

Allfinanz with Munich Re inside
New business processing with
expert underwriting rules



Münchener Rück
Munich Re Group

allfinanz
underwriting automation



Introduction

The protection market has witnessed a period of enormous growth over the past few years. One of the key challenges for providers has been to process increasingly high volumes of new business efficiently. To date, this has often been hampered by costly and inefficient processes, most notably the underwriting process, which has remained largely unchanged for many years.

Differentiation in the market place and improved competitive terms are being sought through improvements to these core processes. For many insurers, automation of the new business and underwriting process is therefore a strategic imperative for success.

Allfinanz with Munich Re inside brings together a powerful union of expertise in providing web-enabled new business processing systems and expert online underwriting rules from a global reinsurer.

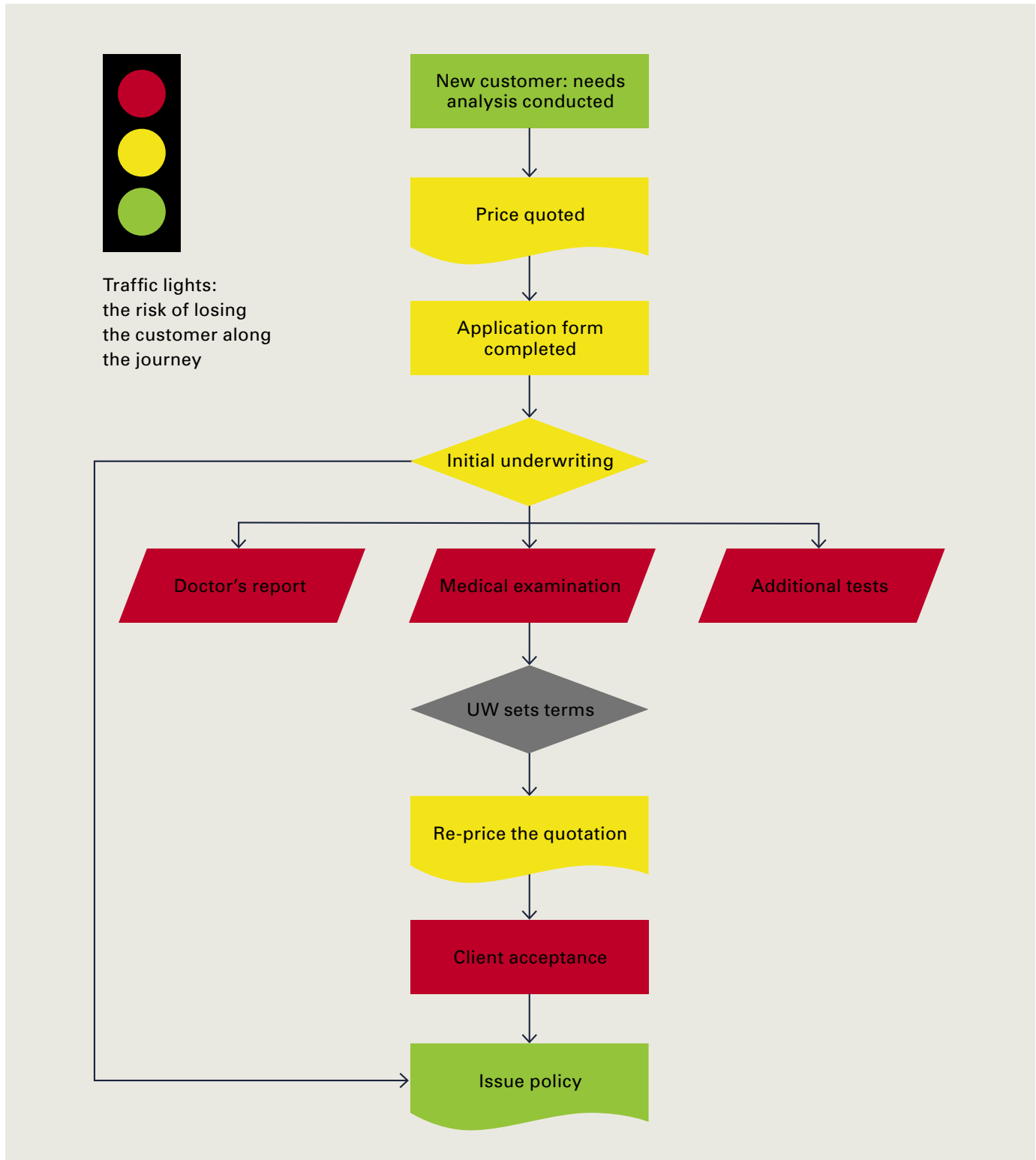
This brochure outlines the key elements of the Allfinanz with Munich Re inside proposition and sets out the benefits that will result from adopting Allfinanz with Munich Re inside. For insurers in both mature and developing life and health markets, the combination of Allfinanz and Munich Re will provide an excellent platform which the insurer can tailor and develop to suit their product and distribution mix.



