



Institute
and Faculty
of Actuaries



IP for the Gig Economy: What we have learnt 5000 claims later

Joanne Wells
Zoe Woodroffe

Head of Pricing
Pricing Actuary

LV=
Gen Re



Institute
and Faculty
of Actuaries

Agenda

Changing workplace and need

LV= Personal Sick Pay

PSP – the early days

The Future



Institute
and Faculty
of Actuaries

An unmet need

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting

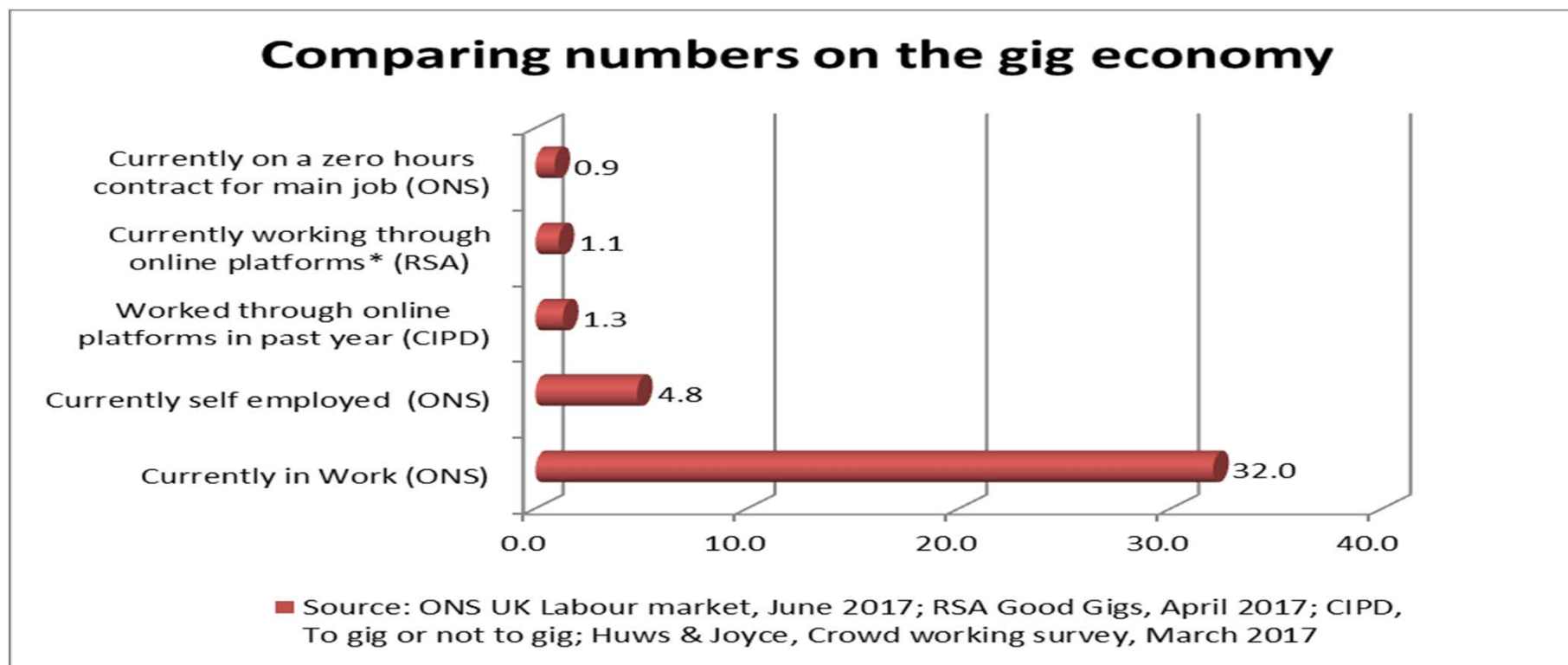
Income Protection

- IP is the one insurance every working person should have... but doesn't
- IP works when you can't
- Financial safety net and rehabilitation support
- Gaining recognition & traction



Institute
and Faculty
of Actuaries

Changing Labour Market

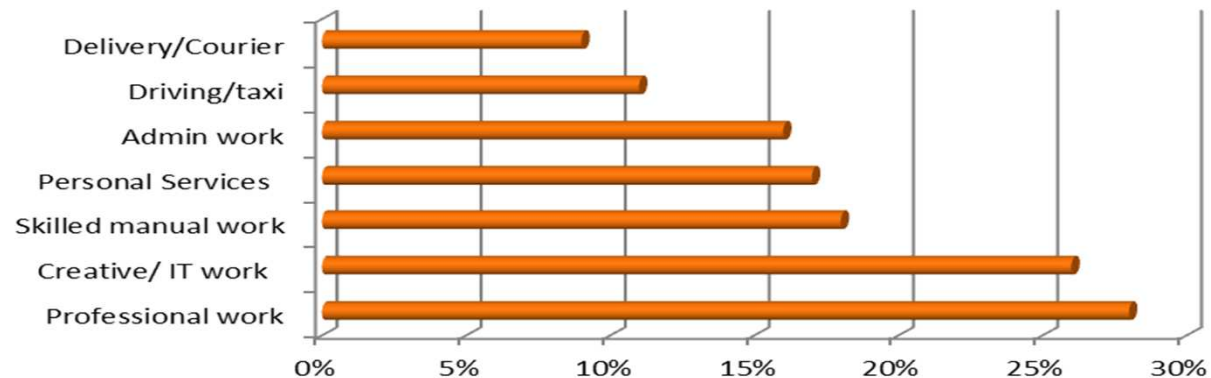


Institute
and Faculty
of Actuaries

What is the GIG economy?

