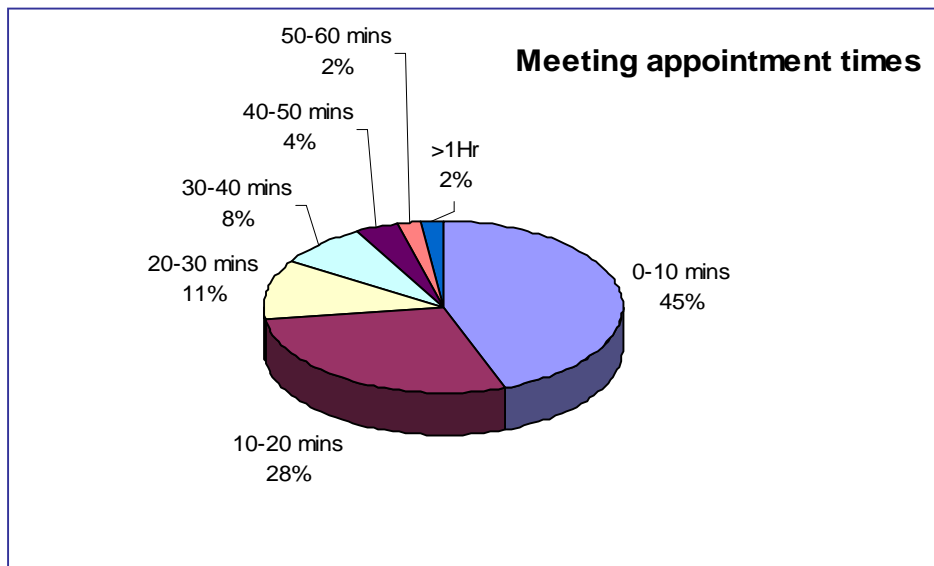
Customer service (Complaints)

We continue to receive minimal complaints and for the half year had only 0.07% complaints.

Customer service (Meeting appointment times)

Another service level we are now measuring is the proportion of time we manage to interview applicants within the originally agreed 1 hour time slot, and how soon since the beginning of this hour we called them.

We managed to interview the applicants within their 1 hour time slot for 98% of the



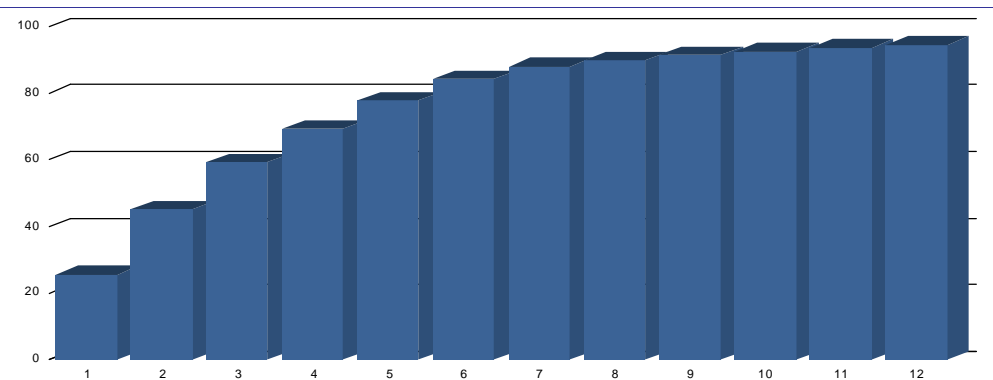
these have been maintained at excellent levels.

Our mean turn round is around 5 days, with 92% complete within 10 days. The delay relates purely to applicants wishing to un-

dertake the interview at a convenient time for them and maybe re-organising it.

We managed to meet our own target of over 90% within 10 days every month.

When we measure



Graph of actual turn round times against % completed for all companies, Jan—June 2008

Service results (continued)

the interviews where applicants have met their allocated interview time this drops to a

“We have met every SLA’s for every customer, every month”

mean of 2.5 days and 90% within 5 days.

