



THE FUTURE OF UNDERWRITING

Liam Carroll - NXNW Expo 2019



I'M HERE TODAY TO TALK TO YOU ABOUT UNDERWRITING

Including:

- ✓ The current Australian life insurance landscape
- ✓ The role of underwriting
- ✓ The Australian underwriting experience versus the UK experience
- ✓ UK learnings that we can apply in Australia
- ✓ Where to next - the 'future of underwriting'

My objective is to explain how we can navigate through the challenges facing our industry to deliver an easier and fairer underwriting process that restores consumer trust



TO BEGIN, LET'S A LOOK AT THE CURRENT LIFE INSURANCE LANDSCAPE

Our industry has faced many challenges in the last few years



Poor corporate cultures



Distressing customer stories of pain and suffering



Complex applications resulting in innocent non-disclosure and non-payment of claims

We need to improve the underwriting process and experience

SO WHAT IS THE ROLE OF UNDERWRITING?

The key objectives for underwriting are to:

- ✓ Manage risk selection
- ✓ Protect against anti-selection
- ✓ Be FAIR to customers

Underwriting should provide:



Simple processes



Questions that are easy to understand and answer



Appropriate underwriting outcomes based on up-to-date underwriting philosophies, studies and evidence

Unfortunately, today's underwriting experience is generally not reflective of this



IN FACT, TODAY'S EXPERIENCE IS OFTEN THE COMPLETE OPPOSITE...

The application process



Applications are highly complex and challenging to navigate



Questions are long and complicated



Lots of 'catch all' questions



"Have you ever questions" for simple conditions/injuries

We need to take responsibility for the application process and make it easier for customers to complete and understand





UNFORTUNATELY, THE EXPERIENCE DOESN'T IMPROVE AFTER SUBMISSION

Application completion



Requests for further detail via questionnaires are often a repeat of what's already been asked



Questionnaires often require physical signatures (and a printer)



Unnecessary medical reports and tests ordered



Long delays – even for straightforward cases



'Blanket' loadings and exclusions for certain conditions

We must improve this process!

THE FIRST STEP IS TO LOOK AT WHAT SIMILAR MARKETS ARE DOING



An obvious market for us to look at is the UK market - they've faced similar challenges

In the UK, UnderwriteMe and Pacific Life Re looked into how they could improve the underwriting experience

They started with a comprehensive review of 800,000 cases.

This included looking at:



All cover types



The disclosure rate for each question



What the highest frequency disclosures were



What the underwriting outcome was



THEY REVIEWED THE QUESTIONS USED BY UK INSURERS

When completing this review, they asked themselves the following questions:

- Q. Would the average person understand the questions and the language used?
- Q. Were the questions conversational?
- Q. Would you ask the questions during normal conversation?
- Q. Do the questions use jargon?
- Q. Would the average person know what the conditions were?
- Q. Are the questions structured in short sentences with related conditions?
- Q. Are the words used related to rare scenarios that customers never disclose?

What they found was that there was huge room for improvement

SPECIFICALLY, THEIR RESEARCH SHOWED THAT...



Less is more!



Questions with simple words and no jargon were easily and comprehensively answered



There's no direct link between the example condition/s used and the disclosure rate



How you ask a question is as important as the words you use



Closing with some general questions helped to pick up common disclosures




Customers who understood the questions asked, felt more positive about the underwriting process

**Questions that are easy to understand, are easy to answer –
this results in better disclosure and an improved customer experience**

WE'VE BROUGHT THESE LEARNINGS TO AUSTRALIA

That's why:

- 🗨️ We ask short and direct questions, using simple language
- 🗨️ We use common/known conditions as examples in our questions
- 🗨️ We've reduced the number of questions
- 🗨️ We've applied a logical application flow
- 🗨️ We don't ask 'trawling' questions
- 🗨️ We're focused on delivering a correct underwriting outcome via the rules engine

A photograph of a man in a grey suit and blue tie talking to a woman. The man is looking at the woman and speaking. The woman is seen from the back, looking towards the man. The background is a blurred office setting.

