

# MorganAsh News

Summer 2009

## Welcome

### *Special points of interest:*

- Zero contested claims
- Book appointments on-line
- Defaqto include Tele-interviewing within scoring
- New Impaired risk service
- Keep advisers informed with "Track and Trace"

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Welcome to this summer edition of our Newsletter.

We announce our on-line calendar appointment system which enables advisers to book their Tele-Interview appointment on-line, within the next hour, further speeding up the process and empowering the adviser and hence increasing sales.

We are pleased to report on many innovations with our customers in the protection space. We are proud to play our part with these, which will hopefully increase the sales of protection.

- Exeter/Pioneer have launched a new short term IP product "Bills and Things". This is fully Tele-Interviewed, making it as easy to sell as PPI.
- Zurich launched into the UK Group market Tele-Interviewing all cases above the free cover limit.
- Totally Insured Group have launched a new impaired risk service, and we enclose full details.
- Lincoln Financial moved to a mandatory Big T model in the UK broker market, after having a voluntary Big T model for the last year.
- Aviva Healthcare launched a new IP product "Simple Income Protection" into the UK broker market.

We enclose a couple of articles on measuring business, one by Defaqto on how they incorporate Tele-Interviewing within their scoring system and the second looking at how comparing non-disclosure figures may make it easier for IFAs to compare quality of new business processes without having to wait for claims statistics. We also enclose a summary on the use of Tele-Interviewing from the Income Protection Taskforce.

We trust you enjoy this issue.

Andrew Gething

# Totally Insured Group — Impaired Risk Service



## Key Facts

1. **New service for impaired risks launched**
2. **Customers who would otherwise not get cover do so**
3. **Brokers are relieved of the hassle of pursuing difficult cases**
4. **Providers increase volumes and are insulated from high acquisition costs**
5. **Process similar to annuities**
6. **Much higher take up rates due to both the client's and the Provider's expectations being correctly managed.**

In February 2009 MorganAsh launched a new service for protection business for impaired lives, with Totally Insured Group (TIG). Called TIG-Impaired Risk Service, the service speeds up the application process considerably and greatly reduces the cost of sale risk for the Product Providers.

TIG specialises in impaired protection business (mostly life and CI). They receive business referrals from specialist affiliates and from particular website marketing channels. TIG focuses on collecting leads from people who believe they cannot get insurance including people who:

- Have a pre-existing medical condition
- Undertake a dangerous sport
- Have a dangerous occupation
- Have been turned down by an advisor
- Have been turned down by a Product Provider who focuses on clean and simple lives
- Have been put off due to a difficult application process

TIG presently manages to place significant proportions of enquiries they receive. They do this by:

- Advising clients and overcoming incorrect perceptions on what can and cannot be covered
- Confirming realistic affordability costs in the first instance
- Selecting Product Providers who will cover their conditions
- Going to specialist Product Providers

While improvements in on-line systems and automatic acceptance have improved processes for the so called clean lives, many brokers find it difficult to gain insurance for those consumers who do not fit this profile.

For brokers who do not have the necessary in-house specialised facilities for complicated protection cases, they pass them to TIG and share the commission. This reduces the broker's workload considerably, whilst shortening the time it takes to get cases on risk. TIG already have many of their clients signed up for the service, including clients of Threesixty Services, Insurancewide and members of the In-Partnership network. A number of enquiries are also received from charity websites including the British Heart Foundation.

In the traditional model, brokers acquire the sales, but pass the cost of collecting medical evidence on to the Provider. The Provider has no prior indication as to whether they

*"This is a specialist area of the market, which advisers often feel they are excluded from due to the difficulty in obtaining cover. Being able to refer cases on to TIG allows our client firms to offer the possibility of life cover to a much wider selection of their client base with remarkably little effort. We believe that this is an important part of TCF".*

David Ingram; Partner, Threesixty services LLP



**Struggling to  
place Life or CI  
cover for clients  
with medical  
conditions or  
high risk  
occupations?**

introducing tig's unique  
**Impaired Risk Services**

Totally Insured Group's Impaired Risk Service can provide you with a solution for placing Special Risk Clients and people with Pre Existing Medical Conditions that are typically not covered by the leading insurance companies

We can also help with keyman, shareholder protection and expatriate clients

*We do the work, put the case on risk, and split the commission with you*

## Totally Insured Group — Impaired Risk Service



will be able to offer cover and ultimately, cannot recover these costs. The result of this process is Providers become exposed to high medical evidence costs regardless of the rates of completion, with little influence as to whether the case will continue.