The current underwriting model

It is an acknowledged fact that the underwriting process is fundamental to writing new business successfully. This core competence is about enabling the risk to be accurately assessed and an appropriate price for the risk charged while at the same time keeping the customer engaged and committed to the process.

However, the mechanics of the underwriting process have remained largely unchanged for many years and generally involve many manual interventions. In that drawn-out process, there are many stages where the customer can be lost. A typical underwriting workflow might look something like this:



Inefficiencies in the life and health underwriting process can be seen in three key areas:

Sales and customer attrition rates

Because the process can take several months to complete, the potential client can be lost at many points along the way. There are many reasons for this. It may be that the client finds the process of tests and medicals simply too intrusive; it may be that the adviser or client is offered a better approach from a rival; it may be that the client cannot afford the final underwriting terms. It is not uncommon to find customer attrition rates of 25% or higher in some markets, which is not only a lost opportunity sale but a very expensive overhead to the business, impacting the life insurer's ability to remain competitive long term.

Expenses

The costs of underwriting cases that are not accepted at the initial underwriting stage can be considerable. When it is considered that 75–80% of cases where medical evidence has been requested are ultimately given standard terms, it is easy to see where potential profits are compromised.

Rating factors

In the life insurance market, it is common practice to work from a limited number of rating factors to assess the risk. In the motor insurance market, for example, an increasing number of factors are now used to derive the ultimate premium and this has been one of the main factors revolutionising this market. Clearly this is a key area for the future development of the life market, where there is plenty of scope to improve risk assessment.



The way forward

Some of the significant factors that are driving the successful revolution of the motor insurance market have been the following:

- Real-time monitoring of process dynamics
- Pricing that takes into account process costs as well as the technical rate tables
- A commitment to ongoing continual improvement to obtain more successful outcomes
- Data collection of a wider range of factors, so that prices can be better matched to the risk posed by the customer.

More dynamic underwriting processes have been emerging in the life and health markets powered by electronic underwriting systems. These seek to address the issues of controlling the costs of processing (including the human costs) and the amount of medical evidence that is required. In addition, the supporting systems enable the peaks and troughs of new business flow to be handled efficiently, the take-up rates of cases to be increased and the overall customer experience improved.

It has become clear that advisers and customers are loyal to a reliable process. Competitive advantage has traditionally been sought in the price and product features arena but as products have become more standardised, the new business process is proving to be the new battleground.

Superior systems now allow more data to be collected from the process, particularly for 'straight through cases', which gives a better picture of the risk profile of the business. Not only does this enable the underlying rules to be continuously enhanced to allow for better risk selection and the management of operational risk, but improved terms can be derived from this data to give sustainable, long-term, competitive positioning in the market.

The proposition – Allfinanz with Munich Re inside

Allfinanz and Munich Re bring together cutting-edge new business technology and underwriting excellence which helps improve insurer profitability over the long term.

The new business platform is provided by Allfinanz, who have developed a market-leading new business processing system that is used by major insurers across many different product ranges. However, the value of the electronic underwriting systems is only as good as the underlying expert underwriting rules; these can add a richness and depth of understanding of the insurer's business profile. Allfinanz with Munich Re inside is a tool that leverages the value of Munich Re's underwriting excellence and provides the information to optimise new business pricing, risk selection and the ongoing improvement of the underwriting process.

The combined strength of the Allfinanz system and Munich Re's expert electronic underwriting rules presents a powerful proposition to the market. Not only will insurers have access to a team of specialists dedicated to maximising an insurer's strength in the market to increase profitability, it will allow the new business process to be transformed and keep one step ahead of the competition.

