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No sex please we're British

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Competition Law

Competition law prohibits competitors from exchanging commercially sensitive information with each other. Our discussions here today are subject to the competition law rules.

This means that:

Today's presentation will be a high-level review of the effects of gender neutral pricing on life insurance. It will not disclose the commercial strategy of any company or suggest that companies follow any particular course of action on the market.

Delegates should not, in their follow up questions or subsequent discussions, disclose any commercially sensitive information to each other. This includes, in particular, intentions on future pricing strategy.

Any delegate straying into sensitive areas will be given due warning and, if these warnings are ignored, will be asked to leave the presentation.



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Agenda

- 1) Overview
- 2) Going gender-neutral
- 3) Post-gender
- 4) Evaluating the risk
- 5) Where do we go from here?



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Overview

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Overview

- **Triple-whammy of regulatory change**

- Base rates must be gender-neutral by 21 December 2012
- Removal of “I-E” tax regime
- Retail Distribution Review

→ **Reconditions pricing landscape for protection market in early 2013**

→ **Opportunity to innovate to suit our new ‘gender-neutral’ world**

Will marketing and product designs be used as the new gender rating factor?



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Going gender-neutral

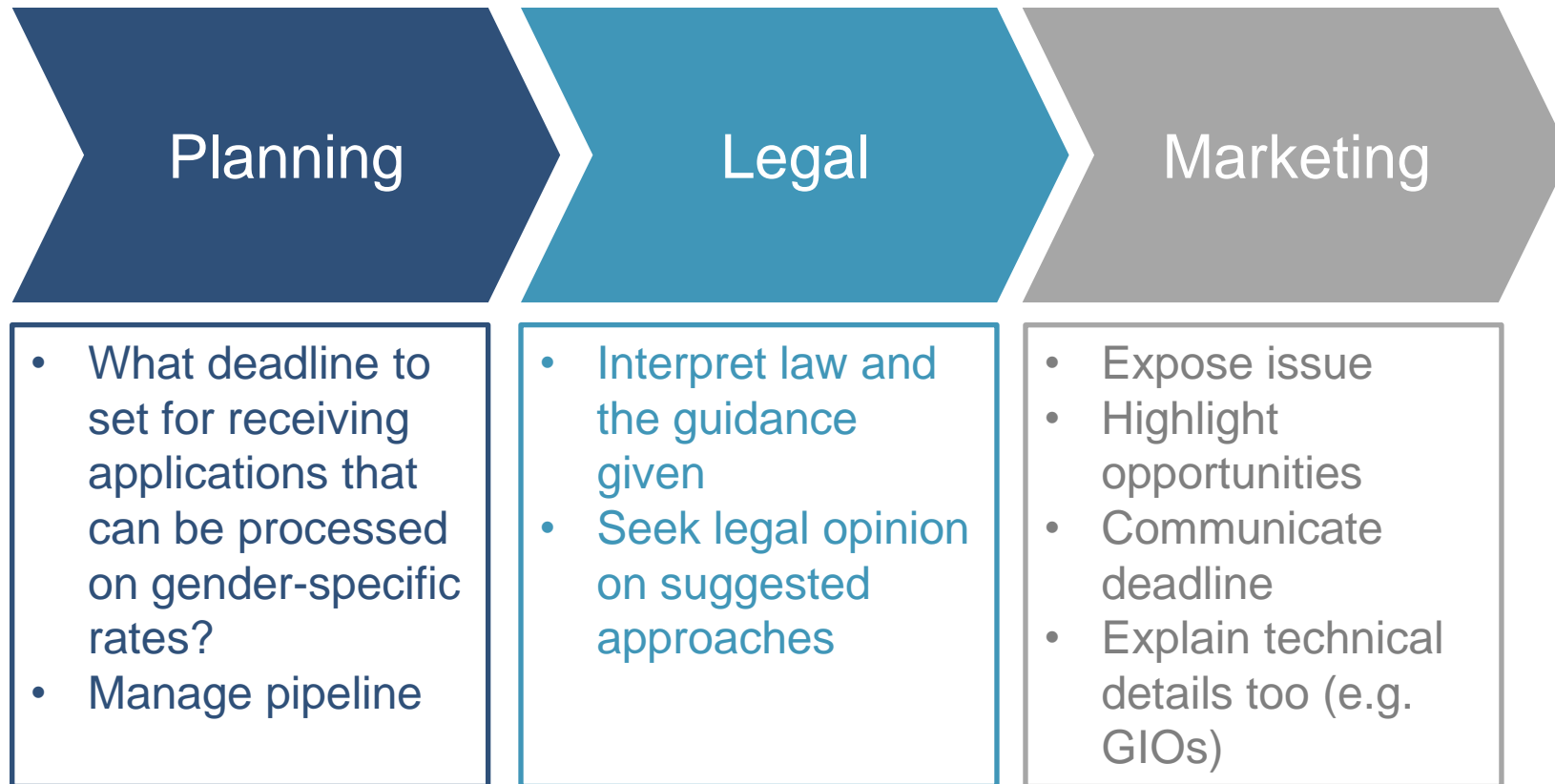
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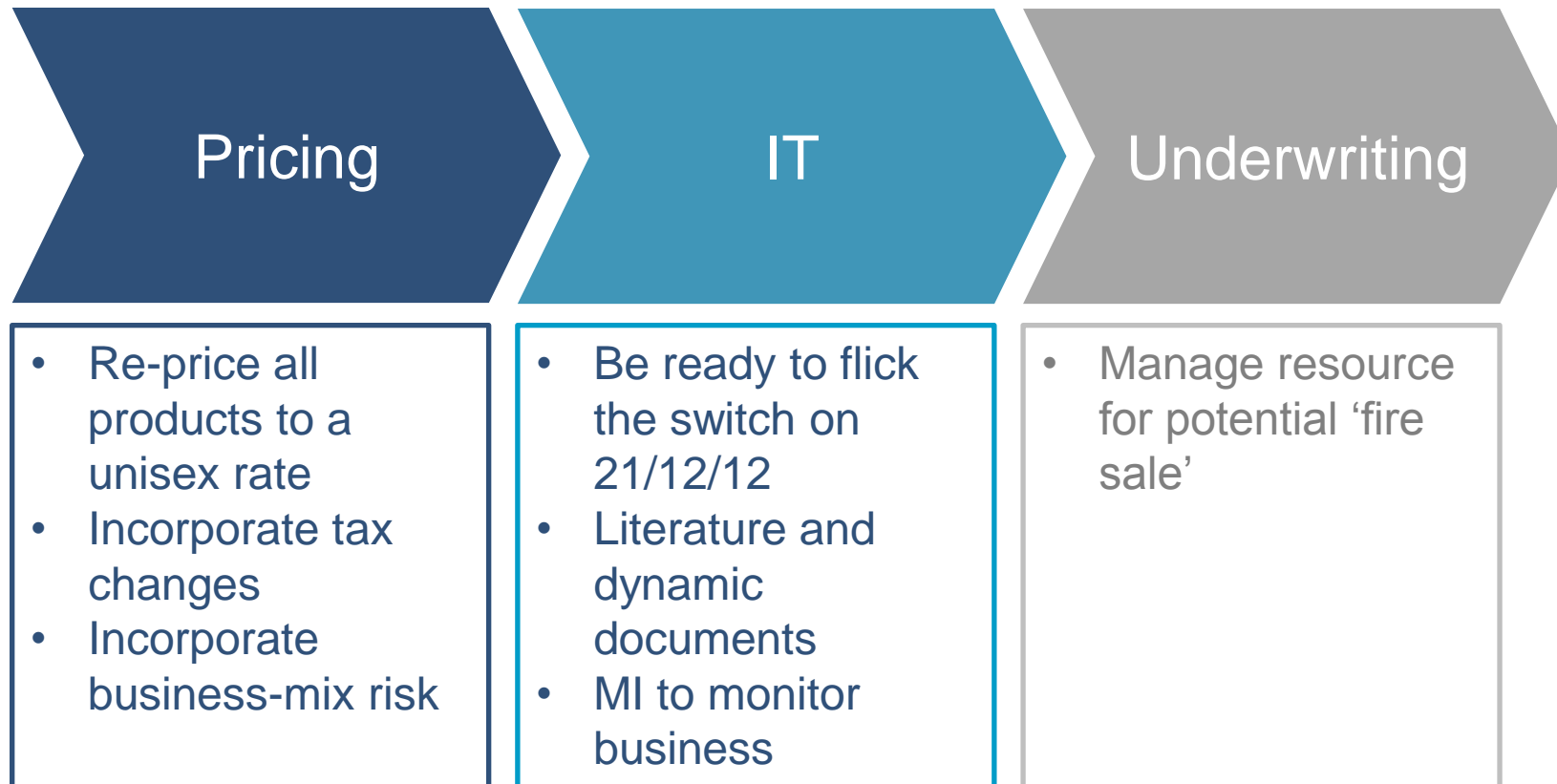
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What providers needed to do



