

## UNDERWRITING

# Ringling the changes

New guidelines on online and telephone underwriting fail to tackle the major issues and will have little impact on best practice and regulating the industry, writes Helen Pow

The ABI last month released a set of draft online and telephone underwriting best practice guidelines, but industry players believe they do not go far enough and, as many providers easily meet the standards already, will do little to improve best practice in the industry.

Royal Liver IFA market manager Andy Milburn says most providers are working hard to improve the quality of online and telephone underwriting to ensure customers answer all application questions thoroughly and accurately, therefore preventing unintentional non-disclosure and rejected claims.

The ABI could use this opportunity to put wayward providers in line, and push the industry even closer towards eradicating contested claims but, according to Milburn, who will be talking to the ABI during the two-month consultation period, the new guidelines only go halfway.

He says: "The industry has put tele-underwriting four or five feet above the ground, then the ABI comes in at around two feet, which is way underneath what the providers are doing already. Most providers would not have to alter or improve anything, which is not what best practice is about."

CBK principal Peter Chadborn says the ABI's guidelines are vague and have generally missed the major issues, which are impeding this type of application process.

He claims uniformity among providers in online and telephone underwriting is important but the ABI guidelines are not helping the industry move towards a coherent, standardised system.

He says: "I recognise the

relevance of producing the guidelines, but I do not think they go far enough. The ABI uses words like 'a reasonable time period', but why not set guidelines like 90 days? Whenever they are using words like 'strongly encourage' there is no uniformity there."

Lifesearch head of protection Kevin Carr agrees intermediaries would like some sort of uniform regulation, but claims it is imperative that everyone in the industry works together to improve the system, not just the ABI.

He says: "We need the ABI and ombudsman to say this is the accepted norm but there should be some sort of IFA involvement too, as they are the ones dealing the customer. The manufacturers and distributors have to work together to make sure people know what they are buying."

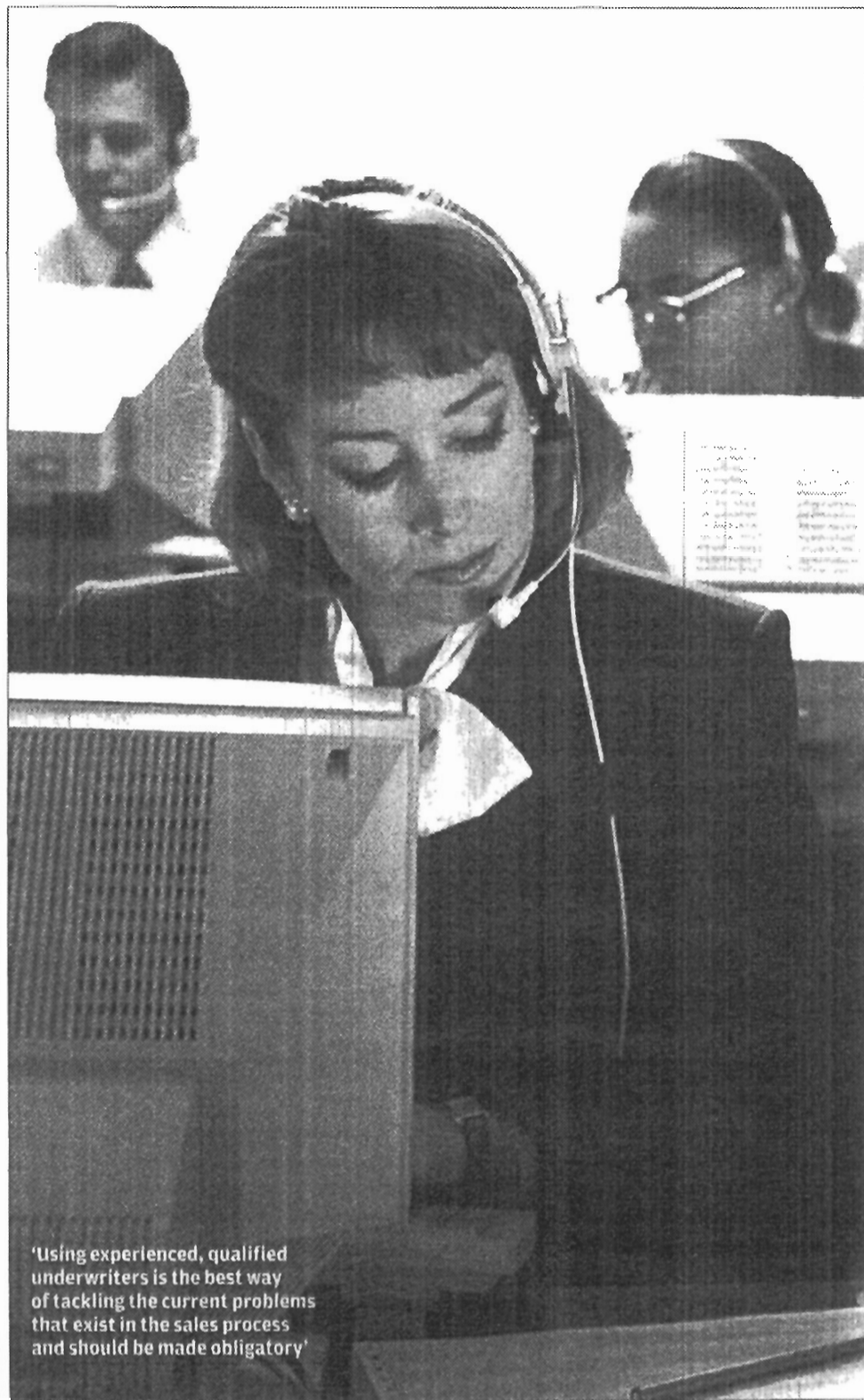
Carr says the industry cannot rely on the ABI entirely because many of the problems with critical illness insurance exist in the sales process, which is often out of the ABI's hands.

