

Critical Illness in Asia - A success story

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Evolving Frontiers, Exciting Prospects

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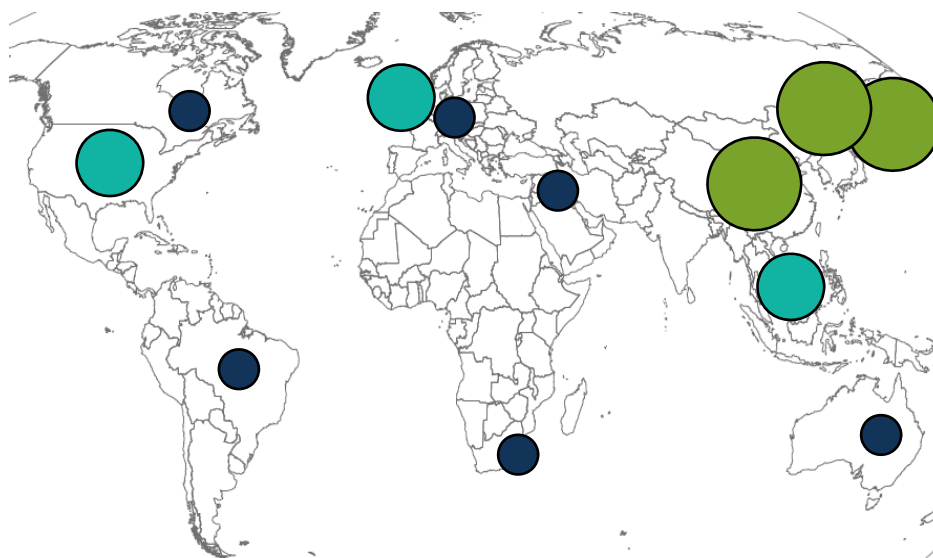
Content

1	International overview and Asian CI markets
2	East Asia – all about Cancer
3	CI in SE-Asia and China
4	Discussion

International Overview

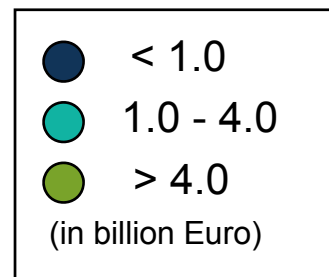
Estimated Gross CI premium (in force)

- ❑ Highest volume
 - NEW: Greater China
 - NEW: Korea
 - *Japan (Cancer)*
- ❑ High volume
 - United Kingdom / Ireland
 - Southeast Asia
 - *USA (Cancer)*
- ❑ Significant volume
 - Canada
 - South Africa
 - Australia