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What providers needed to do



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What Ageas did differently



Putting customers at the heart of decision making



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Marketing messages

Are you ready for the Gender Directive?

Why protection is worth talking about this summer

Six steps to G-Day

Gender Directive looks set to shake up the level of protection your clients can afford. Post G-Day, men may get less income protection and women less critical illness cover for the same premium. But price isn't the only hook you can use to engage clients in the run up.



Ageas launches G-Day Protection Promise

The G-Day promise will reassure intermediaries that protection customers who are still in the Ageas Protect pipeline on 21st December 2012 due to underwriting requirements will still be eligible for gender-specific rates. Ageas Protect has sought expert legal opinion on this initiative before confirming its launch.

PROVIDER SUPPORT

PROTECTION 
great value for clients this summer

Coming into effect on the 21st December, the EU Gender Directive is set to shake up the level of financial protection that your clients may be able to afford. While preparations for RDR may be your priority this winter, proactively advising on financial protection this summer could be a boost to your business and secure more financial cover for your clients.

women that mean certain medical conditions, like breast cancer, affect them differently.

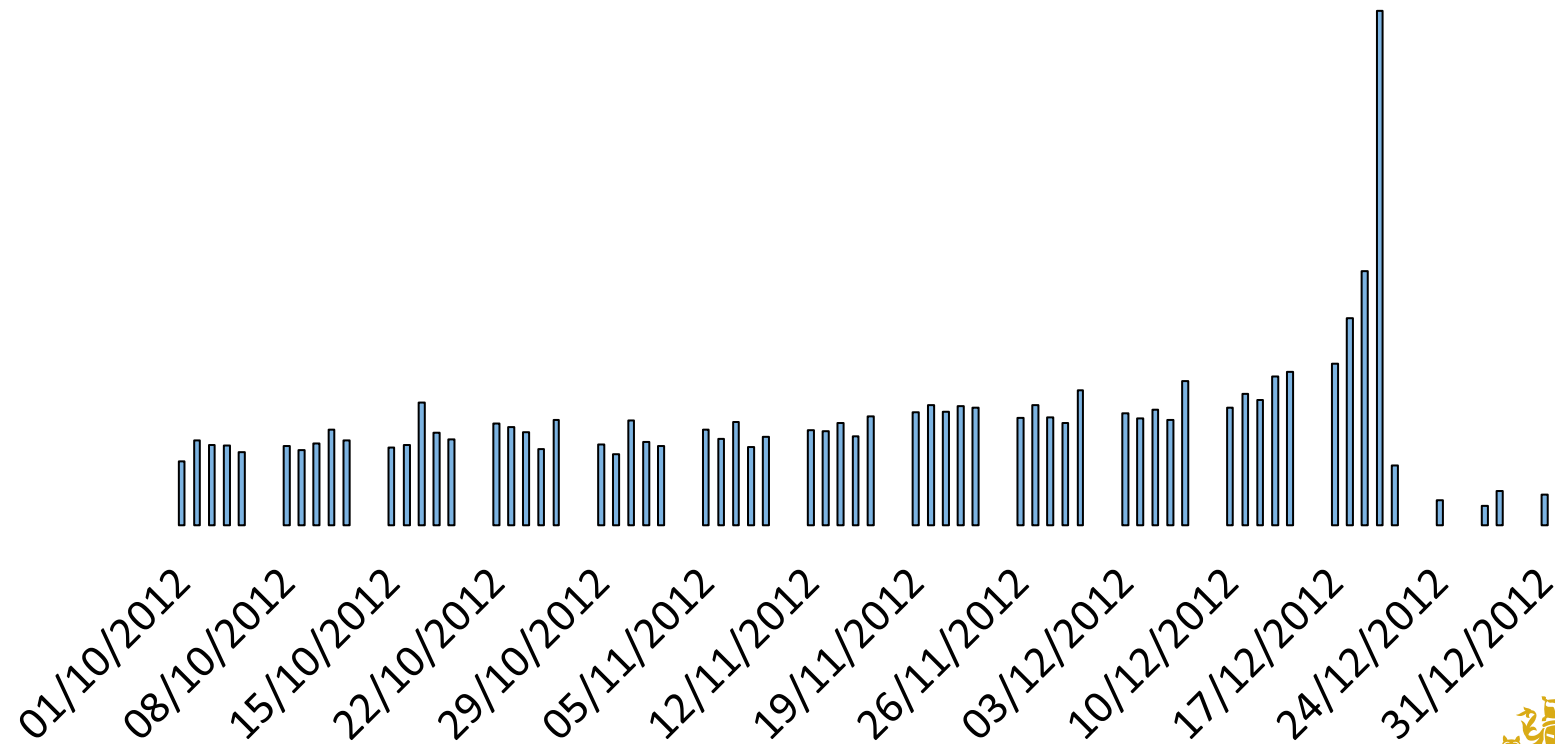
Even so, the savings your clients can make by purchasing protection policies ahead of G-day look significant. And, since they may not be able to get as low a premium again, there's good incentive for them to retain their policy in the long-term.



