

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

# Term Assurance is Simple

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06 November 2012

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# Passionate about...

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growing the protection market and engaging more customers

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# Term Assurance is Simple ... or is it?

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- Concept = yes (“you die, we pay”)
- Process = no!

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# Simple Review

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## Simple Life Cover Policy

- Single life product
- Guaranteed premiums
- Specified term
- No additional features
- Suicide exclusion
- Clear language



Sergeant Review *of*  
Simple Financial Products:  
Interim report

July 2012

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# Background

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- Largest Life Insurance operation in Ireland
- 30% protection market share
- Multi-channel distribution through brokers, tied bancassurance partners and a Direct Sales Force
- All tied sales completed through a Full Financial Review process (circa 1-1.5 hours). No execution only sales.

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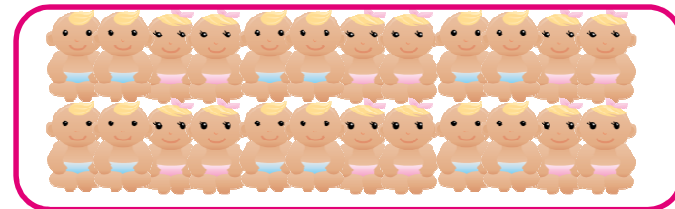
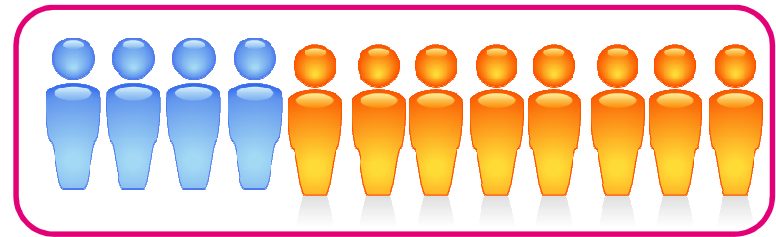
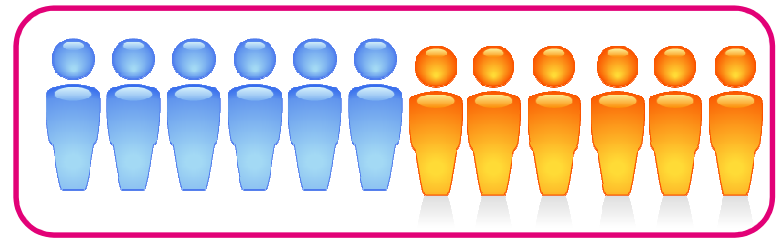
# Agenda

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- Context
- Opportunity
- Objectives
- Choosing a reinsurer
- The proposition
- Implementation
- The now
- The future

# Opportunity

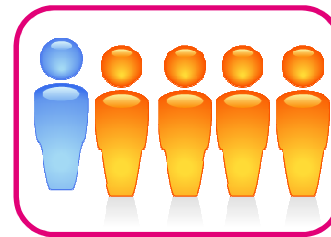
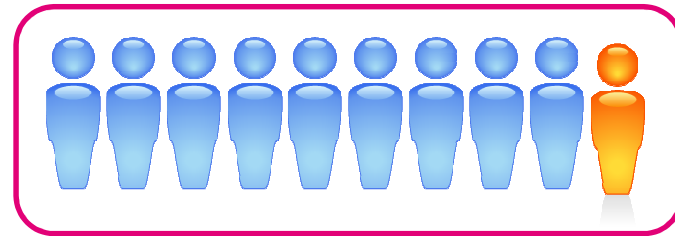
- Just over 1 in 2 have some form of protection product
- 1 in 3 have a life insurance product which is not linked with their mortgage
- 75,000+ children born in Ireland each year
- Significant under-coverage



Amarach Research conducted on behalf of Irish Life (May 2011)

# Opportunity

- 9 out of 10 people believed they had a protection need
- 1 in 5 intended to address this need in the next 12 months
- Customers recognise the fundamental need



Amarach Research conducted on behalf of Irish Life (May 2011)



