ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

Critical Illness Trends in Asia and Australia

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Date: May 2017

Trauma
Severe Illness
Critical Illness

=

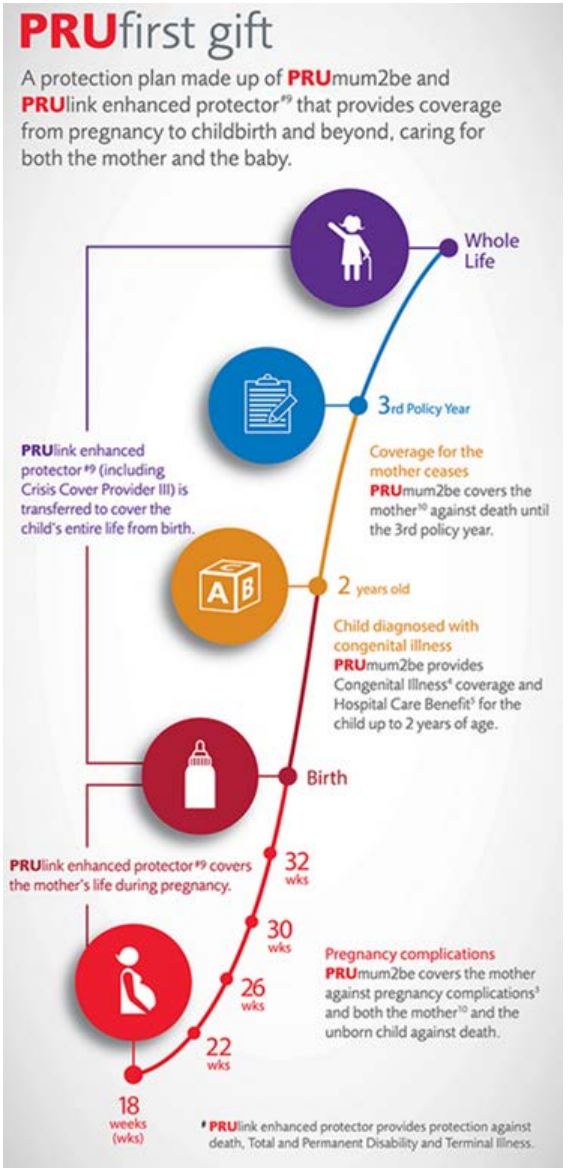
Dread Disease

Products in Asian Markets

- Evolution similar to SA
- Not full tiering
  - Minor diseases and minor versions of major diseases (15% to 25%)
  - Costs issues
- “Buy back or multipay” popular
- Standard definitions for most of Asia except Hong Kong
  - Differentiation through minor payouts
- Typical product
  - Accelerated
  - Guaranteed (but reducing)
  - WOL but limited premium term (20 years)
- Niche products

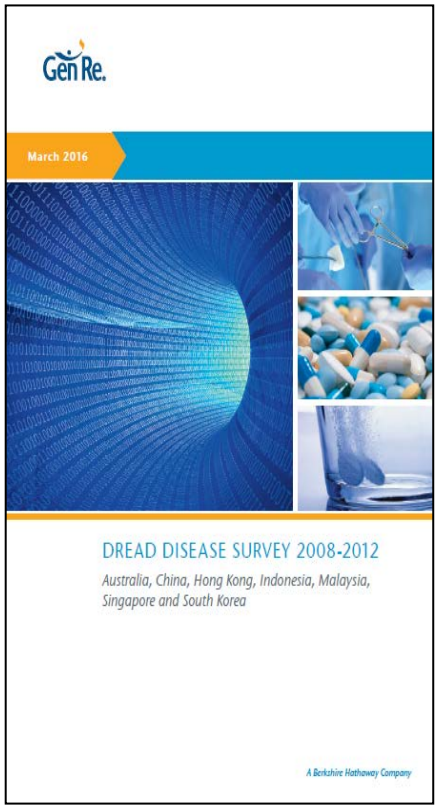
Prenatal Cover

Unborn Child Insurance - How Early Can Coverage Begin?