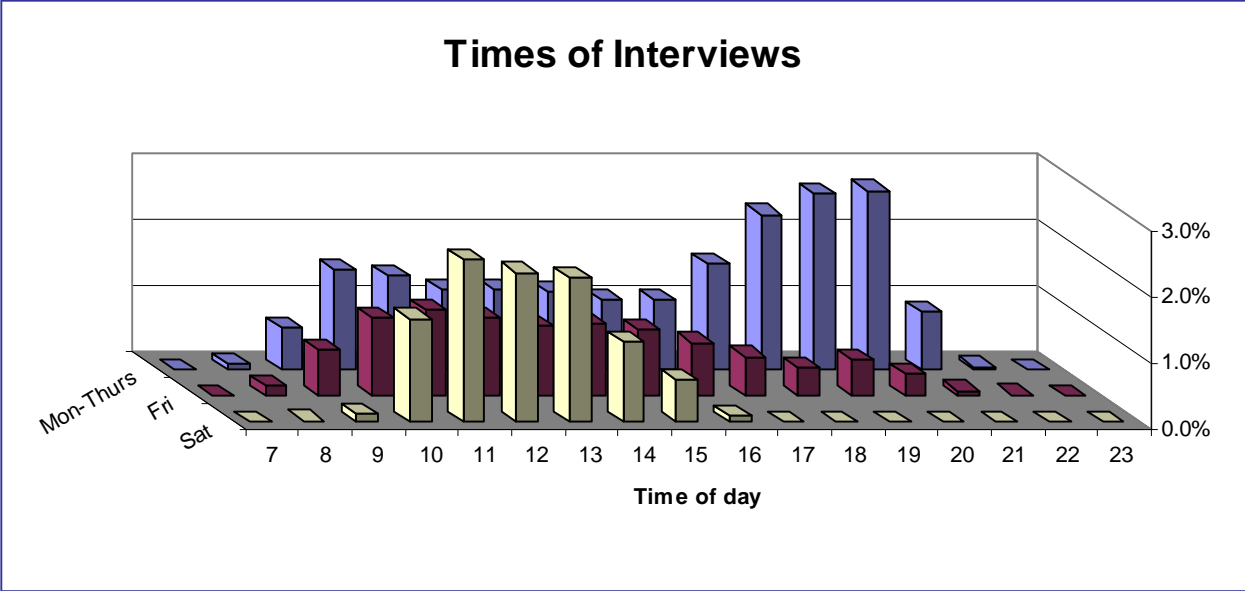
Within this period our volumes of received

tion through the day.

53% of interviews were undertaken within the normal working day and 47% out of hours.

Quality (Audit)

Our overall audit score remained above 95% every month, and averaged at 98% for the half year.



cases fluctuated up to 120% week on week. Maintaining these short turnaround times, with varying levels of work has been a testament to our flexible resource model.

Interview Times

The graph shows the times of day Tele-interviews are undertaken. The data is from multiple companies for varying products and distributions channels throughout the first half of 2008.

The graph shows the time of the completion of the interviews, and is split to the mean for Mondays to Thursdays and for Saturdays and Fridays separately. Mondays to Thursdays being similar in their distribu-

Quality (Returned reports)

Another measure of quality we are monitoring is the proportion of interview report that are returned to the insurer and have material changes on them. Unfortunately (or fortunately) this is so low that few customers actually measure it, but from a survey of our customers the consensus is that this is less than 1%. Other companies undertaking Tele-Interviewing report this as 2% for Royal Liver and 5% for LV=. It is premature for us to claim superior quality levels over Royal Live or LV= but it is good that this can be measured and reported on and it is something we will continue to monitor.

Service results (continued)

What is significant is the rate of returned reports with material changes for on-line systems which appears to be in the range of 10%-30% of cases. These cases need to be re-underwritten when the changed report is returned slowing down the process and incurring a non-disclosure issue. The difference is, we suggest, significant and we encourage companies to report these figures.

“Maggie; Fantastic service. As you are aware, I called you at 12:38 to see if you could schedule an interview with Mr. M. This was done by Pamela W at MorganAsh at 14:54. We downloaded the report at 15:02. We have sent acceptance terms to our client and he has accepted these. I just wanted to say a big thank you to you and the team. Great result for us and our client. We have achieved a turn around time of 3 hours approx, even on a policy with non standard terms.”

