SARs: Friend or Foe

The process of collecting medical evidence for underwriting purposes has hardly changed over the past 30 years. Yes, we have added a few new blood tests and a nurse screen over the years, but in reality the first line of evidence remains a GP’s report (GPR).

Here in the UK, we are blessed with a cradle-to-grave National Health Service and our medical records follow us around the country as we move from one practice to another. That makes the GPR a great source of information. But it does have its limitations.

The GPR is not the full medical record, which can mean the underwriter having to request further clarification from the GP and potentially letters from consultants could be excluded. However, there is an alternative, full medical records can be requested with a Subject Access Request (SAR).

The following article provides an overview of a presentation given at our recent annual seminar on Subject Access Requests reflecting whether it is a friend or foe to the industry.

Subject access requests

SARs falls under Section 7 of the Data Protection Act 1998, which defines UK law on the processing of data on any living and identifiable person. Anyone holding personal data for purposes other than domestic use, in the form of an address book for example is legally obliged to comply with the Act.

The Act commenced on 1 March 2000, with most of its provisions effective from 24 October 2001. Full Medical Records are deemed sensitive personal data, defined in the Act as personal data relating to racial or ethnic origins, political opinions, religious beliefs, trade union membership, physical or mental health (including disabilities), sexual life, the commission or alleged commission of offences and criminal proceedings.

Third parties are not prevented from requesting a SAR, provided they have the data subject’s full informed consent. A SAR can be refused if any information contained within it may cause serious harm to the subject’s mental or physical health or that of someone else.

Requesting full medical records for underwriting purposes is a great idea in principle, but there are pros and cons – for both applicant and insurer.

Pros and cons

As previously noted, the main benefit of requesting a SAR is that you will receive the applicant’s full medical record.
By obtaining a SAR, an underwriter will have all the information needed and will be in a much stronger position to apply terms commensurate with the risk. This in turn provides greater certainty for the applicant and the company.

One downside of this route, is information overload. More on this later.

SARs certainly offers benefits in terms of cost and turnaround times, with both determined within the DPA.

If the requested record is fully computerised, which is currently very unusual, the cost is £10.00. For mixed media or paper only, the maximum charge is £50.00. This is considerably lower than the cost of a GPR, the BMA recommended fees for GPRs 2013/2014 were announced in April as £120.20. This fee is for guidance only and is often exceeded.

As for turnaround times, all SARs must be actioned within 40 days of receipt. The Government has made it clear that it believes 21 days would be preferable. However, even if the wait is 40 days, it is still much quicker than the typical wait for a GPR.

A speedier turnaround from the GP practice will lead to quicker acceptance for the applicant, which can only be a good thing for all: customer and company alike.

There is some resistance from both GPs and the British Medical Association, who question whether it was ever the DPA’s intention to allow insurers to use SARs to request evidence. However, the ABI and the BMA are currently in discussion and are hoping to resolve any issues and concerns. The BMA do accept that provided the patient has given explicit consent for the medical record to be shared with the Insurance Company, doctors should comply with requests.

Returning to the question of information overload, the underwriter will clearly have more evidence to evaluate. That means each case will take longer to underwrite manually. A SAR can be extensive: Hannover Re UK Life Branch (HR UK) has underwritten SAR cases where there have been more than 800 pages of notes, although this is at the extreme end of the scale. For a middle aged insurance-buying female, you could...
well be looking at 100 to 200 pages of notes and that takes time to assess.

Nevertheless, there are answers to this issue, with technological solutions available that can run the SAR through a computer programme to produce a report showing all the references corresponding to parameters set by the user company. Based on HR UK experience this cuts the average SAR assessment time to around 45 minutes. We believe this time can be further reduced as the underwriter gains confidence in the report generated reducing the need to confirm that reference in the SAR match those in the report.

Using a SAR also means that the underwriter may have information they would not have received via the application form questions. This can cause problems. It is impossible to unlearn what you have learnt. For example, if an application form asks ‘have you had X within the last five years’ and the SAR discloses that the applicant had X six years ago, the underwriter may wish to take this into consideration.

The industry and HR UK’s philosophy is that this information should be ignored as the applicant has made an honest disclosure on the application form. Obtaining a SAR can be a bonus for the applicant as it will help negate the need for a memory test and minimises the risk of under-disclosure – since all information will be made available to the underwriter.

A robust audit trail is essential if a SAR is used. An underwriter will be expected to explain fully why any piece of information has been used. This will be particularly important should the Financial Ombudsman Service become involved in a dispute at the point of claim.

