

Outsource Underwriting

(short term)

2001 SOA/LTCI Conference



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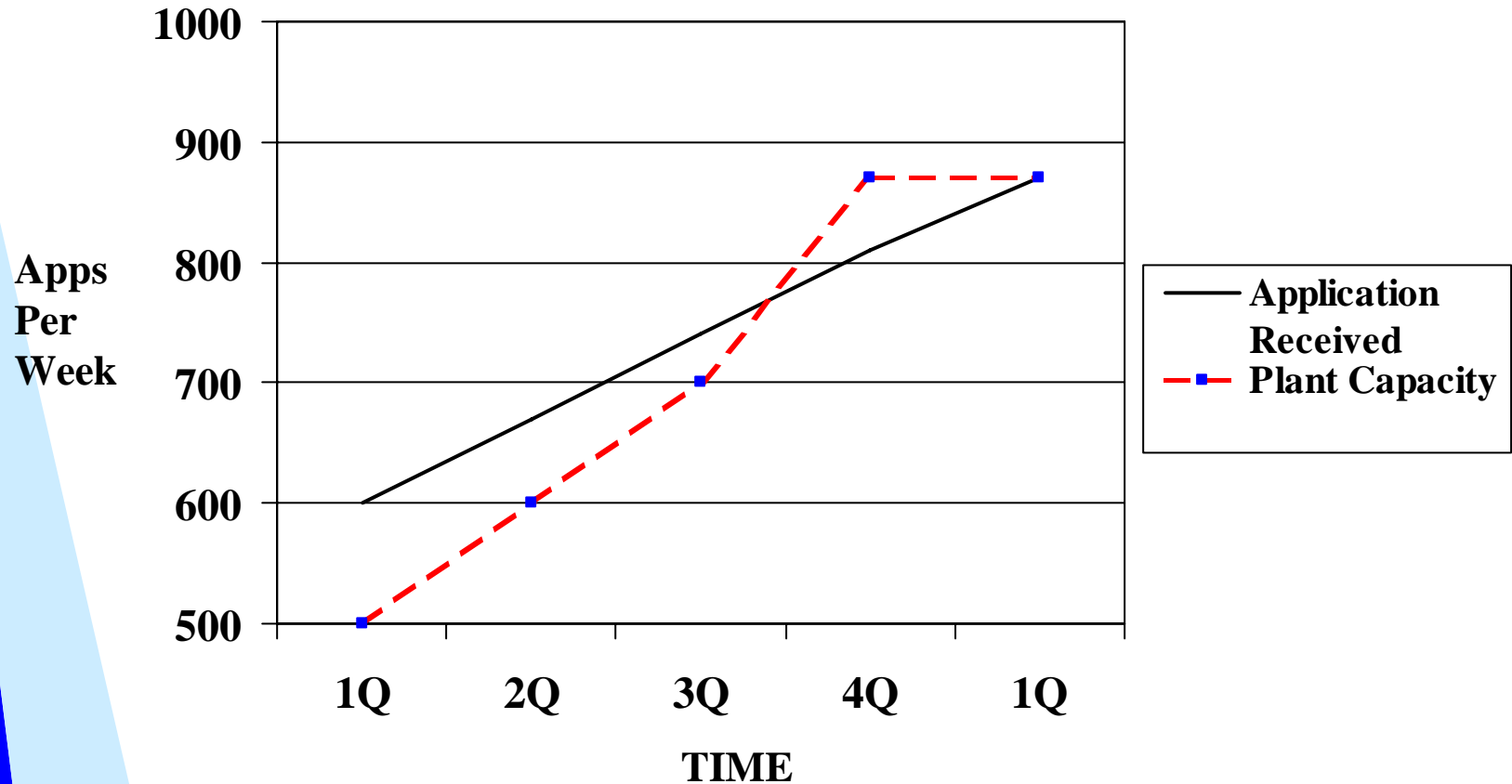
SHORT TERM OUTSOURCING

(2-12 months)

- “Bridging” Resource Gaps
(6-12 months)
- “Crisis” Situations
(2-4 months)

“BRIDGING” EXAMPLE

Workload Exceeds Plant Capacity



SITUATION ANALYSIS

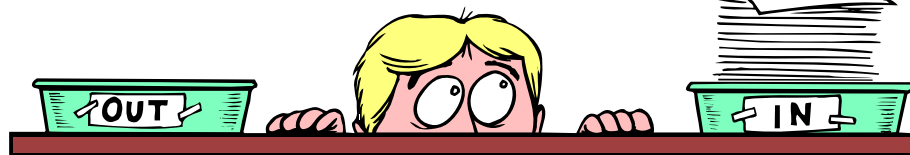
- Company committed to “in-house” underwriting to develop propriety knowledge & competitive advantage.
- Growing backlogs, slow service, demoralized staff.
- Threatened grow/sale plans.
- Concerns about underwriting Quality.
- Large number of unproductive junior underwriters
- Limited ability to quickly hire experienced LTC underwriters.