Sheila Nugent (Operations Manager)
Pharmaceutical and General Provident
Society Ltd”

Efficiency

We have continued to invest in developing our question/rules sets by analysing the data and recommending changes. Our Life only script has developed extensively. We are increasing the use of structured fields over text answers, without the loss of data as seen with most automated underwriting systems. This improves the process in many ways including speeding up the interview and reducing costs, enabling more analysis and MI, as well as automation.

Summary

Attempt to contact within 1 day	99%
QA within 1 day	92%
Mean turn round	5 days
Turn round within 10 days	92%
Contact within the 1 Hr time slot	98%
Contact within 20 minutes	73%
Contact within 30 minutes	85%

Question/Rule sets

We now have 86 scripts for different companies and products for Tele-Interviewing and Tele-underwriting and Tele-Claims. We have added triages for age, as well as gender, product and Tele-Interview types.

Claims

We continue to enjoy ZERO contested claims. In August 2008 we will have been Tele-Interviewing for four years, and we have now completed over 50,000 Interviews. We understand from the UK Financial Ombudsman Service (FOS) that they have yet to receive any claims which have been Tele-Interviewed.

Management Reports

Management reports are normally issued monthly. These are generated and emailed automatically within the first few days of each month. These include the results on most items previously mentioned in this article. Some companies have requested they receive additional reports on year to-date as well as last month, and these can be pro-

Service results (continued)

vided on request.

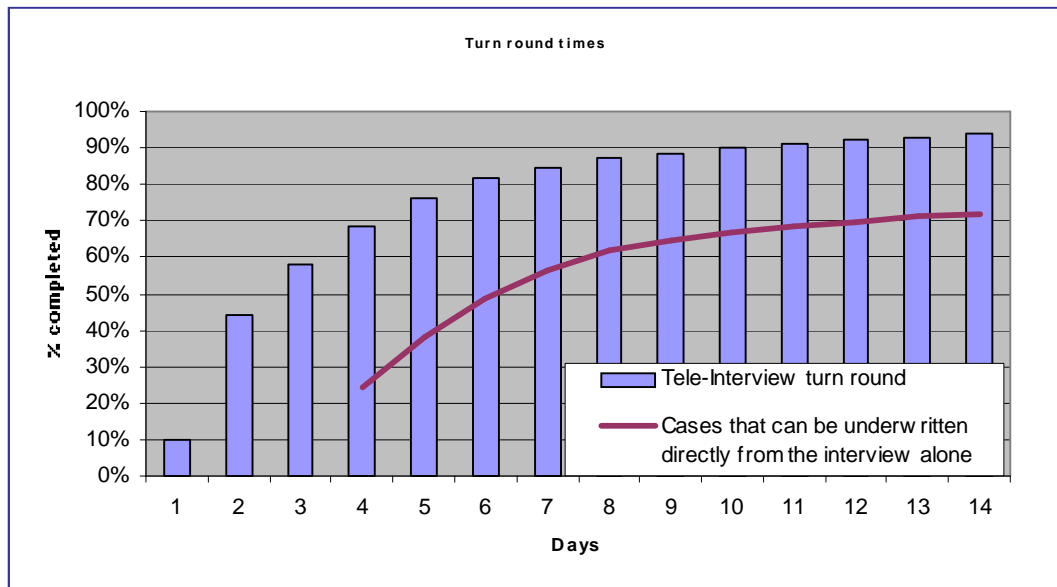
Additionally these reports can be provided for any time scale upon request.

Quarterly conference calls

We have instigated quarterly service reviews, which have proved very popular. These are managed by Maggie Earl in the UK, and Ireland, and Andrea Sparrow in Germany.

Speed of underwriting decisions

With the swift turn round of Tele-Interviews, and being able to make underwriting decisions from these for ~80% of cases, then allowing 2 days to underwrite the case, 50% of all cases can go on cover within 6 working days, and 70% within 11 days. The graph below shows a typical curve for cases going on cover.