Our application process provides customers comfort that they've disclosed what is required. Our customers aren't expected to evaluate what is and isn't relevant to the underwriting decision

**LET'S LOOK AT
SOME EXAMPLES.....**



OUR QUESTIONS ARE SIMPLER

Typical insurer

Have you ever had:

- ✓ Any disorder of the kidney, bladder or genitourinary system including prostate disorders, urinary tract infections, kidney stones, blood or protein in the urine? (23 words)
- ✓ Respiratory or lung disorders including but not limited to, bronchitis, pneumonia, emphysema or tuberculosis? (14 words)



NEOS

In the last 5 years, have you had:

- ✓ Kidney stones, urinary infection or anything else affecting your kidneys, bladder, urine or prostate? (14 words)
- ✓ Asthma, sleep apnoea or anything else affecting your lungs or breathing? (11 words)

At NEOS, our questions use plain English and no jargon. They apply an appropriate timeframe and use common conditions as examples. This ensures customers can answer questions correctly and we only collect information that's relevant to the underwriting decision

OUR QUESTIONS ARE LESS INVASIVE

Typical insurer

1. Have you ever tested positive for HIV/AIDS, Hepatitis B or C, or are you awaiting the results of such a test (other than for this application)? **AND**
2. In the last five years have you engaged in any activity reasonably expected to have an increased risk of exposure to the HIV/AIDS virus? This includes unprotected anal sex, sex with a sex worker or sex with someone you know to be HIV positive or suspect to be HIV positive.

NEOS

- ✓ Have you had a positive test for HIV/AIDS, hepatitis screening, or are you awaiting results or considering having such a test?

We only ask questions relevant to our risk assessment. This means we avoid asking unnecessary and often invasive questions that carry very low risk

WE DON'T ASK 'CATCH ALL' QUESTIONS AND WE DON'T 'FISH' FOR INFORMATION

Typical insurer

- ✓ Have you ever sought advice or treatment from a doctor or other health professional for any illness or injury, or undergone any investigations not already mentioned in this application?
- ✓ Is there any additional information you would like to provide to assist us to assess your application?

NEOS

- ✓ Is there any further information you would like to share about what you have already disclosed in this application?



At NEOS, we don't expect our customers to remember every minor injury or trivial illness they've had in their entire life - because they don't affect the underwriting decision



OUR QUESTIONING APPROACH DELIVERS A VASTLY IMPROVED UNDERWRITING EXPERIENCE



Our application is faster to complete



Our application is fairer



We get the information needed to make a decision, not the information we don't



Customers feel more positive about their underwriting experience

Our approach to underwriting is about doing things more efficiently and ensuring a great experience. It's not about taking shortcuts or changing the outcome

HOWEVER, UNDERWRITING DOESN'T STOP THERE

That's why our underwriters:



Always call the customer for missing information within 10 hours



Leave a message and advise we'll call again in 24 hours if they can't get through the first time



Recognise that customers are busy and often prefer to communicate by other methods



Never issue broad questionnaires



Always treat each customer as an individual



As a result, NEOS consistently delivers a final underwriting decision within three working days for more than 80% of our applications

WHERE TO NEXT? THE 'FUTURE OF UNDERWRITING'



Continue to focus on getting the basics right



Continue to simplify the application process



Continue to actively measure and improve the effectiveness of the questions and the process



We sometimes still need to talk to your customer and their doctor



Treat customers as individuals



Prepare for the new genetics moratorium

NEOS is committed to the ongoing improvement of our underwriting process and working closely with advisers to achieve this

TRY THE NEOS EXPERIENCE



See for yourself how NEOS has implemented an industry-leading underwriting experience which delivers effective outcomes and restores consumer trust



The underwriting process is a central part of the 'NEOS Experience'



Technology matters, but more importantly, we use the phone to support our advisers and talk to customers



Our underwriting process applies the latest research and is streamlined to ensure efficiency



That's why we only hire exceptional people – technically and interpersonally

TRY THE NEOS EXPERIENCE



Don't have a NEOS Adviser code?



Email icarroll@neoslife.com.au



THANK YOU

NEOS Life

Call : 1800 881 756
Email : adviser@neoslife.com.au
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