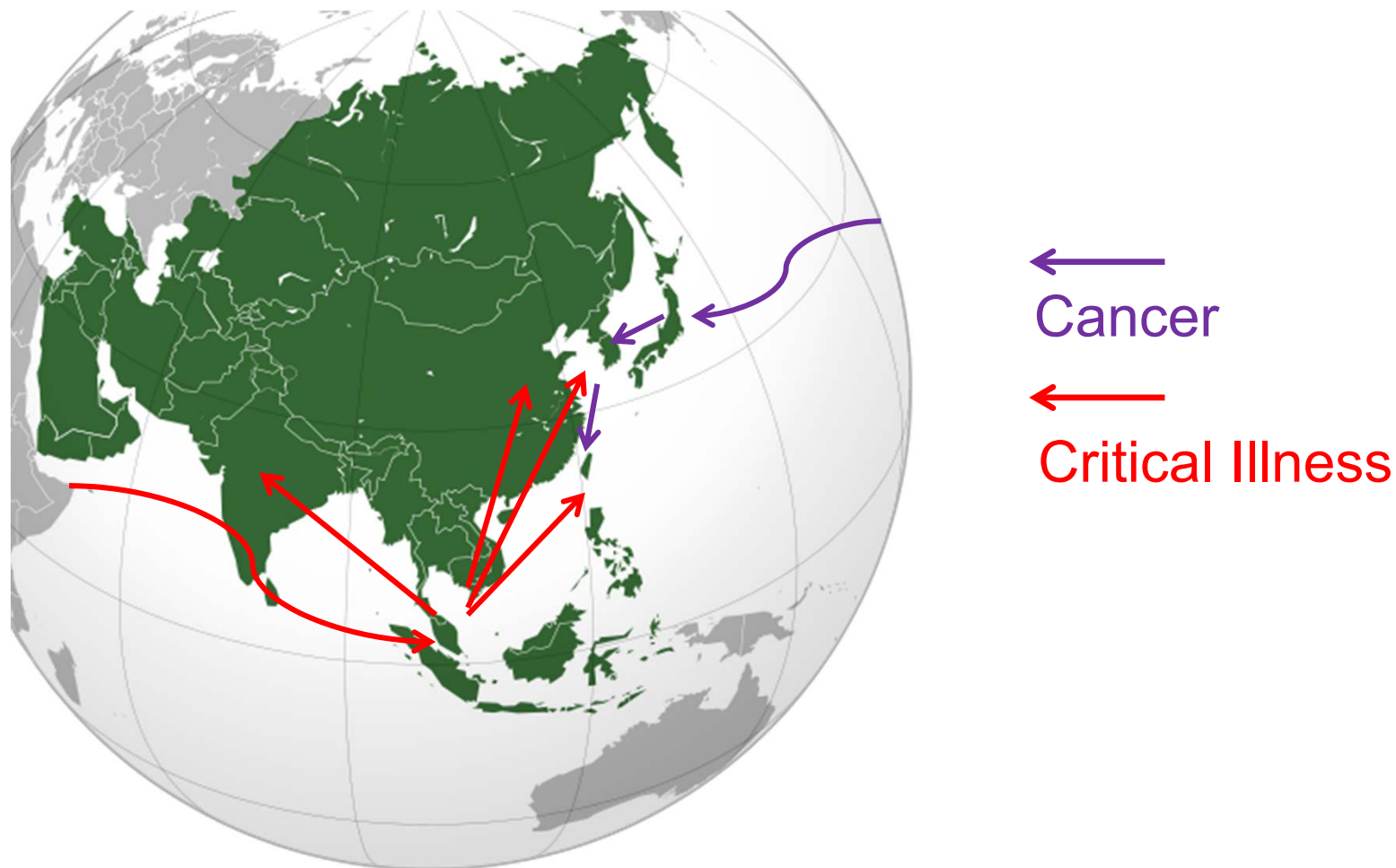
CI in % of life premium (in force)

Worldwide: ca. 1%
UK: ca. 1%
Asia: ca. 3%



Asian market overview

Historical tracks of key products to key Asian markets



Market Overview

From insurance of basic needs to fancy high-end products

- ❑ Social Security / Public Health insurance gap
 - medium-frequent, low severity co-payments
 - low-frequent, high-severity claims (“best treatment”)
- ❑ Regulators’ self-conception w.r.t. consumer protection
 - Hamper opaque product designs
 - Protection measures for rewarding product innovation
- ❑ Cultural aspects
 - Risk appetite
 - Betting on windfall-profits?



Japanese Cancer

Korean Cancer

Korean CI

South-East Asian CI

Chinese CI

Content

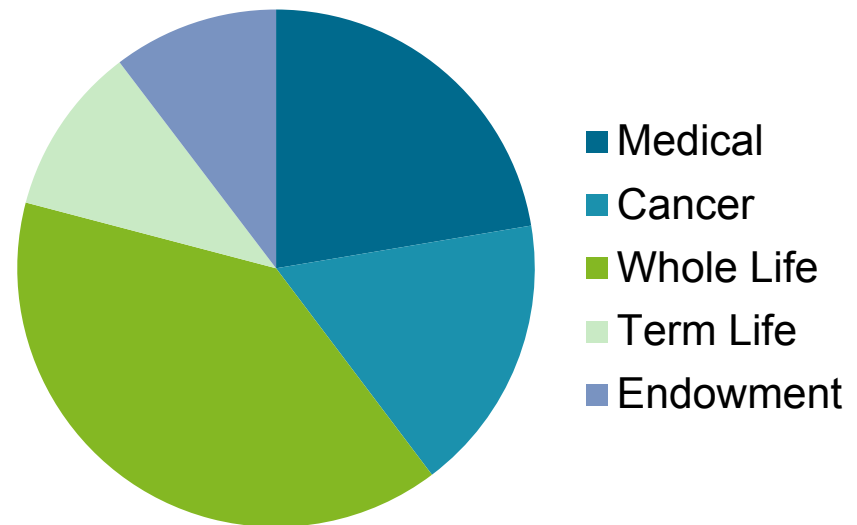
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Japanese Cancer market

High market penetration by mass marketing

- NHS with income- / cost-related co-payment of 0-30%
- 90% of households with L&H insurance
- Main motivation to purchase:
 - Future costs (older ages, NHS)
 - Family cancer diagnosis and advise
- Mass market products
 - Simplified u/w
 - Low defined benefits
 - Long duration (term / perm)
 - Tax deductible level premium
 - Distribution channels

