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Do we treat Children's Critical Illness seriously enough?

Duncan Heald, Scor Global Life
Aleks Gvozdenovic, Eksentric Consultancy



Contents


- History of Child CI in the UK
- Child CI claims statistics
- Recent market developments in Child CI in the UK
- Successful overseas children's markets
- The future of Child CI



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Child CI 101 – The basic product

- Sold as an automatic rider to adult CI policy
- Child covered for complete list of conditions as adult (not TPD)
- No underwriting of children
 - Familial/congenital conditions and pre-existing symptoms excluded
- Payout limited to 50% up to a limit of £25k
- 1 claim per child
- Covered from 30 days to 18th birthday
- Child claims do not affect rest of cover



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History of Child CI – 1990-2011

- In early 90's DSF companies looking for ways to differentiate their product and taking it away from the price line.
 - Introduced in format very similar to product just described.
 - Some 'interesting' deviations ('in good health', restrictive TPD)
- Condition commonplace by end of decade and was included in first ABI SOBP in 1999
 - Cover needed to start from 3 years, pay-out £10k
- Little change in the 00's both in ABI SOBP and provider definitions
 - ABI – minor tweaks to exclusion wording
 - Some companies paying out twice for 2 children if separate policies



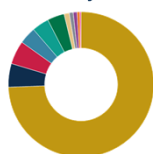
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Child CI claim statistics

4% (lives)
1% (amounts)
of all CI claims

Average Child
Payout = £22k

% Total by count



In top 5
reasons for all
critical illness claims*

- Cancer
- Cerebrovascular
- LOIE/TPD
- Bacterial meningitis
- Organ failure/transplant + Accident
- Blindness
- BBT
- Paralysis
- Cardiovascular
- Deafness

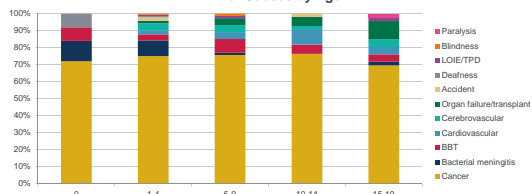
Source: Scor, figures based on total claims
* As published by providers



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Child CI claim statistics – Split of cause by age

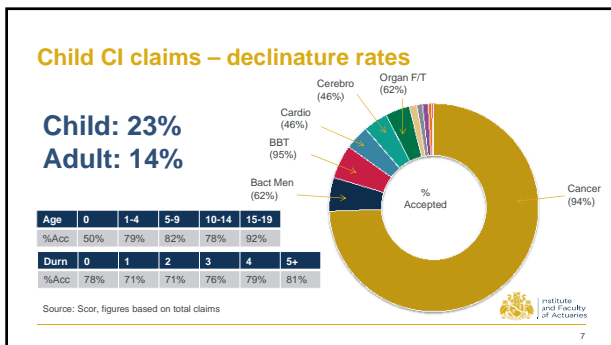
Mix of Causes by Age



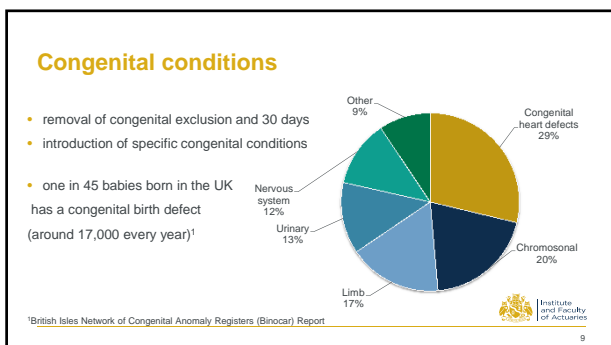
Source: Scor, figures based on total claims



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Benefit amount

- increased from £10,000 to up to £50,000
- double payment if overseas treatment required

Is it enough?

- on average parents spend £4,400 pa on extra expenses as a result of child cancer diagnosis and its treatment
- in addition, 65% of parents experience a loss of earnings
- more than 55% of parents had to take time off as unpaid leave and 34% took unpaid leave for three months or longer
- treatment can last up to three years and DLA does not start until six months after diagnosis

4,000 aged under 24 are diagnosed with cancer every year in the UK¹



Sources: Click Sargent and ¹Cancer Research

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Can we do more?

