

Visit us daily for the latest industry news and insight.
www.insurancenewsnet.com

insurance
 newsnet

 Click to Print

Close this Window

Bringing Together the Pieces of the Insurance Puzzle by Understanding the Lifecycle of a Policy

February 8, 2007

By *Chris Orestis and Eli Rowe*

"Every piece of the puzzle presents challenges and opportunities. The answer to surviving this rapid pace of change is to not fight these dynamics—but instead embrace them..."

Executive Summary

In the previous installment of this series we discussed the need for underwriters to think and act like profit centers. We introduced the concept of underwriting and distribution working together in unison to improve both risk experience and sales results. Keeping ones head down and not thinking or caring about how your actions impact the enterprise is not a formula for success in today's "flattened world". In this installment we will examine the pieces of the insurance puzzle, explore how to bring them together, and contemplate ways to make sure you are on the winning side of the drive to decentralize (outsource) insurance industry processes.

What are the pieces of the puzzle?

True mastery of the insurance puzzle requires understanding the lifecycle of an insurance policy. As it is with any lifecycle there is a beginning, middle, and an end. The difference between success and failure in a business environment is the ability to recognize and harness the points of connection across a transactional lifecycle. Too often key business functions operate in a silo failing to see the big picture or recognize the opportunities to have a more significant impact on the overall operations and bottom line.

In the case of an insurance transaction, this beginning/middle/end lifecycle can be equated to the pieces of a puzzle.

The first piece of the puzzle is the *front-end* of a transaction in the form of initial customer interaction through the process of sales or customer service. Whether a new customer is being acquired or a current customer is being supported-- this is an important first opportunity to create and/or enhance the customer relationship.

The next piece of the puzzle is the *middle stage* of a transaction where applications for coverage are taken and underwriting (in a variety of forms) is conducted. This critical stage can make or break a company-- yet this is probably the most misunderstood and taken for granted piece of the puzzle. Not only does accurate risk assessment have a direct impact on a company's bottom line, but this stage of the puzzle is the bridge between the front-end and the final piece of the puzzle.

The *back-end* of a transaction-- the final piece of the puzzle-- is where administrative and business processing as well as claims management and customer support occurs. This is where success in the first two pieces of the puzzle is delivered or where deficiencies emerge. For most companies, this is where the bottom line is measured.

Keeping Pace with Rapid Change

Today, there are a number of societal and business dynamics that make it impractical for an insurance enterprise to operate in non-collaborative silos. As populations age and become more mobile, it is difficult to stem the tide of attrition across the ranks of employees that have received extensive training and possess much in the way of a company's institutional knowledge. Companies are no longer investing in significant training programs and employees no longer enter into a "lifetime contract" with their employers, as was the case in decades past. We live in a much more disposable society and that cuts both ways—it can hurt employees but that dynamic is also coming around to haunt companies.

For insurers these dynamics have manifested in a number of ways that now permeate the industry:

- The captive agent is becoming scarce and the broker system has become less focused on insurance products and more directed towards financial planning—of which insurance is just one of the items on a commoditized punch list.
- One of the last generations of underwriters to receive extensive, company specific training and experience *over years* is reaching retirement age en-masse.
- It is becoming increasingly difficult to handle underwriting and administrative operations during the peaks and valleys of the annual insurance-business cycle.
- Cost savings and improved workflow from automation and outsourcing are becoming difficult to deny and/or ignore.

Every piece of the puzzle presents challenges and opportunities. The answer to surviving this rapid pace of change is to not fight these dynamics—but instead embrace them.

Who are the winners?

We live in what has been referred to as a "flattened world" where collaborative, web enabled technologies can now tie qualified personnel together to work on a Real-Time basis from any location in North America-- and around the world. In today's reality the bad news is also the good news—what makes it possible for jobs to be outsourced and/or moved overseas also makes it possible for jobs to be moved into your living room or home office. This means that underwriters contemplating the next chapter of their life can do so with the comfort of knowing that flexible arrangements making use of their skills are becoming much more common and accepted—and in fact it is quickly becoming a necessity. This also means that underwriting departments can not only soften the blow of key retirements, but actually bolster their resources by tapping into a significant talent pool on an as needed basis.

The companies quickest to adapt and make use of these flexible resource arrangements are the ones in the best position to prosper in the "flattened world". Adapting to the use of flexible assets -- by either becoming one or mastering the use of them -- is the key to becoming a winning piece of the puzzle.

But that's not how we do it.....