- Flexible work, where people are offered piece-work through a website or app
 - running errands ([TaskRabbit](#)) giving lifts ([Uber](#)) or delivery services ([Deliveroo](#) or [Hermes](#))
- Can be low paid but includes people providing services who are freelancers or one person businesses

Source: RSA, Good Gigs, April 2017 based on Ipsos Mori research

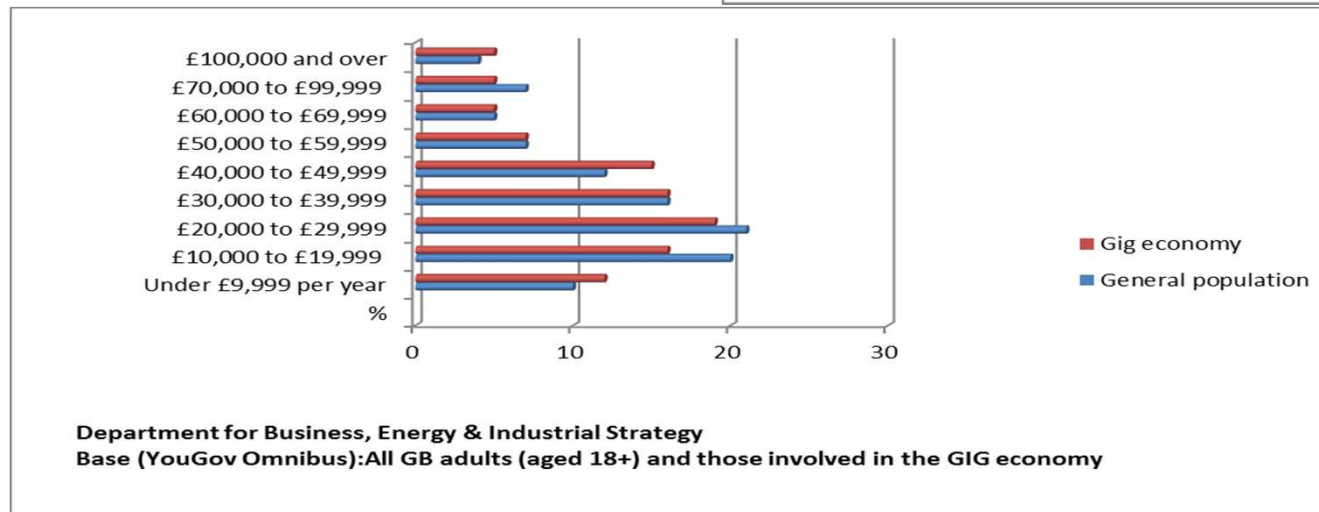
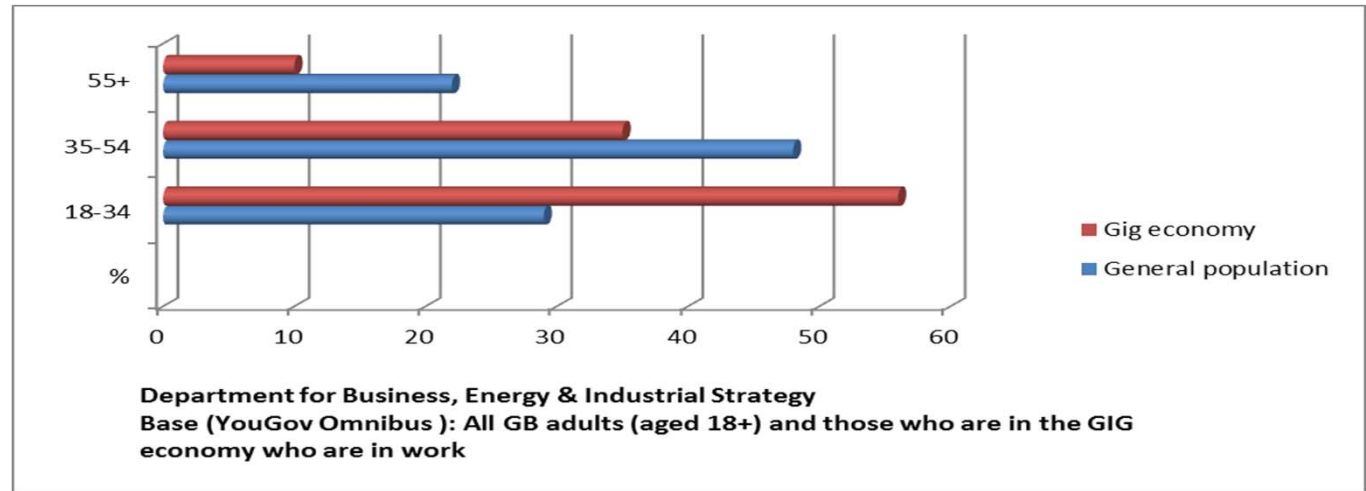


■ Source: RSA, Good Gigs, April 2017 based on Ipsos Mori research



Institute
and Faculty
of Actuaries

Characteristics of the GIG economy



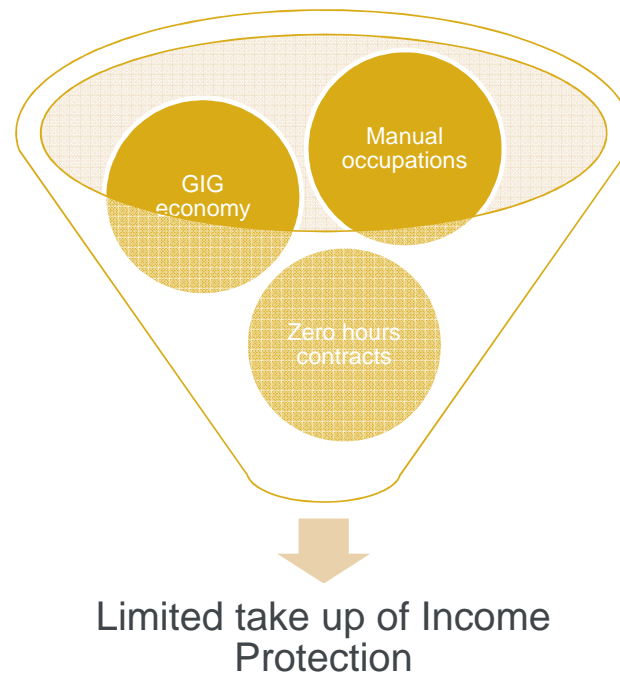
Institute
and Faculty
of Actuaries

Income Protection Landscape

- Income Protection targeted at people with stable /predictable income streams
- Complex products with bells and whistles
- Expensive for manual occupations
- Difficult for people with variable incomes to buy and claim, due to the need to demonstrate earnings
- Benefits didn't match customer's need for cover for short term sickness, as well as longer term.