# Opportunity

- Current advised processes a barrier to some
  - Perceived as too onerous
  - “power-balance” between adviser and customers
- Bancassurance partners
  - Considerable portion of bank customer never enter a branch
  - majority are transactional customer not looking for a full financial review



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# Objectives

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- Unlock market segments not currently engaged
  - Eliminate leakages in the application process
  - Deliver an additional protection sales / profit stream
  - Remove obstacles / complexity to accessing cover
  - Provide opportunity to have “some” cover
  - Offer value for money
- 
- An online solution for low touch customers interested in self-fulfilment
  - “Quicker / Immediate” proposition for transactional branch customers

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# Achieving objectives.....

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- The proposition is about a
  - A simple product, with restricted choice
  - A simple application / point of sale process
  - A simple underwriting process
  - A simple message and literature suite
  - Seamless end to end execution, with minimum customer inconvenience
- Success for Irish Life is building a proposition that achieves these objectives and is deliverable through a variety of distribution nodes.

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# Choosing a reinsurer

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## Standard Process

- Reinsurance Policy reviewed and agreed periodically.
- Engaged with 8+ reinsurers on on-going basis
- For main product lines, approach is to tender to all reinsurers who meet qualifying criteria
- 2-3 stage process depending on product, product changes etc

## Specific to this Process

- Invited ideas from a reduced number of reinsurers
- Finalised IL proposed product design
- Invited tender from a select number of reinsurers (based on input into ideation process and proven expertise / innovation)
- amends to proposed product design following feedback
- Balancing underwriting / pricing / acceptance rates

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# Choosing a reinsurer

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- The non-standard nature of this proposition, meant that there was additional emphasis on:
  - Knowledge of product design and sales process
  - Ability to deliver set of underwriting questions to fit the brief
  - Risk mitigation processes
  - An agile approach to the pricing of different options on the table
- In addition to standard requirements of:
  - Competitive terms commensurate with the risk
  - Appropriate financial strength, diversification etc.
- Reinsurer selected



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## The brief ...

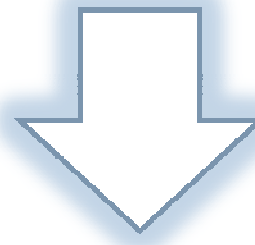
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Limited  
Health  
Questions



Online/ In-  
Branch



Affordable Minimum  
Premium



Sum Assured  
Cap



No Financial  
Review Needed



Applications Reviewed  
Immediately



Instant  
Cover



Can Purchase from  
Comfort of Own Home

# Customer Proposition

- A very simple term contract designed to:
  - remove complexity
  - remove the need for customers to make decisions
  - fit with IL underwriting requirements



Age 18 - 49



No Indexation



2 – 20 years



No Conversion



Life Cover only



No Rider benefits



Single Life Only



No Specified Illness



Max €150K



No Decreasing Cover



€10 pm min



Guaranteed premiums

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## Issues to overcome ...

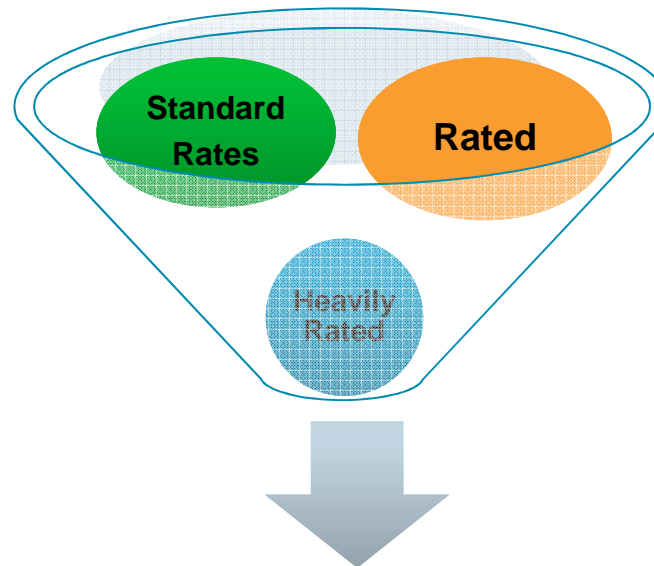
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- Ability to put the client on risk there and then
- No signature
- Didn't want lots of acceptance categories (3 max)
- How to ask questions that would allow a decision to be made based on yes/no answers?
- What medical questions to include vs. which to exclude and price for?
- How to minimise additional risk?