127 Mio. L&H covers by type (2011)



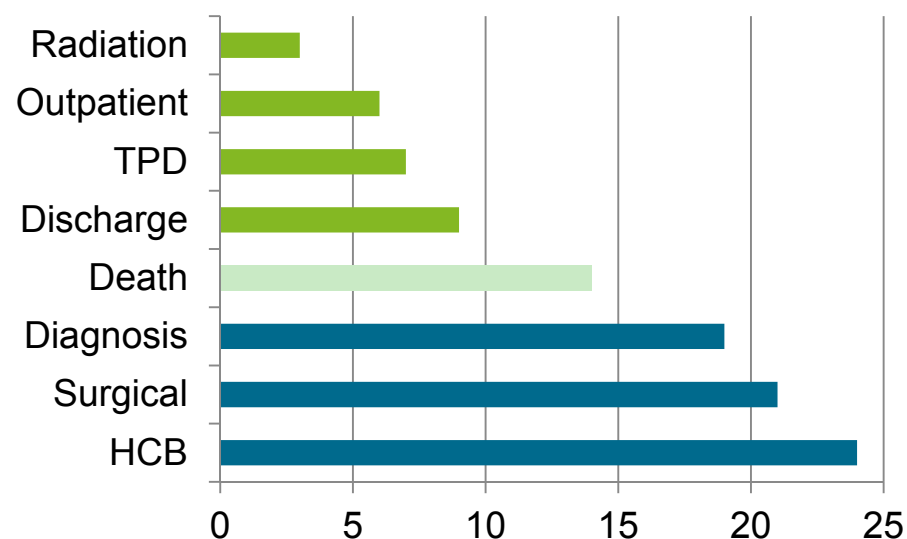
Source: Life Insurance Association of Japan (2012)

Japanese Cancer market

Product design with differentiation of risk appetite

- Standard benefits
 - Multiple Cancer and early-stage diagnosis benefits (ICD-10)
 - Surgical benefit
 - Hospital cash benefit (HCB)
- Additional living benefits
Discharge, Outpatient, TPD, ...
- 90 days waiting period (WP)
- 2 years WP for recurrent cancer
- Long-term guarantees
- Limited Spouse / Family covers

Nb. of Cancer policies with benefit xy



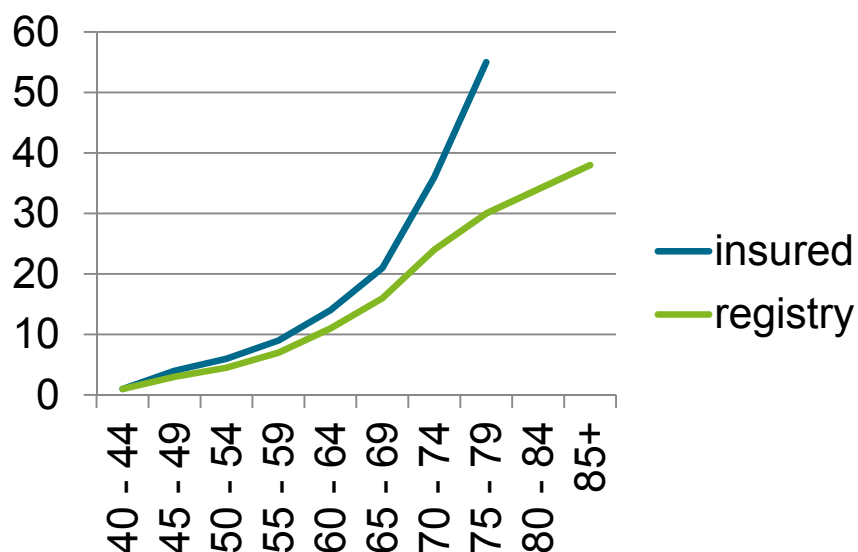
Source: SGL Japan market research.

Japanese Cancer market

Pricing lessons learned

- ❑ Insured incidence vs. Cancer Registry,
A/E: ♂ 120%; ♀ 160%
- ❑ Anti-selection
 - 1st year LR at 100-150%
 - Multiple policies
 - A/E for CIS up to 300%
- ❑ Old ages cancer incidences
 - Decreasing or increasing slope?
 - Incentives for seeking?
- ❑ Lapse rates
 - Agents: around 5-10%
 - DMTM: up to 40% in 1st year

Male Cancer ix, A/E % to population



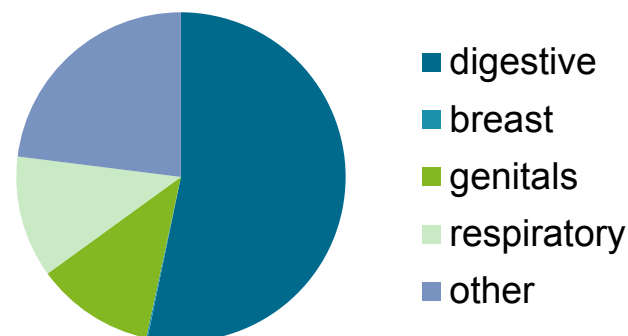
Source: SGL Japan claims experience and
Japan Cancer Registry data adjusted to 2011 .