Customer need



Only smaller friendly societies had products that catered to some extent for these groups



Institute
and Faculty
of Actuaries



Institute
and Faculty
of Actuaries

The Solution

LV= Personal Sick Pay

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting

LV= Personal Sick Pay

- Benefits

- The best definition of sickness: own occupation
- A 'back to day one' option for customers without an adequate safety net
- Includes the Personal Sick Pay £1,000 guarantee, providing normally work 30 hours a week
- Can insure up to 60% of income with no deductions for state benefits
- Budget version available
- Option for weekly claim payments

- Price

- The price is based on age attained
- Same price regardless of job or smoker status



Institute
and Faculty
of Actuaries



Institute
and Faculty
of Actuaries

PSP was an instant success

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting

Events ▾ Industry voice
COVER

Life insurance Critical illness Employee benefits Income protection Healthcare Re

Income Protection

LV= launches 'Personal Sick Pay' IP policy

Fiona Murphy

Twitter @cover_fiona

29 May 2014



0 Comments

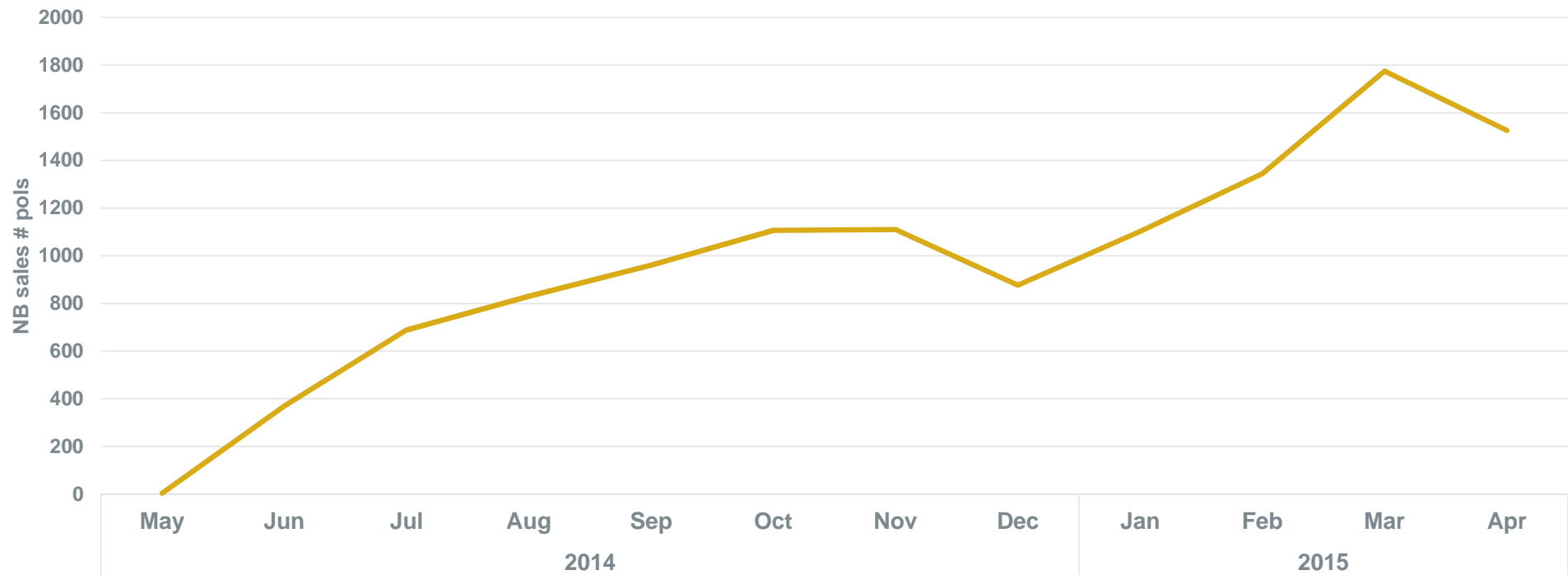


LV= has launched an income protection policy 'Personal Sick Pay' widening eligibility to occupations that have previously been more expensive to insure.

The insurer said the policy had been developed in response to adviser feedback and is designed for workers such as manual workers, tradespeople, teachers, nurses and drivers.

It also offers income protection cover for clients whose situation makes it more difficult to prove sickness, such as those who are self-employed or regularly move jobs.