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Sales at Ageas Protect

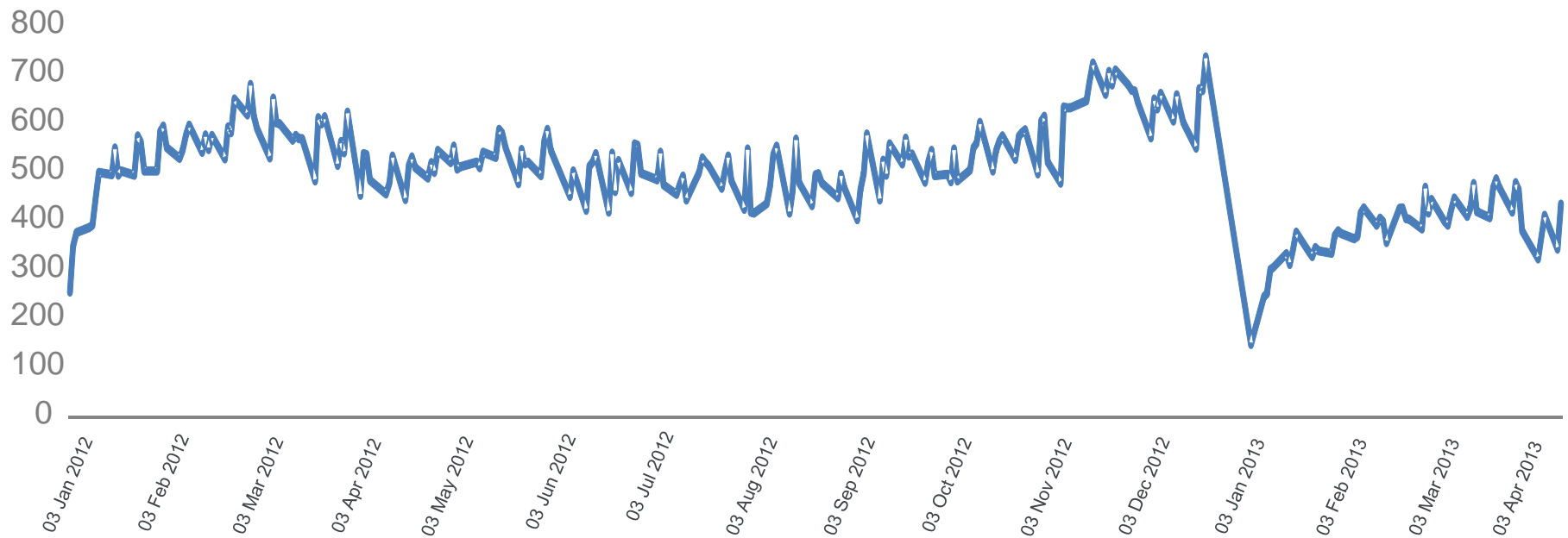


Source: Ageas



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Sales across the market



Source: iPipeline UK



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Post-gender

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Predicted effect on rates

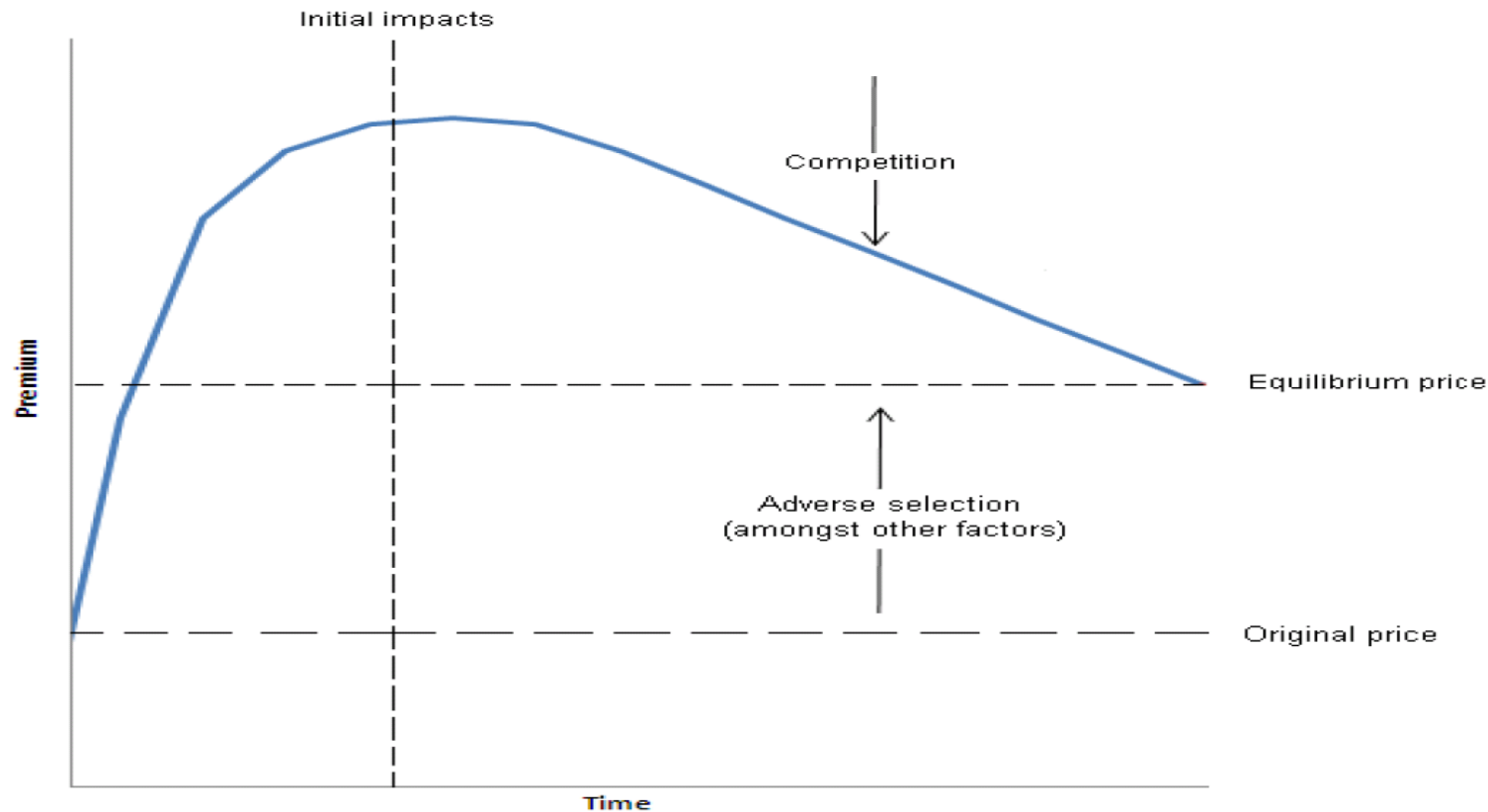


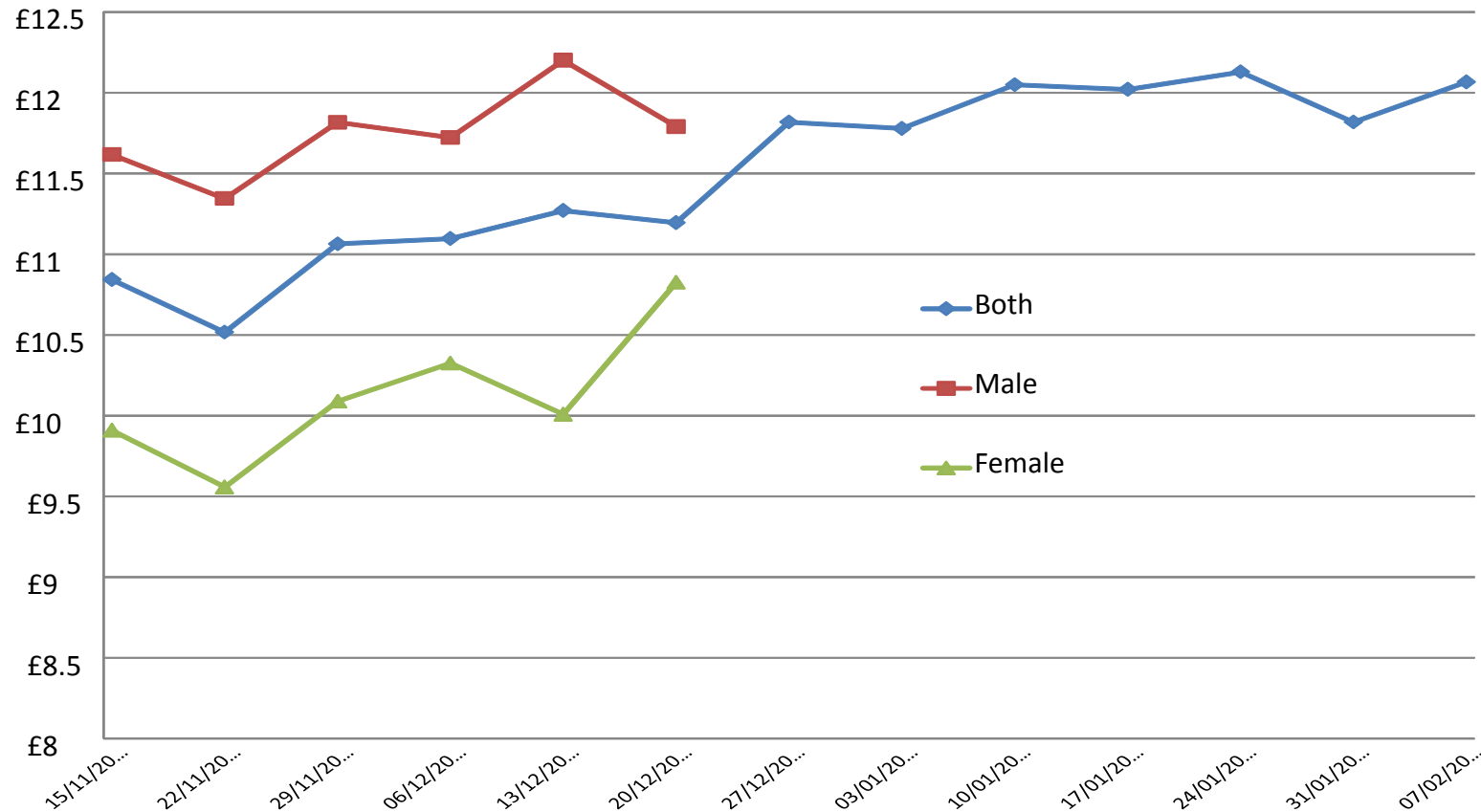
Figure 1: Graph illustrating market adjustment following the removal of the use of gender as a risk factor in the pricing of individual policies