Japanese Cancer market

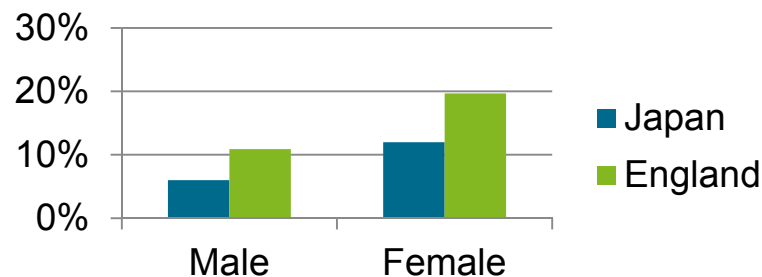
Pricing challenges – trend risk

- ❑ Cancer long-term trends
 - Male 0.2% pa, female 0.7% pa
 - Carcinoma in-situ: +10-15% pa
- ❑ Screening promotion program(s)
 - 50% increase of attendance rate targeted from 2000 to 2010
 - New diagnostics
- ❑ Fukushima effect
 - Very limited impact on newly developed cancer?
 - Non-minor impact on screening attendance rates?

Cancer
by site
Japan,
ASR,
male



Carcinoma in-situ in % of all Cancer (45-49 yrs)



Source: Cancer Registry data, Japan 2007, England 2011

Korean market

Key Market Features

- ❑ Historically strong influence from Japan => Cancer products
- ❑ International opening, parallel introduction of CI
- ❑ Successful coexistence
- ❑ CI as acceleration to Life, Cancer with hospital as medical
- ❑ Products, products, products, ...
- ❑ Strong focus of regulator on consumers => fair premiums

Korean market

Evolution of Cancer products

- ❑ Cancer offered by Non-Life and Life companies
- ❑ Lower margins due to competition and regulator
- ❑ Cancer product updates driven by claims control rather clients need

Coverage #	Coverage	Covered ICD code	Benefit Level (% of FA)
1	Cancer Diagnosis Excluding - Breast cancer/Prostate cancer - Thyroid cancer - Other skin cancer	C00-C97(Excluding C44, C73, C50, C61), D45, D46, D47.1, D47.3, D47.4, D47.5	200%
2	Breast cancer	C50	40%
3	Prostate cancer	C61	40%
4	Thyroid cancer Diagnosis	C73	20%
5	Other skin cancer Diagnosis	C44	20%
6	Carcinoma in-situ Diagnosis	D00-D09	20%
7	Borderline Neoplasms Diagnosis	D37-D48(Excluding D47.1, D47.3, D47.4, D47.5)	20%

