

**TELE-INTERVIEWING: DOES IT MAKE SENSE TO WRITE IP WITHOUT IT?** - Peter Maynard,  
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Nowadays it's pretty well accepted by underwriters and advisers that tele-interviewing (TI) is a very effective and practical tool for gathering risk information. Just to remind you, TI is a process in which trained personnel gather risk information from applicants over the telephone. It can be done by adviser firms or – perhaps gaining popularity in the current environment – by insurers, who then take the responsibility for the quality of the process and the accuracy and detail of the information recorded.

And it is not just the information that is recorded: an audio recording in digital form of the phone call is kept for however long is deemed necessary by the insurer (or its regulator), so there is a top-quality audit trail for this part of the new business process. Thus those arguments along the lines of (applicant) "I told the adviser that; he said it needn't be disclosed," or (adviser) "I asked that question and the proposer answered 'no'" are banished forever.

And it is for this reason that the regulatory authorities and the Financial Ombudsman Service very much approve of TI. There is the matter of whether insurers get applicants to confirm that the information recorded reflects the true picture, and whether they sign that that is so, but this is a relatively small issue in the context of the TI concept.

So TI really is A Good Thing. In fact, the most useful innovation in the world of underwriting in decades. And for income protection (IP) pretty much a godsend. IP underwriters have always had a greater thirst for information and detail than their mortality counterparts. For health history events, the basic requirements of all underwriters are pretty much the same:

- What was the diagnosis?
- What did investigations show?
- What were the symptoms, and have they resolved?
- What treatment was given?
- Has there been a full recovery?
- Is treatment continuing? And if so, what?

But the IP underwriter wants to know more:

- When did symptoms begin? How long before the applicant sought medical advice?
- How quickly did symptoms subside?

- Was the applicant off work? And for how long?
- If there are continuing symptoms, what are they, and how troublesome?
- And so on...

Then there is the proposer's occupation, a crucial factor in pricing the basic IP risk and, in some cases, determining expiry age, the definition of disability or the deferred period:

- Job title
- Duties that entails
- Does it involve physical work? If so, what and how much? Is heavy physical work required?
- Does it involve bending, kneeling, crouching or agility (as might be required of a plumber) or dexterity (as would be required of a musician or surgeon)?
- Does it involve the use of tools or machinery? (Effort and skill required in handling; injury risk)
- Is there an accident hazard, for example a risk of falling?
- Are there health hazards, eg lung disease, skin disease, infection?
- Are there stringent minimum health requirements, eg aircraft pilots?
- Are exceptional sensory requirements, eg hearing (musician), smell/taste (wine or spirit blender)?
- More mundanely, does the job involve driving long distances?

What? Is all this information really necessary? Well actually yes – if you want to understand the risk properly and to price it accurately (and fairly with equity between policyholders in mind). Maybe you can get away without it; but it makes risk pricing a hit-and-miss affair and jeopardises profitability.

But despite the lengthy list so far there is still one crucial risk factor missing: the applicant's *attitude to* and *relationship with* work. Is he/she happy in the job? Is the work satisfying and rewarding, or is it repetitive and boring? Are there factors in the proposer's immediate domestic and social environment that make going to work a problem?

In fact, 'soft' factors such as these are hugely influential in determining the level of risk. And this is partly why underwriters want to know so much about significant events in the medical history. What's the applicant's *attitude to illness*? Often down to the GP's surgery for trivial symptoms

and illnesses? Often has time off work? Above-average time off work for given illnesses? Or a rare attender at the surgery and almost never off work? Work-dodging wimp or conscientious stoic?

These soft factors are more properly referred to as *psychosocial* factors. Taking account of them in the context of illness gives rise to the *biopsychosocial* approach to understanding and managing disability. Actively pursuing the biopsychosocial route is relatively new in IP, but it is common and, shortly, will probably become universal in the group market. And it is starting to be applied to individual IP as well.

However, the traditional application form, whether paper or electronic, isn't very good at doing even the *bio* bits, and is lousy at covering the *psychosocial* angles. And this is where TI comes in: a skilled, well trained interviewer can probe into the various risk factors in a way that a series of questions on an app, even if answered with the help of an experienced adviser, can't.

Can a TI really pick up all the psychosocial angles? No, it can't. Let's face it, to get really beneath an applicant's skin – and into their head – would take at least half a day. So even the tele-interview has its limitations. But if we accept that the TI can't do the whole job, and that it is unrealistic to attempt to do so, it can at least go some of the way and, if conducted skilfully, much farther than the traditional app.

Maybe there are lessons to be learned from the psychometric techniques that firms use when assessing the suitability of job candidates. But the point is that the application process for IP needs to be much smarter than it is now if companies want to go a significant way towards better risk selection, and removing the insured's ability to choose whether to be 'disabled'. That smarter process has to involve tele-interviewing.