

UNDERWRITING IN THE 21ST CENTURY: LIFE OUTSIDE THE HOME OFFICE

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Executive Summary: Previous articles in this series have explored how to break down silos between underwriting and distribution; the emergence of outsourcing and automation as important underwriting productivity drivers; and, we have analyzed ways to get more value from the ubiquitous—yet paradoxical—attending physician statement (APS).

The common thread throughout this series of articles is overcoming the challenges that underwriting departments must face every day as the demands on underwriting departments increase while available resources decrease. For this installment, we spoke with a number of underwriters who have decades of risk management experience, about their perceptions of the industry today and what it is like to be part of the growing trend of “remote underwriting.”

Introduction

A “perfect storm” of trends in underwriting has emerged to challenge the industry in the early years of the 21st century:

1. An alarming number of the most experienced underwriters have reached (or are reaching) retirement age.
2. There are not enough well-trained underwriters coming up through the ranks to fill the void.
3. The demand on underwriting departments to keep up is being fueled by the increasing volume and complexity of applications being generated by a growing and longer living “baby boom” generation.

When looking at the major online job search sites (Monster.com, Careerbuilder.com, etc.), there are over 4,000 cumulative postings for open underwriting positions across the life/health insurance industry on any given day. That is a lot of competition for a shrinking resource pool. Many companies are adapting to this reality by working with full- and part-time remote underwriters as either employees or contractors.

For this article, we interviewed a number of underwriters who are currently working from home. We asked them questions about how working outside of the home office environment has impacted their lifestyle and professional growth, and how they perceive trends that are impacting the insurance industry. The underwriters we interviewed all have decades of experience and were very candid about the positive and negative aspects of operating as a “remote” or “outsourced” underwriter.

*** Each heading is a question asked of the participating underwriters, with an aggregate summary of their responses following ***

How many years have you been an underwriter?

All of the participants had significant experience as underwriters working for life and health insurers with a range between 5 and 40 years. All have been underwriting on an outsourced basis anywhere from 1-5 years.

What companies were you employed by when you were a “home office” underwriter?

Our participating underwriters have worked for large and small insurance companies, a BGA, and, in some cases, for insurers that no longer exist as their former selves: Bankers Life, BISYS, Connecticut Mutual, First Continental, General American, MONY, National Life of Vermont, The Hartford, United Healthcare and UnumProvident.

What product lines have you been responsible for?

The product lines that our underwriters have underwritten were primarily life and STD/LTD for group and individual markets, some annuities, healthcare and LTC.

What level of underwriter were you when you left the home office?

All of the underwriters had achieved significant rank and responsibilities by the time they went out on their own. We spoke with former director and chief level underwriters, underwriting officers and senior vice presidents. Some had been responsible for underwriting and operations with staffs in the hundreds and multimillion-dollar budgets, while others had run small teams and remote offices across the U.S. (and in Canada).

How would you describe the current environment for insurers?

The industry seems to be regrouping after a period of turbulence with reinsurers and claims issues. Companies are experiencing record profits and it appears that senior executive pay is at an all-time high. A definite contributing factor to the rise in profitability is cost-cutting. Underwriting departments' staff and budgets are not growing at the same pace as new business (and the demand for ever faster time service). There is a noticeable trend over the last few years to outsource some functions that traditionally were handled in-house. Flex schedules and tele-commuting have also been on the rise. Outsourcing work has been a way to access hard-to-find underwriting talent and to cut costs such as benefits and overhead. There seems to be a decline in confidence of internal underwriters and awareness that significant talent is now available on the "open market."

The general consensus of the current condition of underwriting departments was not entirely favorable: understaffed and overworked, big growth in trial applications and APS bottlenecks, limited administrative support, not enough training, deteriorating relations with the field, too much pressure for quantity over quality, too much interference and micro-managing, too much non-essential communication (e-mail) and distractions (unproductive meetings) and too much stress.

What do you see happening in underwriting departments?

Underwriting is still a conservative science, but there has been a noticeable shift in attitudes over the last 30 years to higher risk tolerance as interpretation of medical science and societal issues has evolved—many things that were once entirely unacceptable are now commonplace (and almost quaint in retrospect). A shift in attitude has also happened in the acceptance of underwriters working from outside of the home office environment. The trend in this direction is more pronounced on the life/DI/LTC side than health. There are still issues to resolve with communication, interaction with medical directors, and remote use of systems. Overall, the misconception that outsourcing means people will lose jobs is quickly being replaced by the realization that it is actually a productivity enhancer. Management seems to now view the trend as less about cost/job cutting and more about access to hard-to-find talent and increased productivity.