Dread Disease Survey 2008 - 2012

- Every 4 years since 1996



China

Australia

Hong Kong

Indonesia

84 companies

101m policies in-force (2012)

1.2m claims

Malaysia

Korea

Singapore

Number of in-force policies

as at 31/12/2012

Product Type	Total	China	Hong Kong	Malaysia	Singapore	South Korea	Indonesia	Australia
Traditional	97,106,905	88,498,909	2,056,981	3,123,824	2,011,334	413,384	697,220	305,253
Juvenile	2,315,450	2,124,353	108,942	25,986	50,219	2,953	1,923	1,074
Cancer	1,303,284	1,001,156	11,861	30,233	1,097	258,862	75	0
Female	571,469	249,106	156,925	127,838	34,238	410	2,952	0
Male	19,067	14,941	3,881	0	244	1	0	0
Total	101,019,309	91,888,465	2,338,590	3,307,881	2,097,132	675,610	702,170	306,327

Product Type	Total	China	Hong Kong	Malaysia	Singapore	South Korea	Indonesia	Australia
Traditional	96.1%	96.3%	88.0%	94.4%	95.9%	61.2%	99.3%	99.6%
Juvenile	2.3%	2.3%	4.7%	0.8%	2.4%	0.4%	0.3%	0.4%
Cancer	1.3%	1.1%	0.5%	0.9%	0.1%	38.3%	0.0%	0.0%
Female	0.6%	0.3%	6.7%	3.9%	1.6%	0.1%	0.4%	0.0%
Male	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Key Findings

- **Strong growth**
  - Increased sales to younger lives
  - Higher proportion female sales

New Polices Written in China

- Awareness
- Medical replacement
- Risk vs. investment

Age and Gender Profile of Portfolio

- Average age of in-force portfolio in China reduced from 36 to 32
  - 2008 to 2012

- In Asian countries strong growth in policyholders < 20
  - 15% to 20% of current in-force
  - Comparison : Australia – 2% to 3%
  - Cultural

