

## Breaking Down Barriers Between Underwriting and Distribution

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*By Chris Orestis and Eli Rowe*

This week, Chris and Eli reveal one of the most insightful features to date on the troubled yet dynamic relationship between insurance underwriting and sales. Discover how underwriting can truly become a profit center for companies and work effectively with business development amid an industry fraught with challenges.

### Executive Summary

A historical friction exists in the insurance industry between risk management and sales. A major challenge facing the industry is to navigate this friction and empower both underwriters and business development channels to work in a collaborative environment to produce optimum risk management outcomes and acquisition cycles. The key to success is being able to bring these two different, yet inextricably linked, disciplines together as part of a seamless transactional environment.

### Introduction

The challenges confronting the insurance industry are numerous and well documented. Dynamics such as consolidation, new competitors such as banks ushered in during the Gramm-Leach-Bliley (GLB) era, shrinking producer channels, outsourcing/off-shoring, and pressure to increase the bottom line with less resources have all contributed to create today's tenuous environment. For the underwriter, the mission undertaken every day is to develop and deliver appropriate and timely risk management decisions while not unduly impeding the company's sales goals.

In an industry with increasingly shrinking margins, underwriters have little room for error: results that are 110% of expected is bad news but 90% of expected is a windfall. The friction lies in meeting 100% targeted mortality or morbidity results without hurting sales. Too often the underwriting department is mistakenly viewed as a hurdle that sales must overcome. Unfortunately for underwriting, the result of this dynamic can be "guilt by association" where underwriters are viewed as cost centers instead of what they truly are--profit centers.

One may logically ask, "If underwriters are not procuring new business, how can they be viewed as a profit center?" The answer is two-fold. First, and perhaps most obvious is that if an insurance company's underwriting is sub-par, so too will be its bottom line. Simply put, underwriters have always been the first line of defense for an insurance company's balance sheet. Secondly, for those companies who now integrate underwriting and business procurement as a seamless process, the underwriter not only fulfills their risk management mission but has been transformed into a recognized contributor to business development and revenue generation.

### *Underwriting as a Profit Center*

What are the opportunities for transforming the role of the underwriter into a recognized profit center? The answer lies in harnessing the numerous opportunities for interaction with the customer over the course of the Customer Opportunity Lifecycle. For any insurance enterprise there are several points of contact with the customer during the lifecycle of the policyholder relationship.

## **The Customer Opportunity Lifecycle encompasses:**

1. Sales/Policyholder Acquisition
2. Application Completion
3. Underwriting
4. Customer Service
5. Claims

The Customer Opportunity Lifecycle presents many opportunities for underwriting to create revenue based on risk assessments at each point of customer contact. Does your company maximize opportunities for interaction with its customers over these key points of contact? The difference between growth and contraction for an insurance operation in today's hyper-competitive environment may lie in the answer to this critical question. The first step is harnessing synergies that exist between underwriters, sales, customer service, and claims. Enhancing the results of these areas can result in a new-found appreciation for the contributions that underwriting can make toward revenue generation while achieving targeted mortality and morbidity results.

For example: More and more companies are augmenting their producer channel with direct marketing programs utilizing mail, the internet, and direct response advertising. Customers interested in products such as term-life, annuities, individual health, long-term care, disability income, and varieties of supplemental insurance will typically respond to these promotions by phone to inquire about their options. Using a Tele-Underwriting process, companies receiving these calls can assess the level of risk associated with the applicant through a medically expanded interview as part of the initial application process. During the course of the telephone interview there are opportunities for the underwriter to maximize this point of contact, such as:

- the applicant can be referred to a licensed sales agent during the same phone call and offered additional products or higher face amounts based on how he or she is rated, or
- the applicant can either be declined or approved in an expedited manner (or quickly referred to underwriting for further assessment).

In this example the underwriter adds value by expediting the decision process and creating additional sales opportunities. Also, in the case of customer service or claims interactions there exist similar opportunities to quickly evaluate and then expedite the opportunities associated with that customer based on the outcome of a telephone risk assessment.

### ***How does Underwriting become a Profit Center?***

In Thomas L. Friedman's recent best seller, "The World is Flat", the author describes how the world in the early stages of the 21st Century has been impacted by collaborative technologies which have created the ability for people to work from any location. In essence Friedman describes a "flattened" world empowered by networks of technology and people woven together by the internet in a seamless, real-time environment—regardless of where the workers are located. What does this mean for the insurance industry? What does it mean for underwriting? Is it a threat? Is it an opportunity? Or is it both?

The threat is that anyone's job could be moved to another location for less money and (perhaps) greater results. Conversely, the opportunity lies in using technology and its related concepts to one's advantage by contributing to the enterprise wide goals of your company. The barriers to collaborating across a wide range of personnel and locations are almost entirely gone. Companies are moving quickly to embrace this new environment and here's the good news: The necessary "technological advancements" are already at your fingertips in the form of an internet connection and a telephone.