Cologne Office (Germany)

We opened our own office in Cologne Germany in February 2008, and this office is expanding nicely. We are also home working in Germany.

Home Working

We are continuing to expand our home working for our more experienced staff. This gives us great flexibility on multiple ways. On an hourly basis we can increase the number of Tele-Interviews to cope with peaks in demand. On a weekly basis we can increase and flex the resource to meet the actual volumes of cases. Should consumers require their interviews at unusual hours these can normally be catered for. Indeed we can now offer interviews at any time, to meet the consumers requirements.

Spare Capacity

We are presently maintaining a flexible capacity of about 30% to accommodate increases in volume. But please give us as much advance warning as possible when increasing volumes so we can modify our resources accordingly.

Case study

Lincoln Financial Group

Key Facts

- Reduced non-disclosure after pilot revealed 73% non-disclosure on application forms and 10.5% material non-disclosure.
- Improved speed and reduced cost as underwriting decisions can be made on 67% of cases from the Tele-Interview alone
- Request for GPRs cut by 2/3rd
- Rolled out Big T Tele-Interviewing across IFA channel in the UK

Lincoln Financial Group is the UK subsidiary of Lincoln National Corporation, listed on the New York Stock Exchange, and is one of the world's largest organisations. It was placed in the FT Global 500 in 2007.

Lincoln launched MorganAsh Tele-interviewing for its flexible menu-based protection product Financial Foundations following a successful pilot in 2007. Lincoln adopted a Big T model, rolling it out to the IFA community across the UK.

Lincoln's Financial Foundations is a specialist multi-benefit protection product, providing Whole of Life cover in one place under one wrapper including Income Protection and Critical Illness.

Results showed a significant drop in non-disclosure compared with the old application form approach. Additionally requests for further information from the client's doctor were cut by almost two thirds.

Clients are more willing to provide personal health details during the Tele-interview

than they are face-to-face interview with an adviser. This saves significant amounts of time for advisers. The greater level of disclosure means that the risk of incorrect underwriting decision is reduced and the time taken to place the business is reduced.

Lincoln believes the adoption of Tele-interviewing makes an important contribution to the protection industry's ongoing commitment to improving consumer confidence.

"The industry has struggled with the issues around non-disclosure for some time now. Tele-interviewing provides a significant opportunity for clients to provide the relevant information we need in a convenient manner. We have always paid out on valid claims and have never sought to refuse payment because of the non-disclosure of irrelevant information. However we are always keen to improve our business process so that we can deliver better service to financial advisers and their clients."

Keith Robertson, Chief Underwriter,
Lincoln Financial Group

Crucially Tele-interviewing does not only deliver benefits for clients – it also delivers benefits for advisers by reducing the time they have to spend on applications while speeding up processing times and helping to reduce the risk of incorrect underwriting decisions. The new service went live in March 2008.

Seminars — Bristol, Frankfurt, Dublin

MorganAsh seminars continue to be a great success.

In Dublin in February 2008, MorganAsh included case studies from Irish Life on their Group IP/workplace marketing success, as well as details on reducing non-disclosure from Noel Finnegan at Bank of Ireland.

In March 2008 we held our first seminar in Cologne with SCOR, and with a case study given by Canada Life Europe on their success as the first company to roll out Big Tele-Interviewing in Germany. This was followed by a second seminar in Munich with RGA in July 2008. These seminars are targeted at the European market for which Tele-Interviewing is still new. We are hoping to hold a further seminar with RGA in Frankfurt later in the year,

In September 2008 we will hold our UK seminar, in Bristol, principally for MorganAsh customers and prospective UK and Irish clients.

We intend to hold a seminar in Dublin principally for the Irish market in Feb/March 2009.