There are two models developing among the five or six providers currently offering telephone underwriting, according to Milburn.

One method allows the IFA to keep the responsibility of underwriting until they have any queries, at which point they get a qualified underwriter to contact the client at a mutually agreeable time.

Milburn explains: "When asking a female client about gynaecological issues, for example, the IFA delegates the asking of these particular questions to a qualified female underwriter who has dealt with the same question before and can get a much better result."

Other providers use tele-interviewers, call-centre employees or people who



'Using experienced, qualified underwriters is the best way of tackling the current problems that exist in the sales process and should be made obligatory'

have done a short training course, to ask questions and input answers into a computer underwriting program.

Milburn says the latter method is less evolved than the former and believes the ABI should make it obligatory that all providers use qualified underwriters. But he is disappointed because the guidelines barely touch on this.

Chadborn is also disillusioned: "I do not know why there would not be minimum standards of qualification. As an IFA I would want to know and have confidence in who is making the call. That would influence where I would go for business."

Directly Financial director Stuart Bayliss understands why the online and telephone underwriting process is not fully regulated.

He says: "The cost of fully regulating underwriting is high, which would put up premiums. We have got to be brighter than just saying we need fully qualified underwriters but it would work for the right people."

Another problem Milburn believes has not been properly considered in the ABI guidelines is the circumstance in which the client signs the application form.

He says some providers obtain a signature from the client when they fill out the original form but not again after any secondary questions. But other providers, who may or may not obtain a signature initially, send the client a copy of all documents and recordings when the interviewing and underwriting processes have been completed. The client then has 60-90 days to make sure the information is correct before they sign it and send it back.

Milburn believes the latter should be enforced among all providers.

This is also Chadborn's main bugbear. He says: "Around one third of providers do not obtain a signature. I think it should be mandatory. If they do not require a signature where does the liability lie? There is the potential for the IFA to be liable. If you are going

to eradicate non-disclosure, consumers need to have ownership of the process."

Chadborn adds that many providers who do not require a signature argue that if they did insist on one clients would forget, which would result in business coming off the books. However, that is a feeble excuse and reflects poor quality advice.

According to Chadborn, if the IFA or provider is confident in the advice they have given, the client will be just as keen as the insurer to sign the forms and get the insurance running.

He says: "I do not have any policies coming off the books because I take the advice period so seriously."

ABI spokesman Jon French says the online and telephone underwriting guidelines are there to inform and steer companies in the direction of best practice but the ABI needs input from industry players to make sure the guidelines are as relevant and helpful as possible.

The consultation period ends on December 22.

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