



*A Berkshire Hathaway Company*

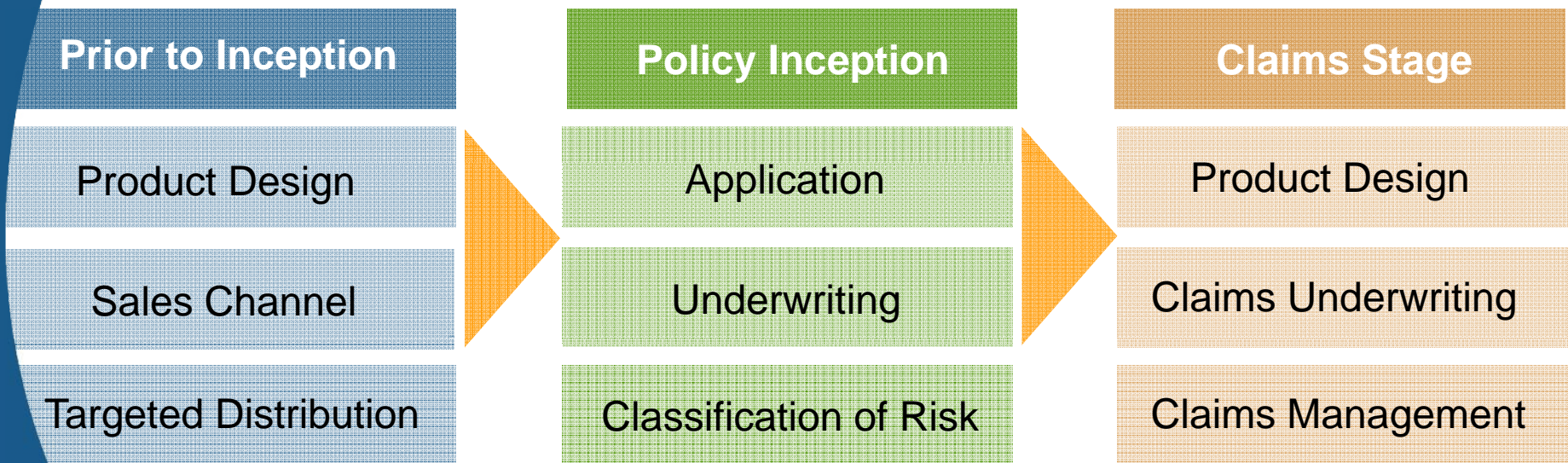
# Managed Death Benefits

*Louis Rossouw, Lorna McLaren*

*February 2009*

# Traditional Management of Risk

- Risk is management throughout the life of the policy



# Traditional Management of Risk

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## Policy Inception

Application

Underwriting

Classification of Risk

## Policy Lifetime



## Claims Stage

Product Design

Claims Underwriting

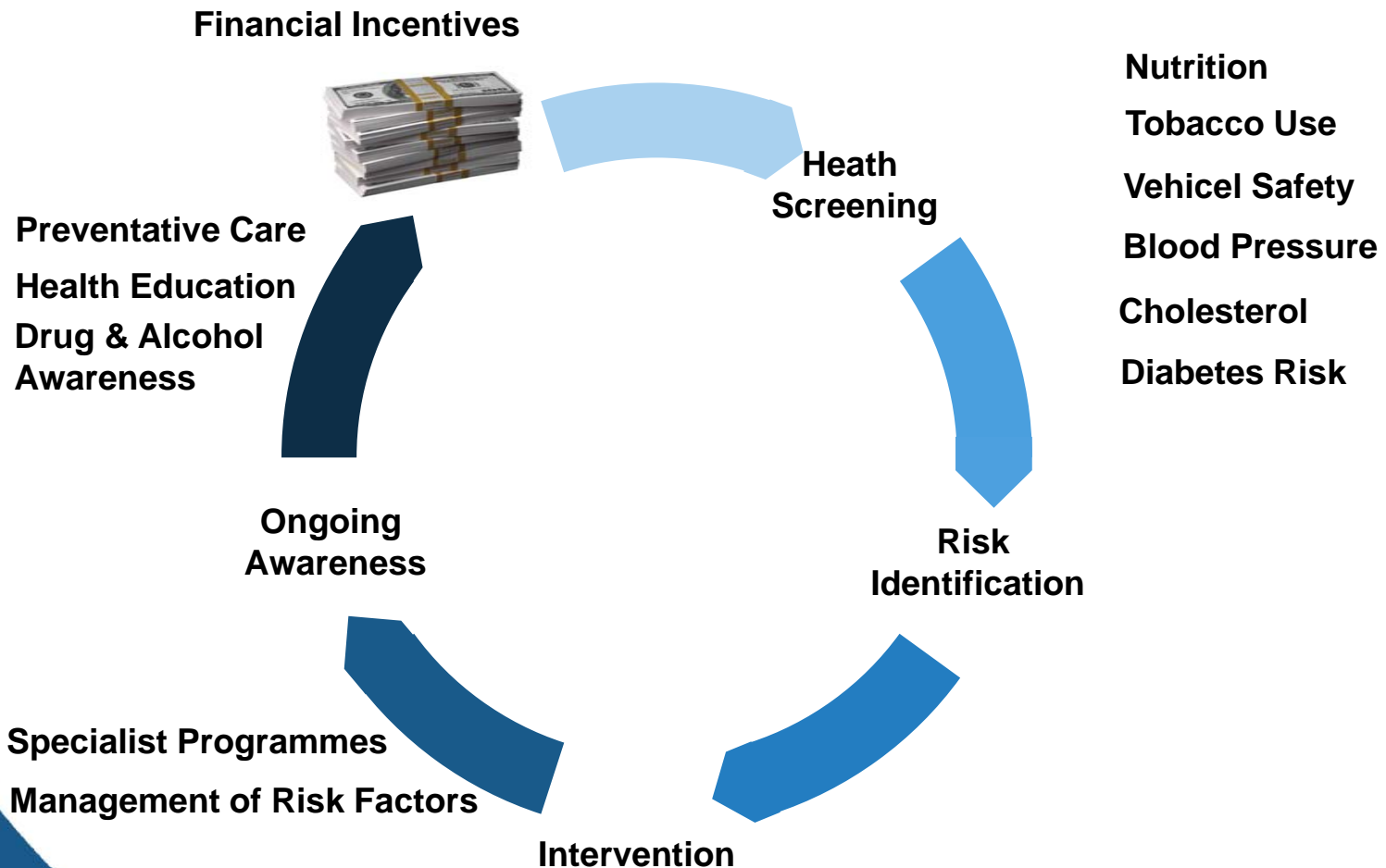
Claims Management

# Worksite Wellness Programmes

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- Developed to manage absenteeism and healthcare costs
- Focus on managing risk before a claim occurs
- An Example:
  - Johnson and Johnson Health and Wellness Programmes
  - Relunched in 1995
  - Health assessment
  - High Risk Intervention Programmes
  - Education and Self Responsibility
- Reference
  - Goetzel, RZ, Ozminkowski, RJ, Bruno, JA, Rutter, KR, Isaac, F, Wang, S (2002). The Long-Term Impact of Johnson & Johnson's Health & Wellness Programme on Employee Health Risks. *Journal of Occupational and Environmental Medicine*, 2002;44:417–424

# Johnson & Johnson Health & Wellness



# Worksite Wellness Programmes

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## ➤ Review of Results

- Reduction in the prevalence of risk factors
- Reduction in disability days
- Reduced absenteeism
- Reduced disability costs