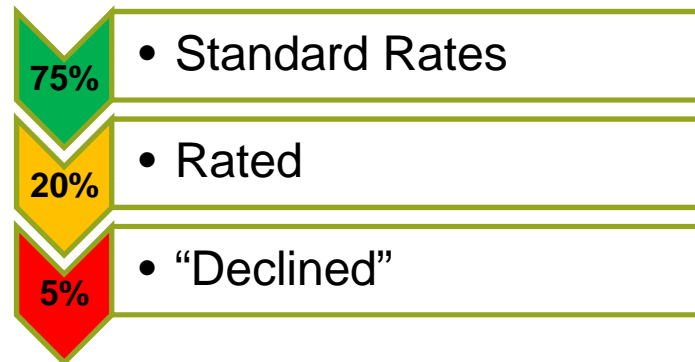


# Underwriting

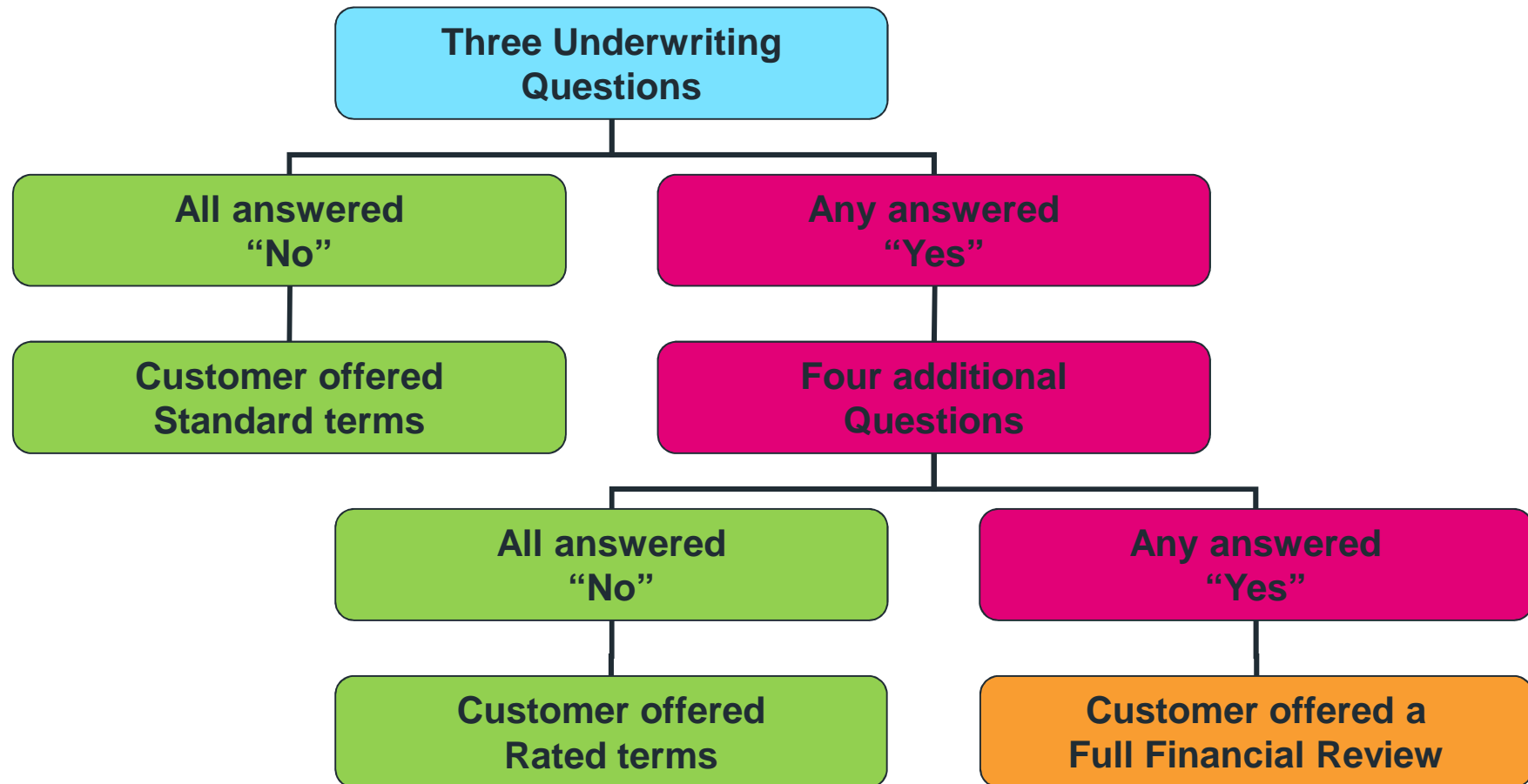
Starting point



End point?



# Underwriting...



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# So that was the easy bit ...

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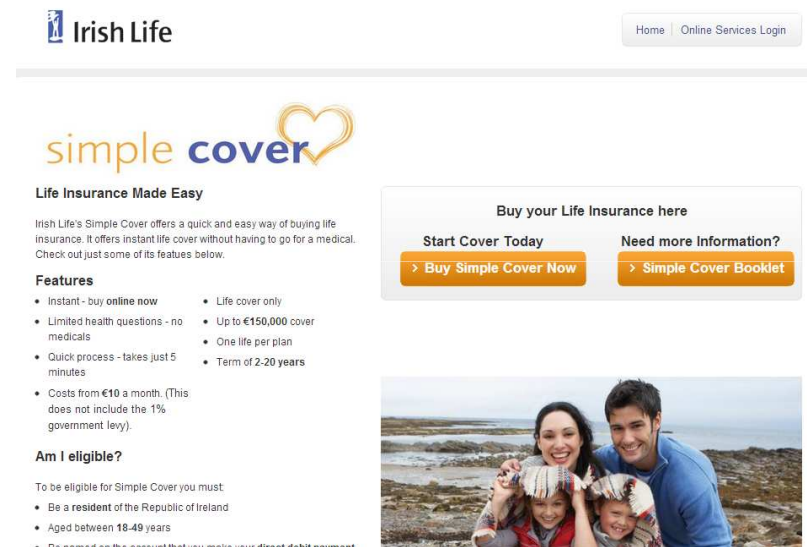
## Irish Life Simple Cover



*No frills life insurance in an instant*

# The Proposition

- Simple Cover is about a
  - A simple product
  - A simple application / point of sales process
  - A simple underwriting process
  - A simple message and literature suite
  - Seamless end to end execution, with minimum customer inconvenience