Korean market

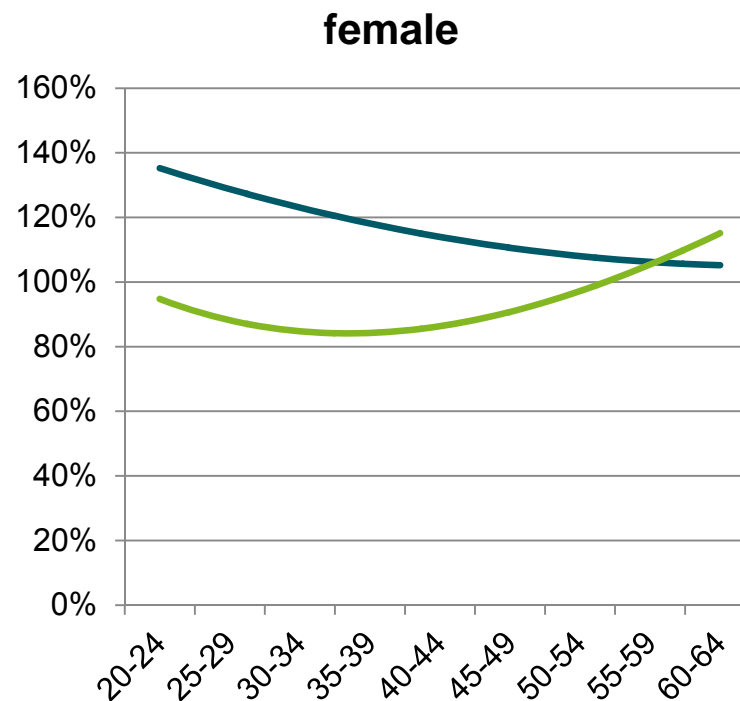
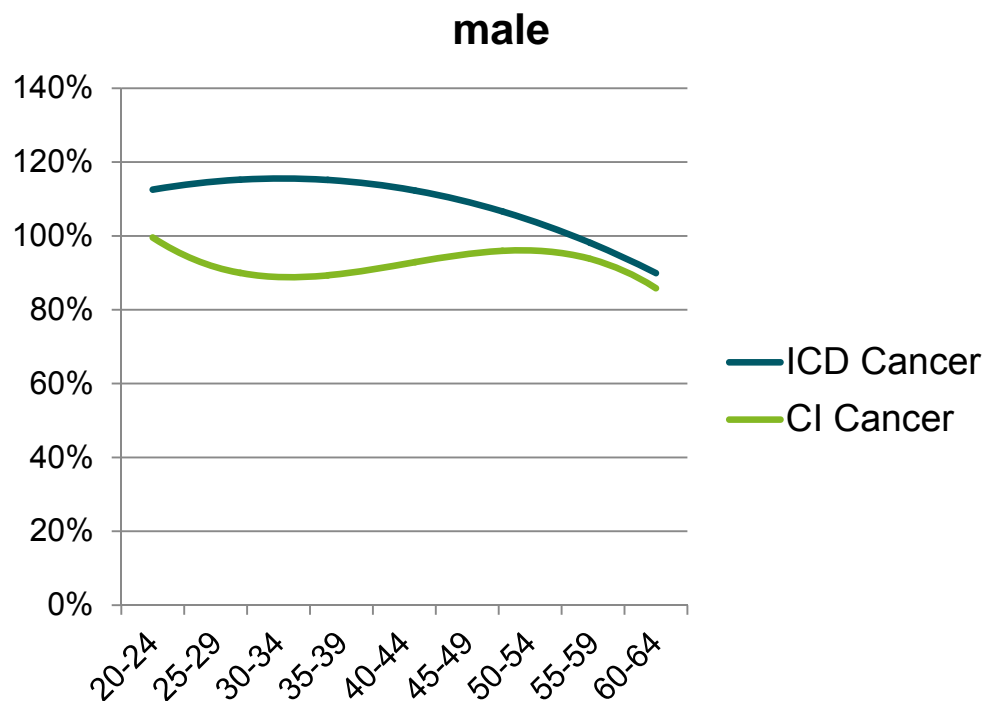
Emergence of CI

- ❑ Traditional 11 CI
- ❑ Partial acceleration benefit 50%/80%
- ❑ Coverage till age 80, fully guaranteed
- ❑ High success upon introduction in 2002
- ❑ Limited success of 2nd generation CI (Multiple CI, Staged CI)
- ❑ Combination with LTC: “Umbrella Product”
 - CI and LTC as accelerated benefit to Whole Life cover
 - Premiums fully guaranteed
 - Selling LTC to younger age-groups
 - Increase attractiveness of CI for older ages

Korean market

Pricing lessons learned

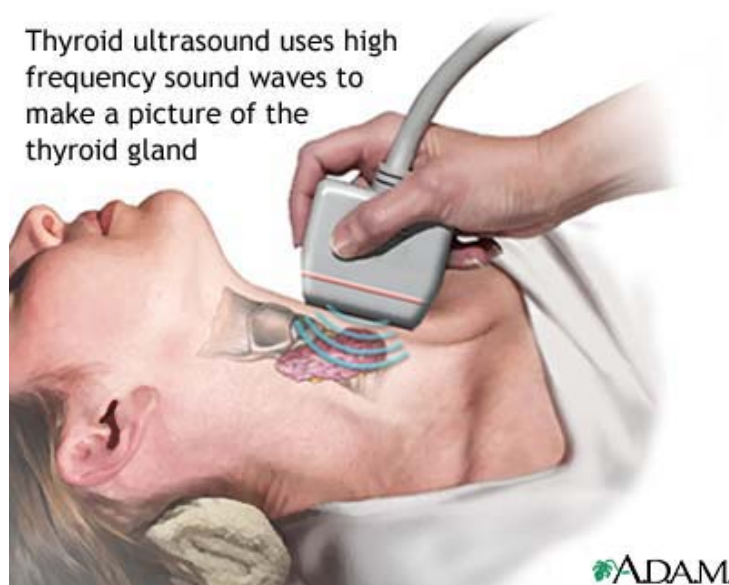
Cancer experience of CI and Cancer products – insured / population