In this new model, TIG pre-qualifies the case and collates the medical evidence upfront, with a full MorganAsh nurse Tele-interview, giving an invaluable insight to underwriting prior to application. As TIG initially pay for the costs of the Interview, they are motivated to minimise these costs and ensure cases submitted proceed.

The TIG process for Impaired Life and CI is similar to that operated for impaired annuities, where an interview is undertaken, and then several Product Providers are asked to price it before continuing.

*"I think this is a significant step forward in the way impaired life cases are dealt with and it ticks the TCF box for all concerned....Totally Insured Group (TIG) and MorganAsh have a real winner here that even helps to reduce costs to the insurance companies whilst shortening the time it takes to get cases underwritten."*

Matt Noble; Senior Relationship Manager, Weblene, Capita Financial software Ltd

Providers simply access the secure MorganAsh on-line systems to review the full Tele-interview report, and listen to the interview if required. They then give an indicative underwriting decision.

The process is inherently more effective than the models pursued by SRB and RPS who are no longer active in this market, as the Tele-Interviewing and prequalification minimises the abortive underwriting and medical evidence collection required by Product Providers.

"More and more, the consumer who has a medical problem, or the IFA with such clients, have found it harder to gain the

*"We at Zurich have an enviable record for being willing and able to place large and complex risks. We also accept that many customers and their advisers might believe it difficult to obtain cover, or find it so - the protection gap doesn't therefore get any narrower. We are very happy to support this major joint initiative between TIG and MorganAsh which will not only set the correct early expectations, but also facilitate the underwriting process. Coupling this innovative approach with a sound underwriting philosophy from a provider such as Zurich should ease the process for advisers and customers alike."*

Phil Brown; Director for Underwriting & Claims comments,

cover they require. Research has shown that this is in the region of 30% of applications. Adopting MorganAsh Tele-Interviewing at the beginning of the process means we can present providers with a comprehensive overview of the risk, speeding up the process and ensuring these consumers get the cover they require, at a price that has been agreed with the client in advance and is affordable."

Ron Moonesinghe; CEO of Totally Insured Group. Impaired Risk Services is a trading name of Totally Insured Group Ltd which is authorised and regulated by the FSA.

More details can be found at:-  
[www.impairedriskservices.co.uk](http://www.impairedriskservices.co.uk)

Tel:- +44 (0)845 774030

*"The lot of the customer who is not acceptable at ordinary rates (an increasing number given UK premium rates) has deteriorated, as less emphasis is being placed on non-standard risks. This initiative looks likely to overcome the problems that beset previous ventures in this area, as it has a more robust methodology and can profit from the lessons learned by the pioneers in this important market-space."*

Peter Le Beau; le beau visage.

## Income Protection Task Force recognise contribution of Tele-Interviewing

The Income Protection Task Force (IPTF) is a UK initiative to revive the sales of Income Protection in the UK. CWC Research combined with Le Beau Visage to set up the income protection task force in 2005.

The objectives of the task force are:

To dramatically increase sales of income protection by:

- Engaging with advisers to try to understand the barriers and the positive aspects of the Income Protection product and process so as to increase sales
- Underlining the value of Income Protection to a wider industry and consumer audience including key regulators
- Talking to press and broadcast media to promote the positive value of Income Protection
- Considering all areas of product and process

The Task Force is made up of leading reinsurers, providers and distributors together with founders, Le Beau Visage and CWC Research.

In April 2009, the Task Force published their second White Paper, setting out what has been achieved to date and what needs to be done in the future.

Just over two years ago the IPTF looked at a 9-point plan it believed would help to revive the product. Concerning the topic of "Application and underwriting re-engineering" The IPTF had the following progress report.