Can you imagine the conversations around the lunch table at the typewriter factory thirty years ago when the topic of personal computers first came up? Documents had been written on typewriters for decades. They were in every office, school, and a majority of homes throughout the world. Who would ever give up their solid, reliable and ubiquitous typewriter for something like a personal computer? We're set for life at the typewriter factory! Well, take a look around your office or home right now and find a typewriter (I'll wait). The business world moves fast and it has no remorse about leaving late-adopters behind.

In today's flexible economy companies must look at their processes and break them down into component pieces and then ask 2 questions:

- What can be automated?

- What can be outsourced?

Underwriting at any level is a very serious and specific science. Unfortunately, as we all know, it is a discipline that can be easily underestimated in both its complexity and bottom-line impact for an insurance company. But what happens to a company's risk experience if there is a lack of qualified talent due to attrition or workflow overload?

To assure successful risk management and expeditious approve/modify/reject capability; it is critically important that experienced underwriters and risk managers are used for the risk assessment process—not chasing missing application information or glorified data entry.

It is a matter of looking at workflow to identify where the bottlenecks are (too much paper, not enough staff, too much administrative work and not enough underwriting, etc.) and looking at how automation and outsourcing can get the process moving again. It is not about replacing people with cheaper options it is about empowering staff to do what they do best. Underwriters and other specialized personnel should not be diverted to perform administrative tasks that could be more cost effectively automated and/or outsourced. An insurance company should NEVER abdicate its responsibility to manage risk. An insurance company should ALWAYS look at how it can do a better job of managing risk and improving efficiencies and bottom-line results.

So where do we go from here?

Companies need to take a hard look at their volume cycles and staff/budget levels. If volume exceeds staff capacity to turn around applications in a timely manner then outsourcing should be considered. The resources are out there and the expertise exists. There are enough proven models and resources across the industry that no company need go in this direction alone.

Some specific models currently being used by the industry include:

- Companies are overcoming the "paper problem" with imaging technology and/or sending data entry and interpretation to offshore locations where the process can be done for a fraction of the cost and during night hours. These companies are experiencing a workflow process that is operating at almost 24 hours a day with access to electronic files now constantly at their fingertips.
- Companies are overcoming staffing problems caused by retirements, disabilities, peak volumes and holidays by using seasoned and semi-retired underwriters. One company was able to utilize a dedicated team of remote underwriters to work from their homes on an ongoing basis. Using a secure web-enabled platform, the remote team underwrites individual life insurance cases with approval limits up to \$5 million.
- Companies are overcoming delays and costs associated with acquiring new business through tele-underwriting programs. These companies are experiencing reduced costs for acquiring new business (including reducing APS orders), increased quantity and quality of information acquired for application completion and underwriting, faster more accurate application approval and declinations, improved customer service, and acknowledged improvements in overall process for the producer, the carrier, and the customer.
- Companies are overcoming the divide between distribution and underwriting by integrating these functions. One company is experiencing great success by referring sales from financial advisors directly through a "rules-based" application completion and tele-underwriting process. Speed of issue, increased policy placement, customer experience, and persistency have all increased dramatically once sales and underwriting started working together as a team.

Conclusion

Competition is fierce and the winners in today's flexible economy are those that can not only adapt, but also prosper from the impact of collaborative technologies and the decentralization of the

corporate environment. Companies need to breach operating silos and bring customer acquisition/service, application completion/underwriting, and administrations/processing together into a seamless, collaborative environment. One of the tools to accomplish this goal is to break down the lifecycle of an insurance policy into the beginning, middle, and end stages of a transaction.

Unavoidable market dynamics are challenging insurance companies in the form of staff attrition, lack of training, long-term career development, and the emergence of global automation and outsourcing. Insurers can take advantage of outsourcing and remote arrangements to handle volume cycles and manage the impact of staffing challenges. Further, companies able to bring together the pieces of the puzzle and identify opportunities for outsourcing those functions that hinder the productivity of operations and staff will be steps ahead of the competition.

Original version published in On the Risk June, 2006 as Underwriting as a Profit Center: Bringing Together the Pieces of the Puzzle

"Reprinted with permission of ON THE RISK, Journal of the Academy of Life Underwriting www.aluweb.org"

Look for the NEXT article in this series for Insiders Only in the coming weeks. Become an Insider today.

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 Tuoro 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 avic 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 (Parameds.com)

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 several 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 senior management for both organizations, he was responsible for external affairs and activities related to revenue generation including membership 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. Most recently Chris served as the head of sales and marketing for Global Insurance Resources.

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 or visit www.parameds.com anytime.

© Entire contents copyright 2006 by InsuranceNewsNet.com, Inc. All rights reserved. No part of this article may be reprinted without the expressed written consent from InsuranceNewsNet.com.