Source: HM Treasury Consultation, December 2011



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Effect on rates (single life term)



Overall impact of gender and I-E was to raise the average premium above the pre-gender male premium.

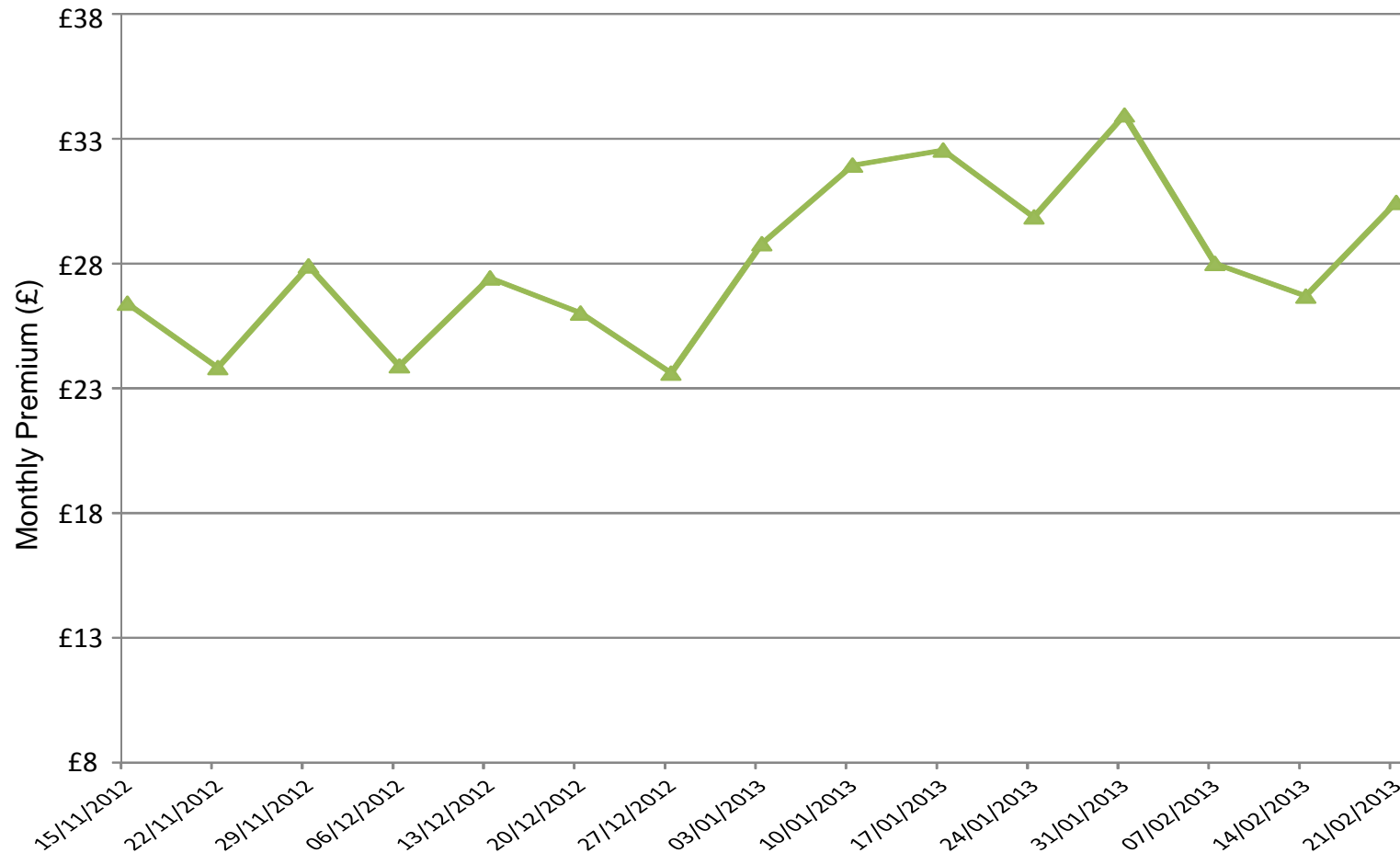
Source: Avelo, Alvin Petersen

Average top 5 premiums from 9th November 2012 to 7th February 2013,
Age 37.6 - 42.6; Term 22.5 - 27.5 years; Guaranteed, Level, Single life, £85k - £110k



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Effect on rates (joint life term)



- Impact of tax change can be assessed by looking at increase in joint life premiums.
- Approx. 20% for this banded model point.