Summary of benefits of Allfinanz with Munich Re inside

- Improved turn around times for new business processing
- Interactive electronic underwriting rules that reduce the average costs of new business processing significantly
- Access to expertise in data and business analysis that has a real competitive impact on the 'bottom line'.

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The value of Allfinanz

Allfinanz with Munich Re inside is a new business and underwriting process automation system designed to maximise 'straight through processing' rates. This is achieved by electronically capturing application details, automating underwriting and even taking care of all the compliance, data-capture, documentation and workflow issues associated with processing each life insurance application.

The Allfinanz system allows life companies to increase the volume of new business without a proportionate increase in administrative overhead. The majority of all new business applications are capable of being

processed automatically, with the policy determined by rules designed and maintained by skilled and experienced underwriters. Cases not processed automatically and needing review by an underwriter are managed more efficiently.

Requirements are ordered at the point of sale and, together with the detailed interview data, are passed as a completed case file to underwriters for manual underwriting. Underwriter Workbench is the application provided by Allfinanz to help underwriting departments more easily and effectively manage referred cases to conclusion.



The value of Munich Re's expert underwriting rules

Munich Re's expert underwriting rules not only give access to a well established set of underwriting rules from a global reinsurer but provide access to rules that already have market credibility as they have been tried and tested in the market place with leading protection providers. Munich Re is committed to providing regular updates and enhancements to the rule set, with a dedicated team of underwriters who are continually working on developing underwriting rules. Regular user group meetings and the benefit of access to Munich Re's global knowledge further underscore this commitment.

In addition to providing access to global expertise, Munich Re can also provide low-level data analysis including regular data reports to increase overall understanding of the business (including highlighting improvements to the rule set) together with consultancy on protection best practice. This complements Munich Re's established reinsurance competencies in areas such as pricing, underwriting, claims and actuarial services.

Examples of how Munich Re can help improve best practice include:

New business processing

- Application process – measuring take-up rates and assessing the interaction of take-up rates and service levels
- Underwriting philosophy and procedures – monitoring the efficiency of underwriting, quantifying the impact of underwriting on take-up and profitability and optimising the cost/benefit ratio of the evidence requested.

Quality measures and pricing

- Quality of lives – analysis will quantify the impact of socio-economic groups on mortality and pricing
- Quality of agents – an in-depth analysis of agent productivity, for example non-disclosure rates
- Direct office pricing – sharper pricing follows from a deeper understanding of the business as excess margins are removed
- Reinsurance terms – the benefits of electronic underwriting can make a difference to the reinsurance terms offered by, for example, knowing that a repeatable process decreases operational risk.



About Munich Re worldwide

The Munich Re Group combines the disciplines of reinsurance, primary insurance and asset management to form a leading risk carrier and financial services provider. The Munich Re Group is one of the world's largest reinsurers and the second-largest primary insurer in Germany. In addition, we are an independently owned organisation with over 125 years of experience in our specialist field.

Our mission is 'turning risk into value'. Today, we now advise more than 5,000 clients in 150 countries and being the preferred partner in risk for many of our clients is the ultimate goal. We have 60 business units in our international organisation, with over 6,500 employees in our worldwide reinsurance business.

Going forward, our mission statement encapsulates our guiding principles for our business by:

- Actively diversifying risk
- Growing profitably
- Steering and controlling our activities with excellence
- Capitalising on our financial strength on a sustained basis.

Munich Re operations

Munich Re is a leading player in a number of key reinsurance markets. In our chosen markets, we focus on developing and maintaining long-term professional partnerships, and adding value through the application of our skills, knowledge and capital strength. In addition, we offer first class service through our client management and consulting approaches and utilise our enviable technical knowledge to develop and deliver cutting-edge solutions for our clients.

About Allfinanz

Founded in 1987, Allfinanz is the leading provider of new business processing and underwriting automation software to the life insurance industry. Allfinanz solutions eradicate the traditional inefficiencies of processing new business, and in so doing slash costs and drive greater profitability.

Allfinanz has helped make 'straight through processing' and 'instant issue' a reality for insurers and banks in Europe, North America, Africa and Asia, who are able to approve up to 80% of new applications at the point of sale across a range of distribution channels while reducing new business acquisition costs, in some cases by up to 85%. The solution has been deployed across all distribution channels (intermediary, call centre, bancassurance, agent, direct, etc) and Allfinanz is able to handle the full spectrum of insurance products.