## ➤ Can this be translated to benefits for Individual Life policies?

## ➤ South African Examples



# Discovery Vitality

- A paid program
  - Gold, Silver and Blue status
  - Accumulate points to get better status
    - Gym
    - Movies
    - Health screening tests
    - Use of internet
    - Weight loss programs
  - Status linked to premium discounts, lengths of guarantees
- “Up to” 20% discounts

Know your health status

Get on the path to better health

Enjoy the rewards

# momentum

- Choose to belong to the program
- Upfront medical assessment of active rating factors
  - Cholesterol, Blood Pressure, etc
- Review every 3 years
- Discounts from 5% to 25% on all life insurance products
- Further annual discount based on a Body IQ fitness assessment
- Higher premium payback





# Comparison to Worksite Programmes

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- **Similarities to Worksite Programmes**
  - Focus on management of risk factors before a claim occurs
  - Focus on health screening
  - Focus on education
  - Focus on self responsibility
- **But not employer based – no direct link to worksite**

# Comparison to Loyalty Programmes

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## ➤ **Similarities to Loyalty Programmes**

- Incentive based
  - Reduced gym membership
  - Discounts for health related activities
  - Non-health related savings eg. Special travel offers
- Discounts depend on use of related benefits
- Discounts increase if additional company services are taken up

