

The Actuarial Profession
making financial sense of the future

Launching a new IP product into an established market



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Agenda

- Irish income protection and wider protection market
- Features of new product
- Other features considered
- Product launch
- Big T – challenges & experiences
- Achieving buy-in from advisers
- Questions

Background Irish IP & wider protection market

- Irish protection market approx 1/7th size of UK (£1bn vs €150m)
- UK IP market c£70m vs c€7m in Ireland
- One company (FF) has 70% market share for IP
- Few major players – Irish Life, Aviva, Zurich & New Ireland
- Mortality cover mandatory with lending
 - Protection sale needs to be conducted
 - Directs to lump sum benefits
 - Limits protection budget for IP



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Background (2) Tax

- IP benefits from tax relief @ marginal rate on premiums
 - Increases relative attractiveness to CI
- Benefits are taxed
 - Replacement ratios expressed as % of gross salary
 - BUT; higher RR possible akin to group IP in UK
 - Easier for customer to understand as it largely translates to % of net salary (e.g. 75%)



Learning for UK market: why not express RR as % of net? More meaningful & higher %.

- Avoids complexities such as stepped RR
- removes risk of tax changes making gross RR too generous => poor termination rates
- net salary more visible to customer & used in max mortgage calc

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Background (3)

State Benefits

- More generous in Ireland and therefore critical for RR
 - €10k for single person; up to €20k for dependent spouse & children
 - Recently capped at max 2 years (2009)
- Added complexity & reduces perceived need
- Probable further cuts
- Increase perceived need of private provision



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Background (4)



- PPI less common in Ireland than UK
 - Customers/advisers less familiar with income based products
 - IP not tarnished with PPI negative press
- Akin to UK, majority of business in Ireland is re-keyed electronically. Customer interface is paper
 - Prevents effective use of reflexive expert underwriting
- One year commission clawback is standard (c130% AP paid upfront)




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Features of New Ireland IP product

- Application simplicity was key  Big T tele
 - Improved disclosures; customer often knows more than GP
 - Quicker acceptance – fewer GPRs
 - Higher NMLs
 - Lower reinsurance rates
 - BUT costly/slower for clean apps/low benefits vs paper
- Simple customer message  Back to work plan
 - Helps back to work and pays income
 - Reinforced with 'double benefit' for first few months back at work
 - +50% for first month; +25% for second month
 - Personalise the cover to the individual (all the outgoings are available from mortgage app)
 - Full rehab package integral to product (e.g. physio)

Features of New Ireland IP product (2)

- Claim payment certainty  Confirmed Income Option
 - Guarantees income which claim will be assessed against at claim stage
 - Financial underwriting done up front (3 P60s)
 - Ensures customer receives benefit paid for
 - Relatively low risk of over-insurance
 - Customer/adviser has option (key)
 - Own occupation cover only
 - Unemployed; EA claims assessment; €15k max annual benefit

Other product considerations

- Simple product for Bank channels
 - Less anti-selection; less price sensitive
 - Reduced underwriting
 - Single occupation rating
 - NPW due to wanting consistent product for bank & broker
- Packaged benefit - comprehensive mortgage/lifestyle protection
 - Include lump sum life benefit
 - FIB
 - Small CI cover
- Unemployment cover
 - Uncertain economy
 - Attract wrong type of customer

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The Launch

The Best Product

- Taken the best, and added more
- Shortest deferred period available
- Very competitive prices

Made simple

- Straightforward 75% rule
- Indexed or level
- Shortened application form
- Medical evidence in only 20% of cases

Most secure cover

- Tele-interviewing
- Confirmed Income Option
- No Standard exclusions
- Change job without change in rates
- Essential Activities Benefit

The story so far

- Far more sales from brokers
- Bank and DSF are slow starters
- 25% of cases DP 8, Another 40% DP 13
- Average age 37 (70% under 40)
- 34% applying for CIO and granting it in 95% of cases

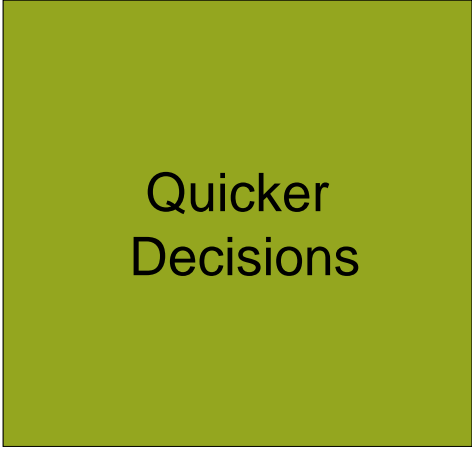
The challenges of Big-T

Quicker
Decisions

Safer
cover

We said..

Betting the house on Big-T



Quicker
Decisions



Safer
cover

.. IFAs heard

The challenges of Big-T

Lots of niggles

- Concerns about control
- Focus on time spent
- Being too clever with questions
- The Irish Problem
- Youghal, Sadhb, Ghreidhm, Niamh
- Not preparing customers
- Misunderstanding of extra detail
- Only see the extra disclosures

Tele-interviewing – You need to get VERY real

- Why confidence in cover is important
- What more data means
- Paint a picture – “when you get that call..”

Show examples of real risk for brokers

“ When I met x in 2003 he asked me about my previous medical conditions. I made him aware of a previous back injury and also of a hernia injury. He asked me was my previous injury a recurring one. I told him it was not a recurring injury and that it did not restrict me in any way in my duty of work. He then proceeded to fill out my application form”

Be open about achieving decision targets

- We have a stated target of making decisions on 80% of cases (agreed with Pacific)
- Launched with highest medical limits but still had automatic GPRs on 26% of cases
- After investigation increased limits further – 8% automatic GPRs
- Now at 70%+ decisions

Getting sales to issue

The number one killer of IP

- Big divergence between channels
- Huge divergence between individuals

Getting sales to Issue

- Have the health chat
- Be open on proportions rated..but 90% offered terms
- Get the right expectations
- Sales person has the biggest influence

Under-estimating training

- Should have done more with Direct Sales Forces
- Difficulties of pre-training while maintaining confidence
- Afraid to patronise Brokers...

Next Steps

- Reinforce Big- T
- Education

Thank you

Any questions?