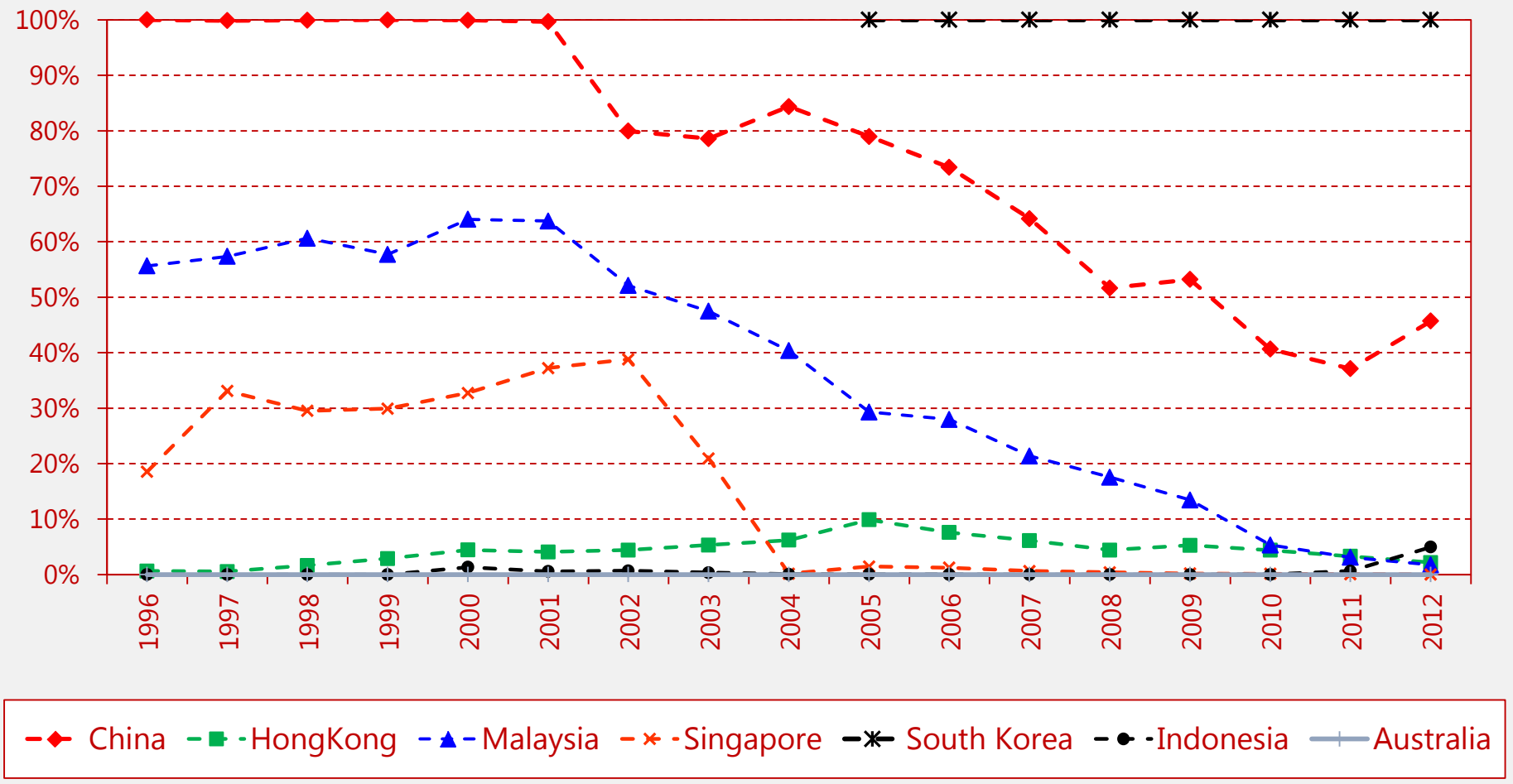
Age and Gender Profile of Portfolio

- Average age of in-force portfolio in China reduced from 36 to 32
  - 2008 to 2012
- In Asian countries strong growth in policyholders < 20
  - 15% to 20% of current in-force
  - Comparison : Australia – 2% to 3%
  - Cultural
- In Asian countries female buyers outnumber male buyers
  - 110% to 120%
  - Comparison : Australia - 90%
