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# A new Dutch term assurance product Innovation or back to basics?

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**“Good morning, have you heard, we are stopping selling fixed premium term assurance. Our new product will have a risk based premium which increases with age. What do you think?”**

# Agenda

- Dutch market specifics for Term Assurance**
- Explanation of the Achmea Term Assurance product**
- Distribution**
- Benefits & Challenges of the Achmea product**
- Discussion, Questions and Comments**





## Dutch market specifics

- Term Assurance – Dutch v UK
- Drivers of term assurance sales in Dutch market
- Game changers
- Market volumes

# Term assurance

If the insured dies ...

.....within a specified amount of time.....

...the beneficiary receives a benefit.



# Similarities between Dutch and UK market

For the basic product: Dutch term assurance = UK term assurance

Dutch market historically:

- Endowment assurances were used to finance house purchases
- Products combining savings and protection products developed e.g. Unit linked funds with shortfall covered by insurance
- Separate term assurances were available

But there are some differences.....



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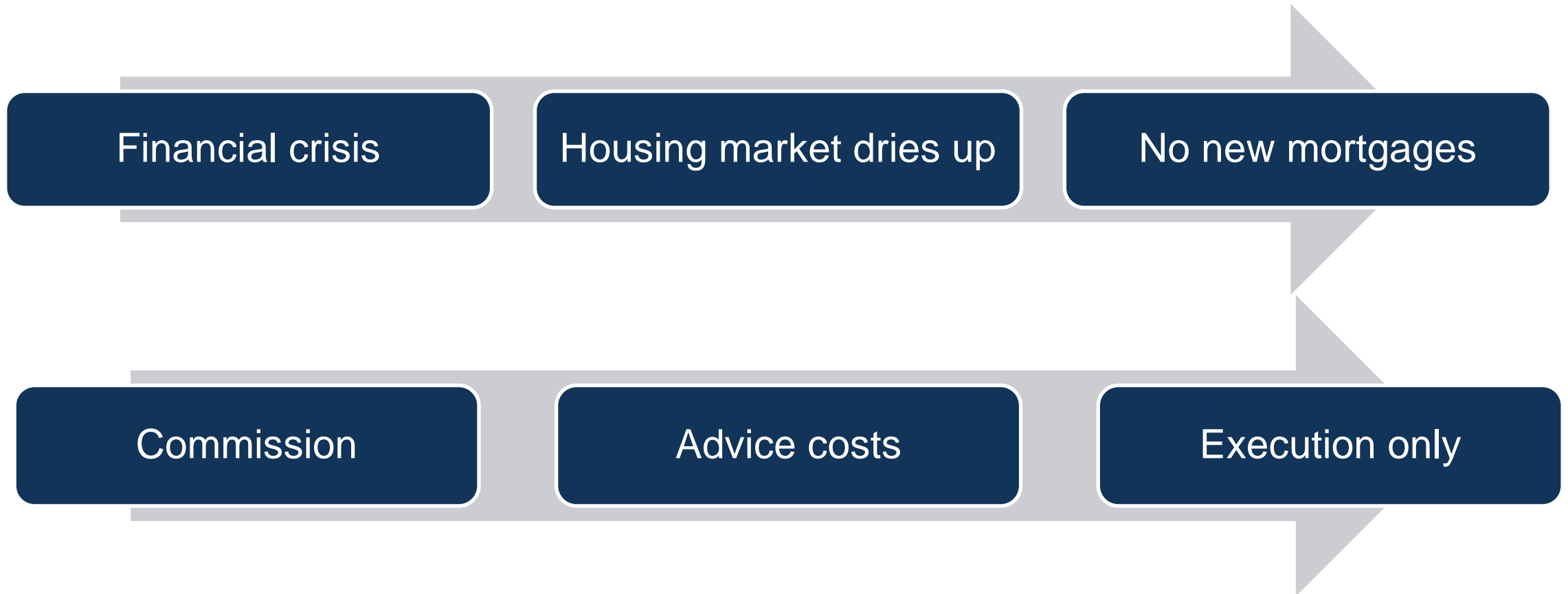
# Drivers of term assurance sales in Dutch market

- First purchase of a house
- Re-mortgaging of house / moving house
- Protection of spouse and children:
  - To cover financial responsibilities – rent, divorce alimony, other debts
  - Help with immediate costs – childcare, time away from work
  - To cover children's further education costs
  - Focus on rental market
- Business loans (bancassurance)
- Key man

But mainly related to house purchase.  
To understand the term assurance market need to understand the house purchase environment.