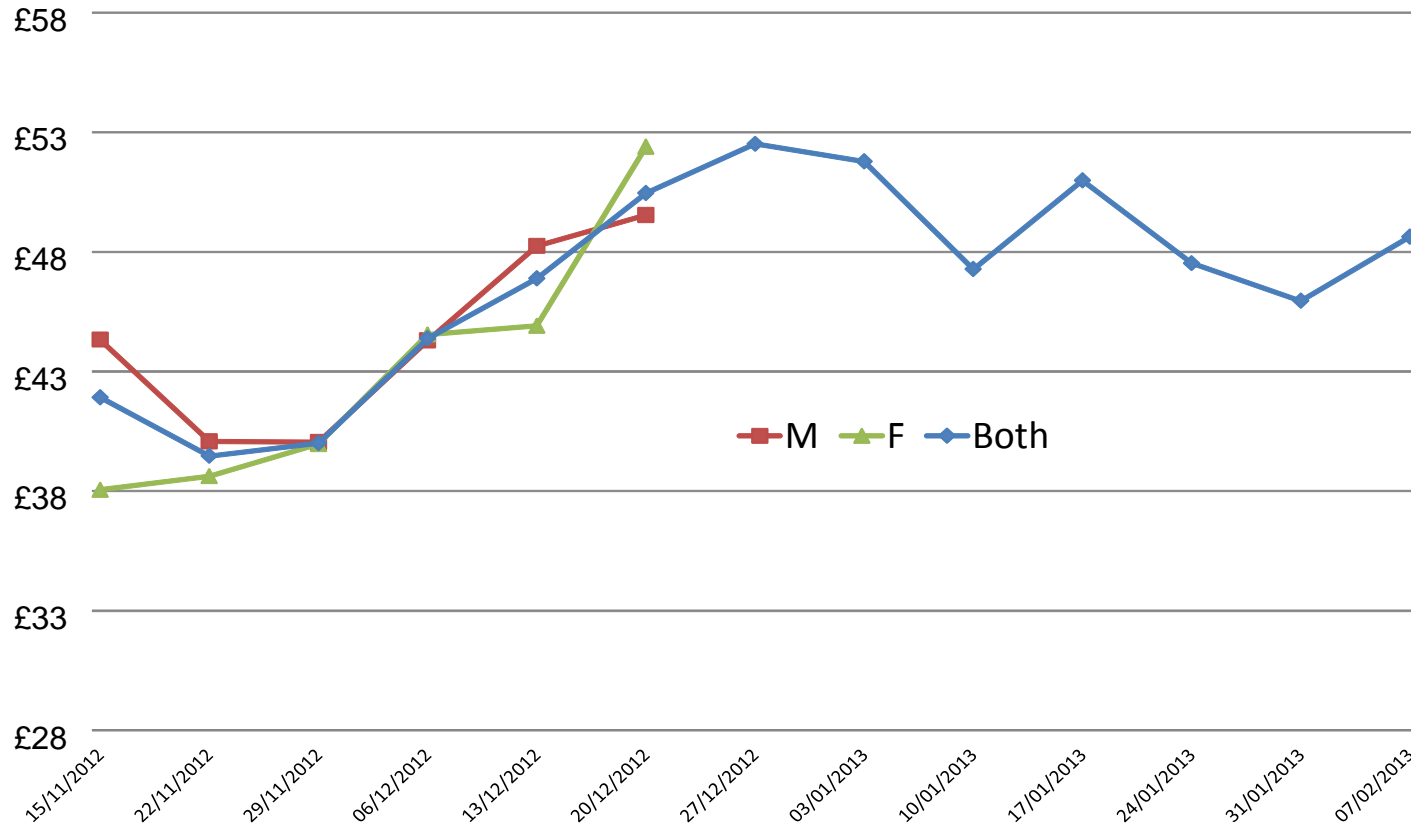
Source: Avelo

Average top 5 premiums for guaranteed Life level from 9th November 2012 to 21st February 2013.
Banded quotes around age 30 to 60, Term 25 and sum assured £100k.



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Effect on rates accelerated critical illness



- Male and female rates are closer together for this age sum assured band.
- Average premium now higher than male premium pre-gender.

Source: Avelo

Average top 5 premiums for guaranteed Life level from 9th November 2012 to 7th February 2013, banded quotes around age 40, Term 25 and sum assured £100k.



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Effect on rates accelerated critical illness (joint)



- Average joint life rate more volatile for this particular category.
- Impact of tax change appears to cause a big increase post 21 December.

Source: Avelo, Alvin Petersen

Average top 5 premiums for guaranteed Life level from 9th November 2012 to 28th February 2013, banded quotes around age 30 to 60, Term 25 and sum assured £100k.



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Evaluating the risk

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Munich Re's Gender Neutral proposition

Munich RE 

GENDER NEUTRAL PRICING

SHARP RATES

Gender neutral rates with
no business mix loading

EASY TO DO

BUSINESS WITH
A simple approach with
straightforward criteria

As the 21 December deadline draws ever closer, we recognise that insurers are fully focussed on ensuring that their retail proposition is compliant with gender neutral pricing. Given this focus we also recognise that reinsurance is currently a secondary priority, particularly given the "business mix" risk loading that most reinsurers will factor into any gender neutral reinsurance rates.

However, Munich Re is adopting a far more straightforward approach to gender neutral reinsurance rates. We are pleased to advise that we would provide gender neutral reinsurance rates with **NO BUSINESS MIX LOADING**. Provision of reinsurance terms on this basis would be subject to the following straightforward criteria:

- We would require actual business mix data for the last 12 months
- Using the above, we would calculate a representative business mix and would simply base our gender neutral rates on this (we would be open/transparent regarding the basis used)
- Once the reinsurance has moved on to this basis, we would require monthly business mix data on an ongoing basis
- After a period of time, if the revised business mix is materially different to that used for pricing, we would discuss any potential change to the gender neutral rates on an open basis such that there are no surprises for either party.



And that's it – as simple as that. Our core business is all about taking risk and charging the right price in a manner that makes it easier for YOU to do business. Our approach to gender neutral pricing is another illustration of how this looks in practice.

If you wish to discuss in more detail, please contact your Business Development Manager at Munich Re.

- No charge for gender neutral rates
- 'Easy to do business with' approach
- No treaty wording 'tie-ins'



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Cost of getting it wrong

Life Term

Gender-specific			Gender neutral Scenario 1		Gender neutral Scenario 2		Gender neutral Scenario 3	
	M	F	M	F	M	F	M	F
Claim rate	2	1	2	1	2	1	2	1
Prem rate	2	1	1.6	1.6	1.6	1.6	1.6	1.6
Sales	60	40	60	40	50	50	70	30
Revenue	160		160		160		160	
Claims	160		160		150		170	
Profit	0		0		+10		-10	

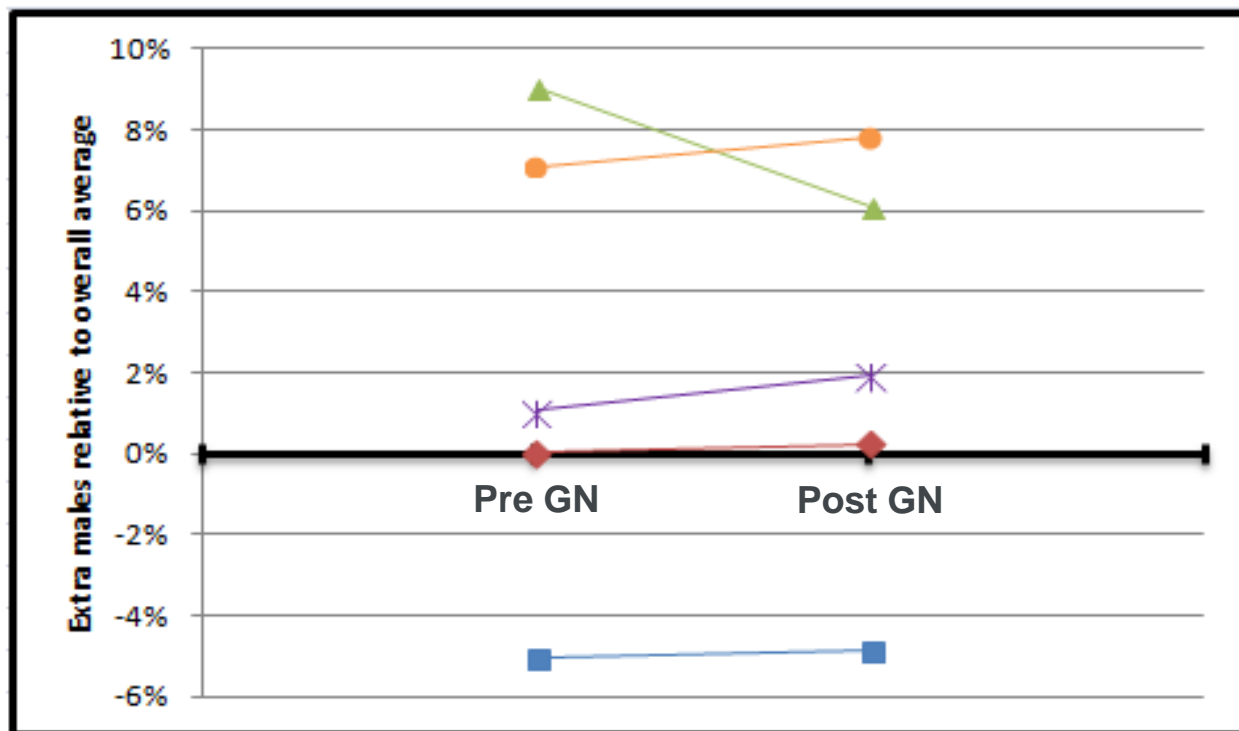
We believed the market mix would converge



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Actual outcome (so far ...)