Bristol, UK, Sept 16th

Topics:

The preliminary agenda includes:

- MorganAsh progress – an update - Andrew Gething, MorganAsh
- Rolling out a National Tele-Interview service in the IFA channel – Case study – Keith Robertson, Lincoln Financial
- The Tele-Interview provides more information than a GPR/PMAR - an update on non-disclosure and claims – Jill Harvey, MorganAsh
- Detecting Fraud – reducing the last 2% of significant non-disclosure – Andrew Gething, MorganAsh
- The MorganAsh QA process – an update – Maggie Earl, MorganAsh
- Tele-Claims – an update—Roy Chapel SCOR Global Life
- What is next from MorganAsh? – Andrew Gething, MorganAsh
- The case for Big T – an IFA view - Phil Hull, Sesame
- Making IP as easy to sell as MPPI - Geoff Spencer, Shepherds Friendly Society
- IT drop in and demo sessions: MorganAsh IT architects will be on hand to demonstrate and answer questions.

Dates:

Bristol UK 16th September
2008

Frankfurt, Germany Q3/Q4 2008

Dublin, Ireland Feb/March 2008

Register:

To register for these events please email:

seminar@morganash.com

Cost:

£250 or €325 per delegate

Reducing Fraud — Understanding Paralanguage

As any Tele- interviewer will tell you, it is the response that is far more important than the question itself. Indeed listening to the responses and being aware of what is said and what is not said is far more important than the question itself.

In the first half of 2008, MorganAsh undertook an extensive training programme developed by the police force and from psychology research. All nurse interviewers have now been trained in the art of active listening and advanced conversation techniques.

“The way a word is spoken is as important as what is said.”

Paralanguage is the non-verbal elements of communication used to modify meaning and convey emotion. Paralanguage may be expressed consciously or unconsciously and includes a wide spectrum of variables including intonation, and voice stress variations.

Paralanguage preceded the spoken language, indeed we used it extensively in our cave man ancestry prior to developing speech. It is estimated that 50-90% of communication is non-verbal, that this is provided by paralanguage and body language. Yet, to-date this is largely ignored in the Protection industry.

We rely on Paralanguage in so many aspects of our professional life. We would never employ someone before interviewing them either over the phone or in person. We recognise that our impressions of someone are greatly influenced within the first 30 seconds of meeting them, relying purely on non-verbal indicators and before we have

asked any factual questions.

It is hence important to recognise that the way a word is spoken is as important as what is said. This affects the responses as well as the questions. It cannot be controlled by scripts, and can only be controlled by training of the interviewers.

Typical paralanguage includes:

- Tone of voice, rhythm, speed, volume and pitch
- Stalling for time, “umms” and “ah’s”,
- Nervous laughter

The legal profession and compliance drives us to written documents and purely logical questions and answers. However, even the legal profession admits this is inadequate by the ultimate resolution of issues being decided verbally in court where the paralanguage and body language can be heard and seen.

While verbal communication is good at communicating facts and figures, paralanguage is better at revealing the emotions, conscious and unconscious, underlying all communications.

Once an interviewer is trained on advanced conversation techniques then they can detect changes in paralanguage and hence indicators of stress during an interview.

Fraud detection software has become a current topic in the industry on the basis it can detect fraud and hence reduce non-

Reducing Fraud — Understanding Paralanguage (Continued)

disclosure.

Fraud detection software, just like the polygraph detect a change in stress of an individual. Stress in an interview may be the result of fraud or a sensitive and emotional topic. The detection of stress can be detected by the software as well as by the interviewer. Fraud detection can only detect a limited amount of all the varied sources of paralanguage communicated during an interview.

“50-90% of communication is non-verbal”

During a discussion a trained interviewer can use the detection of changes in paralanguage in several ways. The first is to immediately react to the answer and to seek clarification or re-ask the question in another way. This is termed reactive probing and is widely used by MorganAsh nurse Tele-Interviewers. This is one of the reasons we collect more information than any other Tele-Interview operation we have come across.

The second use is to objectively report back to the underwriter the detection of unusual paralanguage, which may be an indicator of fraud. This is effectively a human version of lie detection.

The hypothesis is that using paralanguage indicators is a more effective way of identifying when further medical evidence is required than using traditional medical limits. It is proposed that underwriters will assess the risk associated with an interview which reports significant indicators of stress, and

will seek independent medical evidence.

This may be done during the new business process or as a post decision check. It is postulated that this will detect fraud at this early stage and hence avoid confrontational issues at the time of claim.