Korean market

Pricing lessons learned

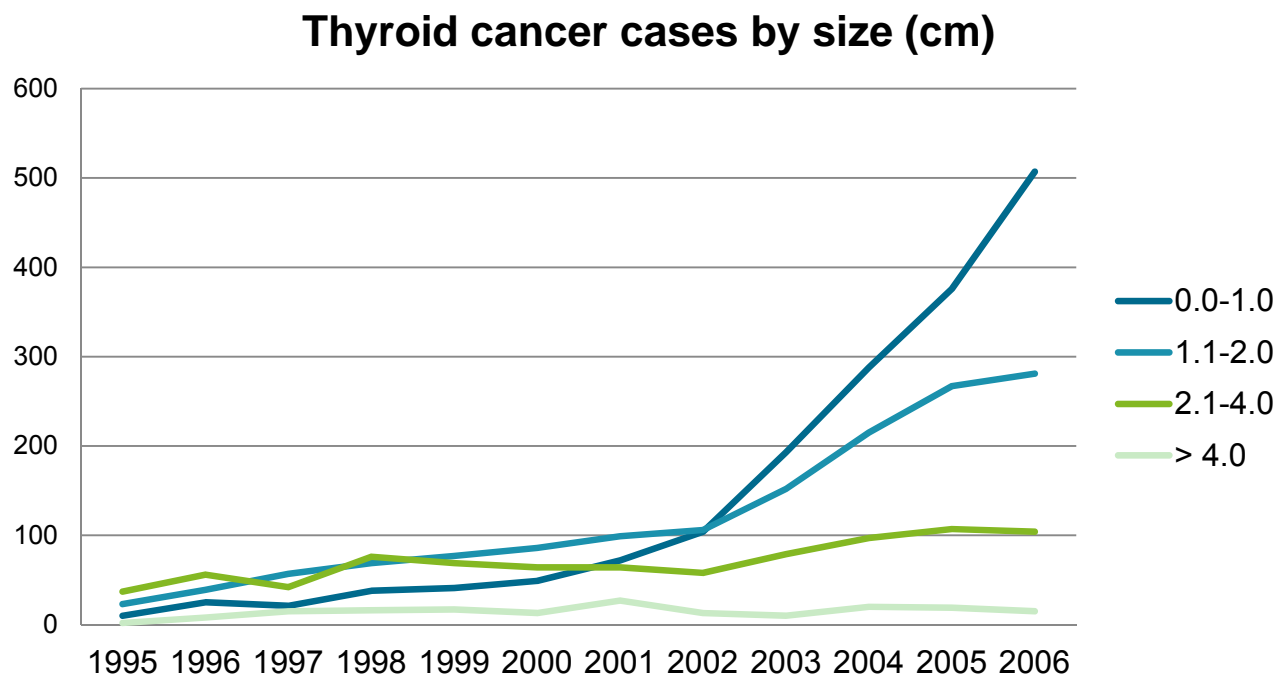
- ❑ Increasing detection due to improved scanning
- ❑ High prevalence of papillary thyroid microcarcinoma
- ❑ Screening becoming standard procedure combined with mammography (breast screening)



Korean market

Pricing lessons learned

- ❑ Explosion of female incidences (+25% p.a.)
- ❑ Now 30% of all female Cancer incidences



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South East Asia

Focus on Critical Illness

- ❑ CI popular for covering medical expenses
- ❑ Successful stand-alone product proposition
- ❑ Extensions across all dimensions
 - Juvenile covers
 - Female CI
 - Reinstatement/ Multiple CI products
 - Staged CI products

South East Asia

Juvenile CI

- ❑ Long history of Juvenile products
- ❑ Variety of covers
 - Before birth: Pregnancy complications, death foetus
 - Up to 2 years: Congenital diseases + Hospitalization, Incubation, Maternal death
 - Up to 25 years: Child specific diseases

Female CI

- ❑ Cover cost of childcare and assistance of other family members
- ❑ Specific female conditions, like female Cancers or severe osteoporosis