Life Term



Source: Munich Re life term data, 5 protection writers
GDay -3 months, GDay +3 months

Munich Re Perspective

	Insurer specific mix	Average overall mix
▲	😊	😞
●	😞	😞
✱	😞	😞
◆	😊	😊
■	😞	😊

Further data over a longer period required



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Appetite for gender neutral reinsurance rates

2

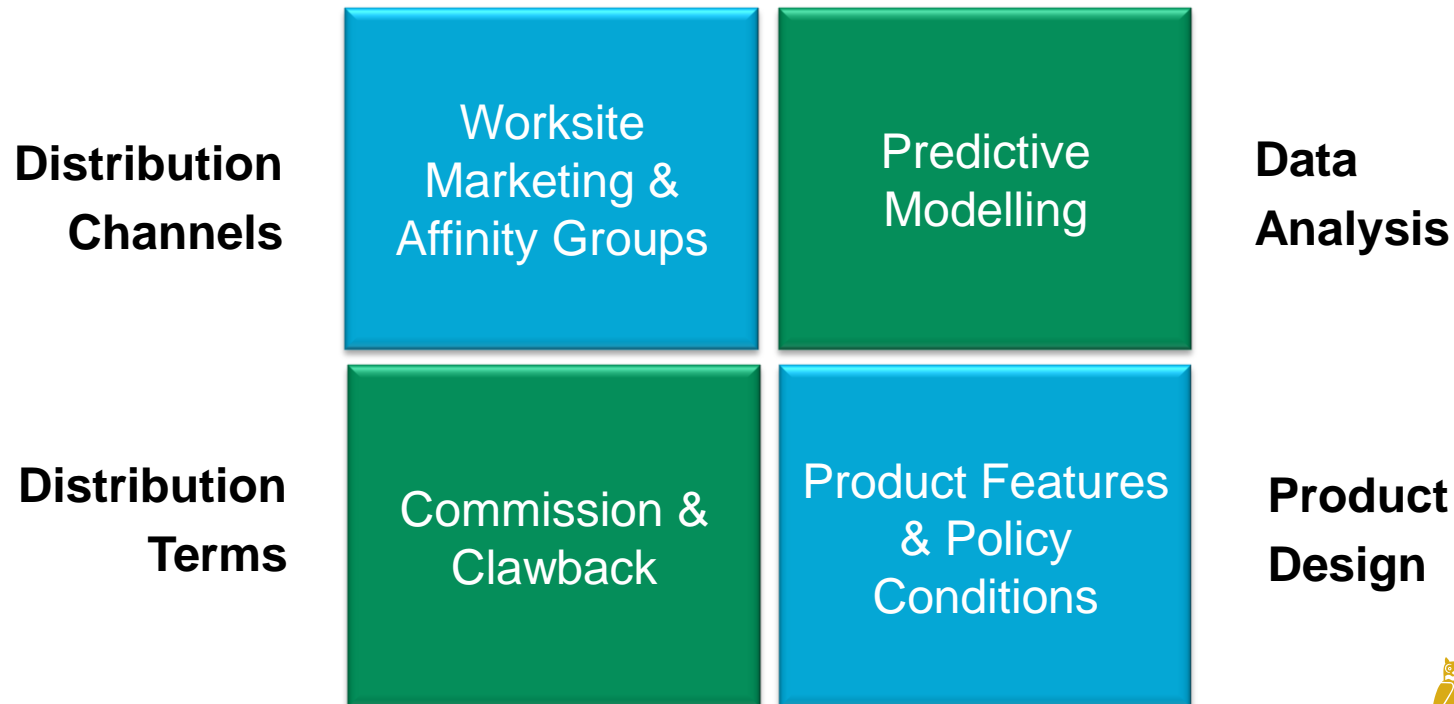
Will insurers take a different view going forward?



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Potential methods to control the gender mix

Tools for controlling the Gender Mix



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How did others react to going gender neutral?



Portugal

- Predominantly mortgage business via bancassurance channels.
- Majority of life insurance sold on gender neutral rates previously.



Spain

- Predominantly bancassurance dominated.
- Collectively moved to gender neutral rates on 21/12/12.
- Active in developing Pink and Blue products.



Ireland

- Few deals offered in the run-up to G-Day.
- Irish Life - Extra female specific benefits added to term life, partial payment on diagnosis of listed pregnancy related illness (€5k).



Austria

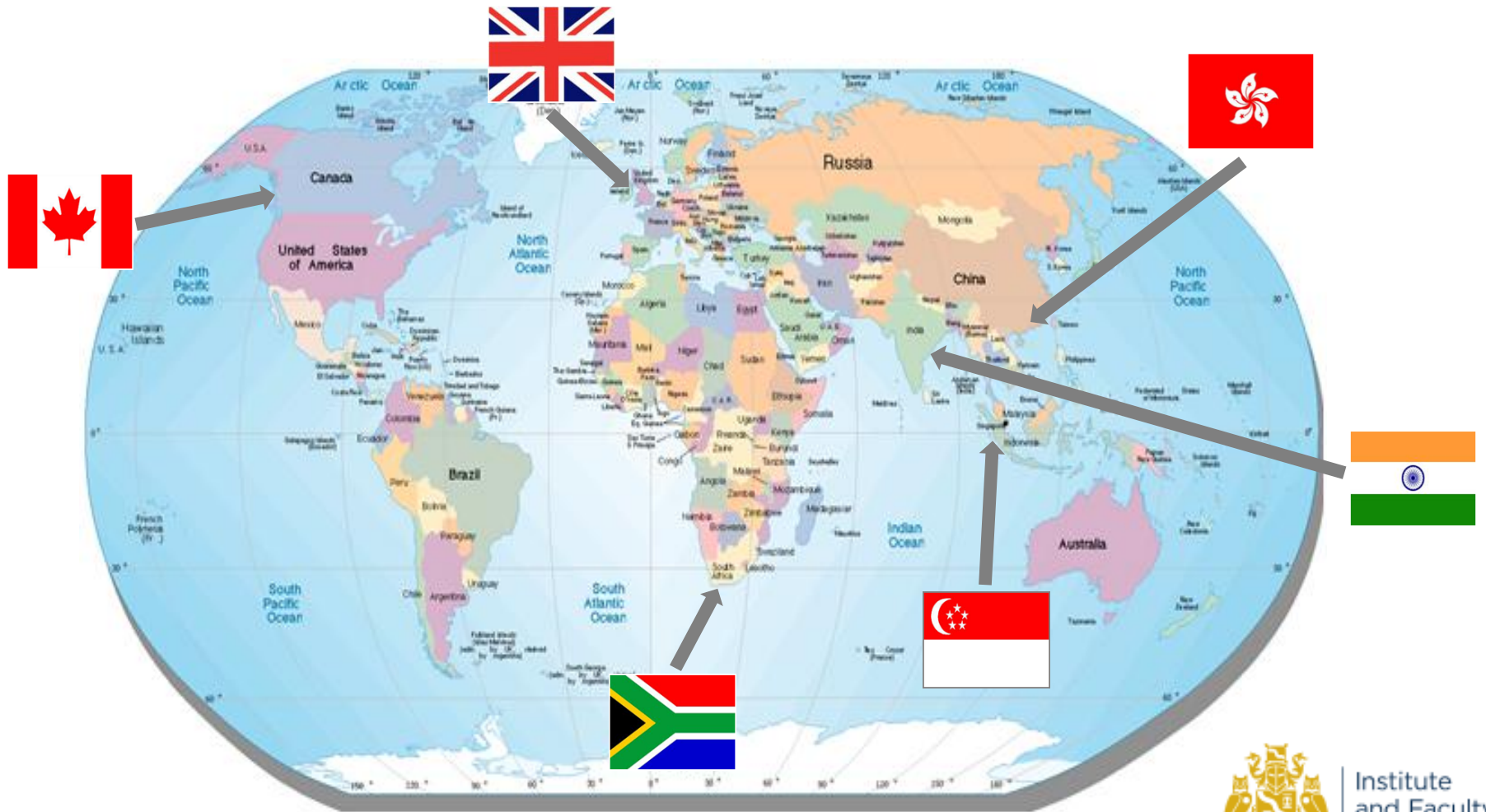
- Limited deals on run up to G-Day.
- Some moved to gender neutral rates early, majority changed 21/12/12. Market deemed not price sensitive.
- Annuities market main focus with move to gender neutral rates.