*"Underwriting has always been cited as one of the problems that income protection has to contend with. More rating factors apply, more aspects come into play and fewer lives can be accepted straightaway at ordinary rates. In the original report the comment was made "Income protection can benefit from new underwriting techniques more than any other product". It is very gratifying to note that the use of Tele-underwriting (both big T*

*and little T) is much more commonplace in the industry and rules based systems have been adapted to provide a much more flexible platform for underwriting. It is fair to say that companies are now pushing out the boundaries of what can be done with re-design of forms, reflexive rule-based questioning and re-evaluation of what matters in the underwriting process for income protection. Although there is still a very long way to go there can be no doubt that the underwriting here is running and product designs and new business procedures are being re-thought in an attempt to make the process much more user-friendly and less of a turn-off for the applicant."*

The report further comments

*"The personal approach of Tele-interviewing and Tele-underwriting lends itself perfectly to assessing the complex risks involved in any form of income protection insurance. This takes much of the sensitive information-gathering away from the adviser and puts it in the hands of professionals who, when it is done well, inspire confidence in applicants and are able to generate quick and accurate decisions so that cover can commence without delay."*

And concludes:

*"Enormous progress has been made since the first White Paper on the underwriting of income protection. The adoption of Tele-interviewing and Tele-underwriting has enabled advisers to recommend income protection without the problems and time-cost of gathering data for underwriting.*

*This means that a mortgage adviser, for example, can happily recommend income protection without acquiring the competence to question applicants on complex medical and financial issues and thus avoiding potential risk where the layman carries out this process."*

The full report can be accessed at:-

[www.protectingmyincome.co.uk](http://www.protectingmyincome.co.uk)

[www.cwcresearch.co.uk](http://www.cwcresearch.co.uk)

[www.lebeauvisage.co.uk](http://www.lebeauvisage.co.uk)

## Converting on-line submission systems to Tele-Interviewing & the MorganAsh Solution

Many product providers have built their new business systems for on-line submission, and are now finding it hard to adapt for Tele-Interviewing.

MorganAsh have a solution to convert these on-line systems to Tele-Interviewing quickly and with minimal IT cost for the provider.

Although each provider's systems are different, there are several generic issues that most providers now face.

1. Systems have been built with the assumption that the Financial Adviser will undertake the medical interview and manually input the data into the provider's systems
2. Systems have been hard coded around this single process from on-line submission to back office legacy
3. Although at first glance the system should be easy to convert to Tele-Interviewing, especially when it includes an expert system, this is not the case
4. There is no IT budget or time to convert the existing systems
5. The company strategy has been "On-line" and "STP" and, while these have been largely successful it, is difficult for organisations to get these systems to fit all circumstances

From the IFA perspective there are some further issues:

1. All providers' systems are different and complex
2. Many Financial Advisers are not on-line when with customers and hence

inputting the data is a separate task when back in the office

3. Many do not want the cost of employing administration staff to input the data into the on-line system
4. Advisers do not want the risk of asking the medical questions and the inherent non-disclosure liability
5. Systems are inflexible to cater for different types of Financial Advisers and provider's sales managers are inundated with IFA's requests for process to suit the IFA, rather than the one size fits all approach.

*"The IT architecture of having a single rules engine exposed to multiple distribution channels has proved to be impractical"*

It is generally believed that a centralised rules engine can be exposed to multiple distribution channels. While this is an attractive IT architecture, it remains a theory, with no provider (as far as we are aware) having achieved it! In practice, like having a single underwriting philosophy, or single reinsurer, companies are too dynamic, have too many legacy IT systems and can not afford to re-engineer all systems to meet this architectural nicety. This will be awkward for many people to accept as cold water is being poured on this belief. For those companies who are chasing this model, they are facing great costs and will be the first to admit there is still a lot to do. In addition there are some fundamental problems with this model.

## Converting on-line submission systems to Tele-Interviewing & the MorganAsh solution (continued)

1. As different distribution channels provide different qualities of information, then, as the risk is different, the rules should be different
2. Question sets for Tele-Interviewing, on-line submission by IFAs or on-line submission by consumers are different, as humans behave differently to the written or spoken question
3. Most question/rules systems are embedded within processes that are fixed to a distribution channel.

An alternative IT architecture is to use multiple question sets and different expert systems. In many cases this is more practical, and can be built incrementally to add to existing systems, just like new distribution channels, and different reinsurers.

If a company could convert its on-line system to provide a Tele-Interviewing system, this is only worth it if the provider is to undertake Tele-Interviewing in-house.

