

Healthcare 2012

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What can the UK learn from Ireland?

May 2012

Agenda

- Ireland Overview
 - Protection Market
 - Irish Market Participants
 - Regulatory Differences
- Product Development
- Commission
- Underwriting
- Price Matching
- Gender Directive

Ireland



- Population: 4.6m
- Capital: Baile Atha Cliath
- Former home of the Celtic Tiger
- Brewer of Guinness and distiller of Whiskey
- Interesting windmills

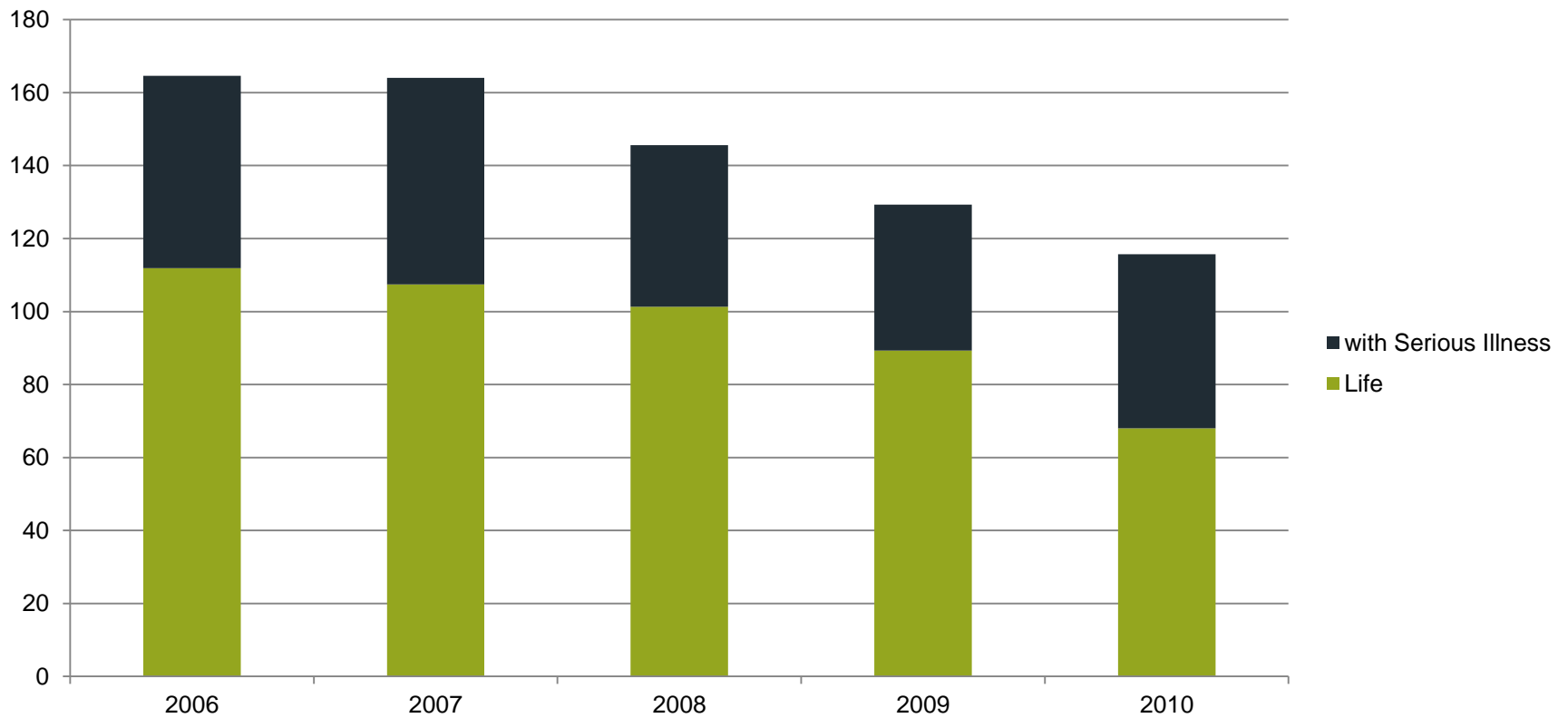


House Prices over last 5 years

Country	% change 5 yrs
Serbia	+68%
Austria	+38%
Sweden	+19%
Iceland	+9%
Germany	+6%
France	+4%
UK	-6%
Greece	-14%
Spain	-22%
Ireland	-45%