South East Asia

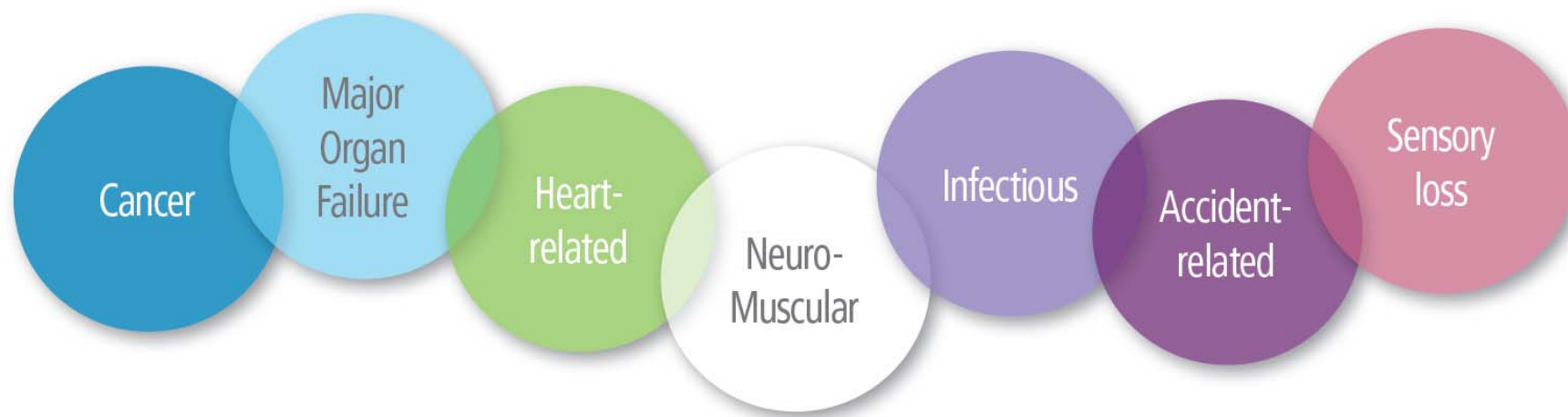
CI buy-back

- ❑ Reinstatement rider attached to accelerated CI base policy
- ❑ Gives right to purchase new standalone CI after CI claim on base policy
- ❑ New policy at standard premium
- ❑ No medical or financial underwriting
- ❑ Sum assured capped at 75% of the original policy
- ❑ 1 year waiting period after 1st claim
- ❑ Same and related CI condition(s) excluded

South East Asia

Multiple CI

- ❑ Stand-alone product
- ❑ 100% benefit for each eligible critical illness
- ❑ Cover up to whole-life (99)
- ❑ Grouping of conditions into 5-7 groups, with no/ low correlation



South East Asia

Multiple CI

- ❑ Can claim up to 3 - 4 times
- ❑ 1 year waiting period after claim
- ❑ Coverage of second cancer after 5 years cancer-free
- ❑ Waiver of Premium after first claim
- ❑ Premium rates non-guaranteed



PRU multiple crisis cover (Malaysia)

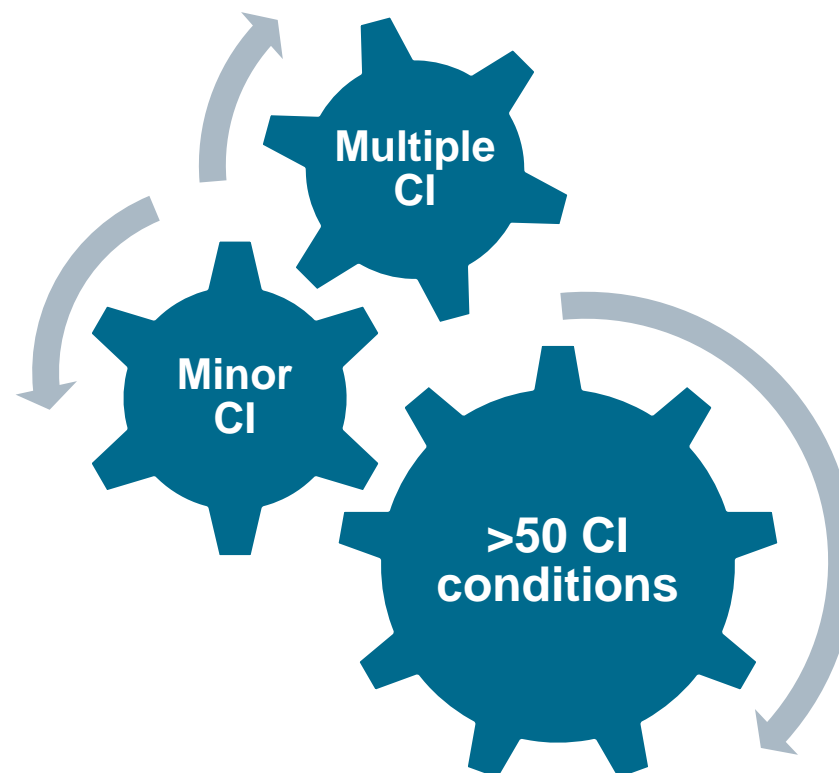
China market

The most dynamic

- ❑ Highly competitive, fast product cycle
- ❑ Low consumer sophistication
- ❑ Rider to savings product