  - More woman buying financial services
  - Linked to cancer trends

Key Findings

- Strong growth
  - Increased sales to younger lives
  - Higher proportion female sales
- **Trend away from guarantees**

Guarantees : New Business



Key Findings

- Strong growth
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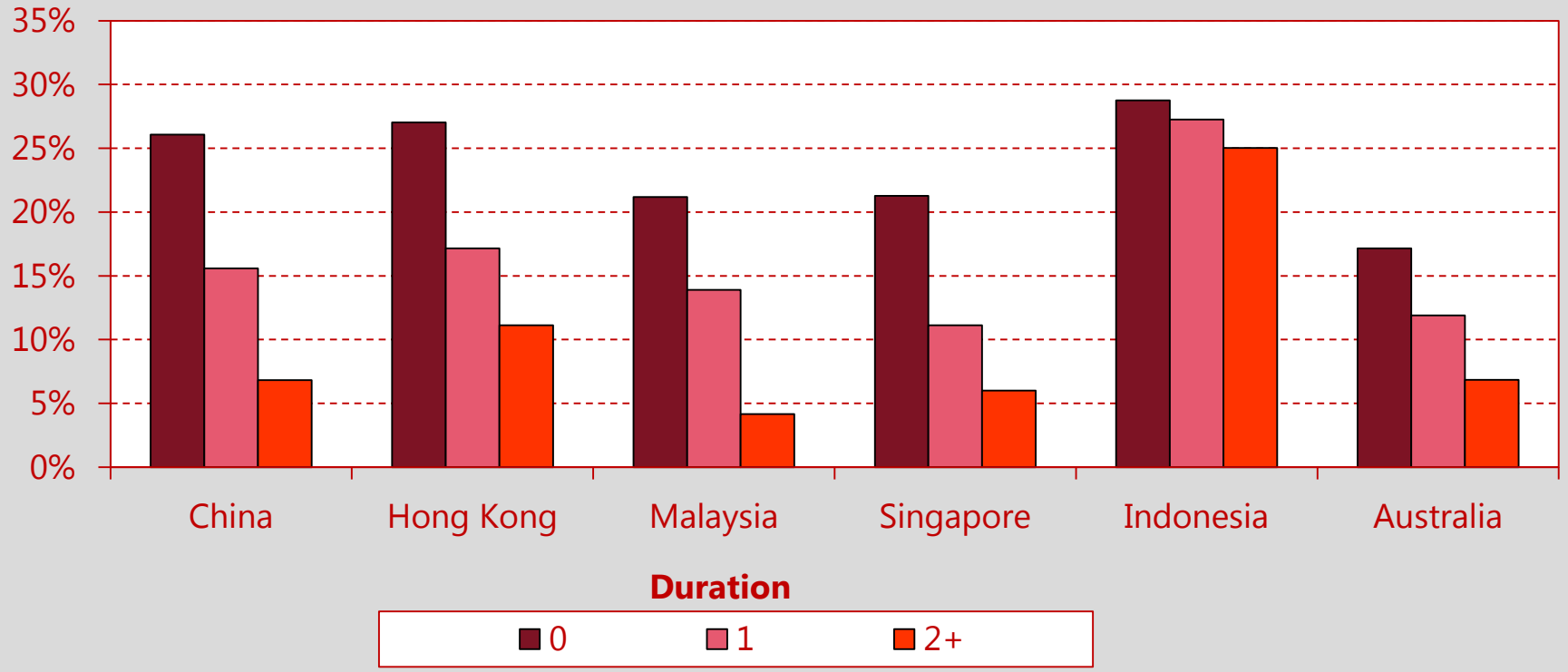
- Trend away from guarantees
- **Improving declinature rates**