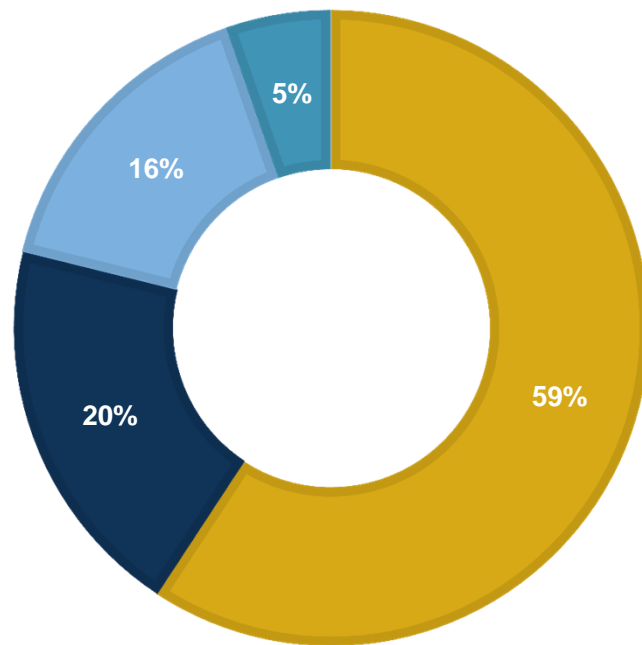
Initial Policy Sales



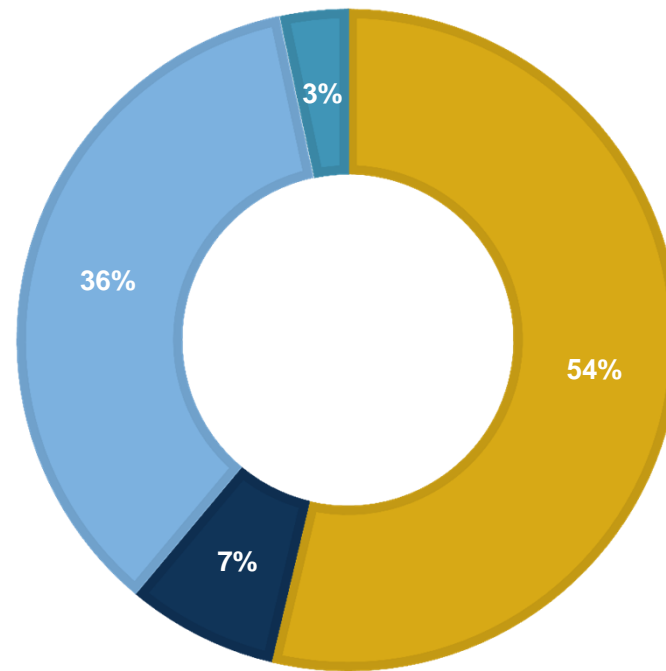
Institute
and Faculty
of Actuaries

Initial Mix - Gender

PSP MIX



TYPICAL IP MIX

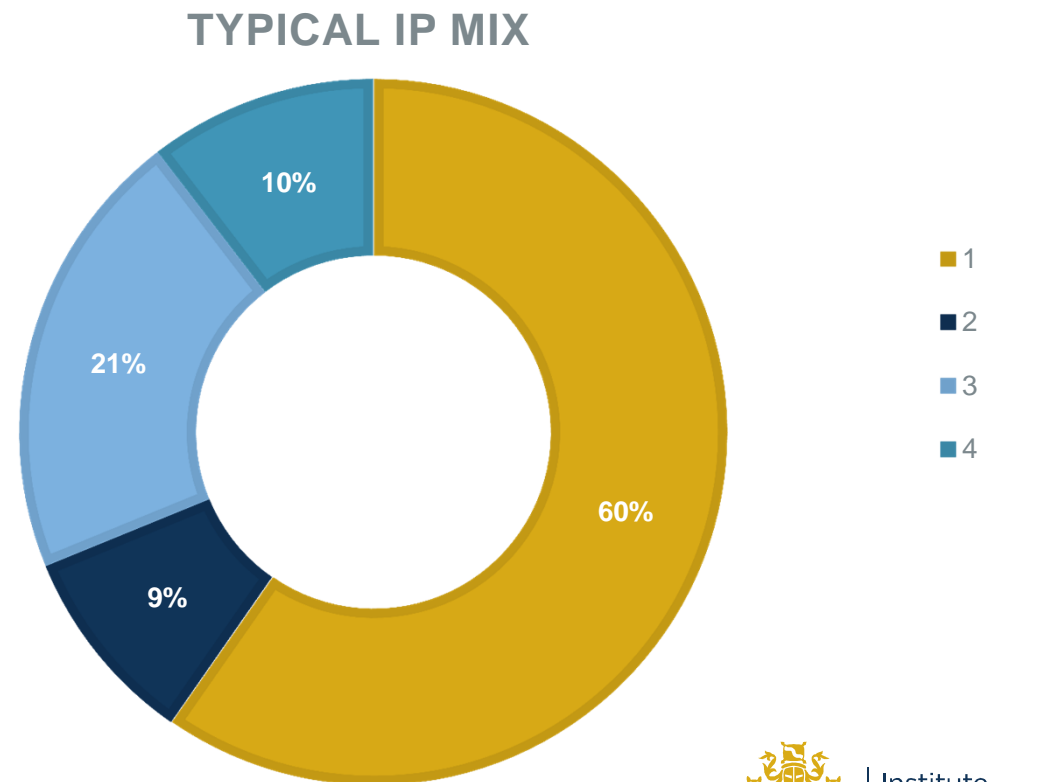
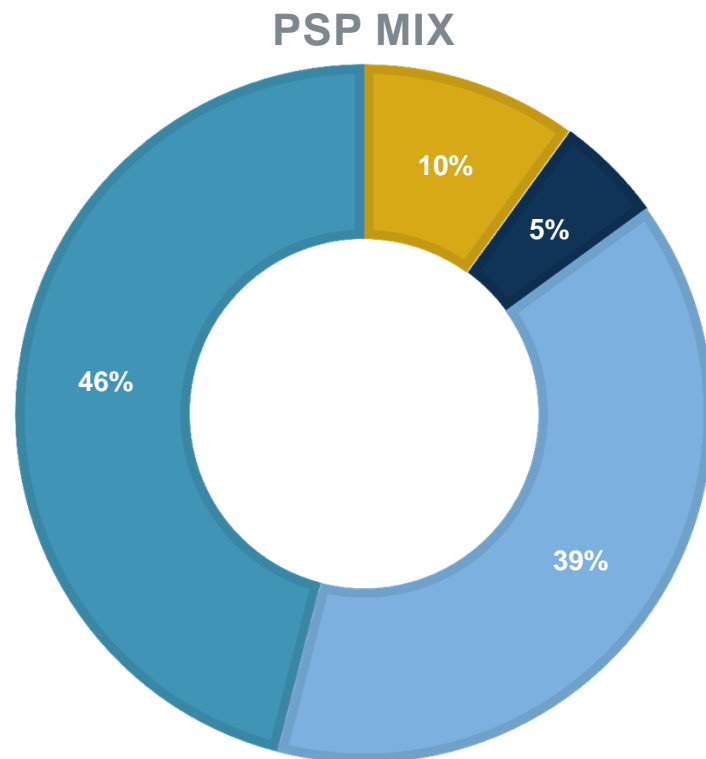