At first outsourcing seemed to be taking hold quicker in small- to mid-size companies because of both cost and access to underwriter issues; but larger companies are moving in this direction now for the same reasons. As more volume is driven by brokers and the marketing of guarantee issue and simplified products,

underwriting departments are not staffed to keep up. There has been a large increase in trial applications, which means more work and the rising importance of allocating already stretched resources to sift through the profitable and unprofitable cases. Costs and delays associated with requirements continue to be a bottleneck for underwriting departments. Today, underwriters are being judged as much on quantity of work and time service as they are on risk experience. This dynamic is creating an even bigger divide between the upper ranks of underwriting management and the rank and file staff.

Is there enough training and grooming of underwriters today?

In the past, companies put much more emphasis on formal, long-term training. Underwriters operated almost like an apprentice and were part of training units. They would be groomed to work their way up inside the same company over years. Now underwriters are "on their own." Underwriters rising through the ranks over years are quite rare. Companies are less interested in training and instead look to hire the talent they need when they need it. Companies can't afford to wait years for home-grown talent to work their way up through the system. Training remains an important aspect of an underwriter's development and being able to stay current on evolving underwriting and medical issues. Training still exists but it has become more "modular" and specific to conditions or trends. Training and staying current are now more the responsibility of the individuals to find the resources and time on their own.

This reality has made the highly skilled/trained underwriter a hard-to-find (and valuable) commodity, as experienced underwriters who have been in the business 25 years or more begin to retire. For some underwriters this can mean a lucrative "free agent" environment or opportunities to operate on their own terms as a contractor.

Describe the experience of being an underwriter working from home.

Every one of the underwriters interviewed cited how much they enjoy the freedom that working from home has allowed them. They enjoy the ability to better accommodate personal time with their professional responsibilities. Many are able to contribute to family obligations by doing their work during off-hours. The trade-offs cited include: feeling like they need to work harder to justify their at-home status, as well as feelings of isolation and being "out of the loop" when not interacting in an office environment.

The underwriters say that they are more productive because they are not interrupted by in-office distractions such as non-productive meetings, water cooler

gossip and office politics. They say that remote system access and the option to work on a 24-7 basis contribute to their productivity, and communications through e-mail and conference calls keep them informed. They do need to take the initiative to stay “in the loop” with colleagues, read industry periodicals, attend industry meetings and join organizations such as AHOU to stay involved. All of the underwriters agreed that working from home is not for everybody and that it takes discipline, self-motivation and the ability to overcome the “isolation” factor to succeed.

What advice would you give to an underwriter contemplating working from home?

You will need to set up dedicated space in your home and treat it as if you are going to the office—even though you are not commuting to an office, your attitude needs to be that you are “commuting” to the next room when at work. Build and stick to routines and establish discipline with your schedule and work habits. You will need to make the effort to stay on top of trends in underwriting and should be active with underwriting groups. If you are a contractor, don’t put all your eggs in one basket and look to hook up with outsourcing companies as a source of assignments. Make sure you understand your finances and the tax benefits of working from your home office. You will need your equipment to be up-to-date, dedicated to this use, and you should have high-speed Internet. Lastly, try experimenting with working from home while still in the office before setting up shop and making the move.

What advice would you give companies contemplating using remote underwriters?

Companies need to realize that much of the best underwriting talent is now retiring but still interested in working with creative/flexible arrangements. Smart

companies can actually benefit from this trend. Realize that remote workers can actually be more productive and are very motivated to prove it. Some work can be broken up like an assembly line shared between remote underwriters and home office underwriters (i.e., tele-underwriting, APS summaries, quick quotes, claims review, etc.). Match up remote and on-site underwriters from a cost-benefit and productivity comparison perspective. Examine IT options for remote and secure connectivity. Companies should at least experiment with remote underwriters to get a feel for how it would work for them. Get a plan in place because this is where underwriting is going.

Conclusion

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 the chief underwriter’s responsibility is to deliver optimum mortality/morbidity results. Today’s environment can either propel or hinder an underwriting department’s ability to deliver those desired results. Well-trained and experienced underwriting resources are getting harder to find and it will only get worse. It is time to start thinking out of the box and consider all the tools that are available. Using remote/outsourced underwriters is a potential means to deliver maximum results with the most cost and time effective resources available.

Successful careers in underwriting are extending beyond a centrally located corporate office—with both underwriters and home offices benefiting.

About the Authors

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In 1998, Eli Rowe was one of the founding fathers of Parameds.com and has been very active in numerous roles within the company since then. Prior to that, Eli was President of Romex Examinations for eight years where he was responsible for the growth and direction of that boutique tri-state exam company. Eli earned his Business Degree Summa Cum Laude from Touro College while simultaneously becoming one of NYC’s youngest Level 4 Paramedics. He is the Secretary and Treasurer of MUD, the Metropolitan Underwriters Discussion Group, is an active volunteer paramedic and an avid instrument-rated pilot.

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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. Most recently, Chris served as the head of sales and marketing for Global Insurance Resources.