Declinature rates

Non-Disclosure and Not meeting the Definition
Indonesia : Disease not covered



Key Findings

- Strong growth
  - Increased sales to younger lives
  - Higher proportion female sales
- Trend away from guarantees
- Improving declinature rates
- **Cancer makes up 60% (male) and 80% (female) of claims**

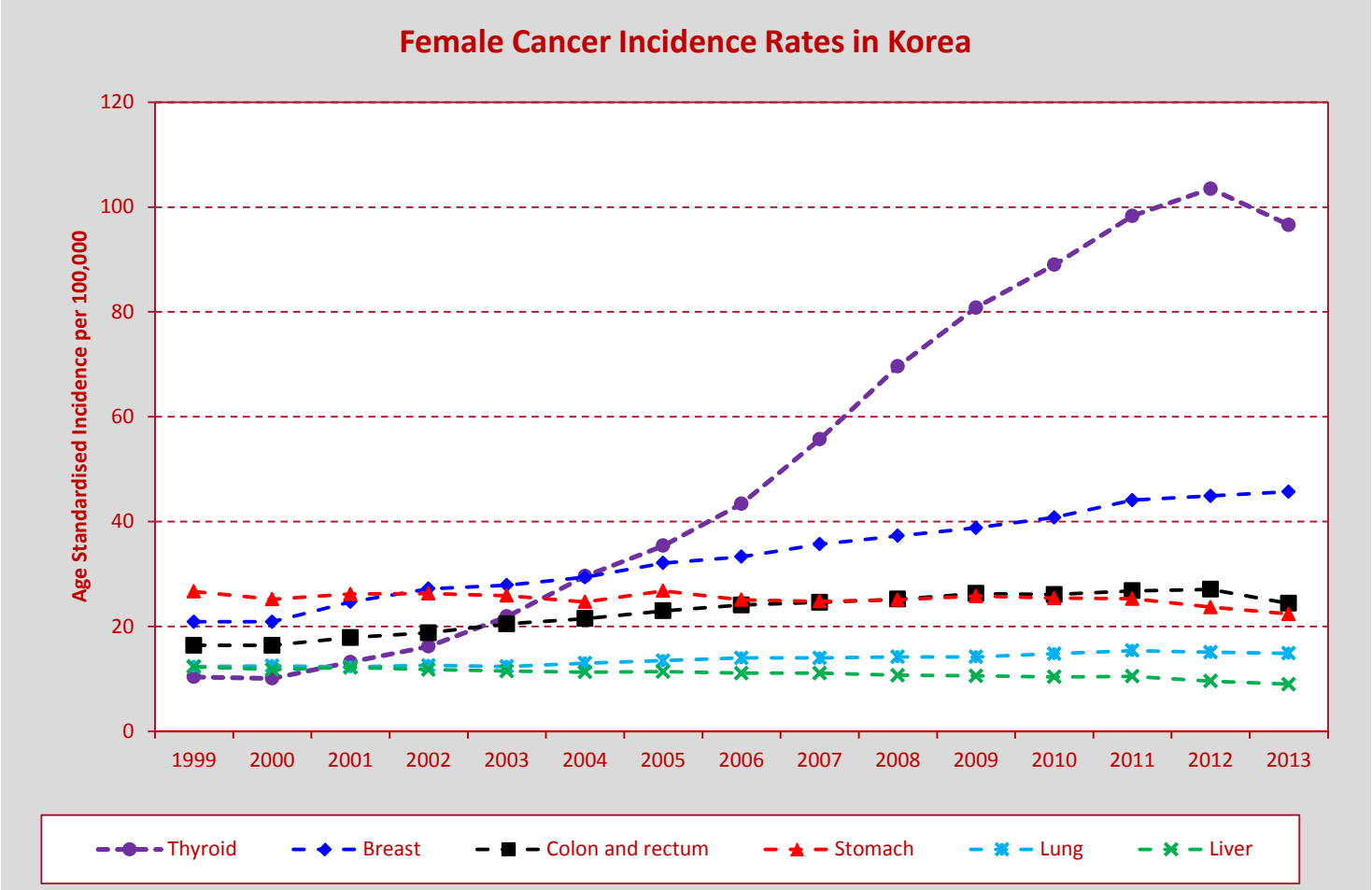
Cause of Claim - Male

Cause of Claim	China		Hong Kong		Malaysia		Singapore		Indonesia		Australia	
	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%
Cancer	1	57.7%	1	66.2%	1	44.7%	1	51.7%	2	28.3%	1	65.3%
Ischemic Heart Disease	2	19.2%	2	16.3%	2	35.0%	2	34.5%	1	44.0%	2	17.2%
Stroke	3	12.1%	3	7.9%	3	7.0%	3	6.9%	3	15.2%	3	4.6%
Kidney Failure	4	4.7%	4	2.4%	4	4.9%	4	1.8%	4	7.3%	8	0.6%
Heart Surgery	5	1.8%	5	1.5%	5	1.8%	5	1.1%	5	1.5%	5	2.7%
Paralysis	6	1.4%	9	0.4%	10	0.5%	6	1.0%		0.2%		0.1%
Chronic Liver Failure	7	0.5%		0.2%		0.2%		0.0%	8	0.4%		0.1%
Benign Brain Tumour	8	0.5%	6	1.4%	6	1.0%	8	0.6%		0.0%	6	1.2%
Total of top 10		98.5%		98.1%		97.1%		98.8%		99.1%		98.2%
Other than top 10		1.5%		1.9%		2.9%		1.2%		0.9%		1.8%
Unknown		2.2%		1.2%		21.9%		39.2%		8.6%		9.0%
Total number of claims		276,335		5,893		6,938		8,541		1,497		1,071

Cause of Claim - Female

Cause of Claim	China		Hong Kong		Malaysia		Singapore		Indonesia		Australia	
	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%
Cancer	1	80.5%	1	89.1%	1	85.7%	1	88.3%	1	75.1%	1	87.1%
Stroke	2	7.3%	2	3.1%	2	3.7%	2	4.2%	2	8.3%	2	3.9%
Ischemic Heart Disease	3	4.0%	4	1.6%	3	2.8%	3	3.4%	3	6.2%	3	2.3%
Kidney Failure	4	3.1%	5	1.3%	4	2.6%	4	1.2%	4	5.2%	8	0.5%
Heart Surgery	5	1.4%	6	0.5%	7	0.6%	7	0.4%	9	0.5%	6	0.8%
Benign Brain Tumour	6	1.1%	3	1.7%	5	1.4%	5	0.8%	7	0.5%	5	1.1%
Multiple Sclerosis		0.1%	8	0.3%		0.2%	10	0.2%	6	0.6%	4	1.3%
Total of top 10		98.9%		98.3%		98.2%		99.4%		98.2%		98.4%
Other than top 10		1.1%		1.7%		1.8%		0.6%		1.8%		1.6%
Unknown		2.3%		1.5%		17.5%		32.9%		7.1%		5.5%
Total number of claims		322,007		9,237		7,509		10,856		1,190		835