The DPA does not limit the number of SARs an individual can make. It does, however, allow some discretion when dealing with requests that are made at unreasonably frequent intervals. The Act states that the data holder is not obliged to comply with an identical or similar request that has already been dealt with, unless a reasonable interval has elapsed between the first request and any subsequent ones.

This could cause problems if an individual makes concurrent applications for insurance to obtain the most competitive terms. However, this is not insurmountable and we could revert to days gone by, when it was a regular occurrence for one office to request medical papers from another at the point of underwriting, rather than requesting a GPR.

In January 2012, however, the European Commission proposed significant reforms to European Data Protection law, with the publication of a draft regulation for consultation. A European regulation differs from a directive in that it is imposed as drafted, whereas a directive has to be given effect through primary legislation in each member state.

The Commission was concerned that Data Protection law is inconsistent across the EU because previous European law took the form of a directive. It is also clearly time for new law that takes account of the virtual world as it currently is, including cloud computing and social media.

The draft regulations include some fairly radical changes to elements of DP law. They have not been universally welcomed. Industry and regulators alike are concerned about how far they go, and the resources required to enforce them.

Both in general and in specific relation to SARs, the new regulations extend the rights of data subjects. One point to be aware of, however, is a new right to have data deleted under certain circumstances. It is not clear how this right would apply to medical records held by a data subject’s GP. If a data subject can insist on parts of their GP records being deleted, it could potentially mean that GP records may not always include a full and exhaustive record of an individual’s medical history.

The current position is that the draft regulation is in an amendment phase following responses to consultation. Anecdotally, there have been approximately 4,000 proposed alterations to the draft. The resulting legislation is likely to come into effect some time in 2016. HR UK will keep you updated on how this legislation change could impact medical records.

The future

Taking everything into consideration should a life office decide to adopt SARs as a route to obtaining the full medical records of its applicants, then the future looks bright.
One major benefit HR UK offers its clients, is a reinsurance rate reduction that applies to all cases underwritten using a SAR.

A claim guarantee could be offered at the point of acceptance of cover, which states that, subject to all definitions being met, a future claim will not be challenged.

Medical questions could become a thing of the past. Some questions surrounding lifestyle, such as height and weight, smoking and alcohol, occupation and avocation questions would still need to be asked, as it is unlikely medical records would hold this information – and what they do hold may not be reliable. For example, some people are reluctant to disclose the full extent of their smoking and drinking habits to their GP.

The amount of data a life office will generate from a SAR will be invaluable. Companies will be able to analyse which questions generate the most under-disclosure and use this to fine-tune application questions and rules engines – if the leap to ‘no questions at all’ seems too great.

Should you wish to discuss implementing SARs within your organisation, please feel free to contact Caroline Froude, on 01344 845282 or at uk.marketing@hannover-re.com.

Caroline Froude
Chief Underwriter &
Head of Claims

Protection Matters

The Syndicate’s 2013 research report focused on how our industry can benefit from better responding to consumer’s current needs and requirements. Entitled Where are we on the consumer’s radar? – navigating a route to protection insurance, the report covered consumer psyche, education and engagement, attitudes to State provision and risk, buying behaviour and knowledge, purchase preferences and the role of the employer.

The latest report, Protection Matters, launched at the Protection Review Dinner at London’s Landmark Hotel on 11 July 2013, expands further on these themes. Specifically, it investigates consumers’ attitudes to protection, their concerns about their day to day lives, how they want to engage with our industry, and – by extension – how we can better support their lifestyles.

Who buys protection?

Around a fifth of respondents had purchased a protection policy in the last 12 months. Across all products, the most common response was that consumers had last made a purchase at least five years ago (see Chart 1).

When looking at those who had purchased life insurance in the last 12 months, there were minimal differences between men
and women. Almost half of those who had bought within the past year were among the 18-34 age group. More than a third came from social class C1, and a quarter had a household income of between £28,001 and £41,000.

The profile of critical illness customers who had bought a policy in the last 12 months was quite different, with 60% of men buying compared with 40% women. Thirty-five per cent were aged 35-54 and almost a third had a household income above £41,000. Income protection again showed a higher preponderance of men purchasing (64% compared with 36%), with 62% of purchases made by 25-44 year olds.

**Where are they buying?**

When looking at individual products across all age groups, income protection and critical illness were sold predominantly through banks, building societies and financial advisers. Among those purchasing within the last 12 months, however, a quarter bought online. This indicates that consumers are now looking to this distribution channel for protection products.

