



Medical Insurance Perspectives

Torben Thomsen
Chief Pricing Officer, Swiss Re
United Kingdom

Meeting the Challenges of Change

14th Global Conference of Actuaries

19th – 21st Feb, 2012 | Mumbai, India

Overview

- Medical insurance spectrum
 - Health spending & finance
 - Market growth
 - Stakeholders & considerations
 - Medical Products
 - Regulatory & social impact
- 

Medical Insurance Spectrum

Medical indemnity

- In-patient and/or day patient
- Pays for or reimburses for actual costs incurred

Hospital cash

- Fixed cash benefit per night
- Independent of illness or treatment

Surgical cash

- Fixed cash benefit
- Dependent of specific surgical procedure

Micro Health

- Health policies designed for rural and poorer segments
- Lower ticket sum insured and premium

CI Fixed Benefit

- Different variations but often enhanced benefit for CI
- Often multiple of basic sum insured in case of CI

Personal Accident PTD/TTD

- Fixed cash benefit for loss of limbs, accidental death
- Payout can be based on severity of loss

Travel related


- Health rider to travel insurance
- Indemnity for health costs overseas

Global Health Expenditure - Total

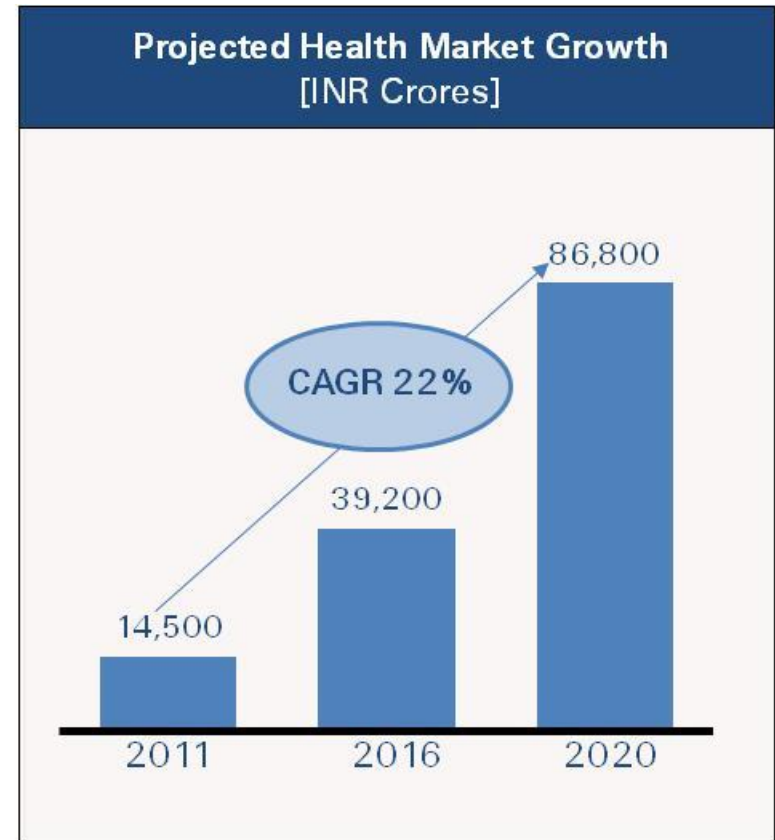
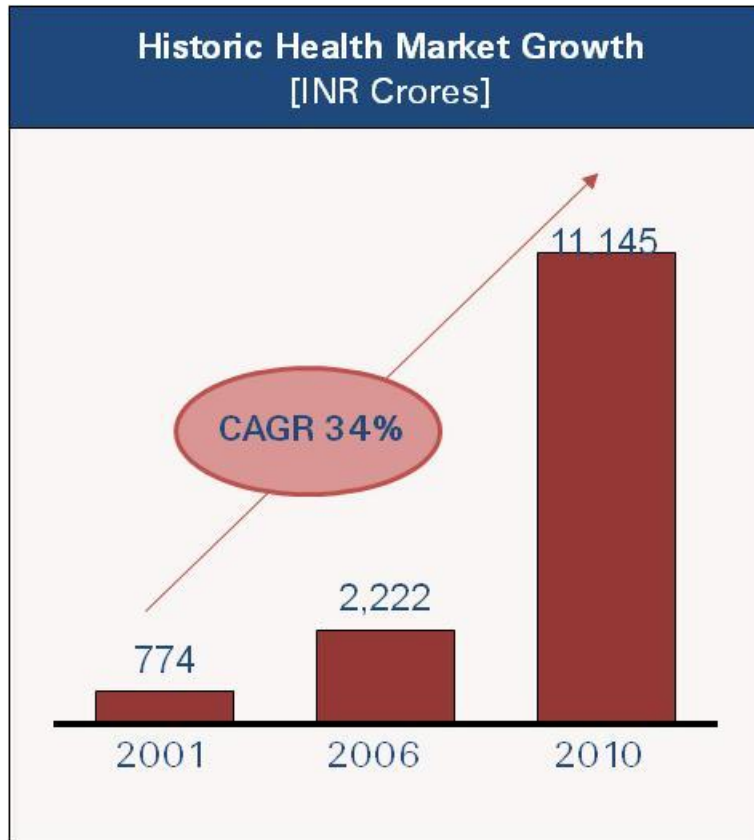
	Total Health expenditure per Capita (USD)	Total health expenditure % GDP	Government health expenditure % health total
USA	7,410	16.2%	49.0%
UK	3,285	9.4%	84.0%
Japan	3,321	8.3%	80.0%
Singapore	1,491	3.9%	42.0%
Chile	796	8.3%	47.0%
Brazil	734	9.0%	46.0%
Mexico	525	6.5%	48.0%
Russia	475	5.4%	64.0%
China	169	4.6%	50.0%
Thailand	127	4.3%	76.0%
Sri Lanka	84	4.0%	45.0%
Vietnam	80	7.2%	39.0%
Philippines	66	3.8%	35.0%
Indonesia	55	2.4%	52.0%
India	44	4.2%	30.0%
Bangladesh	19	3.4%	33.0%