## ➤ **Discounts offered on Life & Health insurance premiums**

# Key Advantages and Disadvantages

## Advantages

- Risk can be managed during the term of the policy
- Additional information on in-force lives
- Potential to price competitively
- Price differentiation at a detailed level
- Reduced prevalence of risk factors
- Customer loyalty initiatives
- Impact on lapse rates
- Cross – selling opportunities
- Sales may benefit

## Disadvantages

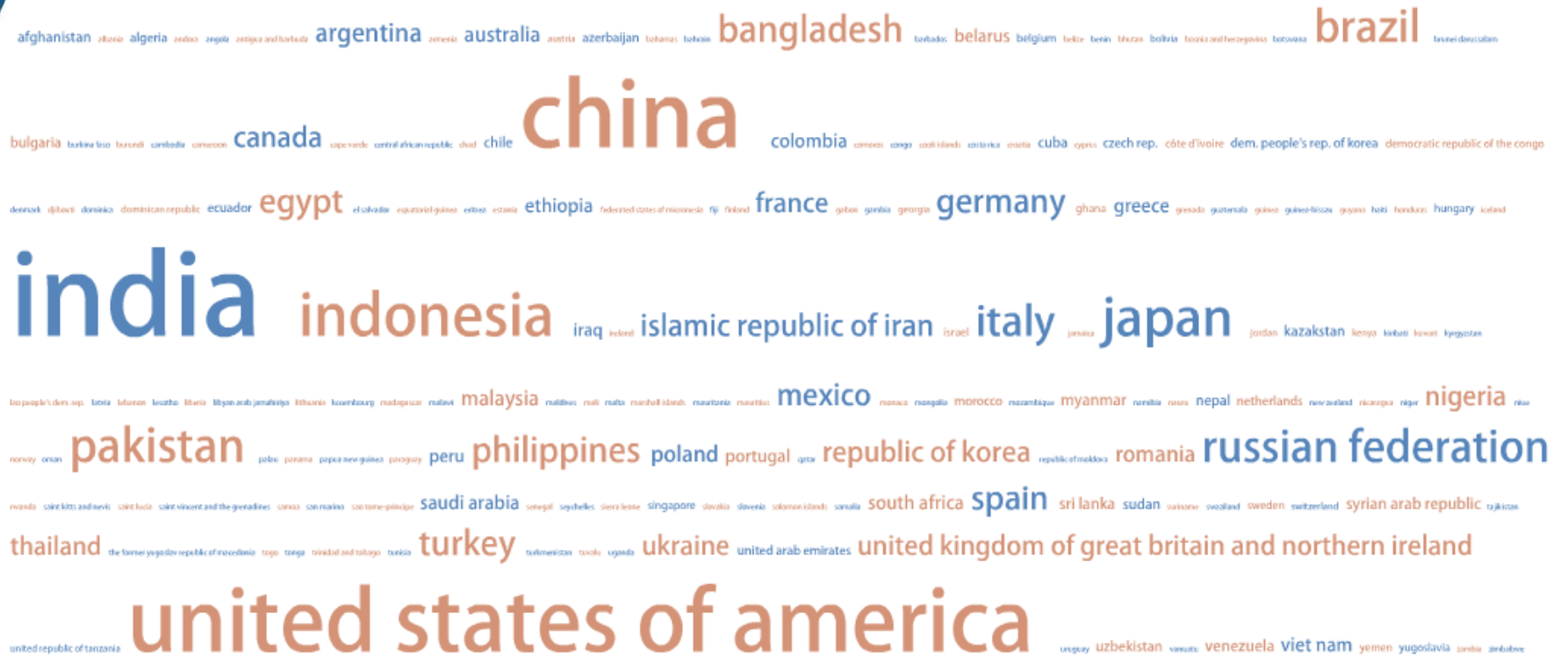
- Complex
- Systems may be difficult to set up
- Difficult to set up in stages
- Loyalty partners
- Focus on healthy lives only