When it comes to Tele-Interviewing, it is logical for the people and the systems to be provided by the same company.

MorganAsh have hence created a solution to this conundrum. The solution:

1. Uses existing providers' on-line STP systems with no or minimal IT work required by the provider
2. Is quick and simple to implement
3. Enables providers to give Big T Tele-Interviewing and Tele-Underwriting to as many distribution channels as required
4. Can be implemented incrementally

MorganAsh automatically extract and submit data into the on-line system using a proprietary technology solution. Each interface is built specifically for each provider.

IFAs can be kept informed of the status of the case as the solution includes the provision of tracking information.

LifeSearch and Direct Life and Pensions have been undertaking interviews into providers' on-line systems. While this has been undoubtedly successful it is the simplest form of Tele-Interviewing and generally referred to as Tele-Data Capture. It has several disadvantages:

1. The questions and rules are very simple
2. The ability to cater for volunteered information from applicants is minimal
3. The limitation means that GPRs are still required for a very high proportion of cases
4. The cost remains with the IFA
5. The liability remains with the IFA
6. The process is not compliant with ABI guidelines on Tele-Interviewing

While LifeSearch and DLP should be applauded for pioneering this approach, its success should be seen as an initial and interim solution which did contribute to the take up of Tele-Interviewing in the UK, but is no longer a suitable model for rolling out to other IFAs.

## Easy measures for IFAs — Proposal for Product Providers to publish Non-Disclosure

### Benefits

1. Overcomes confusion for Financial Advisers over different forms of Tele-Interviewing
2. Provides a simple way to compare new business processes
3. Is more current than claim stats
4. Provides a simple numerical measure that is easy to use
5. Measures performance and delivery rather than method

There is a constant cry in the industry from providers for Financial Advisers to recommend on features other than just price. It is true the predominant metric for comparing Product providers is price, and the rise of pricing portals and price comparison web sites has accelerated this trend.

One of the main reasons this occurs, is that it is difficult for Financial Advisers to easily compare Product Providers on other metrics. Advisers have enough to do to give proper advice, while meeting the legislative overheads, without having to wade through the different product features and different processes.

Now with the Introduction of Tele-Interviewing, there is a multitude of different approaches and processes and, while diversity is good, the multiple descriptions are confusing to Advisers.

Financial Advisers are confused by the varying descriptions of Tele-Interviewing being undertaken, and find it difficult to compare the new business methods being promoted. Not only are there differences between Big T and little t, but Big T can vary between just filling in forms over the phone, to a full nurse interview that takes longer but significantly reduces the need for GPRs.

There has been recent improvement in simple comparison metrics with the publication of claims statistics. This has improved transparency, but claims statistics are, by their nature, historic, reflecting previous experience and therefore may not represent the current position.

### *“Providers to publish their non-disclosure statistics”*

One answer to the resulting confusion is for providers to publish their non-disclosure statistics at the application stage. These can be easily measured on the present processes and they give a good indication of how likely a claim payment can be guaranteed. The level of non-disclosure rate depends on many aspects of the distribution channel and the processes adopted.

Non-disclosure measures the performance of a new business process and the quality of the information obtained rather than the method. Thus Advisers do not need to know

### How to measure Non-Disclosure

There are many ways to measure non-disclosure. The most appropriate non-disclosure comparator is to measure material non-disclosure (i.e. missing information that would have led to a change in the underwriting decision) compared to the GPR. It is suggested that only cases with material non disclosure with variations of more than +50% are included, as these are within normal error rates. To measure this, the Provider collects a GPR, in addition to the normal manner of processing applications. The underwriting decisions are compared for the two sources of information, and the percentage reported is the percentage of cases that have a different underwriting decision when underwritten from the GPR. A minimum sample size would be several hundred cases.

## Proposal for Product Providers to publish Non-Disclosure figures (Continued)

Publishing non-disclosure statistics at application stage:-

1. Provides a simple way to compare new business processes
2. Is current, measuring the present processes rather than those of several years ago
3. Can be used to compare new entrants and old products fairly
4. Removes the need for Financial Advisers to understand the multitude of methods and processes
5. Provides a simple numerical measure that is as easy to use and compare as price
6. Has a direct linear relationship to the chances of applicants being declined claims due to non-disclosure
7. Measures performance and delivery rather than method.

all the details of the method and process; they can just compare the non-disclosure performance.