Like a lot of amateur skills a little knowledge can be dangerous and if it is to be used in Tele-Interviewing and Tele-Claims the interviewers must be trained and tested. People who have not been trained will not normally pick up the finer points of paralanguage and hence its use and the audit of its use can only really be done by those who have been trained.

MorganAsh have trained all Tele-Interviewers and have built up a training competence that is now an integral part of the nurse Tele-Interviewers training and quality process.

“The hypothesis is that using paralanguage indicators is a more effective way of identifying when further medical evidence is required than using traditional medical limits”

We are working with selected customers to trial these techniques and will report on them in due course.

Tele-Claims — great success

MorganAsh launched our Tele-Claims service in early 2008. The service was designed in conjunction with SCOR Global Life (UK). We combined the extensive claims experience from SCOR with our extensive experience on interviewing consumers to build tailored scripts to suit the sensitive nature of the call. The service is presently only available in the English language for UK and Irish clients.

The service was launched for Income Protection cover only (on various definitions of disability) and is working extremely well. We are now extending this and offering the Tele-Claims service on Critical Illness and Total and Permanent Disability, to be launched in Q3 2008. We anticipate following this with interviews for Life insurance (to the surviving party) in due course.

There is a need for this service as claims forms are limiting:

- Information often lacks detail or clarity
- The claimant may not understand what is required of them
- They are often poorly completed necessitating further forms going back and forth in an attempt to obtain the full story
- It is impersonal and hence detrimental in building rapport and trust with the claimant at a difficult time
- There is no likelihood or realisation as a form is being completed that the claim may not be valid or appropriate
- Lack of detail means heavy reliance on the GP's information

In addition to the problems with the claims forms themselves it is also felt that relying largely on the independence and good information of the GP may not be the best way of ensuring fast, thorough and unbiased details reach the claims assessor.

“We are delighted with the initial results of the Tele-claims service. We are seeing higher levels of disclosure than would have been experienced by traditional evidence collection methods and as a result, envisage that assessors will be able to be more focussed in evidence collection requirements. In some cases we were able to significantly reduce the need for medical and other claims evidence thereby providing a fast and efficient claims decision for the claimant.”

Ann-Marie Dec, Claims Manager, SCOR Global Life UK

The MorganAsh service incorporates our experience of building rapport, conversation management, empathetic handling and medical knowledge with the power of professionally built scripts. The interviews are made by highly experienced interviewers who are already used to MorganAsh Tele-Interviewing at the application stage. Most of these nurses have previous experience in areas such as occupational health and psychiatric nursing. Each nurse has received additional training on the role of the claims assessor and how the call will be used in future claims assessment.

In addition all Tele-Claims interviewers have been trained in paralanguage and

Tele-Claims (Continued)

fraud detection techniques. (see the article within this newsletter).

The result is that each claim report that goes back to the insurer has contained a wealth of information unlike any claim form and more akin to the information obtained on a nurse visit report. This makes the cost benefit compared with a nurse visit quite compelling, as a Tele-Claims interview is ~20% of the cost of a nurse visit.

Experience to-date has included:

- Claimants withdrawing from the claims process as a result of the interview as they have “realised” that they don’t meet the criteria.
- Invalid claimants have been quickly identified within the interview, as they have given contradictory answers and “tied themselves in knots”.
- Claimants have talked of their interest in part time work or retraining, allowing for partial payments to be considered.

“The Tele-Claims service, is a great improvement on previous paper claim processes, and we are convinced it will reduce claims. We are offering up to 10% reduction in reinsurance rates for the use of this service for IP products.”

Steve Maybury SCOR Global Life (UK)

We have also heard some heart-warming stories which have been dealt with empathetically and words of praise and thanks

Example:

The following is a brief summary of one IP Tele-Claim report:

Female 42, occupation – supply manager

Breast cancer – first time off work 2/2007

Full details of investigations, operation, associated treatment, nodes involved, follow up etc

No further information needed on breast cancer in order to make sound judgement

Claimant had very positive outlook, hopes to return to work in part capacity in a few weeks time.