# Chronic Disease Programmes

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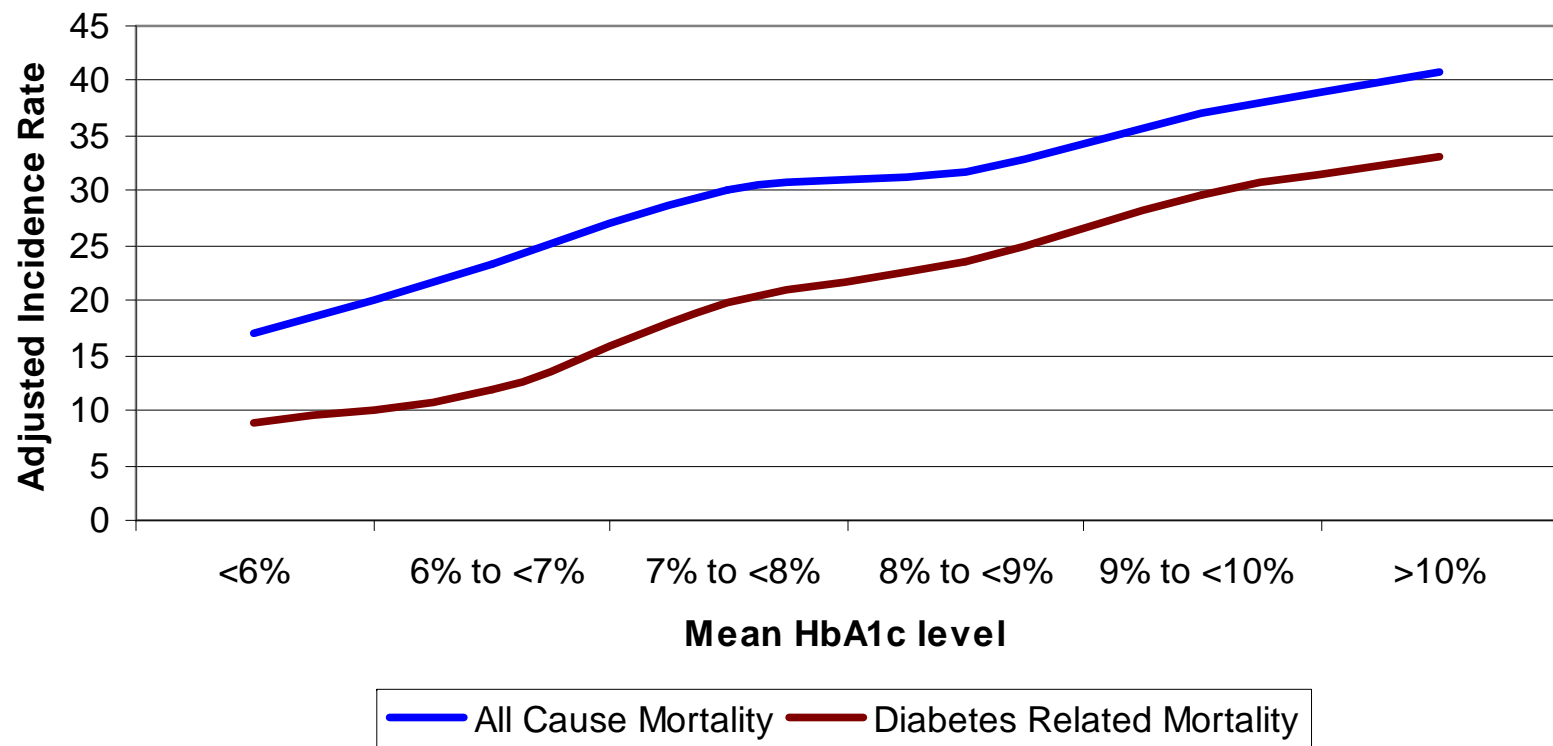
- **Focus on ONGOING risk management**
  - Can be easily translated to Life Insurance
    - Diabetes
    - HIV/AIDS
  - Management of condition should result in lower mortality / morbidity
  - Policies can be issued whereas lives may be declined under standard
  - Discounts can be offered based on maintaining key

# Number of Diabetics (WHO 2000)



Created on Many Eyes (<http://many-eyes.com>) © IBM

## UKPDS: Association of Glycemia and Mortality in a Diabetic Population





- **Product developed specifically for Diabetic lives**
  - HbA1c monitoring is required
  - Cover may be suspended if the life does not control blood glucose levels
  - Potential to offer cover more **CHEAPLY** than standard products
  
- **Key Issues include:**
  - Systems required to monitor adherence
  - Limited information available for pricing



## ➤ **HIV Positive Product**

- Generally HIV Positive lives have low life expectancy
- But, Anti-retroviral treatment has resulted in reduced mortality
- Success depends on adherence to treatment

