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When is a Heart Attack Really a Heart Attack


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20 May 2014

What I Will Be Covering

- Setting the Scene
 - A brief history of LifeChoices
 - What we were trying to achieve
- The Challenges Faced
 - Wording the Definition
 - The back book
 - How much will it cost?
- Outcome
 - Wording of the Definition
 - The Impact on our Customers
- Where are we now?



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Setting the Scene

A brief history of LifeChoices

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Setting the Scene – A brief history of LifeChoices

- Launched by HSBC in 2007 for sale through their branch advisor network
- Originally consisted of four products:
 - Life
 - Critical Illness
 - Accident and Sickness
 - Unemployment Cover
- In 2011 the Accident and Sickness and Unemployment Cover products were removed and replaced with a non-underwritten IP product.



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Setting the Scene – A brief history of LifeChoices

- Aim of LifeChoices is to be simple:
 - To sell
 - To underwrite
 - To claim
- To achieve the simple aim underwriting was kept simple with three questions for Life and five for CI – backed up by a tele-underwriting function
- On the claims side a tele-claims function is in use to make the process as easy to follow and empathetic for customers as possible.



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Setting the Scene – A brief history of LifeChoices

- In addition to keep the sales process simple the Critical Illness product covered 5 illnesses
 - Cancer
 - Heart Attack
 - Stroke
 - Coronary Artery Bypass
 - Multiple Sclerosis
- These were believed to provide coverage for about 90% of all CI claims



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Setting the Scene


What were HSBC trying to Achieve

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Setting the Scene - What were HSBC trying to Achieve

- Challenged by our Distribution colleagues to improve the coverage of the CI product.
- At the same time, as a company, we wanted to simplify the definitions to make them easier for the customer to understand.
- The first tack was to look at offering further conditions without making the product too complicated to sell.
- Our consumer research showed that whilst customers wanted comprehensive cover they didn't really know what this meant.




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Setting the Scene - What were HSBC trying to Achieve

- The second area was to look at our definitions.
- The one condition we felt we could improve our definition and make it simpler to understand was for Heart Attack.



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Setting the Scene - What were HSBC trying to Achieve

- Our definition before April 2013 was:

Heart Attack – of Specified severity

Death of heart muscle, due to inadequate blood supply, that has resulted in all of the following evidence of acute myocardial infarction:

- ☐ typical clinical symptoms (for example, characteristic chest pain);
- ☐ new characteristic electrocardiographic changes;
- ☐ the characteristic rise of cardiac enzymes or Troponins recorded at the following levels or higher:
 - Troponin T > 1.0 ng/ml; or
 - AccuTnI > 0.5 ng/ml or equivalent threshold with other Troponin I methods.

The evidence must show a definite acute myocardial infarction.

For the above definition, the following are not covered:

- ☐ other acute coronary syndromes including but not limited to angina.



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Setting the Scene - What were HSBC trying to Achieve

- What we wanted it to be was:

- If you are diagnosed as having had a Heart Attack we'll pay



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The Challenges Faced

The back book

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The Challenges Faced – The Back Book

- In addition to the coverage of the CI product increasing there was the aim to do this at nil cost to the customer.
- Adding the extra conditions at no extra cost gave rise to the risk that current policyholders would lapse and purchase the new product.
- To avoid this happening the changes were also applied to the back book of LifeChoice policies.



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The Challenges Faced – The Back Book

- By applying to the back book when do you set the cut-off date for accepting new claims?
- As we were also adding other conditions where the impact could be long-term it was agreed to backdate the changes to conditions – including the extension of the Heart Attack definition to the start of the policy.
- This gave two further challenges:
 - The cost of this (we'll cover this later)
 - How to make the payment



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The Challenges Faced

Wording the Definition

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The Challenges Faced – Wording the Definition

- The attempt to set the Heart Attack definition such that we would pay out on any diagnosed heart attack caused issues from a number of areas, in particular:
 - Risk
 - Reinsurers
- The main areas of concern were:
 - Future-proofing the definition (what if the definition of a heart attack changes?)
 - What if a consultant told someone they had had a Heart Attack when it wasn't one?
 - The possibility of anti-selection from being out of step with the market



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The Challenges Faced – Wording the Definition

- To address these concerns the following things happened:
 - A new CMO who was a cardiology specialist was employed to help on Heart Attack cases
 - The wording of the definition was tightened up



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The Challenges Faced

How much Will It Cost?

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The Challenges Faced – How Much Will It Cost?

- Three different approaches were used to estimate the cost of the change in the in the Heart Attack definition:
 - Reinsurance Cost
 - Analysis of Past Heart Attack Claims
 - Estimates from our underwriting team
- Pre change Heart Attack claims made up approx. 15-20% of total LifeChoice CI claims



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The Challenges Faced – How Much Will It Cost?

- We had three different reinsurers covering the in-force book; the range of increases on the CI rate to be charged for the Heart Attack definition change were between 2% and 10%
- In some cases this implied an expected 50% - 70% increase in Heart Attack claims.
- The average across all reinsurers was in the range of 30-40% increase in Heart Attack Claims



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The Challenges Faced – How Much Will It Cost?

- Our claims team examined the Heart Attack claims from the previous 2 years (looking 100 claims). Of these:
 - Of these claims 96 had been accepted
 - 3 were declined due to not meeting the definition
 - 1 was declined due to non-disclosure
- Applying the new definition to any declined claims it was discovered that these would not meet the new definition either.



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The Challenges Faced – How Much Will It Cost?

- Finally, our underwriters estimated what they felt the increase of the change, allowing for our underwriting process, would be.
- There expectation was an increase of 10-20% in Heart Attack Claims.
- Therefore the increase in overall CI rate would be approx. 2-3%.



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The Challenges Faced – How Much Will It Cost?

- Clearly there is quite a spread of potential options to go with!
- So what did we go for?
- The middle!
- Overall the average of the reinsurance increases were 40% and the underwriting estimate was 20%
- So we went for a 30% increase – implying an overall increase in the CI rate of 6%.



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The Outcome

Wording of the Definition

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The Outcome – Wording the Definition

- Our aim was:
 - If you are diagnosed as having had a Heart Attack we'll pay
- The final version of the Heart Attack definition was:
Death of heart muscle due to inadequate blood supply is referred to as a Myocardial Infarction.
Definite diagnosis of an acute Myocardial Infarction, which is supported by all relevant medical reports, tests and investigations, as defined by the recognized international standard prevailing at the time of claim.
For the above definition, the following are not covered: Other acute coronary syndromes including but not limited to unstable angina.
(International standard defined by European Society of Cardiology or the universal standard definition of myocardial infarction).



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The Outcome

The Impact on our Customers

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The Outcome – Impact on our Customers

- We achieved what we set out to do -
- Retained the simplicity of application
- No change to premium – either for the in-force policies or for new business from these changes
- No further claims paid on the back book as no further claims met the new definition



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The Outcome

The Impact on the Market

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The Outcome – Impact on the Market

- We're not the only ones!
- Similar definitions have now been launched by LV=, AVIVA and others

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What Next?

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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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