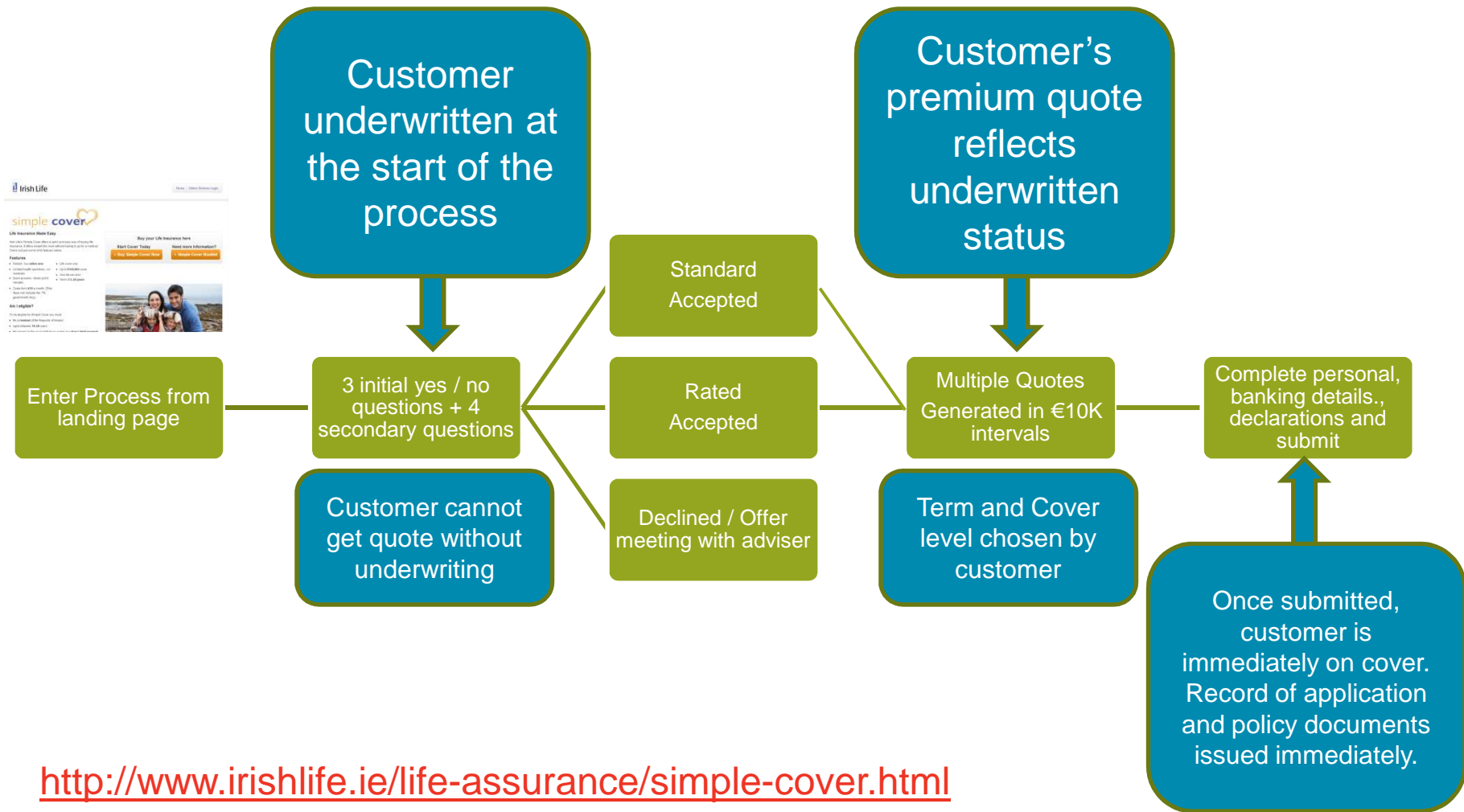


The screenshot shows the Irish Life Simple Cover website. At the top, the Irish Life logo is on the left, and 'Home | Online Services Login' is on the right. The main heading is 'simple cover' with a heart icon. Below this, it says 'Life Insurance Made Easy'. A paragraph describes the product: 'Irish Life's Simple Cover offers a quick and easy way of buying life insurance. It offers instant life cover without having to go for a medical. Check out just some of its features below.' A 'Features' section lists: 'Instant - buy online now', 'Limited health questions - no medicals', 'Quick process - takes just 5 minutes', 'Costs from €10 a month. (This does not include the 1% government levy)', 'Life cover only', 'Up to €150,000 cover', 'One life per plan', and 'Term of 2-20 years'. An 'Am I eligible?' section states: 'To be eligible for Simple Cover you must: Be a resident of the Republic of Ireland, Aged between 18-49 years, Be married or in a civil partnership that you make your direct debit payment'. On the right, there are two buttons: 'Start Cover Today' with a sub-button '> Buy Simple Cover Now', and 'Need more Information?' with a sub-button '> Simple Cover Booklet'. At the bottom right is a photo of a family (mother, father, and two children) smiling on a beach.