## ➤ **Translating this to Life Insurance**

- Adherence to treatment protocol must be monitored
- Effectively, this implies continuous underwriting throughout the policy in terms of adherence
- CD4 Cell Count & Viral Load are measurable outcomes
- Cover reduces if lives are non-adherent





➤ **Key Benefits**

- Products can be offered more cheaply than otherwise
- Products can be offered to lives who may have otherwise be declined

➤ **But**

- Adherence requirements must be objective and fair
- Systems to monitor ongoing compliance are needed

# Conclusion

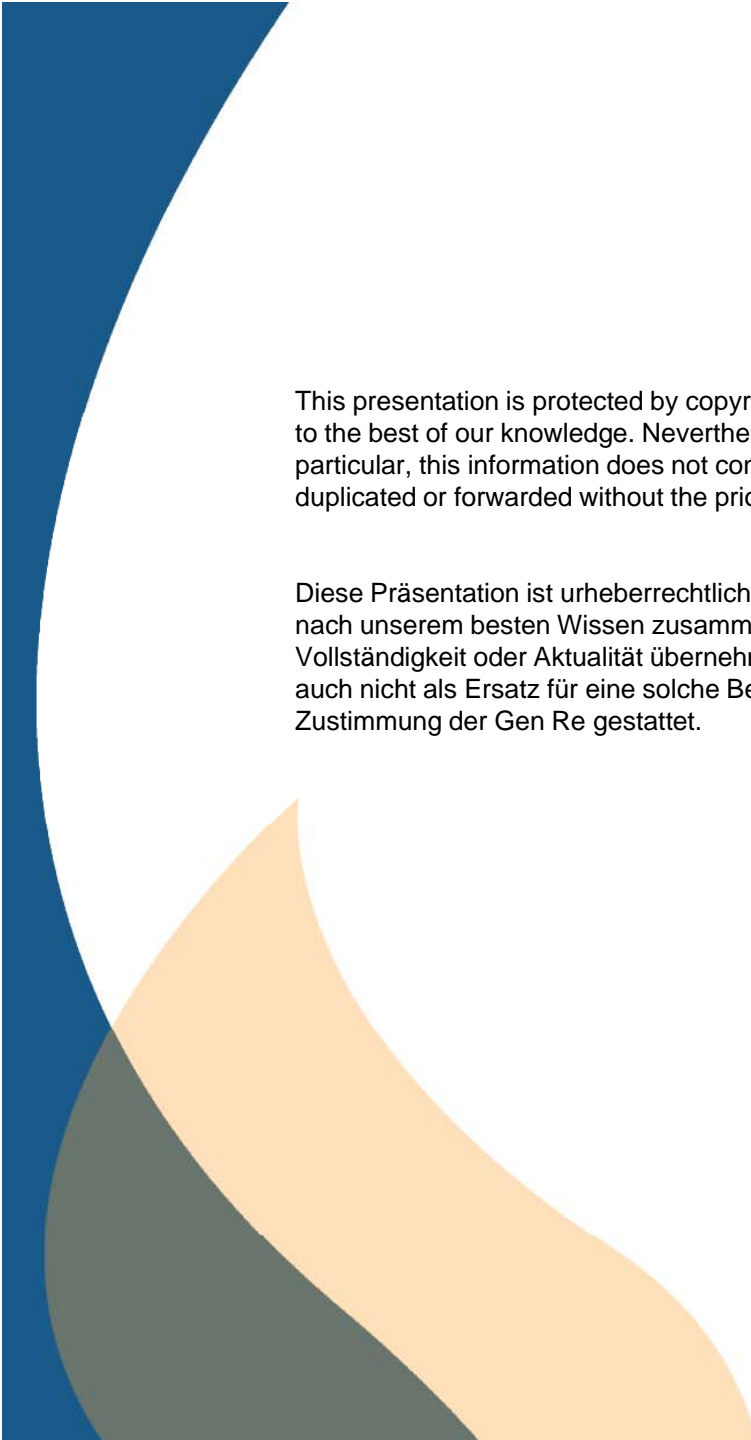
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- **Traditional risk management tools do not manage risk in the period between policy inception and claim**
- **Programmes to manage this risk do exist**
  - Health monitoring incentives for Standard/Healthy lives
  - Chronic disease management programmes for Sub-Standard
- **Key Issues include**
  - Product design is complex
  - Comprehensive design may be needed
  - Limited information available for pricing
  - Systems requirements may be onerous



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# Questions



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