

Coping with claims statistics – Money marketing – July 2005

Benjamin Disraeli said "There are three kinds of lies: lies, damn lies and statistics". This view doesn't mean statistics are necessarily worthless, rather that the underlying data can, and therefore probably will, be manipulated to serve a range of opinions.

Statistics in themselves are harmless; the harm only comes if people act on them inappropriately, which is why it is important to think deeply before acting, or reacting, to such information. You only have to look back to the confusion over MMR vaccinations to see the damage that can be caused by the misuse of statistics.

It is with all this in mind that I turn to the spate of recent statistics released by various insurers, on their claims experience (for those who haven't been following the story – one or two high profile IFAs have campaigned for the release of claims statistics and to my knowledge 3 or 4 insurers have obliged thus far).

All very interesting and certainly interesting enough for the trades and some nationals to pick up on and write news stories and comment pieces about. So far there appears to be a collective round of applause for those 'brave enough' to release their statistics and I am sure the applause will continue until the majority have entered the fray. Then I predict we will witness some collective booing, aimed at those that have not released their statistics. The booing will grow in volume until the remnants are 'shamed' into releasing their data. It is only then that everyone's 'true colours' will be revealed.

Being a cynic I expect some IFAs to use the statistics quite inappropriately by creating a league table of declined claims, to be produced whenever a customer says they have received a lower quote for a similar policy elsewhere, probably supported with the immortal utterance "you only get what you pay for". It doesn't take much to work out that it is those insurers who support the low cost, commission sacrificing distribution channels that have most to lose from such statistics.

What's wrong with that? I hear you ask... Well I think that we do ourselves a grave disservice when we use such statistics so selectively, because ultimately it undermines our position in the market and the advice we give. Ask yourselves these questions: Do you truly understand the data sitting beneath the surface of the headline results? Can you properly weight the data, factoring in the various methods of collection, the number of policies issued and the underlying pricing and channel led biases that have been used to build each book of business? And here's the crunch... If you can't answer each of these questions with a 'yes' you cannot truly compare one set of statistics with another.

I doubt if there are more than a handful of people in our industry that could make a really good fist of accounting for these factors and it would take them months of investigations to produce a reliable league table – if they could at all. So before you use these statistics in this way I urge any IFA planning to formulate such a league table, to either do all the really hard work necessary or leave well alone. Accept the information for what it is and for what it is not.

Because of the above I have had only a passing interest in the 'claims paid, to not paid ratios'. However what has really attracted my interest is the percentage of claims declined due to non-disclosure, which range from 33% - 65%. This information when taken alongside a recent quote, from Standard Life's Claims Manager, of "We sometimes find when a claim is rejected due to non-disclosure that the customer accuses their adviser of omitting important medical facts from the application form, facts the customer says were disclosed to the adviser" should be enough to send a shiver down the spine of anyone dealing with customers during the application stage.

I think all IFAs should be re-thinking how they, and the advisers they employ, interact with customers at the critical application stage because, statistically speaking, most of us are in business to make money, not sales that result in losses.

By Richard Verdin, Sales & Marketing Director, Direct Life & Pension Services Ltd