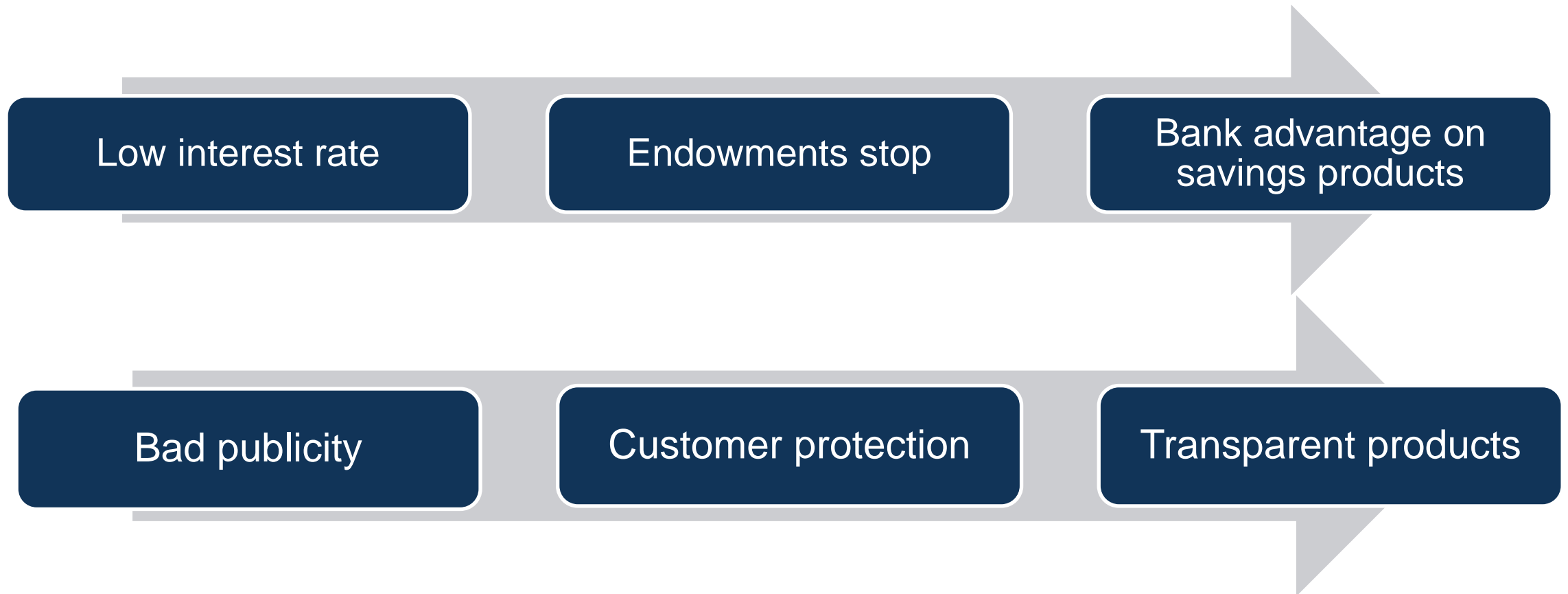


# Game changers – Distribution & Sales



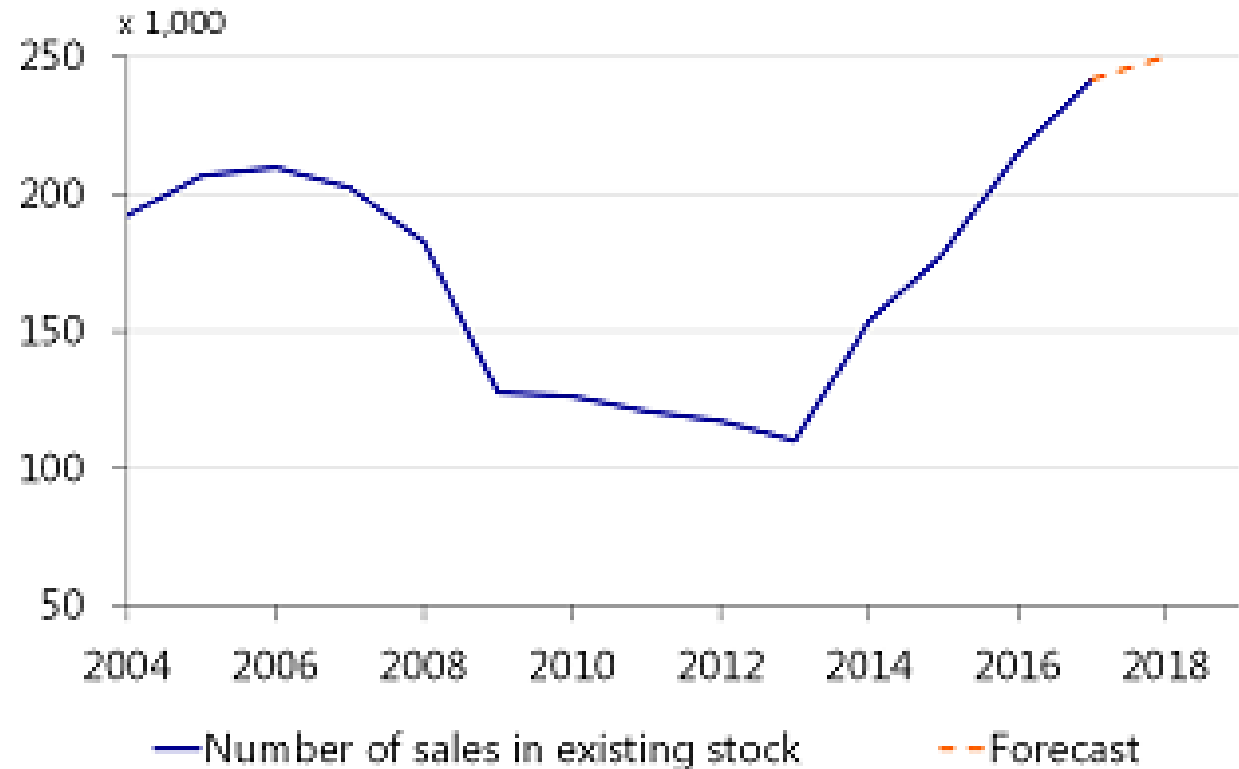


# Game changers – Product



# Annual housing sales volumes - Netherlands

- In 2017 242,000 existing houses were sold
- Excludes new houses
- Sharp decrease following the 2008 financial crisis with a slow recovery
- In Netherlands about 4.4 million owner-occupied homes
- Turn over rate of 5.5%