Source National Health Accounts, WHO 2009

Health insurance as an effective financing mechanism

- High out-of-pocket expenditure
 - Social responsibility of government to improve accessibility and affordability in developing health care markets
 - Government ability driven by taxation
 - Smaller private health insurance sector increases financial risk for public sector
 - Government may want to "de-risk"
 - Limited mechanisms for financing private health care costs
 - Savings
 - Wealth transfer
 - Insurance
- 

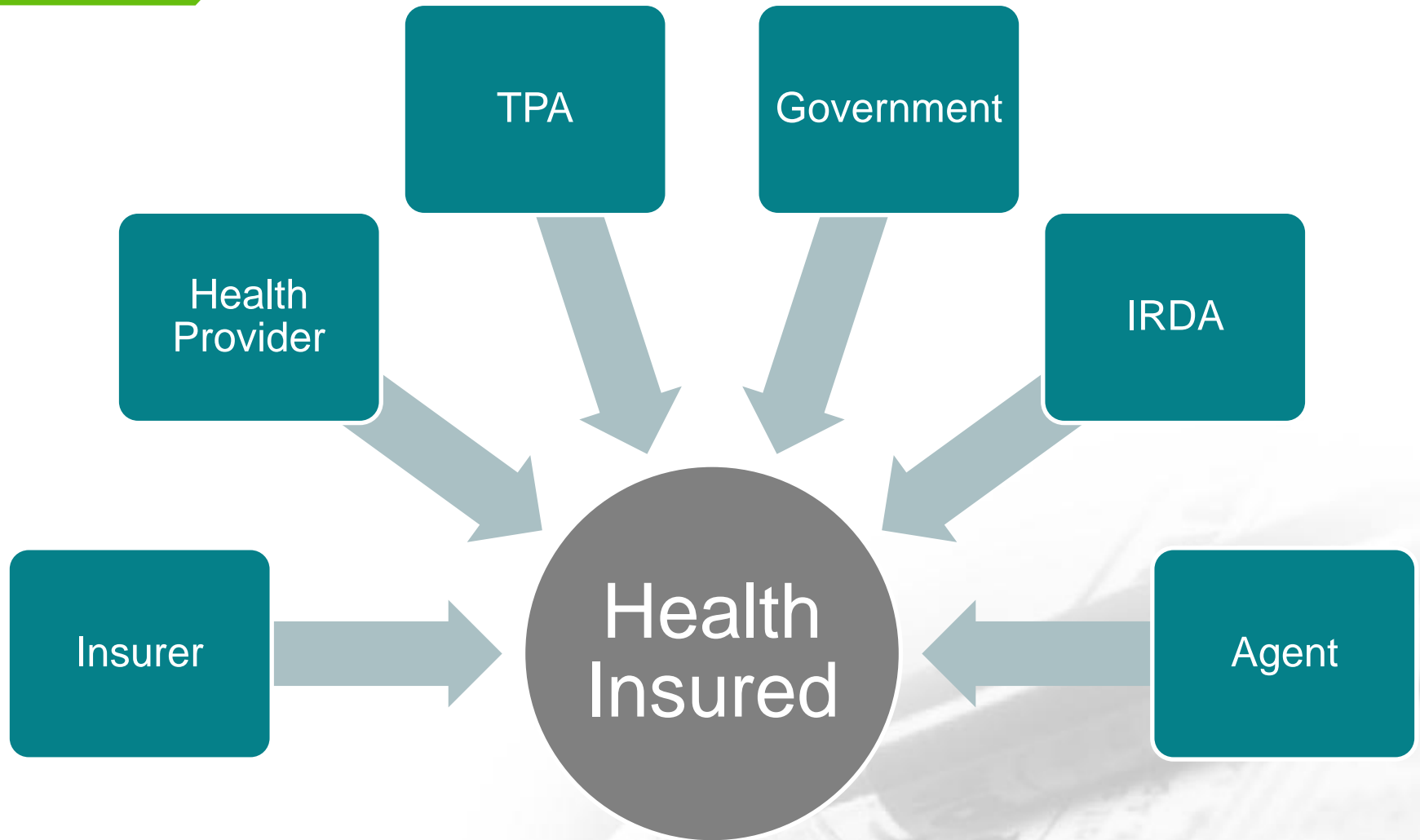
India: A fast growing health market



Key Growth Drivers for Indian Medical Insurance

- Demographic
 - improving longevity, high birth rate
 - increasing population (≈ 20 m per annum)
- Macro-economic
 - economic growth projected at $\approx 7\%$ in real terms over next 10 years
 - increasing GDP per capita, middle-class (≈ 500 - 600 m by 2025)
- Medical inflation/Increased awareness of health costs
- No major social security system
- Government policy, eg RSBY scheme
- Improved distribution & urbanisation
- Favourable tax treatment

Multi-stakeholder environment



Key challenges for a new market

- Defining suitable products
- Pricing with limited or no credible data
- Negotiating rates with health providers
- Underwriting with less than perfect information
- Behavioural aspects – incentives and disincentives
- Lessons learned from other markets



Policyholder Concerns

- Affordability & value for money
- Having cover when required, e.g. elderly
- Awareness
- Negative experience at claims stage
- Coverage
- Trust of insurer



Insurer concerns

- Anti-selection & moral hazard
- Ambiguous policy wording
- Medical inflation
- Claims utilisation trend
- Poor disclosure (< 6% in India)
- Premium guarantees
- Quantity & quality of data
- Competition
- Poor awareness & education
- Regulatory "interference"

Drivers of claim utilisation

- Benefit coverage
 - Awareness of policyholder
 - Mix of risks (age, gender, occupation, lifestyle habits)
 - Distribution channel
 - Gate-keeper role
 - Medical underwriting
 - Use of managed care
 - Anti-selection & moral hazard
 - Medical and technological advancement
 - Health provider infrastructure
 - Regulatory environment
- 