- 6% of children (0.8 million) were disabled in 2012
- around 93% have mental ill health and around 11% of these have autistic spectrum disorders.
- 17% of families with disabled children go without food, 21% without heating, 26% without specialist adaptations and 86% without any leisure activities

The cost of raising a child to the age of 21 is £222,000

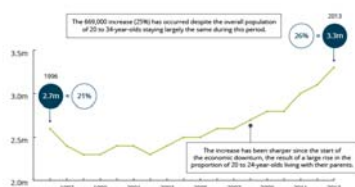
It costs three times more to raise a disabled child

Source: Contact a family, Counting the cost 2012, Papworth Trust Disability facts and figures 2013, LV=



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Maximum age for childcover



- children now covered to age 21, 22, 23
- some providers just cover if in full time education

17% of child CI claims are for 15-19¹

Out of 4,000 under 24's diagnosed with cancer, 2,300 are aged 15-24



¹Scor, figures based on total claims

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Child death benefit

- common in Irish market for a while
- nominal benefit
- the 1774 Life Assurance Act
 - where the policyholder has a relationship of natural affection with the life insured; (In England and Wales this only covers the policyholder's own life or his spouse, **not other family members**. In Scotland, additionally, children to whom an obligation of aliment is owed have an interest in the lives of their parents.)
- recent Law Commission review

¹The Lancet Global Report



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Almost five in every 1,000 children in the UK die before the age of five¹

Other child specific benefits

- hospital cash payment
- intensive care benefit
- accelerated payment benefit for specified heart surgical treatments if on NHS waiting list
- Winston's Wish




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Standalone children's cover

- **Separate product**
 - up to £100,000 cover for children
 - children are covered from 30 days to 23 if in full time education
 - no underwriting required but pre-existing conditions will not be covered
- **Additional option**
 - same as adult cover but at additional cost
- more tailored approach
- need to ensure it fits with changing family circumstances



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Successful Overseas Child CI Products

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

Children / Juvenile CI

Different international approaches

- Automatic inclusion of children in adult CI policy (UK, Ireland)
- Standard CI policy with low minimum age and no or few specific conditions (Singapore, China), first step, simplified u/w process
- Special stand-alone Juvenile product with more specific children diseases (Canada, Hong Kong, Korea)
- Products with Baby Care Option (Australia, China)
- Private Child Insurance in Sweden. Product designed to complement state entitlements




Canadian Juvenile CI

Product

- Stand-Alone Product
- Max SA = £125k (\$250k)
- Adult conditions + Autism, CF, CP, Type 1 Diabetes, MD, CHD and Down's
- Many include return of premium rider
- Minimum age 30 days
- Cover continues to 25 then converts to adult

Underwriting

- Full medical UW, Juvenile-specific HQ
- Parents and Grandparents also UW
- 90-day moratorium for BBT/cancer
- Can convert to adult without UW
- Older age exclusions (drugs/alcohol)




Distribution/Marketing

- IFA's
- 8% of CI Sales
- Purchased heavily by Grandparents
- Have found easy to sell due to emotional appeal and protecting insurability of child
- Rider also available but volumes not great

Learnings for UK Market

- Successful marketing (especially to Grandparents)
- Higher max age/sun assured
- Additional conditions
- Conversion to adult cover
- Exclusions at older ages



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Australia Baby Care/Child CI Options



Baby Care Product Overview

- Rider to Trauma Cover
- Max Cover:
 - \$50k (£25k) complications of pregnancy or congenital abnormality benefit.
 - \$10k (£5k) death.
- Available for females only aged 16 to 45: 12 month qualifying period.
- Baby covered from conception to 2 years
- At 2 years option to move to Child CI Cover
- Several exclusions

Baby Care Example Features

| Complications of Pregnancy | Congenital Abnormalities | Death |
|--|--------------------------|----------------------------------|
| Eclampsia | Down's syndrome | Infant death |
| Ectopic pregnancy | Infantile Hydrocephalus | Neonatal death |
| Disseminated intravascular coagulation | Cleft lip/palate | Still birth (>20weeks pregnancy) |