<http://www.irishlife.ie/life-assurance/simple-cover.html>

# The Proposition

## Basic Application Process



# Implementation - Customer Research

- Unanimously positive reaction to concept
- More affordable than anticipated
- A little suspicious that it was too easy – “where’s the catch?”
- Removed perceived pressure of adviser
- No experience of online life insurance previously
- **Important to advertise to direct consumers to the product.**

The screenshot displays the 'One Cover Application' interface for Irish Life. It features a progress bar with four steps: STEP 1: Quote (highlighted), STEP 2: Complete Form, STEP 3: Review and Confirm, and STEP 4: Proceed to Checkout. The main content area prompts the user to 'Right, here is your quote. Please select the level of cover you want'. It presents a table with two columns: 'Life Cover' and 'Monthly premium'. The table lists five options, with the middle option (€100,000 cover for €36.00pm) highlighted in green. Navigation arrows are present on the sides of the table. Below the table, there is a link to the 'Life Cover Calculator' and a 'Show' button. To the right, a 'Request a Callback' section invites users to leave their details for a callback from a Customer Service Representative. At the bottom right, there are 'Back' and 'Next' buttons.

Life Cover	Monthly premium
€80,000	€30.00pm
€90,000	€33.00pm
€100,000	€36.00pm
€110,000	€39.00pm
€120,000	€42.00pm

# Implementation – the process



## Proposition Sign-off Road Map



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# Implementation - Distribution

## Objective / Plan

- Online (both IL and partner websites)
- Counter Staff in branch
- Outbound paper / electronic market campaigns

- Built to “directed sale” standard
- Documented in-branch process based on need identification
- In-branch required additional “need” screen and declaration.
- Execution only impacted tele-support ability for online process

## Complications

- Online execution only versus in-branch “directed sale”
- Divergent requirements between bank partners
- Distribution conflict – impact on roll-out and marketing strategy

- Variations in Compliance standards
- IT security standard
- IT linkages
- New Product Approval Processes

- Broker channel concern
- Impact on launch sequence
- Online / Offline marketing rules



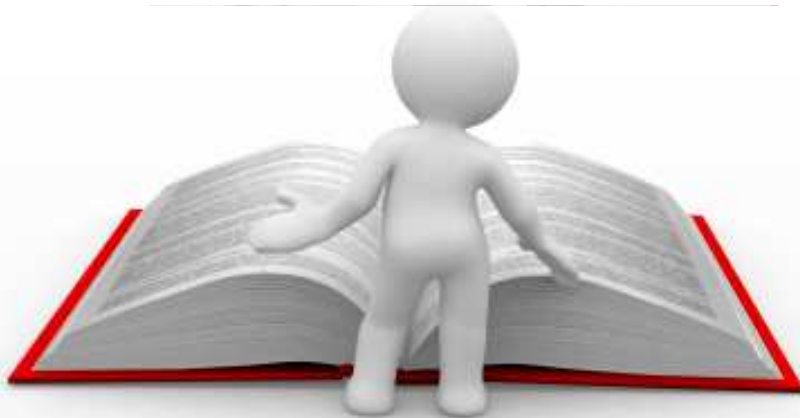
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# Implementation – Compliance and Regulatory

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## Objective

- Seamless end to end execution, with minimum customer inconvenience



## Complications

- Signature free application process
- AML Requirements
- The Paperless customer
- Business Replacement Requirements
- Consumer Protection Code 2012
- Onerous declarations
- Reading the literature

# Implementation – Application Design

## Objective

- Seamless end to end execution, with minimum customer inconvenience

The screenshot displays the 'Irish Life simple cover' application interface. At the top, the 'Irish Life' logo and 'simple cover' branding are visible. A progress bar indicates the current step is 'Health Questions', with other steps being 'Choose Cover', 'Personal Details', 'Summary', and 'Payment'. Below the progress bar, a blue header reads 'About You' with the instruction 'Fill in your basic personal details so that we can get you an accurate quote.' The main form area contains three sections: 'Are you male or female?' with 'Male' and 'Female' radio buttons; 'Do you smoke?' with 'Smoker' and 'Non-Smoker' radio buttons, accompanied by a disclaimer about tobacco consumption; and 'Date of birth' with dropdown menus for Day, Month, and Year. A left sidebar shows 'Questions' and 'About You' as active sections, and a 'Documents' section listing 'Simple Cover booklet with terms and conditions (1.5MB)' and 'Irish Life Terms of business (182KB)'. Navigation buttons for '< Back' and 'Choose Cover >' are at the bottom.

