



Institute
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Critical Illness in Asia – A success story

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Content

1	International overview and Asian CI markets
2	Japan – focused on cancer
3	Korea – the full spectrum
4	Multiple CI in SE Asia & China
5	Discussion



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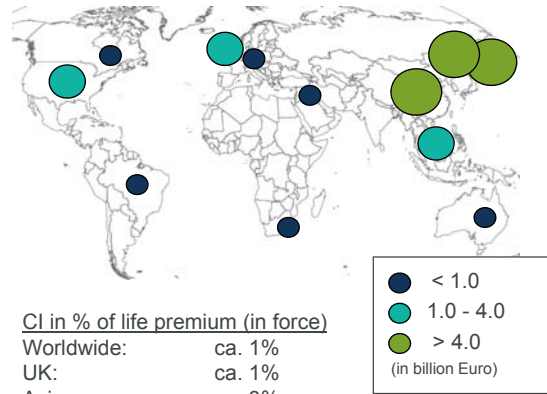
International CI markets

Estimated 2011/12 Gross CI premium (in force)

- Highest volume
 - NEW: Greater China
 - NEW: Korea
 - Japan (Cancer)

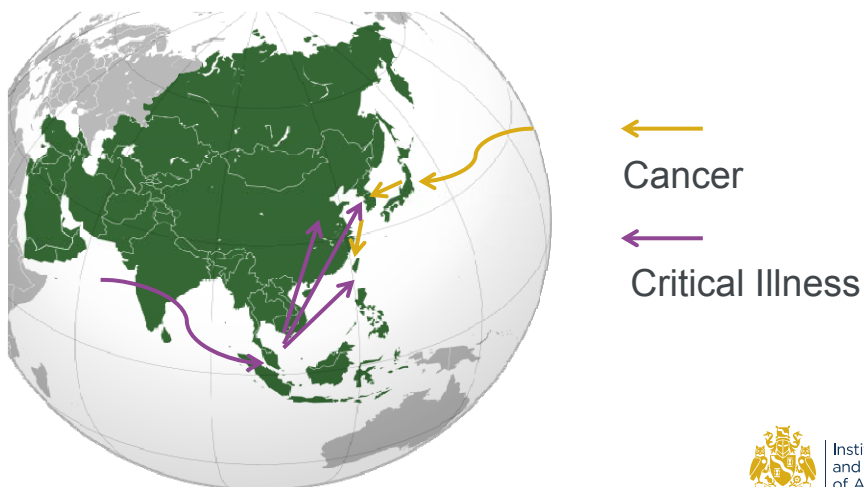
- High volume
 - United Kingdom / Ireland
 - Southeast Asia
 - USA (Cancer)

- Significant volume
 - Canada
 - South Africa
 - Australia



Asia market overview

Historical tracks of key products to key Asian markets



Market Overview

From insurance of basic needs to fancy high-end products

- Social Security / Public Health insurance gap
 - medium-frequent, low severity co-payments
 - low-frequent, high-severity claims (“best treatment”)
- Regulators’ self-conception wrt. consumer protection
 - Hamper opaque product designs
 - Protection measures for rewarding product innovation
- Cultural aspects
 - Risk appetite
 - Betting on windfall-profits?



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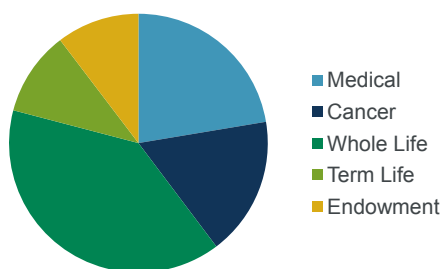


Japanese Cancer market

High market penetration by mass marketing

- NHS with income- / cost-related co-payment of 0-30%
- 90% of households with L&H insurance
- Main motivation to purchase:
 - Future costs (older ages, NHS)
 - Family cancer diagnosis and advise
- Mass market products
 - Simplified u/w
 - Low defined benefits
 - Long duration (term / perm)
 - Tax deductible level premium
 - Distribution channels

127 Mio. L&H covers by type (2011)



Source: Life Insurance Association of Japan (2012).

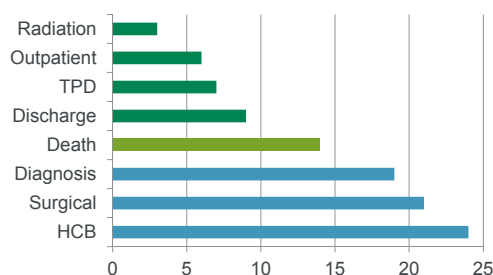


Japanese Cancer market

Product design with differentiation of risk appetite

- Standard benefits
 - Multiple Cancer and early-stage diagnosis benefits (ICD-10)
 - Surgical benefit
 - Hospital cash benefit (HCB)
- Additional living benefits
Discharge, Outpatient, TPD, ...
- 90 days waiting period (WP)
- 2 years WP for recurrent cancer
- Long-term guarantees
- Limited Spouse / Family covers

Nb. of Cancer policies with benefit xy



Source: SGL Japan market research.

