

Processing the Non-Standard Case

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What is Underwriting?



- Examining the probabilities & possibilities from facts
- Presented once – unlike clinical medicine – “you get one chance to make a first impression”
- The pooling of risks.....

Pooling of Risks



- Think of applicants as swimmers in 10 pools
- The main pool is for standard swimmers – 80% of people
- 10% in the shallow end – “borderline standard”
- Remaining 10% of are learning, or cannot swim
- These “learners” have been graded into 9 smaller pools
- “Selectors” and “Coaches” grade each “learner”
- Opportunity for promotion....and demotion

What are the Rules?

- Pre-Human Rights Act, “If you cannot swim, we do not want you - you can ‘drown’!”
- Post- HRA, “As expert ‘selectors’, you have a social responsibility to look after those customers who want to learn how to ‘swim’.”
- Not everyone wants to ‘swim’ (insurance) and some will never learn – the ‘uninsurables’.
- There is a Government Health System to accommodate them via a tax-payer-funded welfare system.

Implications of the Act



- The Act does not permit insurers to refuse anyone
- It requires insurers to not discriminate – and to treat everyone fairly
- This requirement means imposing higher costs
- It is the cost of “maintaining” these extra pools and “coaching” these non-swimmers.
- Today, we are living in a user-pays society
- “Non-swimmers” have to pay to be “coached”
- Moving between pools – what’s changed?

The New Guidelines



1. Costs

- Insurers estimate this “expertise” costs from \$1,500 to \$2,000
- HRC say these costs can be built in to the premium initially
- They suggest the premium can be reduced when better information becomes known
- Alternatively, if the information benefits the insurer in assessing future claims, this additional cost could be waived?

An Example

The New Guidelines (contd)



2. Deferral

- It is not unlawful but must be used judiciously
- It is not a substitute for refusal
- It is time to quantify and assess the risk
- Deferral must be for a reasonable time, i.e. within months
- Reasonableness is defined by a couple of court cases
- Must communicate reason for the deferment, process followed and the criteria for resolution

An Example

The New Guidelines (contd)



3. Pre-Existing Conditions

- To take into account the circumstances of the individual
- Cannot be a formula involving stereotypic assumptions
- Be specific as possible

An Example

The New Guidelines (contd)



4. Exclusions

- Must be justified and reasonable
- Based on applicable data, as well as other relevant factors, i.e. advice or opinion used to justify different scenarios
- Advice or opinion must be relevant to Applicant's disability
- Relevant is an objective decision, rationally considered and justifiable on a case by case basis

An Example

The New Guidelines (contd)



5. Mental Disability

- Must be quantified even though it cannot be measured the same as a physical disability
- Applicants are not to be categorise because they had treatment – must establish the true nature of the condition
- Exclusions are also required to be justified and reasonable, the same as any physical disability

An Example

The New Guidelines (contd)



6. Reinsurance

- Reinsurers remain exempt under the HR Act
- If reliance is based on reinsurer's underwriting guides, care is required to ensure this is up-to-date
- Decisions must still apply reasonableness, local conditions and experience
- At times, insurers will have to offer cover without backing, i.e. limited to their Retention Levels

An Example

Consider this....



- 40% of cases are issued immediately
- 40% are standard after assessment
- 20% need greater examination
- It takes at least 1-2 hours to assess the 20%
- This 20% accounts for 95% of an insurer's costs
- They involve the most experienced and highest paid underwriters
- Where do you think most of the energies are going?

How to get your cases issued



- Full information is always the key to the solution – and no surprises
- Research the subject and risk factors – via the Internet
- If complex, they will be time-consuming, so consider the miss use of time
- Competition can be fierce with larger cases so don't risk losing it because it is out of your depth
- Seek expert guidance/assistance, just as a GP does
- The Financial Services Act will insist you only handle those matters you are qualified in.

A few sales suggestions...



1. Express the premium as a percentage of the sum insured
2. It could be the last time – take another 25% more
3. If there is a Back or Mental Health Exclusion, why not use a product that offers a discount?
4. If totally lost.....



"Nurse, get on the internet, go to SURGERY.COM, scroll down and click on the 'Are you totally lost?' icon."

In Summary



- Conduct yourself within the spirit of the HR Act and its Guidelines
- Eliminate, or at least, minimise discrimination
- Everyone should be given the chance to learn to swim
- Provide “coaching” for those “non-swimmers” – seek out expertise
- Don’t allow people to “drown” – become a “life saver”