## Complications

- Simplicity versus enforcing customer understanding and obligations
- Sales and risk management
- IT expertise relates to B2B and application processing, not D2C needs
- Quote then underwrite or vice versa?

# Implementation – Underwriting and disclosure

## Objective

- Seamless end to end execution, with minimum customer inconvenience

The screenshot shows the Irish Life Simple Cover online underwriting interface. At the top, the Irish Life logo and 'simple cover' branding are visible. A progress bar indicates the current step is 'Health Questions', with other steps being 'Choose Cover', 'Personal Details', 'Summary', and 'Payment'. Below the progress bar, a blue banner reads 'Health questions' and 'Please read the disclosure warning below and then answer the health questions asked.' The main content area is titled 'Disclosure Warning' and contains the following text:

> Please remember that you must answer all questions honestly.

- We will ask you a number of health questions about your personal health, your tobacco consumption and your family's medical history. These questions will take the form of a series of questions which you should answer 'yes' or 'no'. No actual medical facts need to be provided.
- The answers you give will determine if cover can be granted and at what price.
- You will be provided with a copy of the health questions you are asked and the answers you give, in your plan documents.
- **Very Important - Telling Irish Life the truth.** You need to answer the questions you are asked honestly and correctly. If you do not answer the questions honestly and truthfully any future claim on this plan will not be paid and no premiums paid will be refunded. If this were to happen it could have a severe financial impact on your family.

At the bottom of the disclosure warning, there is a checkbox labeled 'I have read and understood the information provided above.' On the left side of the interface, there is a 'Questions' section with 'About You' and a 'Documents' section with links to 'Simple Cover booklet with terms and conditions (1.5MB)' and 'Irish Life Terms of business (182KB)'.

## Complications

- 3-7 answers  $\leftrightarrow$  3-7 questions
- Customer comprehension
- Back testing requirements
- Simplicity versus disclosure and importance
- Online underwriting
- A new customer type – Straight through processing despite “rating”

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# Implementation – Assumption Considerations

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## Consider the impact of:

- Product design restrictions
- Underwriting process
- Sales Process and Distribution points
- Expected customer socio-economic group

## Areas of consideration:

- Acceptance Rates
- Mortality
- Lapses
- Expenses
- Average Premium
- Average Cover levels



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# Implementation – Customer Premium

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## What is the right premium to charge the customer?

- Initial instinct - the premium should be higher than a standard product, if underwriting is somewhat weaker

### But.....

- Are there expense and remuneration savings?
- Risk is only one of a number of factors determining customer premiums

### Plus....

- Higher relative premiums risks losing “good” lives
- Customer research - customers expect premiums for online products / simple products to be lower
- Compliance product overlap obligations – premium differentials potentially raise issues for in branch processes



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# Implementation – MIS / Controls

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## Considerations

- Perceived “weaker” entry restrictions
- New product and process
- New distribution
- Leakage / cannibalisation



## MIS / Controls

- Copy of answers
- Welcome call
- Backtesting
- Sales monitoring
  - Customer Mix
  - Underwriting Mix
  - Cross check versus standard review customer base
  - Agent attached to each sale
- Client centric view
- Google Analytics
- Customer Research

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# Implementation – The Final Position

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## The positives

- Single web delivered process
- Completely automated, end to end delivery
- Modular functionality supports partners variances
- Significantly simpler process for customers
- Customer has cover immediately
- Customer value proposition



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# Implementation – The Final Position

