

The Actuarial Profession
making financial sense of the future

Momentum conference 2010
Abi Oyetunji and David Horley



**Products of the future
meeting policyholder
wants**

09/12/2010

© 2010 The Actuarial Profession • www.actuaries.org.uk

Policyholder needs vs wants

To make their money work for them	... But not to take huge financial risks
Simplicity	... But a fair deal
Security in retirement	... Without suffering poor annuity rates
Protection	

© 2010 The Actuarial Profession • www.actuaries.org.uk

1

Current Products

Protection

- Term assurance
- Whole of life assurance
- Health Insurance (PHI)

Pensions & Savings

- With profits
- Unit linked
- Variable annuities

Annuities

- Immediate
- Deferred

© 2010 The Actuarial Profession • www.actuaries.org.uk

2

Whats wrong with current products?

With profits

- Not transparent e.g. MVRs
- Don't appreciate the risks to the company
- Reliance on "the Actuary"

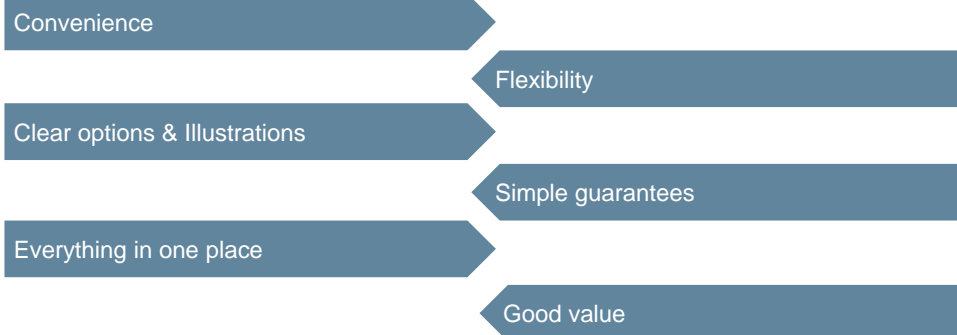
Variable annuities

- Too expensive
- Understanding value
- Complicated Benefits

PwC

3

How can products satisfy customer wants?



PwC

4

Product of the future – Lifetime insurance



PwC

5

Lifetime insurance – benefits to consumers

Enable individuals to fully understand the risks they face

Provide an efficient and effective way to protect them from as much or as little of that risk as desired

Continuously monitor changes in the family's risk exposure

Notify the insured of coverage adjustments that might be needed

Scenarios designed to show that insuring for more risks and insuring for these risks sooner provide the maximum protection at the lowest cost.

Scenarios would demonstrate the advantages of funding long-term care throughout an entire lifetime, increasing the proportion of young insureds that currently have long-term care coverage.

PwC

6

Lifetime insurance – challenges for companies

Improve existing enterprise risk management practices.

All stakeholders must be confident that companies will be able to handle the additional risks they are accepting.

Need to focus efforts on managing the risks of individual customers.

Opportunity to expand the size and diversity of the risk pool, reducing the average cost of coverage for all consumers.

Marketing must be modified to better educate the public about these

The public must understand it is more effective and less costly to address these risks together than in piecemeal fashion through a variety of separate policies.

PwC

Lifetime insurance – challenges for actuaries

Dynamic pricing

In an ideal world, the product would be able to offer a menu of options with up-to-date prices similar to group term assurances

Reserving & demonstrating value

Current actuarial techniques will find it tough to value products which are flexible.

Pricing for morbidity and mortality risk on actuarial principles by considering interaction of risks at the individuals' level

This will make coverage less expensive compared to insuring each risk individually with a separate product

PwC

Tips on formatting your presentation in The Actuarial Profession's style

Format

- Do not change the dimensions of the template. The size must remain as PPT A4 size (27.51cm x 19.05cm) – do not resize to PPT Onscreen size
- Do not delete any elements in the master slides

Font

- The font is Arial – regular or bold weights can be used
- Text size must be 24pt as determined within the master slides. For optimum readability, display no more than six to eight words per bullet and no more than six bullets per slide

Colours

- The AP colour palette is featured on the left hand side of every slide for your reference. Do not use non AP colours

Punctuation

- Always write in sentence case, unless a proper noun is used. Do not use ampersands (&)
- Only use a full stop at the end of the bullet list.

PLEASE DELETE THIS SLIDE AFTER USE

© 2010 The Actuarial Profession • www.actuaries.org.uk

9