

UNDERWRITING IN THE 21ST CENTURY: REMOTE UNDERWRITING STUDY 2007

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Executive Summary: In the December 2006 issue of *ON THE RISK*, we published the collective thoughts of a number of very experienced underwriters about the state of remote underwriting. They had all made a successful transition from working in the home office to their own “home office,” and they were more than willing to share their insights.

During a series of in-depth interviews in the spring of 2006, we heard unanimous agreement that companies both large and small are sharing the same problem: too much work and not enough trained underwriters to go around. The supply of experienced underwriters has been shrinking for years and there has not been enough emphasis placed on long-term training to replenish this diminishing resource.

All of our participants agreed that well-trained and experienced underwriting resources are getting harder to find and it will only get worse. They recommend that it is time to start thinking out of the box and consider using remote/outsourced underwriters to fill the gaps.

The response to this article was strong enough to warrant further analysis of the growth of remote underwriting. Starting in December 2006 and continuing into January 2007, we revisited this issue in the form of a survey, which included both closed-ended and open-ended questions, to seek a better understanding of this issue from the perspective of three distinct cohorts:

- Remote underwriters (currently working from home as a contractor or employee)
- Life/health carriers (surveys sent to 225 companies)
- Reinsurers (all of the top U.S. life reinsurers participated)

More Similarities Than Differences

We found more areas of agreement than disagreement across the three categories of participants. For example, all participants agree that remote underwriters have more undistracted time, and are more or equally productive as compared to working in an office environment. Helping to drive that productivity boost is the fact that the majority experienced 30 or more hours of underwriting a week as well as significant “off-hours” underwriting (before or after office hours and weekends). The majority of participants agree that to be successful with remote underwriting, dedicated office space and equipment are important. They also advised that proactive efforts should be

made to stay current with underwriting and medical information, and that it is important to maintain peer level communication. A theme that continues to emerge and be confirmed through objective measures is the lack of training and long-term grooming of underwriters. All agree that they would make positive recommendations to colleagues about remote underwriting.

What Advice Would You Give?

A section of the survey asked two open-ended questions of our participants. We found the range of responses and the level of enthusiasm that so many participants expressed about this issue to be fascinating. Although the general consensus about remote underwriting is most definitely positive, there were also recommendations for caution and due diligence for anyone embarking in this direction.

1) “*What advice would you give to an underwriter contemplating working from home?*”

The underwriters currently working in a remote environment offered practical advice to potential compatriots based on many hours of experience working from home. They emphasized the need to be disciplined, a self-starter and self-sufficient, and cautioned that if an underwriter is easily distracted or needs outside motivation, then working remotely is not for them. They also stressed the importance of having the proper equipment and working environment. They have all established a dedicated office space to work in and go to their “office” on a regimented schedule just like going to an office outside of the home. It is important to be organized, manage time effectively and set up a work schedule and adhere to it, but they recommend that one should also remain available to work more than the normal business hours and be flexible. As a practical matter, you should always finish what you start and not allow for interruptions. They also spoke of the need to remain current by staying in touch with peer contacts and continue underwriter and industry education.

The carriers agreed with much of the practical advice that the remote underwriters had to offer, and they

also offered caution about the realities of becoming isolated from an office environment and other people. They started out by asking a bottom-line question: Are you sure you can handle the lack of contact with your fellow employees? They observed that remote underwriting is appropriate for people whose lives take precedence over their career, and if one is choosing a pure, technical career path then remote would be a viable option. If a leadership position is desired, then it is important to remain in the office. Once working in a remote environment, communication with the home office is crucial and time needs to be made to make visits to the home office on a regular basis. Don't let relationships and rapport with the management team and colleagues erode. Understand also that you will be asked to produce more file work, and you must make the experience of being remote as seamless and invisible as possible. Lastly, it takes special skills to be successful when working remotely—focus, discipline and organization. Not everyone is suited to work remotely.

In the case of the reinsurers who participated, one summed up succinctly what to look for when considering business with carriers using remote underwriters as part of their staffing model:

“I am in reinsurance and we have to consider constantly when quoting for direct writers how their underwriting staff functions and, if they have a remote force, how they are being managed and accounted for.”

- Must have undisturbed time (no kids, pets, outside calls other than emergencies)
- Must be self-disciplined, not easily distracted
- Must have a dedicated area that is not used by any other family member
- Must observe the same confidentiality and ethical issues as in the home office
- Must have dedicated equipment

2) “*What advice would you give companies contemplating using remote underwriters?*”

Given the opportunity, our remote underwriters were pleased to offer companies words of wisdom on successfully venturing into remote underwriting based on their personal experience. Before using a remote underwriter, a company should make sure the applicant has a verifiable ability to work well with little supervision and already has training and experience working on his own. Check resumes and references to make sure they are experienced and fluent in medical terminology, vocabulary and can spell well, and audit cases immediately when starting a new person to verify skills and experience. They emphasized the need to maintain close communication and include the remote underwriters in key meetings, new directives and case clinics, and offer training via telephone

or Internet conferencing. Make your best effort to communicate with the remote underwriters as if they were in the office, and provide constructive feedback on how the remote is performing. Most underwriters working remotely will work hard because they want to prove themselves. But, set realistic and measurable goals, and make sure you provide the underwriters with all of the tools and systems that are required to do their job in an efficient and productive manner. Be flexible with remote underwriters' time and they will work more hours than you expect.