Not all cases with material non-disclosure will lead to a claim. The rate of total material non-disclosure does not translate exactly to the rate of declined claims, but there is a linear relationship between the two.

For MorganAsh full nurse Tele-Interviewing, across a collection of providers, the material non-disclosure for Life and CI products is 1.8% and for Income Protection it is 5.8%. This compares with mean material non-disclosure using the traditional adviser interview for the same sample of providers of 18% for Life & CI and 34% for Income Protection. Thus, for Life and CI products with the traditional process of the Financial Adviser undertaking the medical interview, 18% of cases led to incorrect underwriting decisions. If these cases came to claim there would be an issue with non-disclosure, compared with 1.8% of cases that have an incorrect underwriting

decision due to the information being collected using MorganAsh Tele-Interviewing processes i.e. **the advisor interview or application is 10x more likely to lead to a claim not being paid or being only partially paid.**

To date, MorganAsh has zero contested claims, over 80,000 Tele-Interviews and after 5 years, so while we can not yet state the final effect on non-disclosure at application stage compared to non-disclosure at claim stage, it is so far zero and looking very low indeed.

This non-disclosure measure at application stage does include fraud so it is unlikely ever to be zero. It is a good measure of the quality of information collected during the new business process, and the comparison between different providers.

With all the confusion over the different methods of Tele-Interviewing, it is a fair and transparent way to measure the quality of the process. It is an easy measure to report on, to compare and measure the present status of performance. It is hence proposed as a fair way to compare the quality of new business processes for Financial Advisers, to add to the mix of service levels, product features and product price.

Lincoln Financial Group, who use MorganAsh Tele-Interviewing, have announced their non-disclosure figures, using the above measurement method. Lincoln provide a Whole of Life product and an older age demographic. Their results show a non-disclosure level of 2% from Tele-Interviewing compared with 10% non-disclosure previously obtained on their paper application form process.

# On-line calendar booking — Tele-interviews within the hour

## Benefits

- Advisers can book their Tele-interview appointment directly on-line
- Tele-Interviews can be booked immediately
- System integrated with dynamic resourcing system
- Direct to consumer version for applicants to book on-line.

This innovation is the first on-line calendar system launched for Tele-Interviewing that can book appointments immediately. Some existing in-house Tele-Interview booking systems are already available via a couple of providers in-house systems, but these are limited to only booking for the following day, and within wide windows of morning, afternoon or evening.

The calendar system improves the turn round times for those consumers who need their cover immediately, and overcomes the delay in a separate phone call to arrange the Tele-Interviews.

Tele-Interviewing takes another step forward with the launch of MorganAsh on-line calendar booking system for Tele-Interview appointments. MorganAsh has launched an interactive appointment booking system, so that IFAs and consumers can book their Tele-Interview appointments on-line.

“Speed and consumer service are paramount, our telephone mortgage team have been using the system since the start of the year, and are delighted. They can book the time of the appointment while on the phone with the consumer thus speeding up the process.”

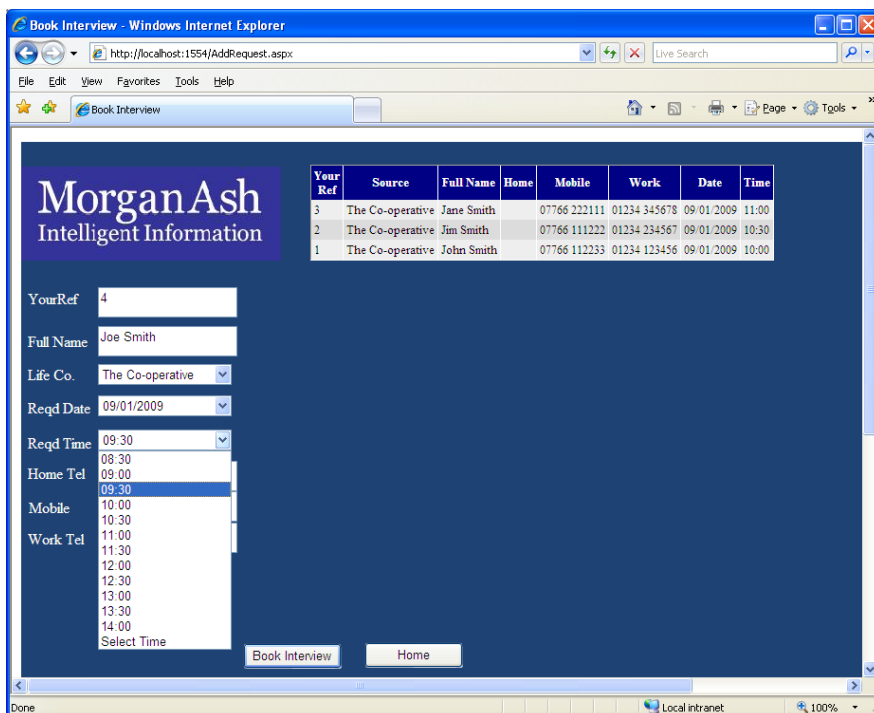
Noel Freely Chief Underwriter at The Co-Operative.