There were quite significant differences by age. Over two-thirds of 18-34 year olds who bought life insurance within the last 12 months did so online, compared with a third of 35-44 year olds. Over a third preferred to buy through their bank or building society, or through a financial advisor.

Given that the majority of industry sectors now have an established online presence, these figures are hardly surprising. Online, mobile and social channels continue to grow in importance, and are increasingly consumers’ preferred route of interaction with financial services providers. If it hopes to remain relevant, the protection industry needs to ensure it is in this space.

**What would help them buy?**

Focussing on price is understandable in the current economic climate, but, in the absence of reliable product knowledge to support their decision making, consumers risk misunderstanding product offers or buying inappropriate cover. Most consumers have difficulty recognising what is good value for money in relation to financial products. They also have little understanding of what they should expect to pay for advice when purchasing financial products. Past research has highlighted a general lack of understanding – even among previous purchasers – of what our products provide.

As a result RDR consumers may also find themselves limited to accessing valuable financial advice. When asked theoretically ‘How much would you expect to be charged for financial advice when buying health and life protection insurance’, the average response was £102. Almost a third said they would not pay more than £50, while a further third expected to pay nothing.

Those in younger age groups were prepared to pay more than their older counterparts. Paying fees for advice may be less of a challenge for the post RDR generation. Older age groups have become accustomed to a commission-based fees environment in which they would not expect to pay for advice. This increases the pressure on advisers to sell the value of their own services, as well as the products on which they advise (see Chart 2).

Online is now becoming the beginning of the consumers journey for financial planning. As noted above, those over 35 still prefer face-to-face to online advice. For younger age groups, however, there is a growing propensity to purchase directly, particularly online, either directly from providers or through comparison sites. Younger consumers want to be able to find the best products quickly and easily. They want to enter their information, click, and access a quote within five minutes. This is no different to how a large majority now buy car and

**Chart 1: ‘How long ago is it since you last bought your life policy?’**

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Last 12 months</td>
<td>25%</td>
</tr>
<tr>
<td>1-3 years</td>
<td>35%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>20%</td>
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<td>5+ years</td>
<td>10%</td>
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Source: The Syndicate
house insurance. They want to buy the best product at a price that suits their budget, independently.

Consumers expect a clear, transparent, and simple route to sourcing and purchasing products. They are becoming more demanding and have higher expectations. In a recent Mintel survey, 81% agreed that 'transparency and openness is key to delivering a good customer service experience'. The protection industry has lagged behind others in progressing effective online solutions. But we have to find ways of meeting the needs for a generation of whom this is the normal route.

Engagement on and offline is vital. So too is talking to consumers without jargon, so they can understand what products work best for them (see Chart 3). We need – not only to keep existing customers engaged with help reminders and reward their loyalty – but also to entice new customers. One way of doing this is to ensure there is clarity in what we offer. We need to speak in a voice that consumers can understand and relate to in a quick and easy way. This approach will build trust in the products we offer and provide opportunities to gather information on both current and potential customers.

The social media landscape has also changed the way people source information and referrals. The viral ‘word of mouth’ approach represents a powerful tool, enabling brands to establish themselves overnight. Consumers want to be in control of their decisions and have the confidence to do so. Recommendations from ‘people like me’ are a key part of the buying process for these individuals (see Chart 4).

**Chart 2: ‘Financial advice – expected charges by age (mean)’**

![Chart 2](image)

Source: The Syndicate

**Chart 3: ‘I would be more engaged with protection insurance if the products were easier to compare and buy online’**

![Chart 3](image)

Source: The Syndicate

**Chart 4: ‘I tend to read peoples feedback and experiences of financial service providers and products on Social Media sites (like Twitter and Facebook) when looking to get products like current accounts, insurance, mortgages’**

![Chart 4](image)

Source: The Syndicate
Financial advisors need to become more involved in the social media landscape. Many consumers would benefit from their advice and greater social media engagement would open opportunities for supporting consumers with their future financial planning needs. Financial advisers are one of the protection industry’s key advocates, so we need to support them.

Whatever channel consumers choose, all distribution networks need to work interdependently to provide a wide range of options for consumers, with the common goal of promoting why protection matters.

The Syndicate is an innovative research partnership between Hannover Re UK Life Branch and the Protection Review. Key members of The Syndicate include: Ageas, Beagle Street, PruProtect and Zurich.