Now is the time for companies to assess if they are selling and underwriting products in a vacuum or as an enterprise-wide "network". Companies should determine which techniques, such as speed underwriting, tele-underwriting, and risk triage, could be used in concert with sales and marketing programs that can open the door to offering higher priced products (up-selling) or other types of

products and riders (cross-selling). In an environment that seamlessly integrates risk management and marketing, opportunities for up-selling and/or cross-selling are created through the real-time linkage of underwriting and sales.

The formula is easy to understand: by placing the right risk management and sales personnel on the phone at the right time working from a web based environment; companies can approve/decline, increase, decrease, or modify the type, size, and/or features of an insurance product being sold, underwritten or serviced. The value of this approach is difficult to refute: by combining risk management and sales, companies can enhance revenue and profitability by increasing product availability, sales, service and productivity; all while decreasing unit costs.

### ***Why Should Underwriting Operate as a Profit Center?***

The insurance industry has changed radically over the last two decades and companies that wish to continue operating in the next decade must adapt. The unique talent found within an insurance enterprise will drive the process of adaptation. The talent that not only survives, but thrives in this new era will need to look beyond their specific areas of responsibility and think on an enterprise-wide basis. Underwriting and sales are two of the more important and unique functions of an insurance company. How these areas operate -- and co-operate -- will dictate much about how well a company functions.

A company's leadership is primarily focused on overall performance and growth. If individuals and/or departments are thinking and acting the same way, then management tends to respond favorably to enterprise minded or "team players". If areas so key to the success or failure of a company are actually working together to improve overall outcomes, and not just perpetuating the unique goals of a singular agenda, then management should be very pleased.

It is no secret that revenue generators are treated well by the companies they represent. As the industry landscape continues to shift on a daily basis, it would be wise for underwriters to position themselves as a *recognized* part of the revenue generating team. As the saying goes—the best offense is often times a strong defense.

### **Conclusion**

Today's world requires enterprise-wide thinking and collaborative action. Technology has made it possible for anyone to work as part of a team from anywhere. Insurance companies need to capitalize on every possible touch point with the consumer to create profitable revenue opportunities. By integrating risk management and sales, companies can speed up business acquisition, improve risk assessment, reduce costs, and enhance their bottom line.

*1: The World is Flat (A Brief History of the Twenty-First Century), Thomas L. Friedman, Farrar, Straus, and Giroux, NYC, 2005*

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### **Author Biographies**

#### **Eli Rowe (President and CEO- Parameds.com)**

Parameds.com, a PDC company, was founded in 1998 by the company's CEO, Eli Rowe, and since then has emerged as the premier provider of APS Retrieval and Summary Services, Exam Solutions, and Expert Automated Underwriting/Claims Support for the Life, Disability, Long-Term Care, and Health Insurance Industry. Eli graduated Summa Cum Laude with a business degree from Touro College, while simultaneously becoming one of NYC's youngest Level 4 Paramedics. He volunteers in many industry and non-industry charity and association organizations, is the Secretary and Treasurer of MUD, the Metropolitan Underwriters Discussion Group, is an active volunteer paramedic,

an avid instrument rated pilot, and a father of two little boys and two sweet girls. Eli has spoken as a keynote speaker on the mainstage of the annual meeting for the Association of Home Office Underwriters and is published in the scholarly journal of the Academy of Life Underwriting, *On the Risk*. Although he spends a tremendous amount of his time meeting with insurance companies across the country, Eli often still manages to make it home to his wife in New York City most nights so he can tuck his kids into bed thanks to the little aircraft he uses as we do a car.

### **Christos Orestis III**

Chris Orestis held senior positions on a number of political campaigns before working in 1993 and 1994 for both the White House and the Senate Majority Leader on Capitol Hill. From that point, he spent the next seven years representing the health and life insurance industry as Vice President and Senior Vice President respectively for the Health Insurance Association of America (HIAA) and the American Council of Life Insurers (ACLI). As a part of senior management for both organizations, he was responsible for external affairs and activities related to revenue generation including marketing, business and financial development, industry conferences, and industry-vendor coalitions/partnerships. In 1999, he was awarded the Robert R. Neal Medal by HIAA for distinction and service to the industry. Since 2003, he has served in senior marketing roles for Global Insurance Resources and Parameds.com.

#### **About Parameds.com**



A pioneering leader in the underwriting and claims data retrieval and risk management industry since 1998, Parameds.com, a PDC company, continues to set the standard for responsive and expedited time service, innovative systems capabilities, customer service, and value based pricing. PDC's Insurance Application Services include APS Retrievals & Summaries-- averaging national turnaround times of 9 calendar days or less, Expert Automated Underwriting Solutions that cross reference a broad array of medical and risk factors enabling STP, straight-through processing for any company or product line, and an Exam Solution that ensures the highest rated examiner anywhere, anytime, every time. PDC, headquartered in New York with representatives covering every city in the United States, provides services to small, mid-sized, and a majority of the top 50 Life, Disability, Long-Term Care, and Health Insurance Companies in North America. For more information contact Stuart Levy, Chief of Operations at 718-575-2000 x 2769 or [stuart.levy@parameds.com](mailto:stuart.levy@parameds.com) or visit [www.parameds.com](http://www.parameds.com) anytime.

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