The carriers that responded were able to give advice to other companies based on their experience running remote underwriting programs. They started by accentuating the positive. Remote underwriting is an excellent solution to overcome a shortage of talent when location of the home office is problematic. But, the carriers also offered words of caution about how to select the appropriate personnel to work in a remote environment. You need to be very careful of whom you allow to work in this environment and ensure that (remote) staff are self-motivated and driven individuals so production and quality are not compromised. Home office underwriters should not be allowed to work remotely until they have firmly established themselves within the company. Once you have remote underwriters in place, have a service level agreement (SLA) with each remote so there is a mutual understanding of expectations, results, etc.; you need established metrics to check production. Be clear upfront on how you want your cases underwritten and provide a manual to make the transition easier. In terms of areas that will determine the long-term success of a remote underwriting program, issues with technology and connectivity are critical. The voice and IT connection between the remote underwriters, the home office, field offices and producers should all be seamless. Lastly, for carriers not yet using remote underwriters but contemplating starting a program, a couple of ways to begin were recommended. Either start with a pilot program or by outsourcing or hiring contractors instead of employees, since this makes it much easier to adjust personnel arrangements.

The reinsurers offered a solid checklist of priorities for carriers to consider as they launch or evaluate a remote underwriting program:

- Must provide equipment/communication needs/IT security
- Must provide clear and precise expectations in terms of productivity, delivery, accountability (job description must be specific to a remote position)
- Must have measurement controls to audit remote function (total output, time service, offers, placement, phone interaction)
- Must have periodic “conferencing” or “training” interaction with remote staff

- Must treat remote employee with the same consideration as home office employees and not ignore (i.e., out of sight, out of mind)

Conclusions— Myths vs. Facts

Myth: Remote underwriting is a passing fad that will never catch on.

Fact: Remote underwriting is in fact a trend that has been growing for years and there are numerous examples of companies running successful programs for 2-5 years or more.

Myth: Remote underwriting could replace the need to staff an office with underwriters.

Fact: Remote underwriting is not a replacement for the home office underwriter. It is a tool to enhance productivity through staff augmentation, offset the loss of experienced personnel to retirement/attrition, and a way to overcome relocation problems when attempting to attract personnel.

Myth: Reinsurers look unfavorably at companies using remote underwriters.

Fact: Reinsurers do not look down on the use of remote underwriting and, in fact, as a group, reinsurers rate the environment for remote underwriting even more favorably than both the carriers and the remote underwriters—with the majority of reinsurers participating in this study currently using remote underwriters themselves.

Myth: Using remote underwriters is a great way to cut costs and trim budgets.

Fact: The majority of companies indicated that they achieved no cost savings through the use of remote underwriters. A number of them did qualify their answer by stating it was still too early to accurately compare and quantify the difference of costs associated with remote underwriters vs. that of home office underwriters.

Myth: Starting a remote underwriting program is as easy as letting some staff work from home.

Fact: A prudent way to start a remote underwriting program would be to first launch a pilot program using a select group of underwriters who have already proven their acumen and initiative. Areas that a company will want to troubleshoot and understand are IT connectivity (computer and phone), production metrics, operating guidelines, legal issues and quantifying costs. Another viable option for using remote underwriters for the first time would be through the use of an outsourcing company with proven experience, systems and personnel.

Myth: Remote underwriters operate in a “vacuum.”

Fact: The most successful remote underwriting programs are a seamless extension of the home office. Remote underwriters need to be supported by clear and consistent communication and their technology must be up-to-date, securely connected to the home office and receive dedicated IT support. When dealing with agents or brokers, the fact that a remote underwriter is working on a case should be indistinguishable.

Myth: Anyone can switch from an office environment to underwriting from home.

Fact: Remote underwriting is not for everyone. Remote underwriters need to be well-organized, self-disciplined, and not require external motivation and supervision to consistently deliver their assigned cases.

Myth: Remote underwriting is a way to begin and/or advance an underwriting career path.

Fact: The typical profile of a remote underwriter is someone with 10 to 20 years of home office experience. Many remote underwriters have already achieved senior rank as an underwriter and are now looking beyond career growth as top priority. They find the flexibility of hours and location to be more important than office dynamics and opportunities for advancement. Both the remote underwriters and carriers caution that lack of “face time” and regular interaction will limit, if not rule out, career advancement.

About the Authors

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, the Metropolitan Underwriting Group (MUD), the Society of Actuaries and is published in the scholarly journal of the Academy of Life Underwriting, *ON THE RISK* and is a featured contributor to *Insurance News Net*.

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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. Chris heads marketing and profit center development for Parameds.com and is a regular, featured contributor to a number of industry publications, including: *ON THE RISK*, *Insurance News Net*, *AHIP's HealthDecisions*, *InsuranceIntell* and *ProducersWeb*.