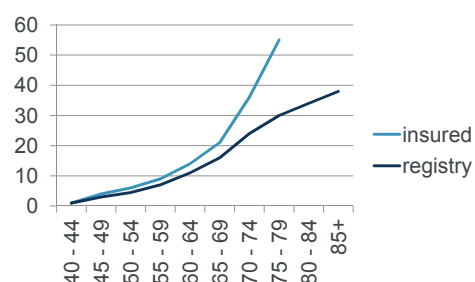


Japanese Cancer market

Pricing lessons learned

- Insured incidence vs. Cancer Registry, A/E: ♂ 120%; ♀ 160%
- Anti-selection
 - 1st year LR at 100-150%
 - Multiple policies
 - A/E for CIS up to 300%
- Old ages cancer incidence ix
 - Decreasing or increasing slope?
 - Incentives for seeking?
- Lapse rates
 - Agents: around 5-10%
 - DMTM: up to 40% in 1st year

Male Cancer ix, A/E % to population



Source: SGL Japan claims experience and Japan Cancer Registry data adjusted to 2011.

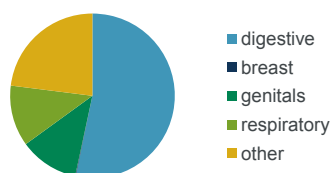


Japanese Cancer market

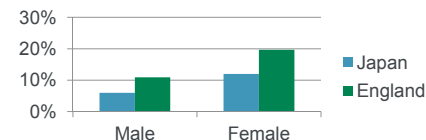
Pricing challenges – trend risk

- Cancer long-term trends
 - Male 0.2% pa, female 0.7% pa
 - Carcinoma in-situ: +10-15% pa
- Screening promotion program(s)
 - 50% increase of attendance rate targeted from 2000 to 2010
 - New diagnostics
- Fukushima effect
 - Very limited impact on newly developed cancer?
 - Non-minor impact on screening attendance rates?

Cancer by site Japan, ASR, male



Carcinoma in-situ in % of all Cancer (45-49 yrs)



Source: Cancer Registry data, Japan 2007, England 2011



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Korean market

Key Market Features

- Historically strong influence from Japan => Cancer products
- International opening, parallel introduction of CI
- Successful coexistence
- CI as acceleration to Life, Cancer with hospital benefits as medical
- Products, products, products, ...
- Strong focus of regulator on consumers => fair premiums

Korean market

Evolution of Cancer products

- Cancer offered by Non-Life and Life companies
- Lower margins due to competition and regulator
- Cancer product updates driven by claims control rather than clients' needs

Coverage #	Coverage	Covered ICD code	Benefit Level (% of FA)
1	Cancer Diagnosis Excluding - Breast cancer/Prostate cancer - Thyroid cancer - Other skin cancer	C00-C97(Excluding C44, C73, C50, C61), D45, D46, D47.1, D47.3, D47.4, D47.5	200%
2	Breast cancer	C50	40%
3	Prostate cancer	C61	40%
4	Thyroid cancer Diagnosis	C73	20%
5	Other skin cancer Diagnosis	C44	20%
6	Carcinoma in-situ Diagnosis	D00-D09	20%
7	Borderline Neoplasms Diagnosis	D37-D48(Excluding D47.1, D47.3, D47.4, D47.5)	20%

Korean market

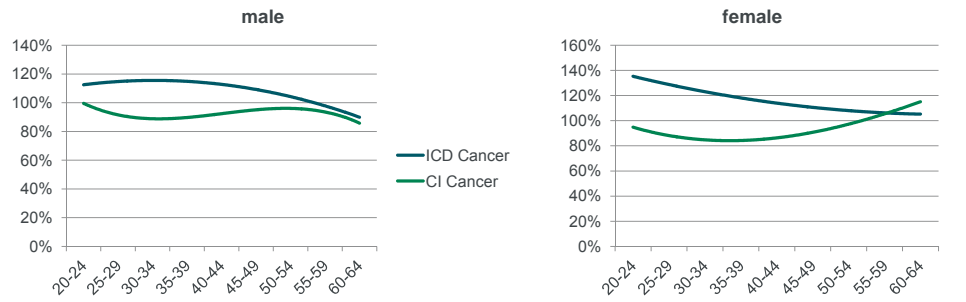
Emergence of CI

- Traditional design with 11 CI conditions
- Partial acceleration benefit 50%/80%
- Coverage till age 80, fully guaranteed
- High success upon introduction in 2002
- Limited success of 2nd generation CI (Multiple CI, Staged CI)
- Combination with LTC: "Umbrella Product"
 - CI and LTC as accelerated benefit to Whole of Life cover
 - Premiums fully guaranteed
 - Selling LTC to younger age-groups
 - Increase attractiveness of CI for older ages