Germany

- Allianz moved to gender neutral rates May 2012. No others followed.
- Market average for term life, male paying 14%pa less, female 25% more post gender.
- Occupation historically used and under debate whether can continue to use this.

Gender designed products – they're out there



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Products at a glance (1)



Allianz, HDFC Life, Aegon

- ♀ Reconstructive surgery due to breast cancer
- ♀ Birth of a child with congenital disorder/surgery or pregnancy complications
- ♀ Malignant cancer of female organs



Dah Sing Life – New Lady

- ♀ Carcinoma-In-Situ of breast, cervix uteri, ovary, fallopian tube, vagina
- ♀ Mastectomy
- ♀ Systemic Lupus Erythematosus with Lupus Nephritis
- ♀ Osteoporosis leading to Vertebrae or Hip Fracture



AIA – Elite Lady

- ♀ Carcinoma-In-Situ of Breast, Cervix Uteri, Uterus, Fallopian Tube, Vulva, Vagina, Ovary
- ♀ Osteoporotic Fracture – Hip/Vertebral
- ♀ Rheumatoid arthritis
- ♀ Osteoporosis

Products at a glance (2)



Female Cancer products

- ♀ Lump sum paid out on diagnosis of one of the following female cancers: Breast, Vulvar, Vagina, Cervix uteri, Corpus uteri, Ovary, Fallopian tube
- ♀ Partial payment as % of sum assured, typically max £50k
- ♀ Lump Sum of €100 yearly for screening



BMO Insurance – Well Woman

- ♀ **Diagnosis Benefit** – cancer of the breasts, fallopian tubes, cervix, ovaries, uterus, vagina or vulva
- ♀ **Income Benefit** – monthly benefit for 12 months if diagnosed with a covered female cancer
- ♀ **Hospital Cash Benefit** – daily benefit for each day hospitalised for treatment or surgery resulting from the diagnosed female cancer
- ♀ **Surgery Benefit** – paid in the event of surgery within two years of the diagnosis of the cancer



AIG Direct – Cancer Plans

- ♂ Lump sum payout on diagnosis of one of the following cancers: Testicles, prostate, male breasts, penis
- ♀ Lump sum payout on diagnosis of one of the following cancers: One or both breasts, one or both ovaries, cervix, uterus, vagina, vulva, one or both fallopian tubes

Products at a glance (3)

Pay outs

Additional conditions to the core critical illnesses.

Partial payouts between 20 to 50% of sum assured.

3 x annual premium.

Additional Riders

Mental Well-being Benefit - In the event of the death of your spouse or child, reimbursement of your treatment for psychotherapy.

Pregnancy cover for duration of pregnancy – low sums assured /minimal UW.

Free referral service in getting assistance for household and car problems 24/7.

24/7 medical help line.

Regular hospital check ups.



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Marketing and advertising



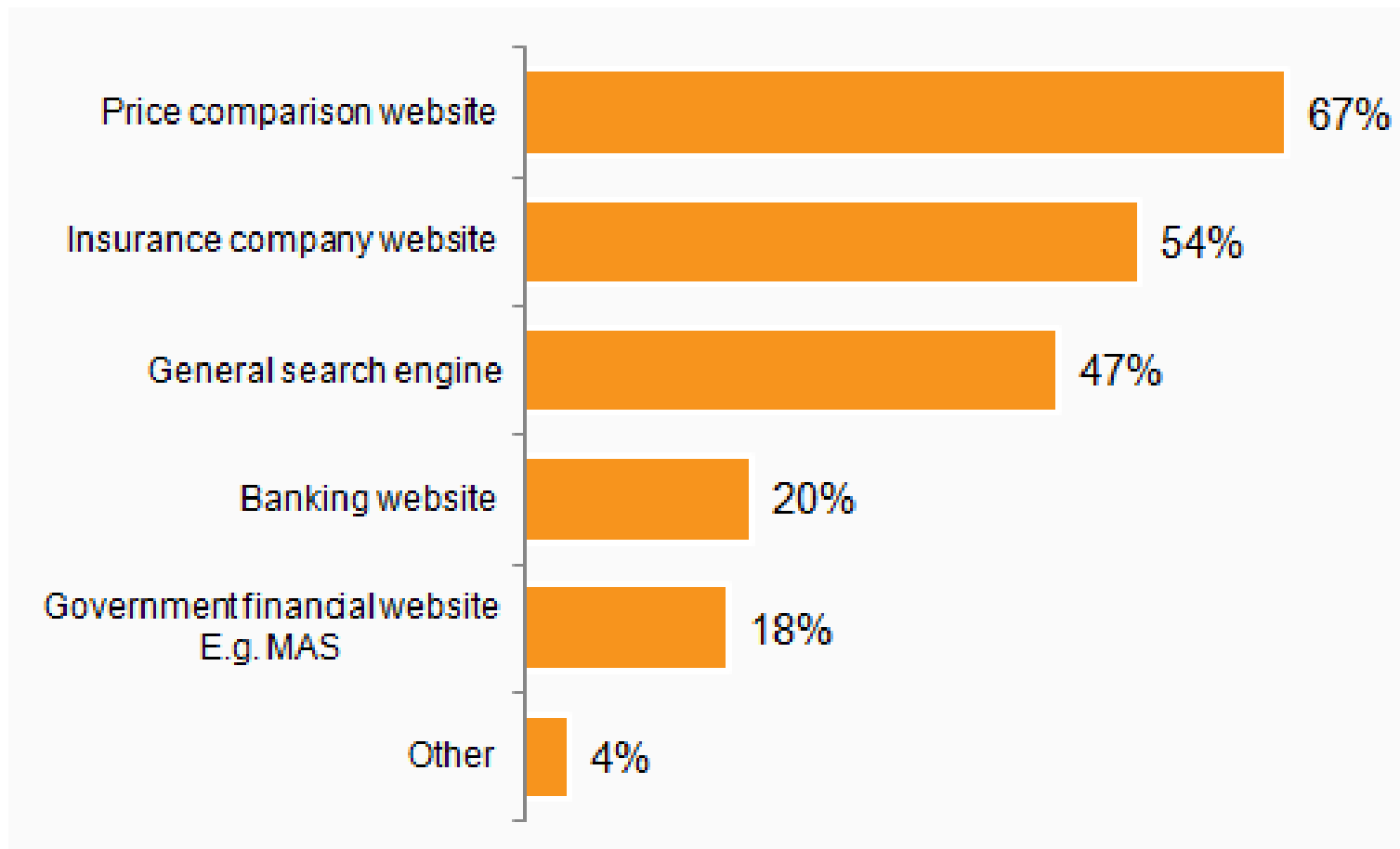
What would gender specific life assurance advertising look like?



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70% of people research protection online

Of those 70 %...