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## The negatives

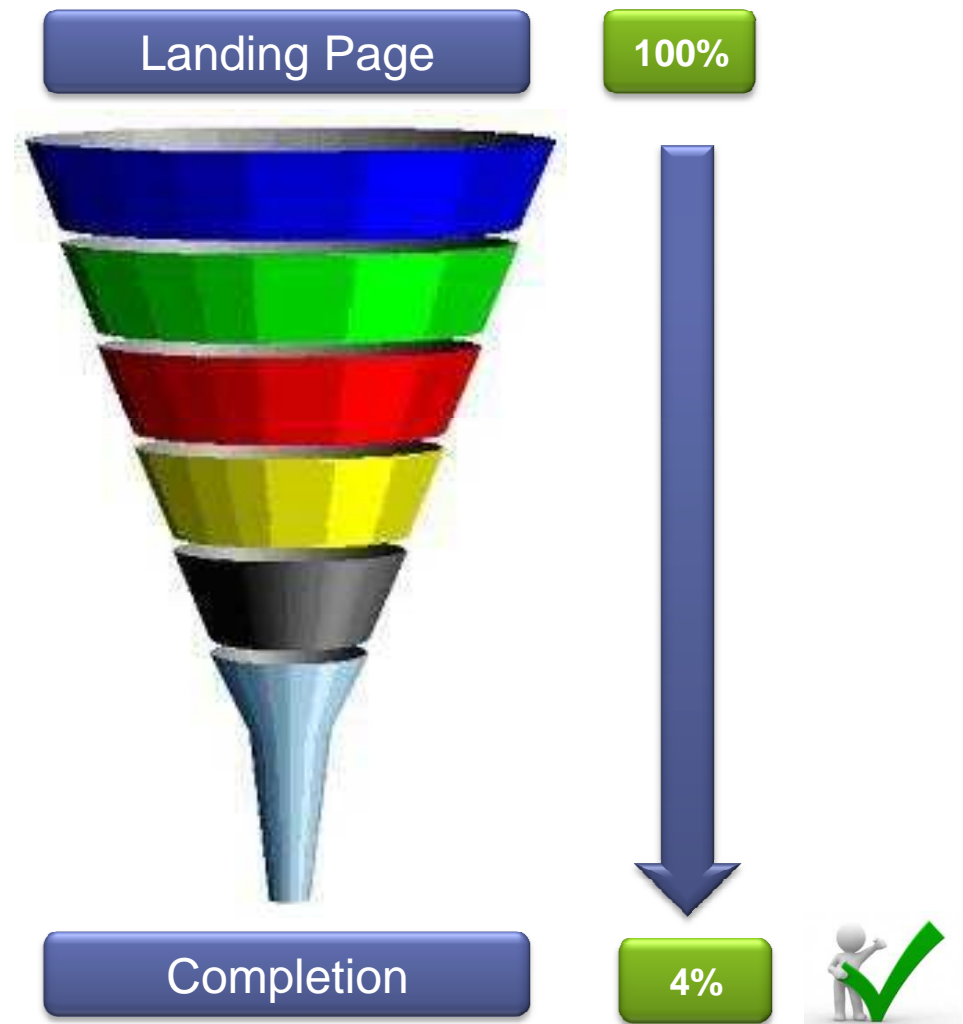
- Roll-out to Bank partners seriously impacted by banking industry conditions
- The process feels B2B rather than D2C
- Process feels compliance and declaration heavy
- Decision not to support directly through offline marketing
- Not available through [www.irishlife.ie](http://www.irishlife.ie) yet





# The Now – How is it going?

- **Sales behind target**
  - Slower than planned roll-out
  - Difficult Irish banking environment
  - Not on irishlife.ie yet
- **Building up customer reaction**
  - Outbound marketing campaigns
  - Google analytics positive feedback



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## The Now - Lesson learnt

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- Customer research is key
- Making something simple for customers, can be complicated
- Deviating from the norm and pushing people outside their comfort zones results in a slower delivery process
- It is important to have the all the stakeholders involved early and often.

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# The Future

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- **Deployment**
  - Bank online and in-branch roll-out
  - [www.irishlife.ie](http://www.irishlife.ie)
  - Targeted outbound DM campaigns
  - Online marketing
- **Learn and Develop**
  - Customer Research
  - Introduce an execution-only Click and Chat / Tele-support function
  - Simple Cover 2.0

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# Questions or comments?

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

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