The more the better

- ❑ Innovations
 - Free health services
 - CI annuity



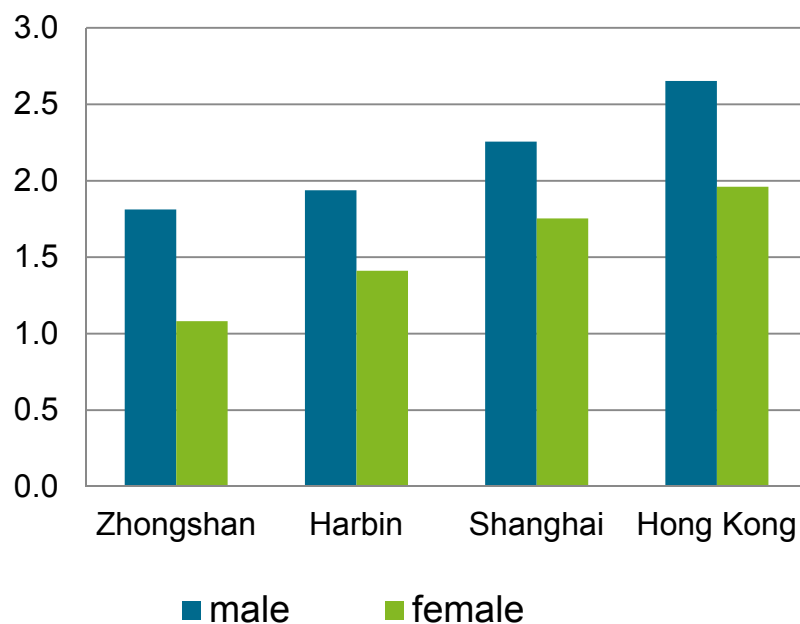
China market

Pricing lessons learned

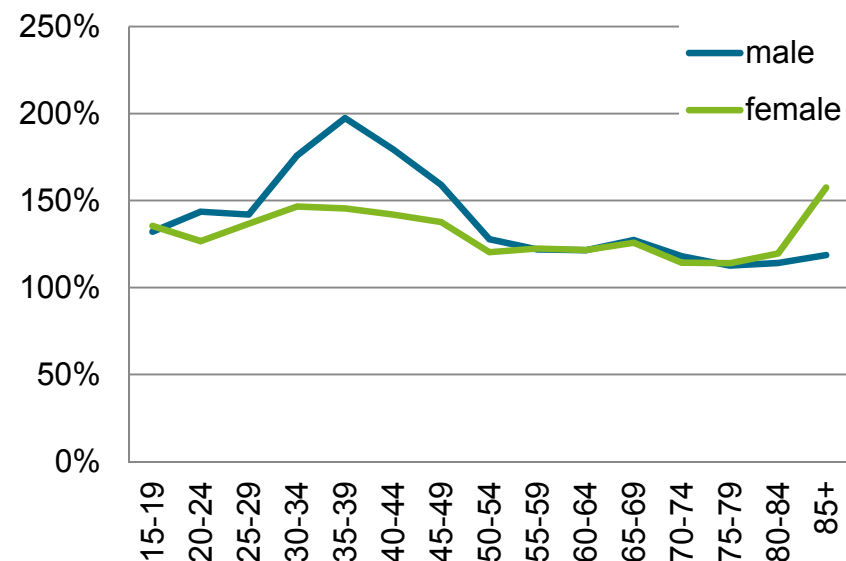
One BIG country

Trends

**Cancer ix,
ASR per 1000**



Cancer ix - Taiwan vs China



China market

22 February 2013 Last updated at 14:58 GMT

3K Share

China acknowledges 'cancer villages'



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Conclusion

Success stories

- ❑ CI/Cancer important pillar of protection business in Asia
- ❑ High diversity of product evolutions, adapting to local market specifics
- ❑ Challenges from too comprehensive (initial) premium guarantees and fast innovations

=> More lessons learned to come



Thank you for your kind attention!



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