

Tele-Underwriting at American Enterprise

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Telephone Interviews vs. Tele-underwriting

- Both seek to gather risk related information about an applicant
- Telephone Interviews supplement an application
- Tele-underwriting virtually replaces an application

The TI “Requirement”

- At American Enterprise we find it imperative to have both types of interviews
- We consider the TI to be our Primary Requirement in either case

Why?

- When the TI was first piloted we defined success as:
 - Reduction in requirements
 - Loss ratio improvement
 - Faster turn around time
 - Agent’s positive input

Because....

- All of the those goals were met
 - >50% Reduction in APS' and 20% reduction in exam ordering
 - Loss ratio improvement (...cannot necessarily place cause and effect here...but almost could in the case of MS...)
 - Turn around time cut by more than half
 - Agent's positive response (I must caveat here that this was for the initial 4 years or so....)

Products Utilizing TI's

- Individual Major Medical
- Small Group MM (group size<20)
- Medicare Supplement
- Care Assist (Short term LTC)
- Senior Life
- Critical Illness (though mostly sold as a rider)
- Soon Limited Benefit

Background of TI's at AE

- Telephone interviews have evolved from “one size fits all” supplemental interviews with required drop downs, to multiple scripts and/or free-form interviews to fit the need
- A triaged interview is used for applications that have already answered health questions (paper and/or electronic)

Background (cont)

- Full Application taken via phone for “EZ” application (plus dropdowns)
- Interviews are done by both underwriters and trained interviewers (with medical backgrounds)
- Agent chooses whether to use the full app or the “EZ” application

Background (cont)

- Agent also chooses paper vs. electronic (you may see a theme developing here)
- On Electronic applications voice signatures are taken by TI team
- E-sign is much more efficient and coming soon

Strengths / Pros

- Tiered Interviews
 - Number / type of questions are based on answers to factors that have been negatively correlated to loss ratio in early post issue period
 - Examples:
 - Whether or not replacing coverage
 - Having had a physical exam in the past two years
 - Past declinations or adverse actions
 - Smoking status

Tiered Interviews (cont)

- These questions drive the Short, Medium or Long interview
 - Short: 6 general questions (abnormal testing, meds, procedures recommended, open ended)
 - Medium: 12 questions, adds the body systems and lifestyle
 - Long: 20 questions, very complete

Strengths (cont)

- Choice
 - Agent can choose to do EZ app and be on to the next customer quickly.
 - The customer also only gets asked questions once on this version
 - However, for agents who want to “pre-sell” waivers and rate ups the alternative is available

Strengths (cont)

- Experienced staff who vary from script when it is appropriate
- Conflicting information is explored on the front end
- Recording and process enhance “full disclosure”
- MIB and RX data is available during interview
- TAT is excellent (2 calendar days)

Strengths (cont)

- Lowers E&O risk for agent
- Eliminates the “I told that to my agent” defense
- Misrepresentation decreases. Customers tend to remember things they forgot to tell the agent
- Decreases overall TAT through reduction of other requirements

Weaknesses / Cons

- Depending on method, customer can be asked some questions twice.
- Competitors seem to moving away from the process and agents then resent the extra time/step
- Cannot be utilized in a true Straight Through Process on full applications

Weaknesses (cont)

- Must file all drop downs on the “EZ” type app which limits ability to vary
- Our UW/TL system is old and home grown, and therefore prone to failure. However just purchased a new one to facilitate STP
- Adapting scripts can be time consuming

Weaknesses (cont)

- Restrictions on TI staff as they are not licensed agents
- Voice signature verbiage confuses the customer and can require multiple phone contacts to contact applicant, spouse and adult dependents.
- Agents can feel loss of control

Weaknesses (cont)

- Can lose the “pre-sale” of adverse actions, which complicates the sale, and can result in feelings of bait and switch
- Weakens the “relationship” that the customer may have with the agent if take over the actual application process

Summary

- Invaluable tool
- Believe here to stay at AE, despite recent competitive pressures
- Always looking for how to get the max amount of information in least amount of time / imposition to the customer and agent. Being EZTDBW is essential in this marketplace
- Our new system will be key to tailoring the TI to each individual application

The Ubiquitous Question slide