Kirsteen Grant
Marketing Manager

Source: The Syndicate and GMI/Intel

New thinking, new opportunities

We held our 15th annual seminar at London’s Chartered Accountants’ Hall on the 3 June. *New thinking, new opportunities* was the theme with delegates being encouraged to consider how innovative thinking can help our industry develop new opportunities.

The programme covered a broad range of topics, featuring issues affecting today’s protection market, investigating new methods and how we need to adapt to identify and deliver successful propositions.

Among these were presentations on: a customer journey, SARs and how they affect providers, critical illness definitions and how we can adapt them to better meet customer expectations, insights on critical illness experience from industry data, global product developments, and new models applicable to the UK market.

We were also delighted to be joined by psychologist Alan Newman of the Finance IT Network, who explained how the protection industry can benefit from incorporating insights from behavioural economics into its thinking.

The day began with presentations from our own experts. In the first of these, *A Changing World of Life Assurance*, Kal Kalsi, Manager, Actuarial Pricing, described how HR UK utilised its experience in developing an online platform, which allows applicants to purchase protection products within around 14...
minutes. Kal described in detail the advantages of this new market proposition and gave a real life example of this in action.

We then discussed SARs – Friend or Foe?, Caroline Froude, HR UK Chief Underwriter and Head of Claims, looked at how Subject Access Requests affect providers and customers. Caroline considered how SARs differ from a GPRs (General Practitioner’s Reports) and the pros and cons of each. (See the article in this In Focus)

A Critical Illness session began with a presentation entitled Critical Certainty, in which Julie Hopkins, HR UK Head of Underwriting and Claims Strategy looked at critical illness cover for cancer, heart attack and stroke. Julie considered what customers expect from insurers when making a claim. She also stressed that policyholders have a very limited understanding of specified severity and policy definitions. She highlighted Defaqto research showing that IFAs believe improved versions of current CI definitions would better support their distribution efforts rather than new definitions. She compared definitions before and after 2006 and illustrated enhanced terms proposed by HR UK that would allow more claims to be paid. In undertaking this work HR UK are helping extend the benefits of protection to a wider cross-section of consumers and providing greater certainty at the point of claim.

HR UK Manager, Actuarial Pricing Brian Sewell shared Insights into CI Experience, showing results of analysis carried out when the pricing team looked at the most recent Continuous Mortality Investigation (CMI) data and working papers.

One of the most interesting results of this was just how statistically significant the difference between standalone and accelerated critical illness experience was in comparison with gender.

The CMI will be releasing new data later this year, which will be assessed and insights shared by HR UK.

The final presentation of this session, Critical Illness – Global Developments, came from Blair Sievering, HR UK Head of Product Development. Blair took the audience on a global tour, identifying a wide range of product initiatives that could be adapted to create new opportunities in the UK protection market. Blair looked, for example, at a severity-based Critical Illness product launched in South Africa, outlining opportunities for developing this further with top-up, cover extension and medical advancements providing further protection options. Blair also described a pilot distribution scheme in the United States that saw a protection provider partnering with a large supermarket chain to sell insurance via a pre-paid card.

Our guest speaker Alan Newman discussed how the protection industry could benefit from insights from the world of behavioural economics. This thought-provoking talk examined how the human brain is programmed and how this affects consumer decision-making. Alan explained how consumers gather opinions from friends, family, experts and the Internet before seeking regulated advice. Alan also suggested that marketing messages need to appeal to consumers’ emotions and not overload them with financial detail. The human decision making mix is 10% reason and 90% emotion. Messages with emotional content can better secure engagement by reflecting consumers’ individual circumstances. Alan explained how price means different things at different stages in life, advising that we need to adapt our propositions to reflect the way consumers think and the circumstances of their lives.

Customers believe we are selling a promise. Given that they often have little understanding of policy terms, this creates a conflict. As Julie’s presentation identified earlier in the day, customers do not currently understand policy terms. So improved definitions for Critical Illness products have an important role to play in giving customers greater certainty that the promise they believe they have paid for will be met.

An evening reception ended the day, giving delegates an opportunity to network with their peers, discuss the day’s talking points and gain more insights from the presenters.

HR UK endeavours to spread the benefits of insurance by expanding the scope of coverage to more people by working collaboratively with clients and to design and price ‘real’ insurance products that deliver on their promise.

Further articles from the day will be featured in forthcoming issues of In Focus. If you wish to discuss any of the topics covered at our seminar, please contact us at uk.marketing@hannover-re.com.

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