

**The Actuarial Profession**  
making financial sense of the future

## Health and Care Conference 2011

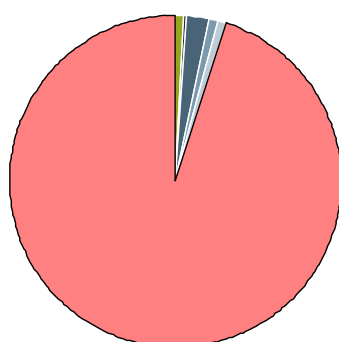
John Mullarky - Technical Claims Manager - Scottish Widows

Joanne Wells - Head of Actuarial Pricing - Hannover Life Re (UK)

### Is Terminal Illness Where Critical Illness Started Out?

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## Terminal Illness - At A Healthcare Conference?



- Benign Brain Tumour
- CJD
- Neurological
- Other Causes
- Respiratory Disease
- Cancer

### Breakdown of Terminal Illness Claims by Cause

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## Terminal Illness - At A Healthcare Conference?

- The initial premise of critical illness:

**To pay a claim in circumstances where previously the cause would have led to a death claim but now people are surviving with their condition**

- We expected to pay for severe and life threatening conditions

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## Terminal Illness - At A Healthcare Conference?

### Terminal illness versus critical illness

- **Similarities**
  - Terminal illness is by definition life threatening
  - Benefit paid for some cancers
  - Benefit has been paid for some neurological conditions and respiratory conditions
- **Differences**
  - Critical illness pays at an earlier stage of disease and covers more conditions
  - Terminal illness has an in built severity measure
  - Future proofing against definition drift?

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## Terminal Illness - At A Healthcare Conference?

- Terminal illness claims are more complex than just pre paying a death claim
- Challenges of claims philosophy and adjudication
- Survival patterns of terminal illness claimants
- Impact on claim costs

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## Terminal Illness

### “Lockerbie bomber defies doctors' prediction of death

*The health of the Lockerbie bomber has "not deteriorated" since his release from prison three months ago – despite doctors' assessments that he would have died by now, a senior source has told The Sunday Telegraph*

From Daily Telegraph 31 October 2009

**...and he still does!**

## Changing definitions:

### The definition on which the majority of TI claims are currently measured is:

'An advanced or rapidly progressing incurable illness where, in the opinion of an attending consultant and our Chief Medical Officer, the life expectancy is no greater than twelve months or is less than the time remaining until the expiry date if shorter.'

### Going forward the ABI agreed wording has been changed to:

'A definite diagnosis by attending Consultant of an illness that satisfies both of the following:

- The illness has either no known cure or has progressed to the point where it cannot be cured; and
- In the opinion of the attending Consultant, the illness is expected to lead to death within [the earlier of] 12 months [and the remaining term of the cover].'

## Claims Process

- *'Claims should be paid as quickly and efficiently as possible'*
- Nowhere more appropriate than with Terminal Illness claims
- Certainty of the life expectancy within the set timescales
- 50:50 chance of survival is not sufficient
- Trying to obtain the definitive statement from the attending consultant can be frustrating

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### Case one

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Policy holder diagnosed with cancer but policy holder confirmed that he was not terminally ill in February 2007 - claim closed prior to medical information requested

Wife called October 2007 advising of death – claim settled

*“This is a situation out with our control - some claimants do not wish to know if they are terminally ill and therefore we are unable to assess a claim”*

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### Case one

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- What exactly does the claimant know?
- Had they been told life expectancy 3 years?
- How would they react if we had paid the as a TI claim?  
Potential detrimental effect on the remainder of life

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## Case two

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Clinical trials

Declined for terminal illness May 2010

Diagnosed with Mantle Cell Lymphoma and Consultant confirmed that he was to undergo trial treatment using stem cell transplant.

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## Case two

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Potential that based on the trial, his life expectancy could be greater than 18 months, therefore decision to decline awaiting outcome of treatment

Policy holder died July 2010 and treated as a death claim

*“Medical trials can be difficult when assessing terminal illness claim*

*Outcome of the trial has potential to increase life expectancy”*

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### **Case three**

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Male diagnosed with prostate cancer in 2007 refused treatment on religious grounds. Consultant could not confirm life expectancy of less than 12 months so TI claim declined

Customer has claimed twice since but although condition deteriorating there is still no evidence of life expectancy less than 12 months.

*Policy expires in March 2014.....a waiting game*

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### **Case four**

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Customer understanding – confusion with Critical Illness Cover

Female age 45 diagnosed December 2009 with breast cancer with metastases

Terminal illness claim received February 2010

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### **Case four**

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Initial Consultant opinion was not patient specific but a statement that the median survival of clients with breast cancer that have metastasised to the viscera is less than twelve months

Therefore, although some patients can survive long term depending on response to treatment and other factors, there is a greater than 50% risk of death in the 12 months from the time of diagnosis of metastatic disease

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### **Case four**

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On further questioning Consultant confirmed that whilst incurable, this individual patient had shown an excellent response to chemotherapy and as the cancer is hormone sensitive she is likely to remain controlled for several years

The claim was declined as there was no definitive evidence of meeting the definition

Over 12 months on - The customer has now employed solicitors to support her claim.

