

## OPINION SECTION

### **The Role of the Life Insurance Medical Director: A View from Asia**

Colin Pakshong

This presentation was made in Singapore on April 6, 1998 to welcome attendees to the first meeting of the Academy of Insurance Medicine of Asia.

**Address:** Cologne Reinsurance Co. 9  
Raffles Place, #24-01 Republic Plaza,  
Singapore 048619

**Correspondence:** Colin S. Pakshong,  
BSc, FIA, ASA Managing Director  
(Life)

**Keywords:** Medical Director

**Received:** 4/28/98

**Accepted:** 6/30/98

**Journal of Insurance Medicine**  
1998;30:191-193

The life insurance industry is clearly not the typical career path for a physician. Indeed there are probably many different reasons for joining the industry. It is that very fact that makes it such a challenge to be a Medical Director, for it allows one to apply skills and experience in a commercial environment. As a senior manager in a company, one has the potential to contribute significantly.

The insurance industry, however, is an unusual one. At first it is even difficult to pin down exactly what life insurance companies sell. The industry does not sell a product that you can readily hold in your hands, and it is not typically a service product. Although technically we sell policies, we actually sell promises. The promise is that when a policyholder dies, we will provide something for his or her family.

This process is rather different from the usual actions of a physician. By and large, there is a ready market for physicians' services whether

the physician is in their own office or if they are hospital based. Indeed people learn from an early age to go to a physician if they are unwell, but they seldom learn that they should go to an insurance company if they are worried about their future. And this explains why an insurance company has to have such a focus on the selling of their policies.

When physicians join an insurance company they first notice the importance of the sales area of the company. Although expenses and investment returns are critical areas essentially it is the sales that drive the company unlike the normal practice of a physician. Frequently the life insurance Medical Director is forced to balance the need of the sales force against the requirement to underwrite prudently. Most commonly, the agent will appeal for better terms or for the waiver of a specific requirement. Medical Directors typically are involved in the setting up of underwriting standards, drawing up the medical requirements and doing some training of underwriters.

The Medical Director clearly needs a good knowledge of mortality tables and life expectancy. A fundamental skill that most medical directors have is knowing how to convert a deviation from standard life expectancy into an extra mortality rating. But does that same Medical Director know the effect on the premium changed to the insured? For instance, does the Medical Director know which products when loaded with an extra 50% mortality, make a big difference in premium? Or when should a flat extra be charged. How will the increased premium affect the policy illustration? Is it worth requiring that extra test when the extra cost is compared to the risk and to the premium? These are things that come up each day for the agent and an effective Medical Director should understand the issues that agents face.

The underwriting side of the business is not the only place where the time of the Medical Director should be spent. There should and can be a much broader role. A Medical Director usually has quite a senior position within the company, but is often pegged into a technical role involving medicine only. Usually senior staff in organizations have a broad range of knowledge about their company, as well as their own area of responsibility. As a first step in the broader role of the Medical Director in a life insurance company the Medical Director should ensure that they pick up this broader knowledge base.

The Medical Director must stay informed. This means knowing both company and industry. You must know the company's total premium volume for each of the last few years. What is the premium target for the current year and what are the top selling products. Do you receive the weekly production reports? Any senior manager in a business should know these minimal sales details. Although it is tempting to read only the medical journals, so much medicine finds its way into the business journals and its easy to move one's reading habits to include insurance industry topics.

Staying involved means participating in product development. What products will be launched and what are the product and marketing departments working on? Do you know about the competition? What are the products which compete against yours. How does the competitions' rate book and medical requirements compare to yours? Recently, for instance, the Singapore newspapers reported that two individuals became infected by HIV after receiving blood transfusions from an infected donor. Although Singapore has rigorous screening procedures, the blood was donated during the window period, before the virus could be detected. Almost all insurance companies in Singapore sell a critical illness product which pays a benefit on HIV infection acquired as a result of a blood transfusion. This news should have prompted some internal review at these companies, since normally this risk is deemed to be extremely small, and having two such cases is a distinct surprise. In the end, it is likely that the risk of additional claims was small and that no action needed to be taken. The insurance reasonably could expect that the initiative for an internal study would lay with the Medical Director.

Staying in front: It is important for the Medical Director to be in front of the major issues of the future and the ones upon which one can give advice. In this way the company can be prepared for these issues in advance. One obvious area in which the Medical Director can be invaluable is on the genetic testing issue.

Over the next few years there is likely to be increasing emphasis on minimizing new business issue costs. This will have an impact on underwriting. Companies will be overhauling their business workflow and making greater use of computers and expert underwriting systems to underwrite applications. As a Medical Director, one will be significantly affected by these changes, the better informed and prepared the better the chance that one will be involved in the change process.

The Medical Director can also become

involved in the establishment of alternative distribution channels. Many insurance companies are looking at ways of selling insurance other than through agents, because of the costs of employing and running an agency force, or the costs of working through a brokerage system. These alternatives include selling policies through banks, direct mail or selling over the telephone and Internet. Although superficially this may seem to affect only the sales department, new distribution channels will greatly affect the underwriting and mortality experi-

ence. Typically in these new sales channels the selling process is greatly simplified. The Medical Director should be involved in helping the company understand the implications that this will have on mortality experience and work with the actuaries to ensure that the pricing is adequate.

The logic behind the expanded role of the Medical Director, is to stay informed, stay involved and stay in front, otherwise the Medical Director will stay behind.