Product suitability

Medical Indemnity

- Complex – Understanding, Sale, UW
- Meets needs of consumer against health costs
- Medical inflation and utilisation risk for insurer
- Premium costs can be managed with excess , co-pays, sub-limits and hospital banding



Hospital/Surgical Cash

- Simple – Understanding, Sale, UW
- Does not directly protect against health costs
- Fixed benefit - no medical inflation risk for insurer
- Utilisation trend risk still with insurer
- Medical advancement can pose risk for insurer



Personal Accident

- Simple – Understanding, Sale, UW
- Accident risk significantly reduces anti-selection risk
- Fixed benefit - no medical inflation risk for insurer
- Individual and group
- Suitable sale through bancassurance & affinity channels

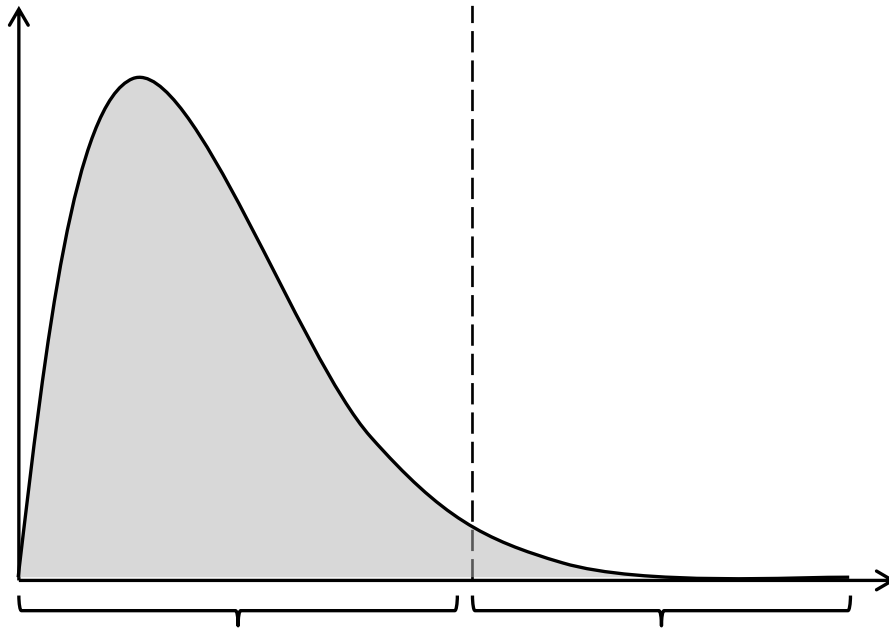


PTD/TTD

- Either permanent or temporary
- Can be part of a Personal Accident policy
- Can be a rider to a Life or Critical Illness policy
- PTD: different definitions of occupation (any, similar, own)
- TTD: percentage of net income paid out while disabled



Health Savings Accounts (HSAs)