We do have still not received supporting irrefutable evidence that she meet definition.



## Finally....



- What evidence was presented?
- We will never know!

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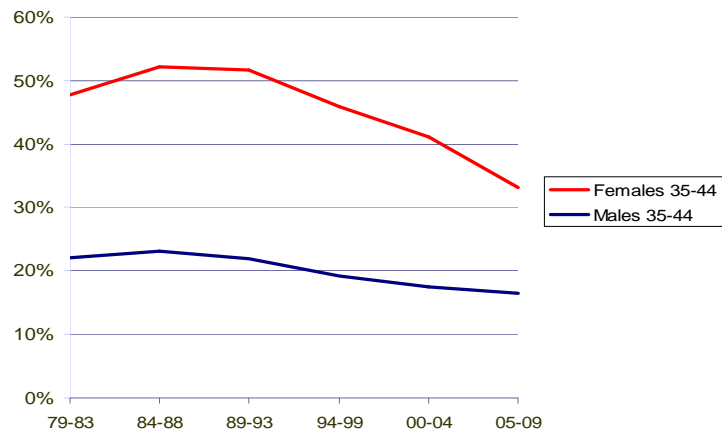
## How Significant are Terminal Illness Claims?

- A terminal illness benefit on life policies is now common if not quite universal for all distribution channels
- Widespread as a consequence of a perceived low cost?
- The proportion of claims paid as terminal illness reflects the maturity of the portfolio
- Typical proportion of all claims 10% to 15% depending also on duration

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## How Significant are Terminal Illness Claims? Percentage of Deaths due to Cancer

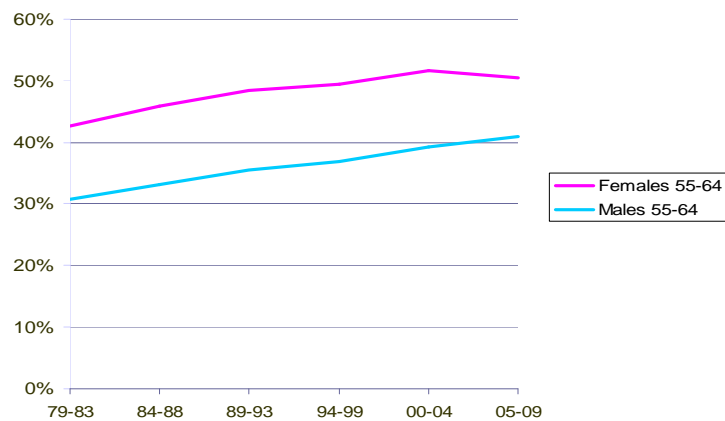


Source: ONS, England and Wales, Deaths by Cause

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## How Significant are Terminal Illness Claims? Percentage of Deaths due to Cancer



Source: ONS, England and Wales, Deaths by Cause

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## The Time between Terminal Illness and Death

- The average period between terminal illness diagnosis and the date of death is **11.5 months**
- The average period between payment of a terminal illness claim to the date the death claim was paid was **8.6 months**
- A few TI claimants have survived longer than 13 months and the longest survivor recorded has survived for **26 months**

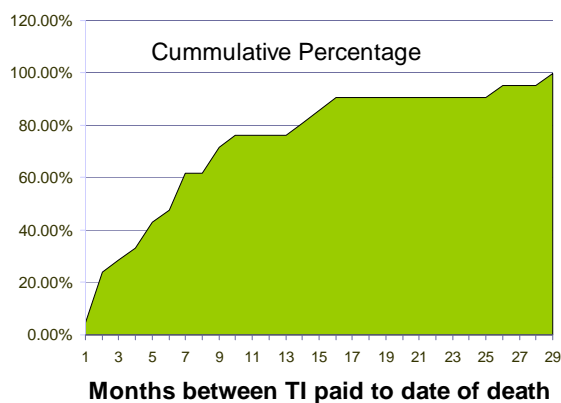
Source: Irish Life

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## The Time between Terminal Illness and a Death

Policies where 50% of the benefit is paid on TI and 50% on death



Source: Irish Life

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## Declined Terminal Illness Claims

### Scottish Widows terminal illness claims 2009

- 166 claims of which 121 paid
- 34 declined - definition not met (21%)
- 7 declined - non disclosure (4%)
- Of the 34 declined due to definition not being met
  - **2 passed away within 12 months**
  - **1 has passed away since >12 months**
  - **31 still paying premiums**

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## The Accuracy of Medical Practitioner's Survival Predictions