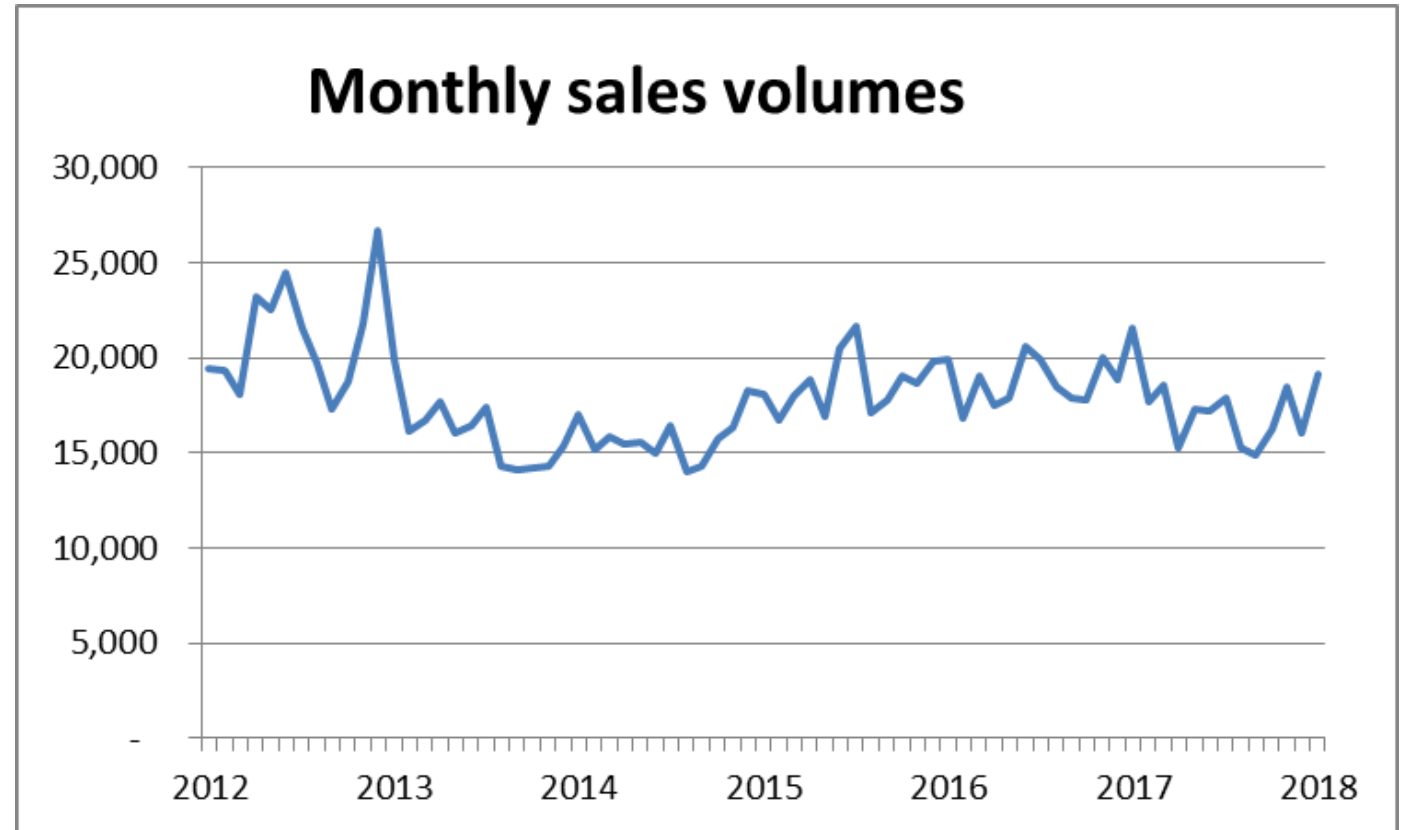
Source: Rabobank



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# Sales volumes

- In 2017 over 200,000 term assurances sold in the Netherlands
- Approximately 1.2% of the population purchased in 2017
- Long term monthly sales between 15,000 and 20,000 per month
- Has not seen as steep increase as housing sales after 2013



Based on figures from CVS (Centrum voor Verzekeringsstatistiek)



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## Explanation of Achmea term assurance product

- Key product features
- Guaranteed increasing premium rate - explanation to clients
- Underwriting and use of technology
- Dutch smoking approach



# Achmea Overlijdensrisicoverzekering (ORV)

## key features

Term assurance



### Standard features

- Fixed benefit or decreasing (by annuity or straight line) benefit
- Age at inception 15 to 68, Maximum end age 75
- Minimum term 1 year, Maximum term 54 years
- Sum assured from €10,000 to € 2,000,000
- Simple – no waiver of premium, critical illness, terminal illness or children's benefit options

### Differentiating features

- No joint policies
- Premiums increase monthly
- Premiums guaranteed for lifetime of product
- Can cancel at any time
- No reserve (pot) built up
- On lapse no payment of reserve or paid up policy



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# Does the policyholder understand?

## Various approaches

- Discussions with customer groups as part of product design
- Make it clear from the start – premium increases each month, no surprises
- Use technology to explain in appealing ways
- Visuals and graphs – not just text
- Interactive tools for providing quote

## Example

- Infographic (Rabobank website)



*But the chance that you die in the beginning is smaller because you are younger*



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# Interactive quotation tools & graphics

Rabobank website:

€ 250000

Level SA or type of decrease

☒ Gelijkblijvend

☐ Lineair dalend

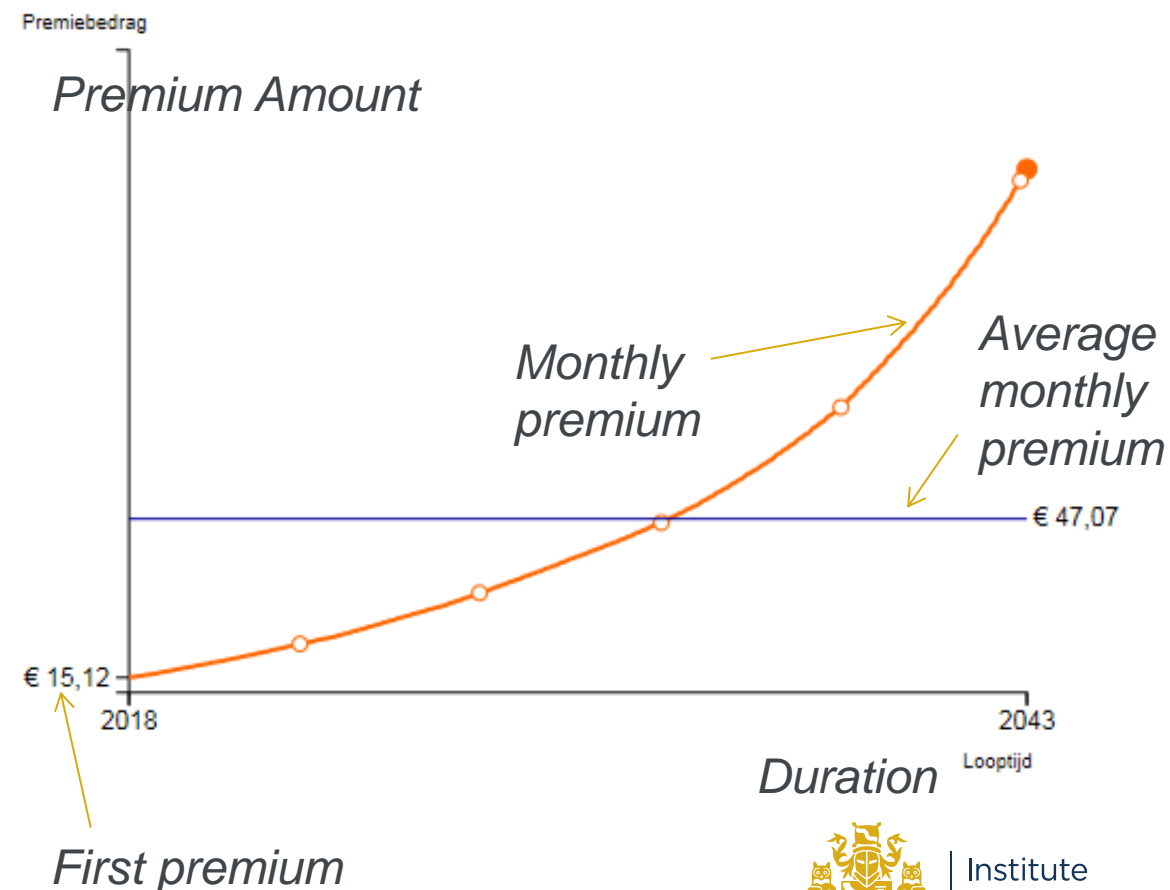
☐ Annuïtair dalend

01-04-2043

Looptijd verzekering: 25 jaar en 0 maanden *Term = 25 years*

Leeftijd van de verzekerde op einddatum: 70 jaar en 3 maanden

*Age at end date = 70 years 3 months*



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# Guaranteed increasing monthly premium

## Persoonlijk premieoverzicht Overlijdensrisicoverzekering



		Jan	Feb	Mrt	Apr	Mei	Jun	Jul	Aug	Sep	Okt	Nov	Dec
2018	Verz. bedrag:						€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000
	Premie:						€ 14,79	€ 14,88	€ 14,98	€ 15,07	€ 15,16	€ 15,25	€ 15,35
2019	Verz. bedrag:	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000
	Premie:	€ 15,44	€ 15,53	€ 15,62	€ 15,71	€ 15,80	€ 15,89	€ 16,01	€ 16,13	€ 16,24	€ 16,36	€ 16,47	€ 16,59
2020	Verz. bedrag:	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000	€ 250.000
	Premie:	€ 16,71	€ 16,82	€ 16,93	€ 17,05	€ 17,16	€ 17,28	€ 17,39	€ 17,51	€ 17,62	€ 17,74	€ 17,85	€ 17,96

- Interactive quote tool on Centraal Beheer website:  
<https://www.centraalbeheer.nl/verzekeringen/overlijdensrisicoverzekering/Paginas/premie-berekenen.aspx#/premie>
- Download a pdf of monthly premiums and sum assured



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# Guaranteed increasing monthly premium

## Simple concept

- People age, older people are more likely to die, thus as you get older premiums increase

## But....

- Bespoke tools require that the customer interacts directly
- Works best with dedicated sales channels:
  - Bancassurance
  - Existing client base
  - Internet searches



# Underwriting and technology

- Inclusive approach – in particular for dangerous occupations or sports
- One system for all sales channels
- In house technology
- Y/N questions with additional questions/free text boxes depending on responses
- Machine learning
- Medical examination only allowed when sum assured > € 268,125 (Industry protocol)
- Model questions (gezondheidsverklaring) from the Verbond van Verzekering (Dutch Insurance Association)



# The Dutch approach – smoking

Smoking means smoking substances with tobacco (cigarettes, cigars, pipe) or weed.