Claimant was confused about her cover as she thought she was covered by another insurer as well. The nurse clarified with the insurer what we were interviewing for and claimant was contacted promptly and situation was resolved.

The report itself ran to 9 pages and included details of occupation, medical status, ability to cope and what she could/couldn’t do etc and her financial information. The call lasted 52 minutes and during that time the claimant was offered opportunities to stop and carry on at another time if she needed to rest.

must go to the interviewers. It would appear that the call is proving hugely valuable at all sorts of levels.

Above we enclose a brief summary of one case. Every indication is that the Tele-Claims service for CI and TPD will be just as beneficial.

Case study Pioneer/Exeter

Key Facts

- Tele-Interview provides sufficient information to underwrite for 76% of cases
- Turn round time reduced by 80%
- Improved conversion rate
- Material changes by applicants on received interview reports < 1%
- Impact of Tele-Interviewing considered more important than product changes.

Pioneer, winner of the “Individual Income Protection” category at the Cover Excellence Awards 2007, is one of the UK's leading income protection providers. A key innovator in the income protection market, Pioneer was highly active in 2007, launching a new product, Professional Income Protection, and re-launching an enhanced version of its Pure Protection policy.

Established in 1888 as a Friendly Society, Pioneer merged with Exeter Friendly Society in March 2008. Pioneer sells through intermediaries across the UK to provide cover for a wide range of occupations, both employed and self-employed, from low risk occupations (professionals and office workers) to perceived high risk occupations such as builders and allied trades, stonemasons, road hauliers etc.

In 2007 Pioneer also undertook a Tele-Interview pilot. As part of the pilot, Pioneer compared the information obtained from the Tele-Interview with the information obtained from a GPR.

From an initial sample size of 90 cases, GPRs were only received on 80 cases leaving comparable results from these 80 cases. 100% of cases completed a Tele-Interview. The Tele-interview provided sufficient information for underwriting on 76% of cases, although Gemma Wheeler the Chief Underwriter felt this would improve significantly with more experience.

Pioneer also measured the amount of missing information on the Tele-Interview when compared with the GPR. This showed only 2.5% of cases had significant missing information, and a further 12.5% with minor missing information (minor being a change in decision of + or- 50% or less).

“Along with ongoing product development, we are committed to streamlining our application process. Tele-interviewing enables us to replace a significant proportion of our GP reports, thereby cutting our turn round times dramatically”

Andy Chapman; Chief Executive at Pioneer/Exeter

Chief Underwriter Gemma Wheeler reports that overall there is better disclosure from the Tele-interviews than from the doctors reports (GPRs).

After these great results and a tender process Pioneer adopted MorganAsh Tele-Interviewing for all products, on a little t basis, which commenced in early 2008.

Case study - Pioneer/Exeter (continued)

In 2008 mean turn round times of the Tele-Interview have been 4.5 days, with 90% completed within 8 days. This is a marked improvement from GPRs, which had a mean turn round time of 28 days.

Indeed, the improvement in turn round times is far greater than this, as only 80% of GPRs were returned, and many of them had missing information that required further clarification from the doctor's surgery.

Financial advisors have been greatly appreciative of the improvement in turn round times, with no adverse comments arising.

Due to the better levels of disclosure, the underwriting decisions now more accurately reflect the risk involved. For some cases the ratings have increased and these have been taken up by the consumer with no adverse reaction to the ratings increase. Equally some cases have received reduced better terms in line with the full information received from the interview.

The overall effect of the better underwriting decisions has been a significant improvement in the overall conversion rate (a reduc-

tion in the lapse rate).

Quality of the Tele-Interviews has also been measured by the amount of interview reports that are returned with material changes (i.e. changes that affect the underwriting decision). As this is so small (less than 1%) this is no longer measured.

"In my opinion Tele-interviewing has the potential to be of greater benefit to the income protection market than many product developments."

Andy Chapman; Chief Executive at Pioneer/Exeter

Pioneer already have a good claims payment rate and they expect this to improve further with the reduction in non-disclosure due to the adoption of MorganAsh Tele-Interviewing.

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