HIGH LEVEL DEDUCTIBLE

- High frequency
- Low severity

CONTRIBUTIONS TO SAVINGS SCHEME

CATASTROPHIC CLAIMS COVER

- Low frequency
- High severity

CONTRIBUTIONS TO MORBIDITY COSTS

=

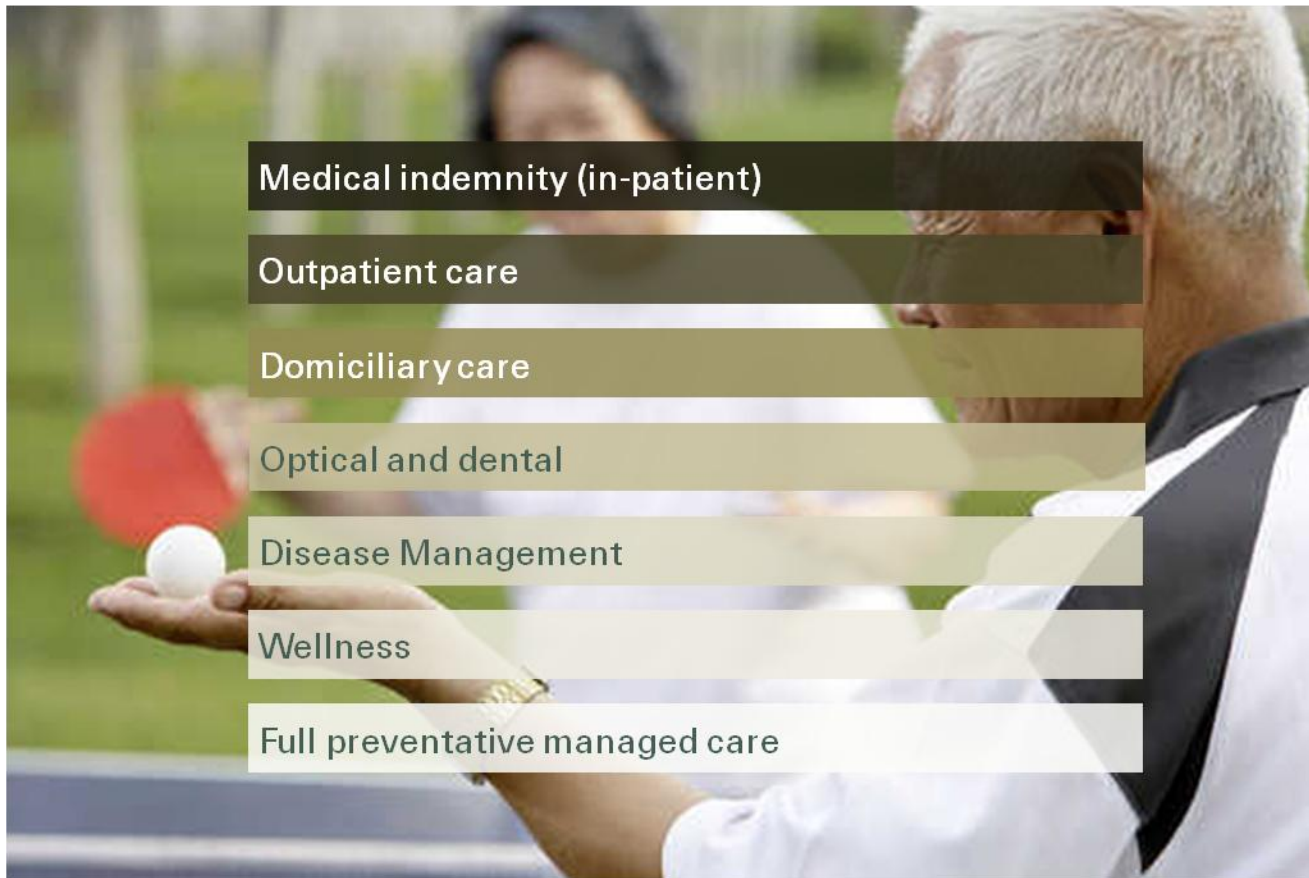
HEALTH SAVINGS ACCOUNT (HSA)

Potential Attractions

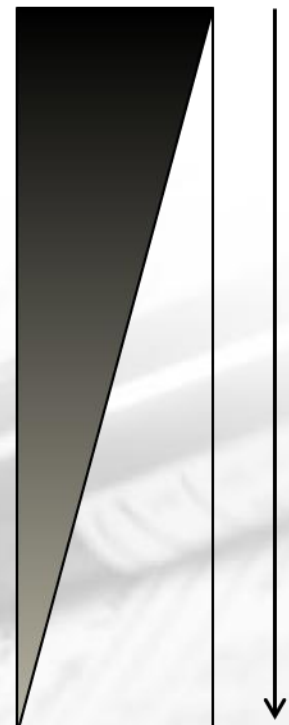
- Funds claims not ordinarily covered, e.g. PEDs
- High deductible plan targets catastrophic events
- Effective for long term funding
- Targets savings mindset
- Ownership
- Tax incentives
- For insurer automatic regulation of "unnecessary" claims

Product innovation

From treatment orientated to more comprehensive plans which address preventative needs