- Doctor's survival predictions are not very accurate and often overestimate survival (study of terminal ill cancer patients)
- Correct to within one week in 25% of cases
- Overestimated survival by at least 4 weeks in 27% of cases
- Predictions of up to 6 months are reliable as they are highly correlated with actual survival
- However, the longer the estimated survival the greater the variability in actual survival

Source: BMJ July 2003

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## Factors Influencing The Accuracy of Medical Practitioner's Survival Predictions

- The greater the experience of the doctor the greater the accuracy of the survival estimate
- A stronger doctor - patient relationship is associated with lower accuracy of the survival estimate
- Benefit in a second opinion from an experienced doctor with less contact with the patient as less personal interest in the outcome

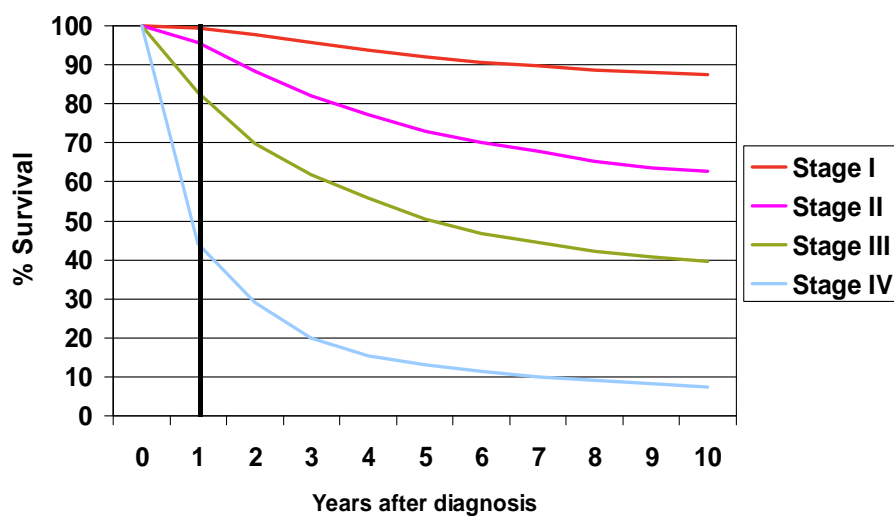
Source: BMJ February 2000

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## 0-10 Relative Survival for Breast Cancer by Stage

Diagnosed in the West Midlands 1990-1994 followed up to the end of 2004, as at December 2008



Source: Cancer Research UK

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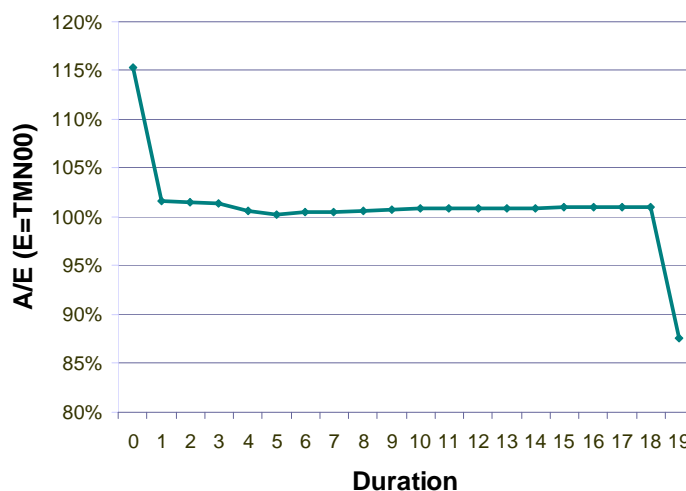
## Theoretical Model of the Impact of Introducing a Terminal Illness Benefit

- Male non smoker age 40 at entry, 20 year term assurance
- Experience expected to be 100% TMN00
- Assume 12.5% of claims are paid as terminal illness 12 months before the date of death, (9% of claims move from duration 1 to 0)
- Increase in premiums is modest:
  - Level term 0.5%
  - Decreasing term 1.5%

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## Theoretical Model of the Impact in Experience of Introducing a Terminal Illness Benefit



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## Terminal Illness

- Conceptually risks akin to severity based critical illness
- Potential for definition drift / change in diagnostic practice as real as for critical illness benefit
- Declined claims due to failure to meet the definition can be very emotive
- Not a zero cost benefit
- ...but also not a zero value benefit

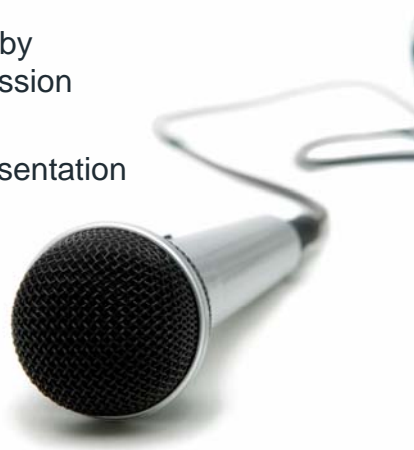
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## Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

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