Korean market

Pricing lessons learned

Cancer experience of CI and Cancer products – insured / population



Sources: SGL experience, KIDI table

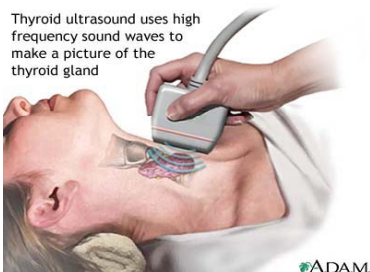


Korean market

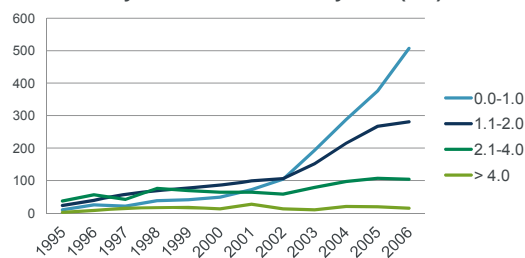
Pricing lessons learned

Thyroid Cancer

- ☐ Increasing detection due to improved screening
- ☐ High prevalence of papillary thyroid microcarcinoma (<2cm)
- ☐ 30% of all female Cancer incidences



Thyroid cancer cases by size (cm)



Source: Research paper, based on one clinic

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South East Asia

Focus on Critical Illness

- CI popular for covering medical expenses
- Successful stand-alone product proposition
- Extensions across all dimensions
 - Juvenile covers
 - Female CI
 - Reinstatement/ Multiple CI products
 - Staged CI products

South East Asia

CI buy-back

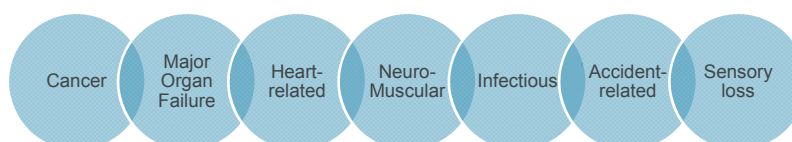
- Reinstatement rider attached to accelerated CI base policy
- Gives right to purchase new standalone CI after CI claim on base policy
- New policy at standard premium
- No medical or financial underwriting
- Sum assured capped at 75% of the original policy
- 1 year waiting period after 1st claim
- Same and related CI condition(s) excluded



South East Asia

Multiple CI

- Stand-alone product
- 100% benefit for each eligible critical illness
- Cover up to whole-life (99)
- Grouping of conditions into 5-7 groups, with no/ low correlation



South East Asia

Multiple CI

- Can claim up to 3 – 4 times
- 1 year waiting period after claim
- Coverage of second cancer after 5 years cancer-free
- Waiver of Premium after first claim
- Premium rates non-guaranteed



PRU multiple crisis cover (Malaysia)

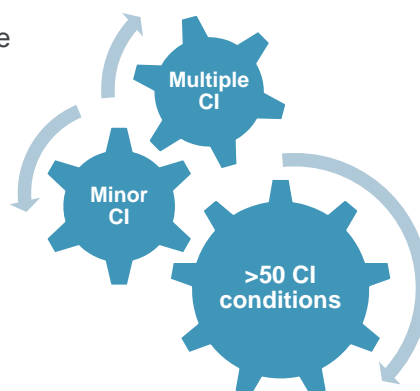
China

The most dynamic

- Highly competitive, fast product cycle
- Low consumer sophistication
- Rider to savings products
- “Launch first – Manage later”

The more the better

- Innovations
 - Free health services
 - CI annuity

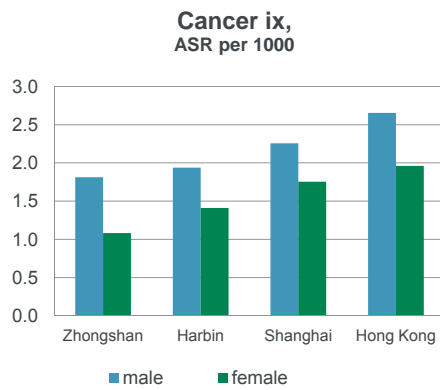


China

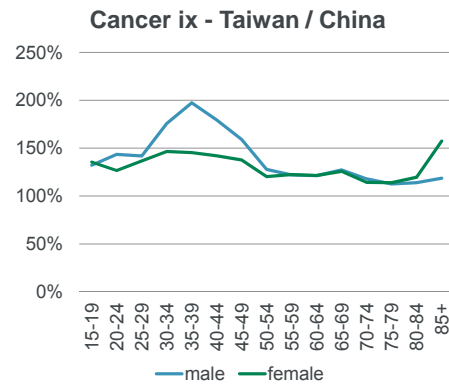
Pricing lessons learned

- One BIG country

- Trends



Source: WHO



Sources: Cancer Registry, SGL data

China

22 February 2013 Last updated at 14:58 GMT

China acknowledges 'cancer villages'



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Conclusion

Success stories

- CI/Cancer important pillar of protection business in Asia
- High diversity of product evolutions, adapting to local market specifics
- Challenges from too comprehensive (initial) premium guarantees and fast innovations

=> More lessons learned to come



Thank you for your kind attention!



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