- MNS
- MSM
- FNS
- FSM



Institute
and Faculty
of Actuaries

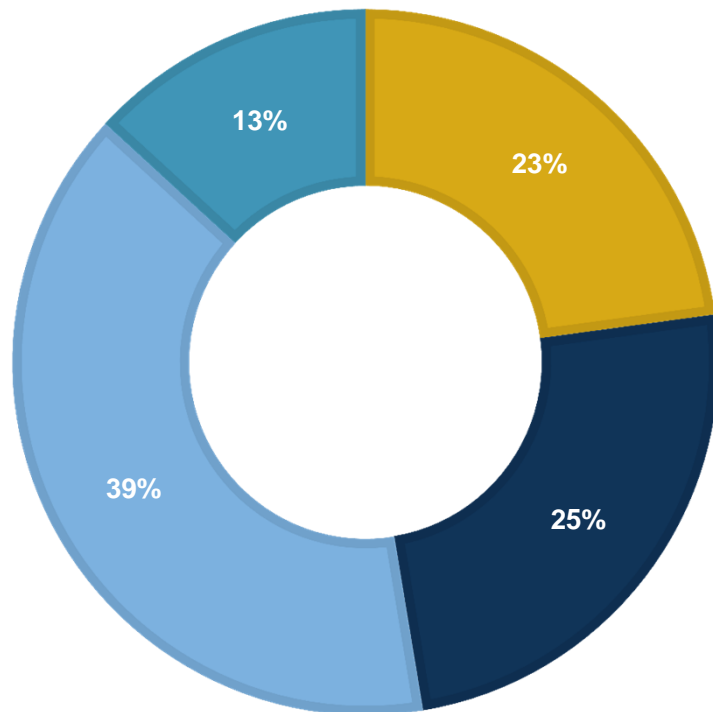
Initial Mix - Occupation



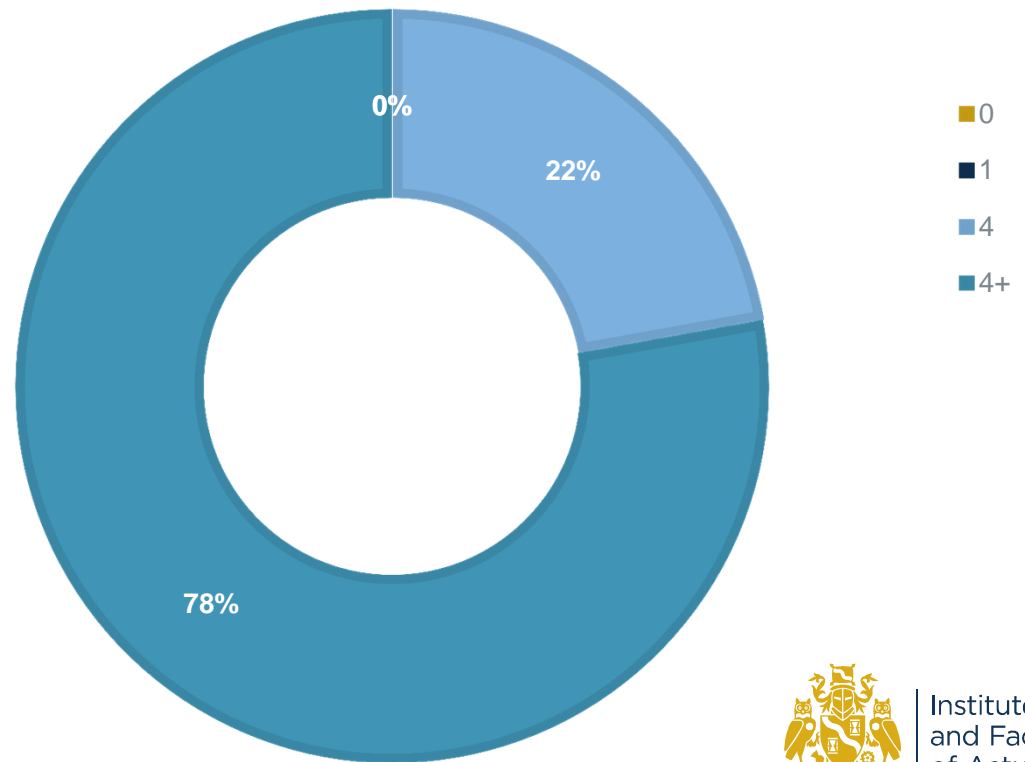
Institute
and Faculty
of Actuaries

Initial Mix - Deferred Period

PSP DP MIX

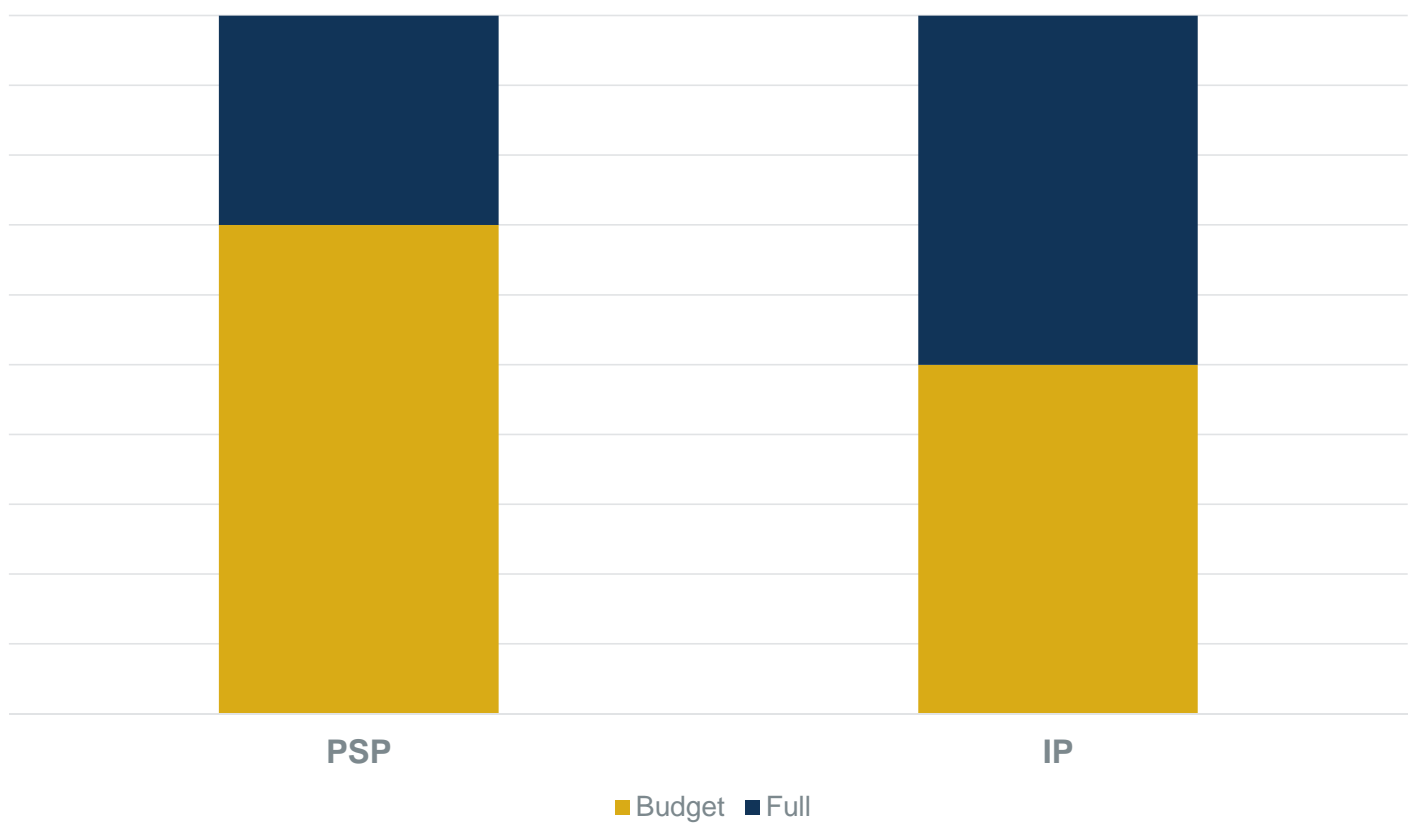


TYPICAL IP MIX



Institute
and Faculty
of Actuaries

Initial Mix – Payment Period





Institute
and Faculty
of Actuaries

The challenges of being first

Some cautionary tales

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting

PSP was the first mainstream manual occ product

- Manual occupation products had been the mainstay of smaller friendly societies
- Opening this market up revealed significant differences to the traditional IP market