With smoking we also mean the use of other substances with nicotine.

For example chewing gum, patches, tablets, inhalers and electronic cigarettes.

- Non-smoker if not smoked during the previous 2 years
- If a smoker stop smoking can send a declaration after 2 years of not smoking and premium rates reduce to non-smoker level
- Non-smoker declaration must received before 45th birthday
- If begin smoking obliged to inform insurer about new status
- If a smoker who has been paying non-smoker premium dies they receive 50% of the sum insured
- When calculating the age based premiums the adjustments for smoking status are based on relative risk for that specific age





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## Distribution

- One product many channels
- Achmea market share
- Comparison websites

# One product, many brands and channels



- One team for product development and administration
- One administration system and IT environment
- One product, same product conditions, same base pricing
- Execution only or advised sale
- 4 brands with distinct marketing images:
  - Interpolis (Bancassurance via Rabobank)
  - Centraal Beheer (direct, worksite, internet)
  - FBTO (direct – internet only)
  - Woonfonds (financial advisors)
- Price to policyholder varies by brand due to administration costs (initial and ongoing)
- Advice costs are paid separately by policyholder, commission is not allowed

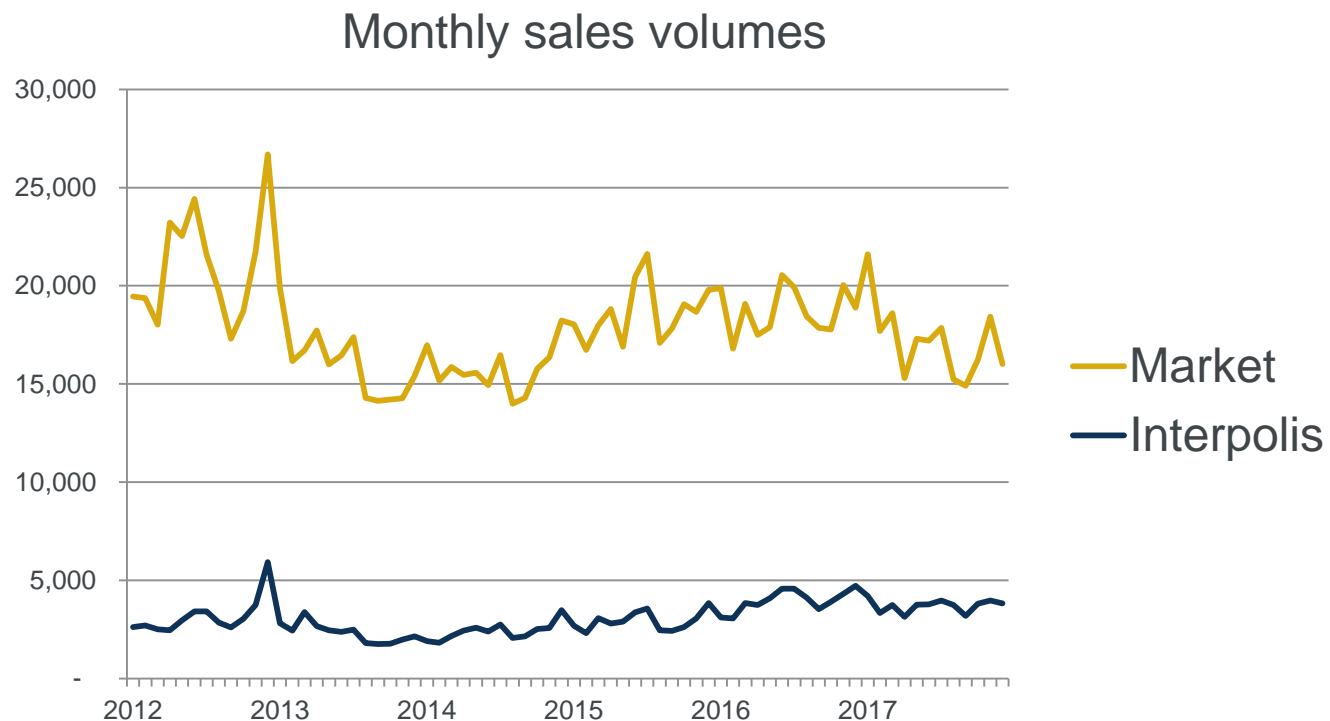


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# Achmea sales volumes and market share