Treatment



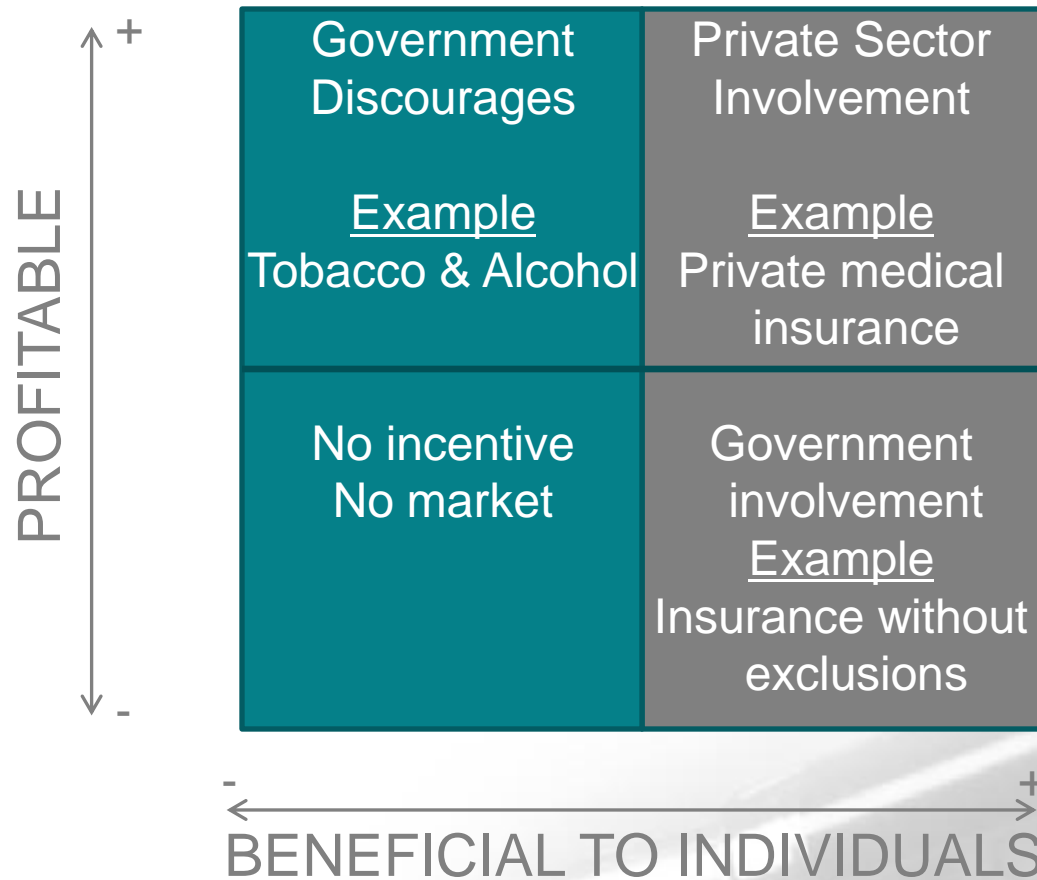
Prevention

Regulatory involvement

- Tariff pricing
- Commission limits
- Portability
- Guaranteed renewability
- Product approval
- No age restrictions



Private and Social sector conflict



Social inclusion challenge

- Pressure to widen coverage to those not traditionally covered by health insurance
- Concerns around discrimination or unfair treatment
- Industry may have justified concerns, however need to be open to challenge established practices
- Example: HIV patients
 - India has specific health policies targeting HIV patients
 - Indian government health schemes do not have HIV exclusion
 - well controlled cases may be acceptable risks for some policies
- More practical underwriting
 - move beyond accept versus decline approach
 - experience-based (loading, exclusions, investigate)

Wrap up

- Huge potential
- Challenges along the way
- Plenty of scope for innovation
- Government and industry cooperation is key



Question time?



This material in this presentation is for information only and is not intended to be actuarial, financial, legal, underwriting, or any other type of professional advice. Numerical data shown are for illustration only.