Korea: Thyroid cancer experience



Survey Overview

- Valuable product
- Changing Buyers
- Changing reasons for purchase
- Trends are critical
  - Incidence rates
  - Screening
  - Diagnostics

Australian Case Study
March 2016

Complexity
Expectations
Claims handling

CommonwealthBank

FOUR CORNERS
Investigative journalism at its best

ASIC
Australian Securities & Investments Commission

ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

Australian trauma claims

Business in Australia

Commonwealth bank admits failing customers over heart attack claims

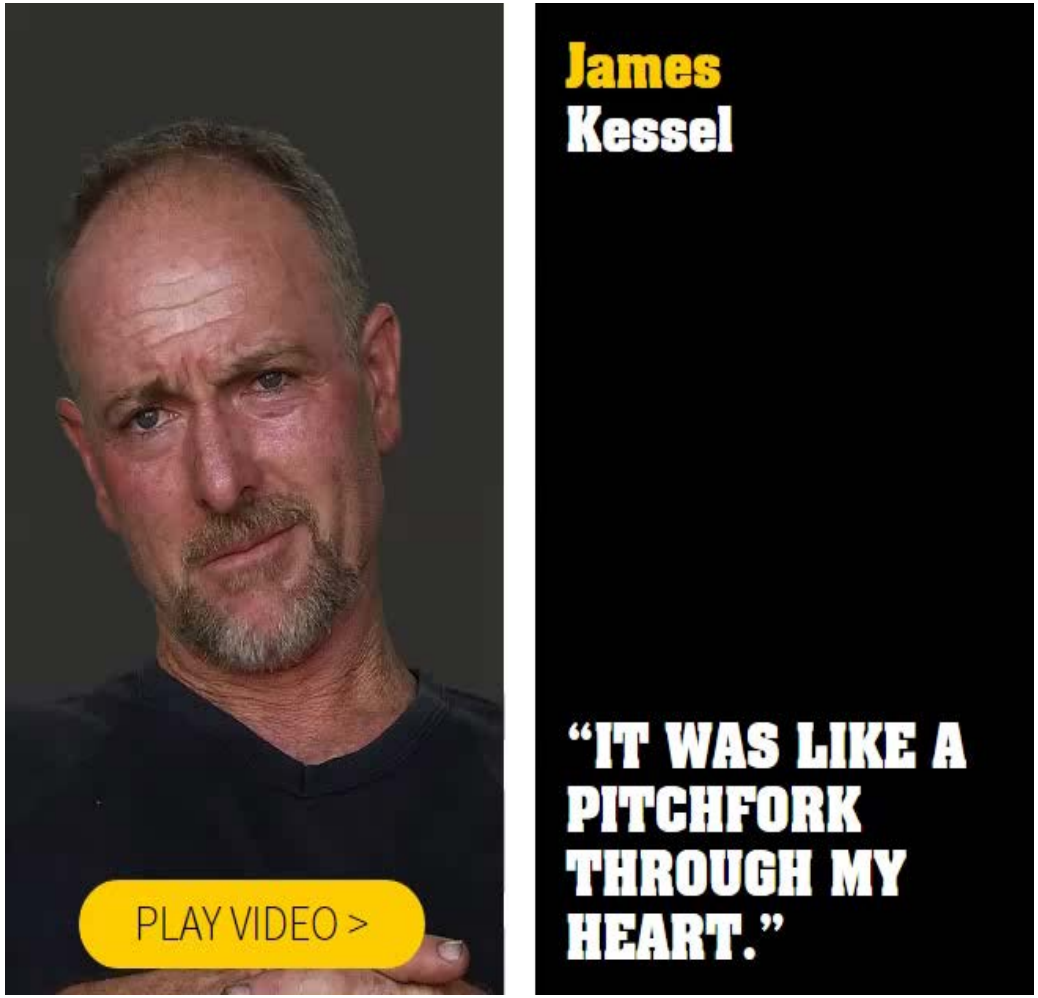
CBA vows to update heart attack policy, as chief executive Ian Narev concedes bank failed to meet responsibility to deal with some claims sensitively and fairly