NEEDS

- Increase Plant Capacity NOW!
- Refocus senior staff from backlog to development of junior staff's productivity and quality.
- Reduce backlog to improve both sales relations and morale problems without compromising underwriting quality.

THE SOLUTION

- Outsource sufficient workload to meet the needs.
- Do not overestimate your current capacity or speed of developing your staff.

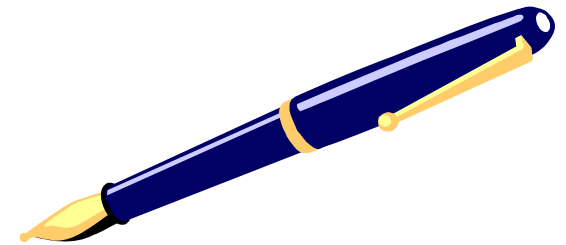


ISSUES

- Understanding true needs.
- Cost: \$20 - \$40/case.
- Underwriting standards.
- Time service implications.
- Field communications.
- Selection of Outsource partner.
- Quality Control.
- “Wind down” plan.

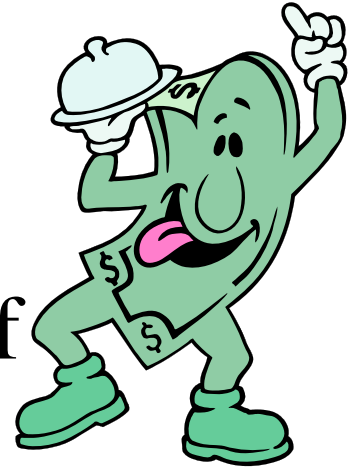
UNDERSTANDING TRUE NEEDS

- Develop good plant capacity model.
- Create a staff development/productivity plan.
- Combine to develop model of outsource needs.



COST: (\$20 - \$40/CASE)

- You get what you pay for!
- Varies with volume & length of commitment.
- I recommend cost should be secondary to quality and service needs. It has a “shorter tail”.



UNDERWRITING STANDARDS

- Choose between your own and outsource partner's standards.
- I recommend using your own standards.
- Why?
 - Your product is matched to your experience.
 - Minimizes field complaints.
 - You have the time to teach your outsource partner.
- Share everything with your partner!

SELECTION OF OUTSOURCE PARTNER

- Talk to industry friends about options.
- Clearly outline the nature of your needs.
- Negotiate cost, service and quality standards.
- Can they really handle your volume?
- Due diligence:
 - Have sample group underwritten (50-100)
 - Compare to your decisions by categories such as age, impairments, etc.
 - Discuss differences to improve outsourcer's knowledge of your standards.
- Select partner with best quality.

QUALITY CONTROL

- Random sample 25% in first weeks.
- Reduce sample to 10% after satisfied outsource partner understands standards.
- There is a tendency to concentrate on declines.
- Do not forget the standard issues. That's what you live with!
- Insist outsource partner does their own self audit.
- Set up good spreadsheets to account for all cases (sent vs. completed, time service, decline rates, etc.)

TIME SERVICE

- Recognize outsourcing adds a few days to the time from “last evidence received” to “policy issued.”
- Tell your staff and sales force.
Emphasize the benefits:
 - Higher quality decisions.
 - Reduced backlog.
- Do not do the work twice!
- Be realistic!

FIELD COMMUNICATIONS

- It's all about TRUST!
- Do not hide that you are outsourcing.
- Have trusted senior staff review and communicate adverse decisions.
- Have regular “status” conferences with your outsource partner. Share all problems and successes.

“WIND DOWN” PLAN

- Track progress of the productivity improvements in your own staff. Execute, execute.
- Remember it's easy to become dependent. Focus on goal of independence.
- Share progress with your staff, it builds pride and morale.
- Share progress with outsource partner.

CRISIS SITUATIONS

(Difference from Longer Term)

- Recommend use of Outsource Partners Underwriting Standards. You don't have time to train them.
- In due diligence, increase emphasis of outsource partner's capacity. They don't have time or incentive to "ramp up."
- Consider splitting business between several sources to reduce your vulnerability to capacity problems.

CONCLUSION

REMEMBER,
IT'S A PARTNERSHIP.
YOU GET OUT WHAT YOU PUT IN!

