

When is a Heart Attack Really a Heart Attack Richard Ward, HSBC





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:

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- 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

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- 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.

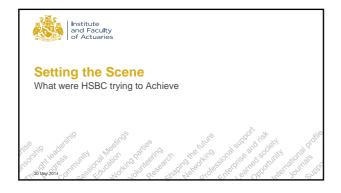


Setting the Scene – A brief history of LifeChoices

- 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 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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Achieve				
 Our definition b 	efore April 2013	was:		
Heart Attack - of Spe				
Death of heart muscl following evidence of			has resulted in	all of the
	otoms (for example,		t pain);	
new characteristic	electrocardiographic	changes;		
the characteristic r	ise of cardiac enzym	es or Troponins red	orded at the fo	llowing levels
or higher:	-			-
– Troponin	T > 1.0 ng/ml; or			
– AccuTnl	> 0.5 ng/ml or equiva	alent threshold with	other Troponin	I methods.
The evidence must s	how a definite acute	myocardial infarctio	on.	
For the above definiti	on, the following are	not covered:		
other acute corona	ry syndromes includ	ing but not limited t	o angina	





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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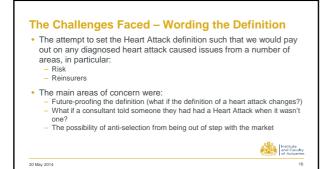
The Challenges Faced – The Back Book

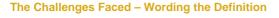
- By applying to the back book when do you set the cut-off date for accepting new claims?
- As we were also adding other conditions where the impact could be long-term it was agreed to backdate the changes to conditions – including the extension of the Heart Attack definition to the start of the policy.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

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- To address these concerns the following things happened:
 A new CMO who was a cardoiology 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?

- Three different approaches were used to estimate the cost of the change in the in the Heart Attack definition:
 - Reinsurance Cost

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- 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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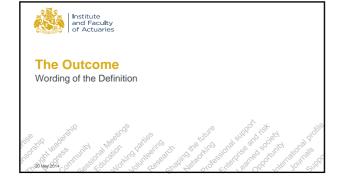
The Challenges Faced – How Much Will It Cost?

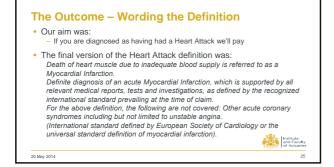
- · Clearly there is quite a spread of potential options to go with!
- · So what did we go for?
- The middle!

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- 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%.







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 – 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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