The system is interlinked with the MorganAsh resourcing system, so that the appropriate resources are available to meet the consumer demands. The system is web enabled, updated real time and allows the interview times to be booked within half hour time slots.

The Calendar system can be accessed via the MorganAsh system, or can be embedded within product providers existing on-line application systems.

The system has been in operation since the beginning of 2009 and is a great success.

The Adviser must sufficiently brief the applicant about the interview prior to booking the appointment.



## On-line calendar booking — Tele-interviews within the hour (continued)

Advisers can maintain control by organising the interview appointment at the point of sale.

The system will have particular appeal for On-line and telephone sales channels advisers and IFAs who need quick turn around times. Advisers who are not on-line can phone into MorganAsh to book their appointments.

“It is important to offer customers choice, and the ability to choose convenient and precise appointment times. It is unfair on consumers, to have to wait around expecting a call “in the afternoon”.

Andrew Parker,  
Head of Operations at LifeSearch.

## Keeping Advisers informed — Track and Trace

MorganAsh provide a “track and trace” functionality for Advisers. It provides simple information on the status of any case, at any time.

Advisers or their admin team only need to know the application number and the name of the applicant to find the information.

MorganAsh CMTS Agent Tracking

Date: 16 Jul 2009  
Time: 13:05

Case Search

Policy Number / Reference:  (required) First Name:  Last Name:

Case History - Mr [redacted]

Activity	Date	Time
Case sent to MorganAsh for Tele-Interview.	25 Oct	13:32:00
The case was suspended. Please contact the Life Co. for details	25 Oct	19:51:00
The Tele-Interview was scheduled.	25 Oct	19:51:00
The Tele-Interview was conducted with the applicant.	26 Oct	16:23:00
The Tele-Interview report was reviewed and completed.	27 Oct	12:30:00
The Tele-Interview report was downloaded by the Life Co.	27 Oct	17:15:00

Only the status information is presented, with no medical or confidential details. This approach enables the relevant people to find out the information without having to go through complex passwords, and is aimed at advisers and their administration teams.

As well as empowering advisers this should help reduce the overhead costs of providers administration functions, which are often kept busy keeping advisers informed of the status

## Defaqto include Tele-Interviewing in Product evaluation

Defaqto are the UK's leading research company, and provide market analysis for the consumers, advisers and providers. Aequos is their on-line analysis service for Advisers, and as part of this Defaqto provide an independent analysis and score of insurance products, and their "star rating". The Aequos score is used extensively in the UK by advisers in their assessment and recommendation of products.

Defaqto have now included Tele-Interviewing within their assessment of products. For each product feature Defaqto grant a 1- 5 score with 1 being the lowest score, and 5 being the highest. Within "Underwriting Process" Defaqto use the following criteria:

1	No Tele-underwriting
2	Online submission or little t
3	Online submission and little t
4	Big T Tele-interviewing
5	Big T Tele-underwriting

*"We are committed to provide a full assessment of the products suitability for consumers. The processes used for the collection of information and underwriting decisions are integral to the product's integrity. We are pleased to update our scoring with the inclusion of Tele-Interviewing as this helps achieve better underwriting decisions and reduces the risk to the insurer and the IFA."*

Ben Heffer, Principal Consultant – Life & Protection, Defaqto

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