Child CI

- Rider to Trauma Cover with similar conditions
- Max Cover: \$200k (£100k)
- Ages: 2-21. Option to extend to adult cover at 21
- PEC exclusion and 90 days waiting period for cancer and stroke
- Cover continues if adult dies
- Accommodation benefit

Learnings for UK Market

- Higher max SA
- Specific baby care/child CI differentiated products
- Female only cover
- Use of waiting periods
- Cover continues if adult dies



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Korean Juvenile CI



Basic Product

- Main product of 3 CI + TPD
- Max SA = €20k-50k
- Large range of optional add-ons
- All benefits guaranteed (except PMI)
- Minimum age: at conception

Underwriting

- HQ almost same for adults and juvenile
- Special questionnaire for foetuses
- Mostly exclusions (instead of ratings)
- Waiting period and limited 1st year benefit

Rider Options

- New born baby protection (incl. Down's syndrome, low birth weight, various surgeries); max. issue age 23 weeks after conception
 - Child growth protection (incl. cerebral palsy, heart surgery, ...)
- Other riders include: Critical Illness, Accidental benefits, Cancer treatment and diagnosis benefits, Surgical benefits, Medical reimbursement (PMI)

Learnings for UK Market

- New born baby protection
- Large range of optional add-ons
- Well marketed



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South East Asia Juvenile CI

Product

- Stand-Alone Product
- Max SA = €200k
- Extra conditions:
 - Severe asthma (20%),
 - Rheumatic fever with valvular impairment (50%)
 - Insulin dependent diabetes
 - Severe juvenile rheumatoid arthritis
 - Kawasaki disease (50%)
 - Meningitis
- Minimum entry age: 15 days
- Annual Reviewable Premiums

Underwriting and Claims

- Child specific HQ and ratings
- Disease specific claims forms

UW Questions


- Is the child premature?
- Is the child under medical observation or undergoing any treatment?
- Has the child ever suffered from any illness lasting more than five days?
- Has the child ever suffered from tuberculosis; asthma; bronchitis; kidney disease; cardiovascular disease; epilepsy; any form of cancer or tumour; and physical disability; impairment of vision or hearing; mental or nervous disorder; any form of hepatitis or liver disease; anemia or hemophilia?
- Child's family history: parents and siblings


Learnings for UK Market

- Partial benefits for less serious conditions
- Several additional conditions
- Higher max SA



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| <h2>Private Child Insurance - Sweden</h2> |  |
|---|---|
| <p>Product</p> <ul style="list-style-type: none"> Designed to complement state entitlements Main benefit is TPD: €50k-€400k 10% benefit for critical illness Care allowance for parents €4k-€8k pa Life Cover (up to €5k), Accidental Medical Expenses (up to €5k), WOP (if parent dies) TPD compensation put into protected account | <p>Distribution/Marketing</p> <ul style="list-style-type: none"> Sold via all distributors Almost 90% coverage in Sweden (30-40% Norway and Denmark) Parents often contacted after leave hospital Yearly reviewable (premiums and policy terms) Birth to age 25 |
| <p>Underwriting</p> <ul style="list-style-type: none"> Fully underwritten Excludes congenital conditions (before age 6), although some companies offer additional cover to include certain congenital conditions Excludes drug and alcohol after age 18 | <p>Earnings for UK Market</p> <ul style="list-style-type: none"> Moral Hazard – Parent's Law Integrated product Successful sales strategy Higher max SA and age Exclusions at older ages. |

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Barriers to change

- are advisers switched off to children's cover?
 - in the recent COVER 360 research, adviser-respondents said the children's cover element of critical illness cover is the second least important reason in recommending the product.
- a 'god forbid' topic?
- price is king
- underwriting children - a step too far?
- financial promotion stifled by regulation



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Potential for improvements

Product

- justification for increased sum insured and age restriction
- wider consideration of impact on families
- shift in landscape of child illnesses
- inclusion of underwriting
- pregnancy protection
- alternative to Child trust funds/Premium bonds?



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Potential for improvements

Promotion

- Big data:
 - go direct
 - Identify the correct target market
 - grandparents
- Social media



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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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