CommInsure: Doctors pressured to help CBA's insurance arm avoid payouts to sick and dying, whistleblower says

FOUR CORNERS – BY ADELE FERGUSON, KLAUS TOFT AND MARIO CHRISTODOULOU

UPDATED MON MAR 07 22:56:42 EST 2016

CommInsure: – the claimant



Source: http://www.smh.com.au/interactive/2016/comminsure-exposed/heart-attack/

CommInsure: the claimant

Source: http://www.smh.com.au/interactive/2016/comminsure-exposed/heart-attack/

CommInsure: heart attack definition

Heart attack of specified severity – CBA	Heart attack of specified severity - ABI	Heart attack of specified severity - ASISA
The death of part of the heart muscle as a result of inadequate blood supply	Death of heart muscle, due to inadequate blood supply	Death of heart muscle, due to inadequate blood supply
	Clinical symptoms	Clinical symptoms
Elevation of cardiac enzyme CK-MB Or Elevation of troponin I > 2 ug/L or troponin T > 0.6 ug/L	Characteristic rise of cardiac enzymes or troponins recorded at the following levels; troponin I > 0.5 ug/L troponin T > 0.2 ug/L	Raised cardiac markers: Trop T > 0,5 ng/ml Trop I > 0,25 ng/ml, or Raised CK-MB mass Up to 2 times normal values in acute presentation phase, or Up to 4 times normal values post-intervention. Total CPK elevation of up to 2x normal values, with at least 6% being CK-MB.
New ECG changes Or Evidence of reduced LV ejection fraction to < 50%	New ECG changes	Characteristic ECG changes, e.g. ST-segment and T-wave changes indicative of myocardial ischaemia or myocardial infarction

CommInsure: the cardiologist

Source: http://www.smh.com.au/interactive/2016/comminsure-exposed/heart-attack/

CommInsure: the CMO and whistleblower

Source: http://www.abc.net.au/news/2016-03-09/comminsure-whistleblower-suing-for-wrongful-dismissal/7234064

CommInsure: CBA's CEO

Source: http://www.smh.com.au/interactive/2016/comminsure-exposed/heart-attack/

What followed: a frenzy of reviews

- Was CommInsure's heart attack definition out-dated?
  - Insured was "heart attack with specified severity" – similar to ABI's best practice definition with minimum troponin levels
- Minimum troponin levels are problematic as a measure for severity
  - Instead type of procedure, or
  - Number of treated vessels, or
  - EF level
- A number of insurers moved towards a clinical definition

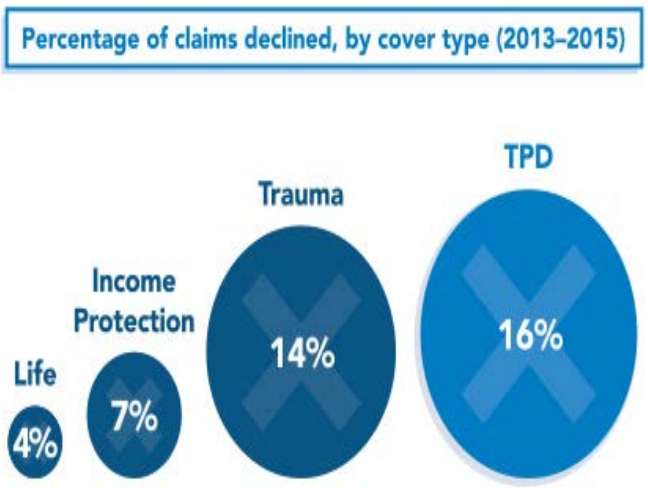
What followed: a review of the handling of claims