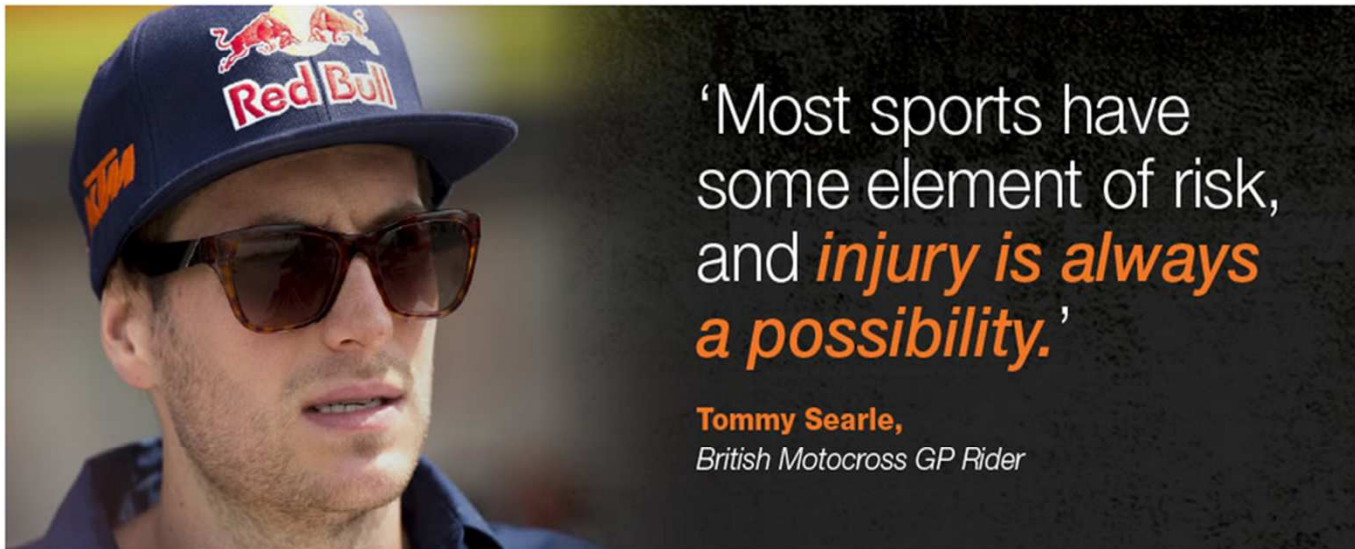




Get a personalised quote

Call me back

HOME TYPES OF COVER WHY GET COVER? WHAT OUR CUSTOMERS SAY ABOUT US SPORTS GET QUOTE



‘Most sports have some element of risk, and ***injury is always a possibility.***’

Tommy Searle,
British Motocross GP Rider

Love sports? Protect yourself and your family with our specialist sports insurance. Get Totally Covered today.

PSP is sold by both traditional specialist IP brokers as well as brokers new to the IP market



Institute
and Faculty
of Actuaries



Precise Protect Ltd.
Rugby Insurance Specialists
Tel: 02891 464 474
www.preciseprotect.co.uk

Paying you an income in the event of accident or sickness regardless of health, occupation, smoker status or pre-existing conditions

Sales approach and focus was different to traditional brokers

- No Proof of Earnings Plans Available
- Income Protection Paying up to £1,000+ Per Week
- Hospitalisation Benefit
- Serious Injury Benefit
- Accidental Death
- Fracture Lump Sums
- Choice of Deferment Periods Including Day 1 Cover
- No Limit on Number of Claims
- Benefits Payable Up to Retirement
- Sickness Cover Included At No Extra Cost



Have you ever considered the impact an injury could have on your life ?

How would you pay your bills ?

Did You Know ? The 3 Most common Sports Injuries Are :

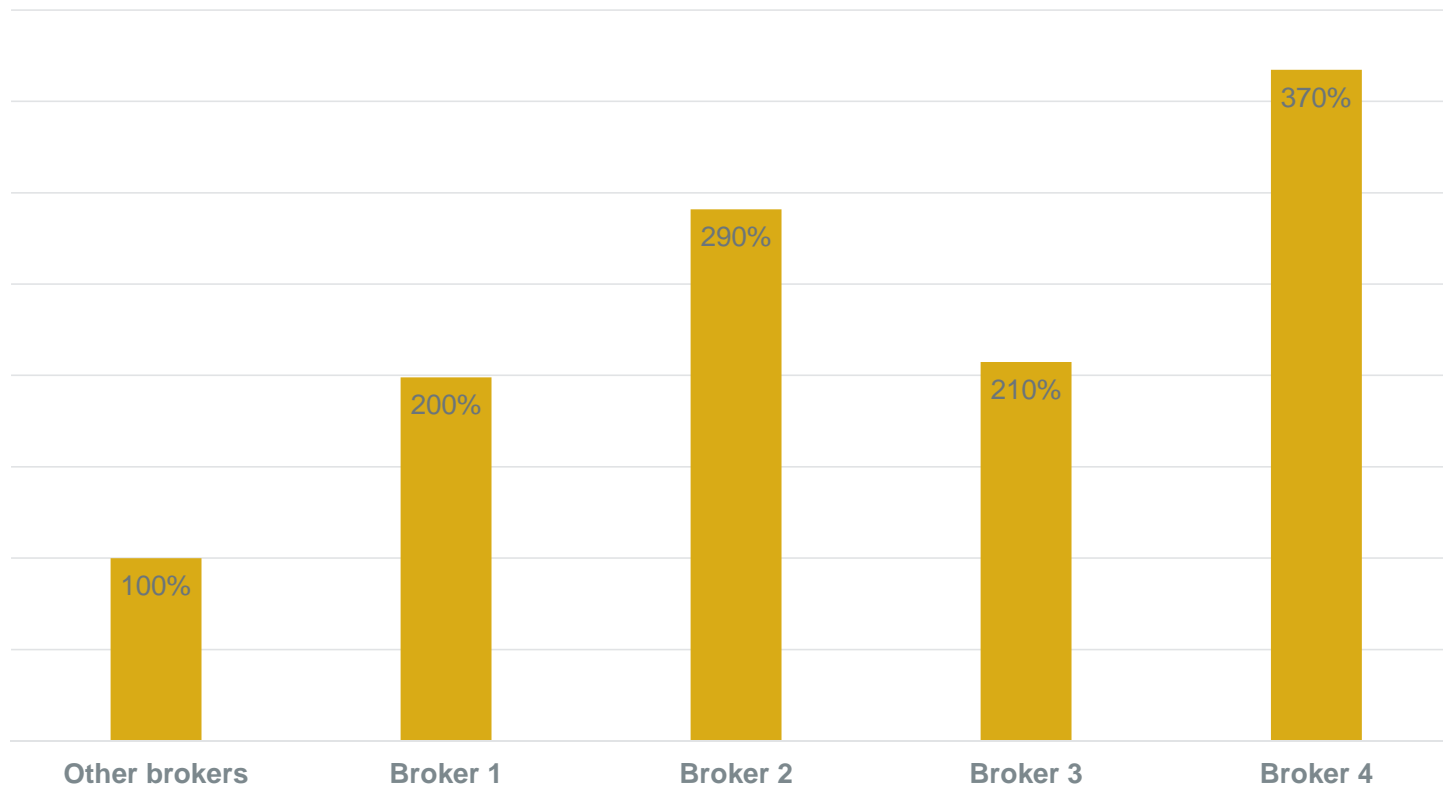
- Head Injury
- Back Injury
- Knee Injury