Munich Re research, based on 2000 interviews, 2013



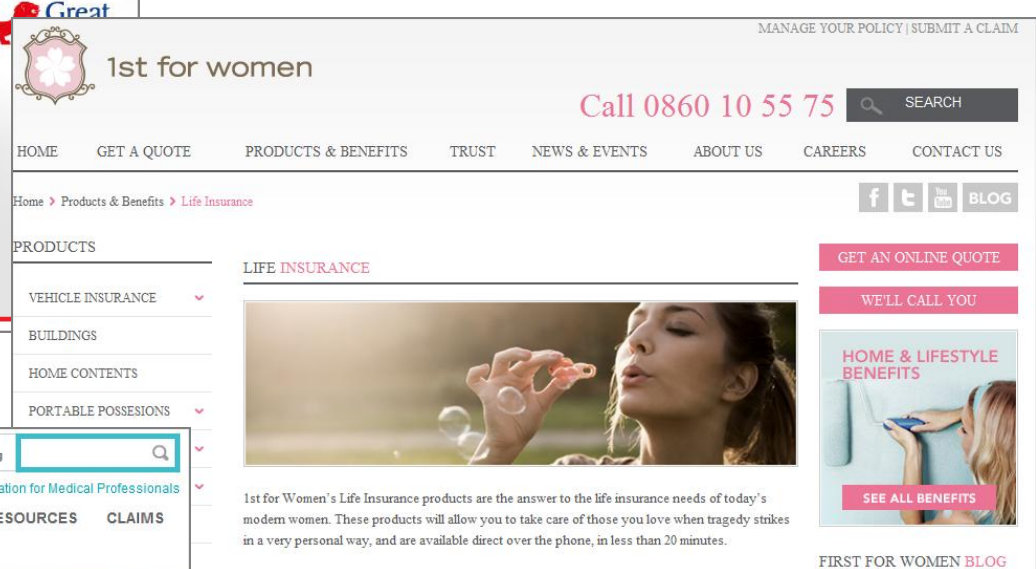
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It's not all about the product

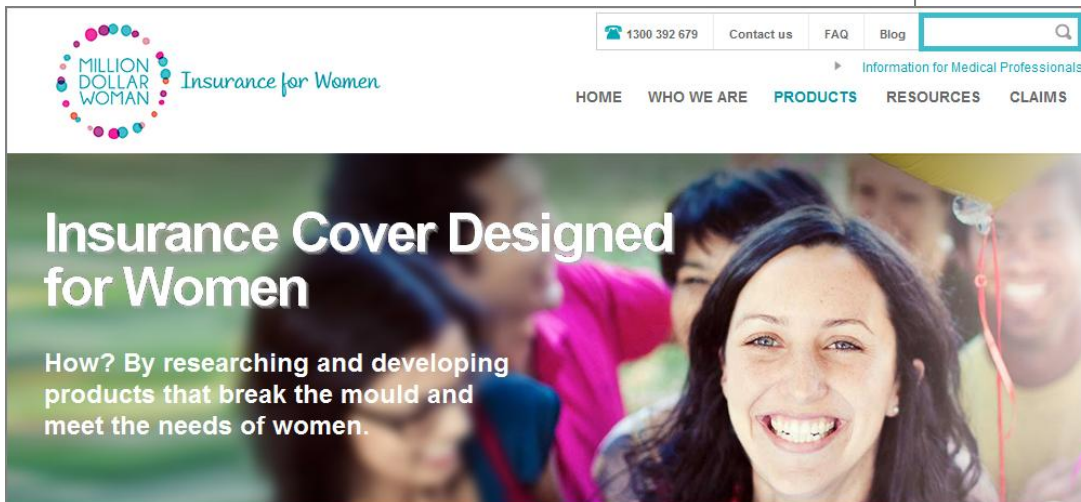
Singapore



South Africa

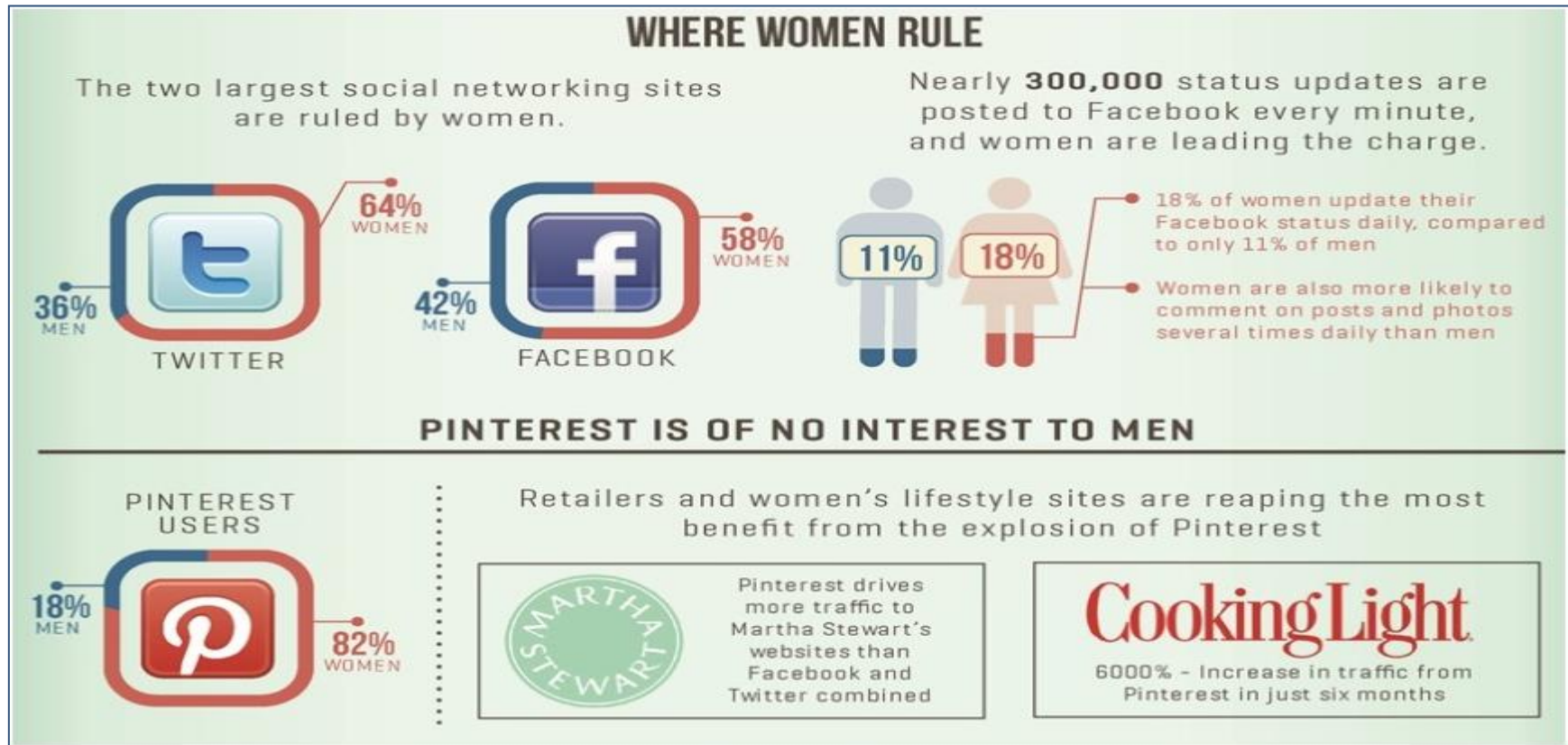


Australia



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Targeted Social Media



Huffington Post 2012

Women spend more time on social media than men



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So...

- The Industry spent a lot of time debating the Gender Neutral issue.
Could more time have been spent engaging with brokers/customers?
- There was a material increase in sales in November and December.
How else can the industry work together to replicate such an increase?
- Overall consumer protection prices have increased.
Will this make a difference to whether consumers buy protection?
- To date insurers appear comfortable in taking mix of business risk themselves.
If the market innovates on product, brand, marketing, will this remain?
- UK has been slow in marketing and differentiating life assurance.
Which providers will be winners in the “no sex world”?



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