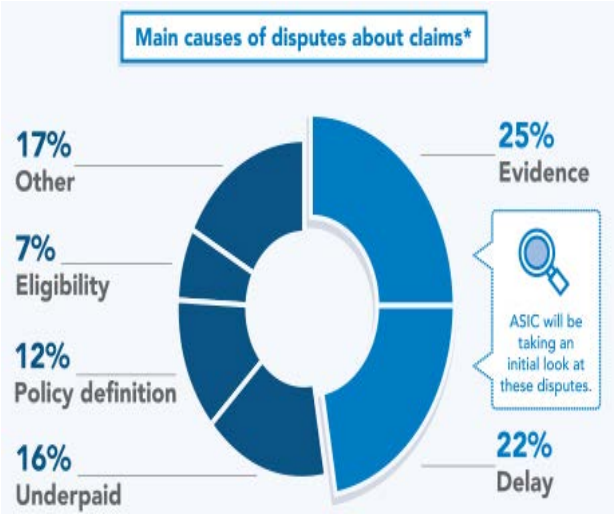
- Life insurers are **paying** the considerable **majority of claims**
- There are **significant shortcomings** in a number of areas of life insurance claims handling
- There is a clear **need for public reporting** on life insurance claims outcomes – at an industry and individual insurer level

ASIC – Australian Securities & Investments Commission

Australia's corporate, markets and financial services regulator

What followed: a review of the handling of claims





ASIC report 498

CASE STUDY

Case study 10: Outdated requirement for pathology test

The policyholder was diagnosed with liver cancer by CT scan. However, the claim was declined because the definition of cancer in the policy stated that the cancer must be 'confirmed by pathology results'. The policyholder's doctors contacted the insurer to explain that pathology tests are no longer used by the medical profession to diagnose or confirm liver cancer. The policyholder's doctors determined that a liver biopsy (a pathology test) would be life threatening and unreasonable in the circumstances, given the severity of the policyholder's illness.

The dispute was resolved by settlement after the policyholder raised it with EDR. (External dispute resolution)

What followed: minimum standard definitions

- Life insurance industry was in the process of preparing a detailed Code of Practice
- Minimum standard definitions issued in October for public consultation
- Inclusion of minimum standard definitions
  - Cancer
  - Heart attack
  - Stroke
- Now states that the industry will review medical definitions at least every 3 years

Learnings from the UK and SA

The introduction of standard definitions

- Insurers can refer to someone else – the ABI or ASISA
- Consider themselves as the custodian of the definitions
- The definitions must be the result of a broad public consultation
  - Experts
  - (Re)Insurers
  - And the millions of people who have the cover
- It will not end all disputes
- It will not end all bad media

Bad press – nothing new.....

UK – continuous and even after the introduction of MINIMUM standard definitions

Daily Mail

This is MONEY

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The Telegraph

HOME » FINANCE » PERSONAL FINANCE

'Something has to be going wrong here'

Out of action: insurers are refusing to pay more and more claims

12:01AM GMT 22 Mar 2006

Comment

One in five claims on a critical illness policy is rejected, often on points of legal detail. Consumer group Which? judges this unacceptable and is demanding urgent action. Teresa Hunter reports

Insurers turn down £80m in claims from the critically ill as the sick are left stranded

BBC NEWS

LIVE BBC NEWS CHANNEL

News Front Page

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EDITORS' BLOG

Last Updated: Wednesday, 25 July 2007, 13:24 GMT 14:24 UK

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Have Your Say: Critical Illness Insurance

Around 20 per cent of claims for critical illness insurance are rejected.

The industry accepts this figure is too high and has taken a number of steps to reduce the failure rate.

These include making application forms more straightforward and

I was for many years a Claims Manager for a major critical illness insurer and I can honestly say that we never had any quota. Every claim

Which?

Which? Conversation

28 JULY 2011 / MONEY

Sir, you'll have to lose another leg for a payout

Patrick Steen

You'd think your critical illness insurance would cover you

Mirror

The great critical illness insurance rip-off

Daily Mail health

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Claire paid health cover for years, but when she needed help, she was told she had 'the wrong type of cancer'

By JO WATERS

UPDATED: 10:34 +10:00, 26 April 2011

Considerations

- Transparency
  - To understand what is / not covered
- Power moving to the consumers
- Objective “static” definitions vs. “dynamic” expectations
- Diagnosis vs. Impairment
- Critical Illness is still valuable cover
- Follow the letter / spirit of the product

“I’m not sure if we have to have standard or minimum definitions, but absolutely we’ve got to do something about the technical language that we use. I like to think I’m a reasonably intelligent woman but honestly, some of these things are well beyond my mental capability,"

ANZ’s Australia Wealth (Insurance until March 2016) managing director Alexis George, FSC Life Insurance Conference, March 2016