Institute
and Faculty
of Actuaries

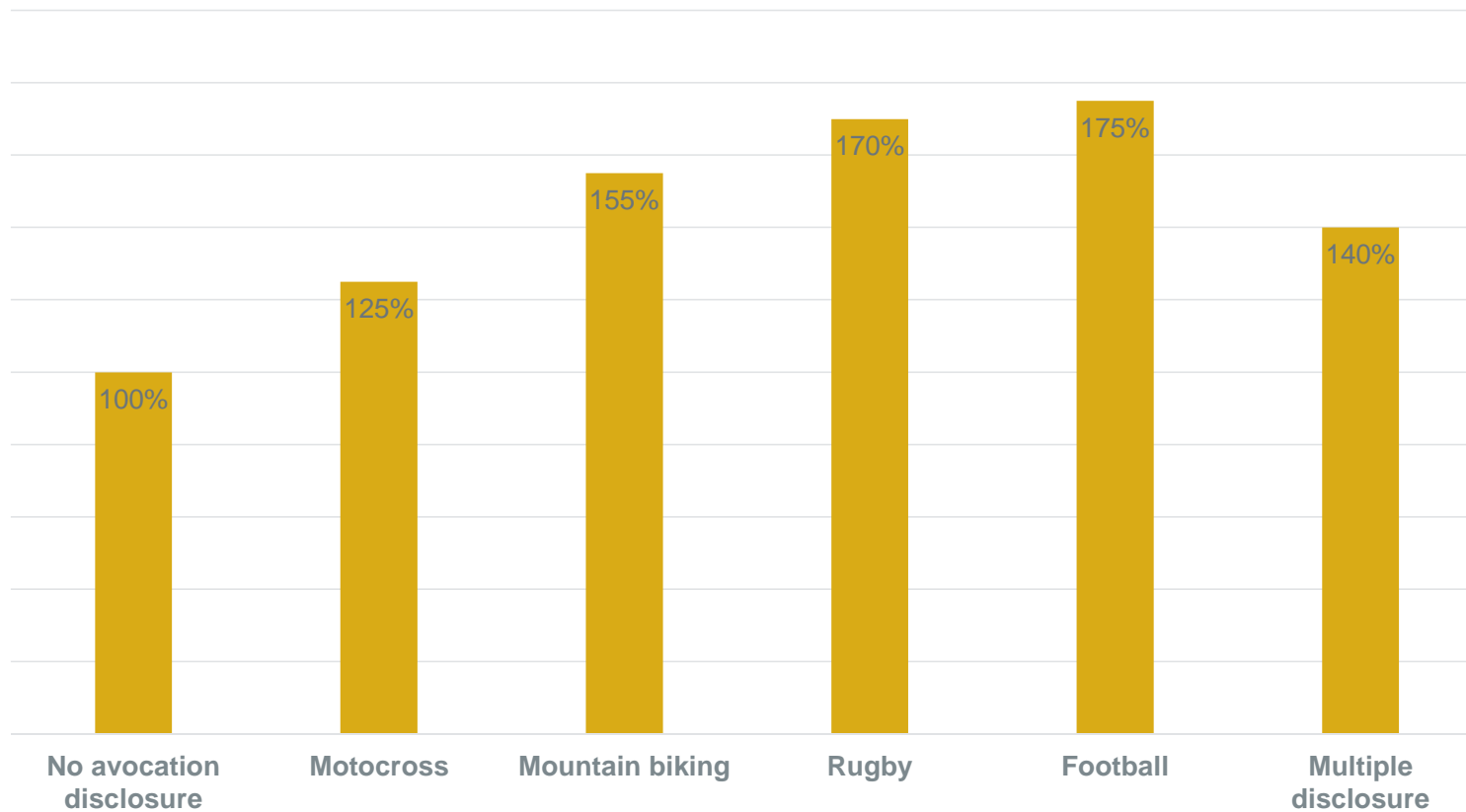
Anterior Cruciate Ligament (ACL) injuries are the most common type of knee injury, accounting for around 40% of all sports injuries; It may require surgery and can take 3-6 months to heal.