- Achmea's leading channel is bancassurance = Interpolis



2017 market share:	% of new TA policies administered
Interpolis	21.7%
Centraal Beheer	2.1%
FBTO	0.7%
Woonfonds	0.7%
Total	25.2%

Based on figures from CVS (Centrum voor Verzekeringsstatistiek)



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# Comparison websites

- Tend to focus on price
- Commodity product, no room to explain the specifics
- First mover challenge – liaise with the comparison websites
- No longer the only product with age linked premiums
- Comparison website now allows to select on variable or fixed premiums
- Products ordered based on total premiums paid – with a warning in the extra information that the value of money changes over time

The screenshot shows the 'independer' website interface. At the top, there's a purple header with the 'independer' logo and a phone icon with the number '035'. Below the header, a navigation bar contains a back arrow, the word 'terug', and the title 'Vergelijk ze tot in detail'. The main content area displays two side-by-side policy comparison cards. The left card is for 'Centraal Beheer' and the right card is for 'iptiQ TAF Special'. Each card shows a 'Voorwaardenscore' (7,7 for Centraal Beheer, 8,7 for iptiQ), a star rating (8,3 for Centraal Beheer, 8,2 for iptiQ), and a comparison of premiums: 'Bij verzekeraar' (15,21 for Centraal Beheer, 37,90 for iptiQ) and 'Bij Independer' (15,21 for Centraal Beheer, 37,90 for iptiQ). A link for 'variabele premie' is visible under the Centraal Beheer card. Both cards have a yellow 'vraag aan' button at the bottom.



Product	Voorwaardenscore	Reviews	Star Rating	Bij verzekeraar	Bij Independer	Premie Type	Action
Centraal Beheer	7,7	8 reviews	★★★★★	15,21	15,21	variabele premie	vraag aan
iptiQ TAF Special	8,7	112 reviews	★★★★★	37,90	37,90		vraag aan



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# Comparison websites - Example

- Variable premiums give extra comparison challenges

<b>goedkoopste</b>  <input type="checkbox"/> Vergelijk details	Voorwaardenscore ? 7,2  Totale kosten: € 12.046,32 ?	93 reviews ★★★★★ 7,7  + <a href="#">meer informatie</a>	Bij verzekeraar 16,43 Bij Independer <b>16,43</b> <input checked="" type="checkbox"/> <a href="#">variabele premie</a>  <b>vraag aan</b>
<b>beste voorwaarden</b>  <input type="checkbox"/> Vergelijk details	Voorwaardenscore ? 8,4  Totale kosten: € 18.984,20 ?	130 reviews ★★★★★ 8,1  + <a href="#">meer informatie</a>	Bij verzekeraar 16,68 Bij Independer <b>16,68</b> <input checked="" type="checkbox"/> <a href="#">variabele premie</a>  <b>vraag aan</b>

Similar first premium

Very different total premium amount



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## Benefits & Challenges

- Insurer perspective
- Policyholder perspective



# Benefits and Challenges

	Insurer perspective	Policyholder perspective
Benefits	<ul style="list-style-type: none"> <li>• No reserves</li> <li>• Removes lapse risk</li> <li>• Removes price sensitivity to discount rate</li> <li>• No need to reprice on interest rate changes</li> </ul>	<ul style="list-style-type: none"> <li>• Pay for what you get</li> <li>• Transparent</li> <li>• Portable - no loss if stop</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>• Explain the product</li> <li>• Fair comparison with fixed premium TA</li> <li>• Complex administration of premium charging</li> <li>• Updated premium rates - should these also apply to old business?</li> <li>• Higher lapses?</li> </ul>	<ul style="list-style-type: none"> <li>• Long term affordability</li> <li>• No benefit in premium from expected lapses</li> <li>• No paid up policy or reserve return</li> </ul>





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**Innovation?**

**Back to basics?**

**Did the product disrupt the market?**

# 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 presenter.



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