Broker experience was variable



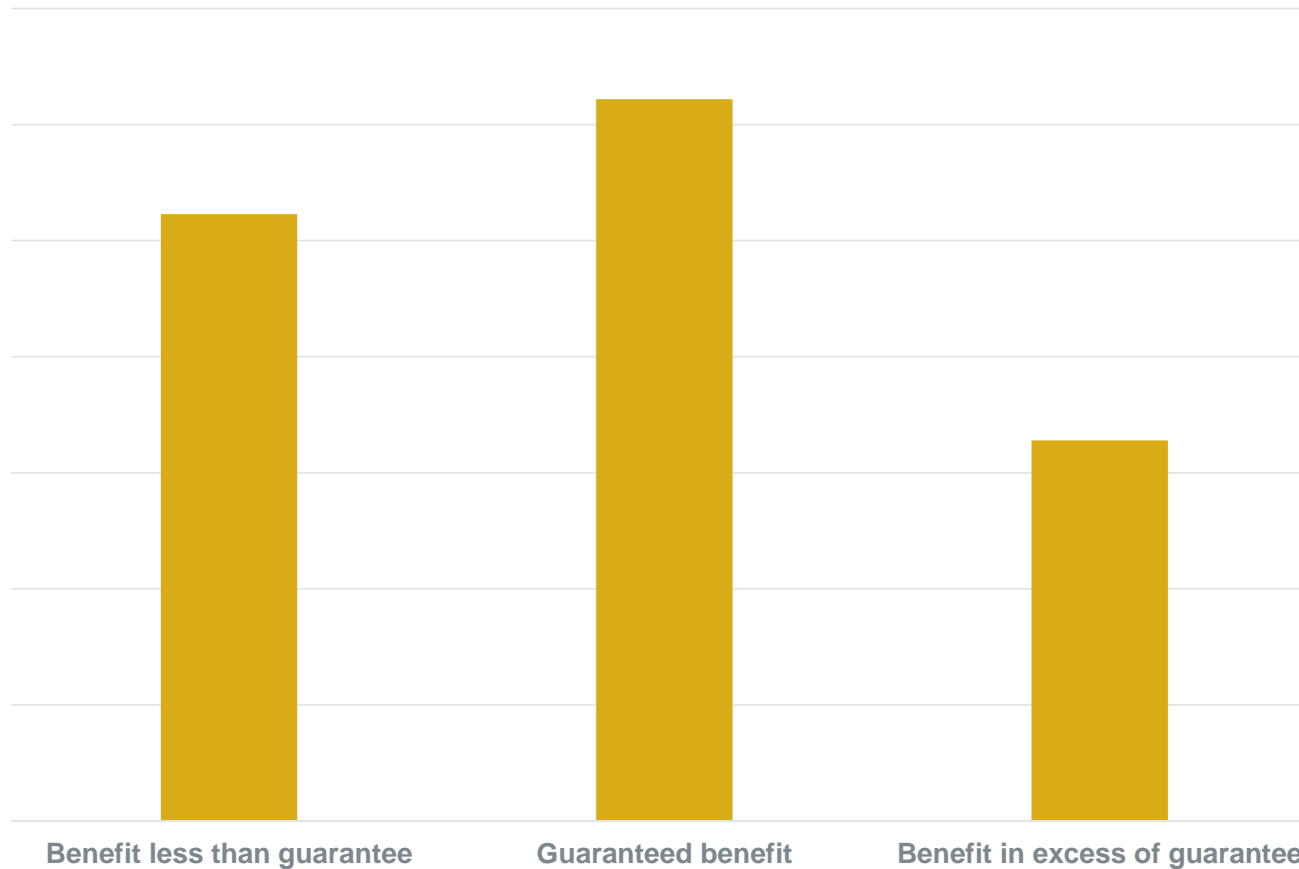
Institute
and Faculty
of Actuaries

Avocations were a significant indicator of experience



Institute
and Faculty
of Actuaries

Benefit design influenced claims experience



Experience at monthly benefit of £1000 was significantly worse than other sums assured



Institute
and Faculty
of Actuaries



Institute
and Faculty
of Actuaries

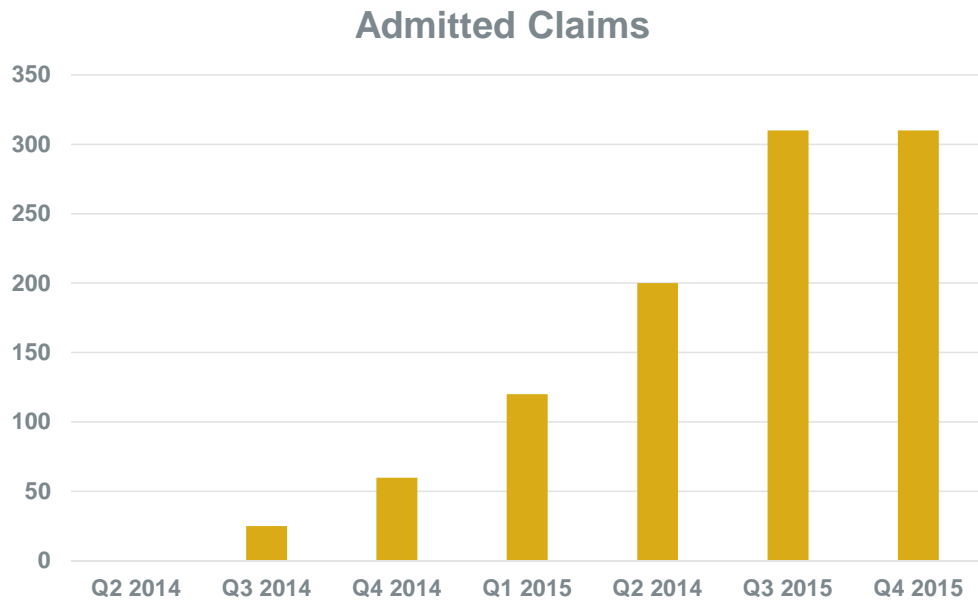
Practical challenges

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting

Claims handling

- PSP sold significantly better than expected
 - Claim volumes were therefore also higher than expected



Inception rate



Institute
and Faculty
of Actuaries

Claims handling

- Given the different profile of customer, our claimants were also different
- Significant material non-disclosure was found
- Hours worked was in fact difficult for claimants to prove
- New claims procedures were developed to improve customer experiences and manage risk in the portfolio





Institute
and Faculty
of Actuaries

The Future

Potential and risks for the product

22 May 2018

Expertise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supportin

Emerging Risk – Universal Credit

Any Individual IP benefits a person receives when making an Individual IP claim will reduce their UC entitlement £1 for £1



Emerging Risk – Universal Credit



Prospects of UC penalty becoming reality

We do not know:

- if, or when, someone will make an IIP claim
- the nature, severity and duration of their incapacity
- what their household circumstances will be at that point
- what Universal Credit rules and amounts will be in place.



The shortcomings of state benefits

- rules are being tightened and amounts reduced or withdrawn
- only provide 'basic' support
- can involve lengthy application processes, with high bars for qualification (and reassessment)
- welfare benefits stigma.



Institute
and Faculty
of Actuaries

What's coming over the hill

Income Protection

- Benefits are linked to income and circumstances
- Certainty of contract and benefits
- Own occupation definition
- 9 out of 10 claims paid
- Added value services during contract and at claim.



UC Universal
Credit

- A negative message for IP
- Doing the right thing & the spectre of penalty
- Potential for significant overlap and Irrational behaviour
- Less resilient, more on benefit & toxic tarnish



Institute
and Faculty
of Actuaries

The need for IP is growing

- The workplace is changing, there are nearly £5m self employed and about another £2m with zero hours contracts or in the gig economy
- The support from the state is increasingly limited and is becoming more and more uncertain
- PSP has confirmed that there is an awareness and an appetite for this type of product
- Launching a new product into a new market was always going to be challenging.
- Monitoring and adjusting design and processes have ensured success for both the customer and the company.



Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.



Institute
and Faculty
of Actuaries