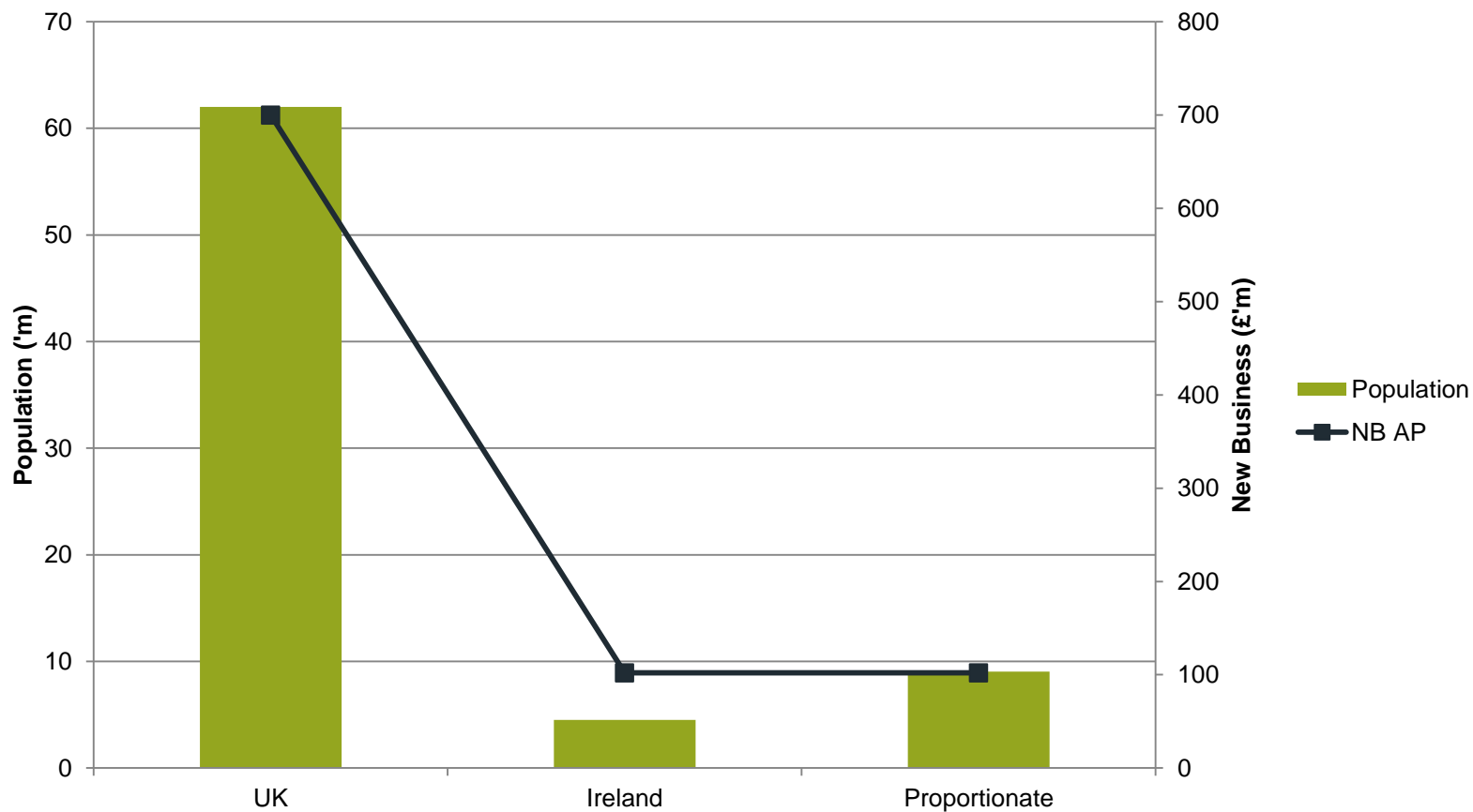
Irish Protection Sales

New Business Sales



Irish Protection Market

Effective Size of Irish Market



Ireland Overview: Writers

Total Market New Business circa €110m pa

- Irish Life – 35% Public (Bank, Broker and Tied)
- New Ireland – 20% Public (Bank, Broker and Tied)
- Zurich Ireland – 20% Broker only
- Aviva – 7% Broker only
- Friends First – 5% Broker only
- Canada Life – 4% Broker and Direct
- Caledonian – 5% Broker only
- Acorn – 4% Tied only

Ireland Overview: Regulatory Landscape

- Assignment:
 - Mortgage debt compulsory life cover.
 - Protection coverage greater
 - Forced sales subsequently lapse?
 - Accelerated CI less useful.
- Distribution:
 - Brokers (IFA's), Tied, Bank advisers

Ireland Overview: Regulatory Landscape

- Medical Information
 - No centralised GP records
 - Nurse Screenings
- Claims
 - Non-disclosure
 - FSO (Irish FOS)
- Legalistic
 - Many claims challenged through courts

Agenda

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- **Product Development**
- Commission
- Underwriting
- Price Matching
- Gender Directive

Product Development

- Term Assurance
 - Single, Joint & Dual Life
- Specified Illness
 - Main Conditions Covered 44
 - Partial Payments 17
 - Total 61 Conditions!
 - ABI Plusing
 - Defaqto

Product Development: Partial Payment

- History
 - 2011 - declined claims that were thought valid.
 - Introduced by Irish Life, nearly all now follow.
 - 17 conditions – PruProtect via the backdoor?
- Definition
 - Payment of 50% up to €15k.
 - Acceleration/Standalone

Product Development: Partial Payments

Partial Payment Conditions in Ireland		
Angioplasty	Single Lobectomy	Serious Accident Cover (28 days)
Early Stage Protstate Cancer	Surgical Removal of One Eye	Early Stage Bladder Cancer
Loss of one limb	Brain Abscess	Syringomyelia or Syringobulbia
Paralysis of one limb	Carcinoma in Situ - Oesophagus	Significant Visual Impairment
Total Colectomy	Carotid Artery Stenosis	Third degree burns (5%)
Ductal Carcinoma in Situ - Breast	Cerebral Ateriovenous Malformation	
Notes		
Angioplasty - only offered by Friends Life		
Ductal Carcinoma in Situ - Breast - offered by all		
Early Stage Prostate Cancer - offered by most		
Loss of one Limb - ABI+ full benefit		
Paralysis of one Limb - ABI+ full benefit		
Single Lobectomy - only offered by Friends Life		
Surgical Removal of One Eye - offered as full cover by L&G		
Total Colectomy - Crohns and Ulcerative Colitis covered instead - only offered by Friends Life		

Product Development: Partial Payments

- Advantages
 - Provides an intermediate benefit – fewer disputes
 - More commensurate with severity
 - Attractive to consumer and adviser
 - Helps sales when contains Angioplasty
 - Little extra cost (if any)
- Disadvantages
 - Further complexity and policy doc length
 - Disingenuous (Muscular Dystrophy)?
 - Need to participate or be left behind

Product Development

Upsell Opportunities

- Hospital Cash
- Surgical Cash
- Conversion Options

Children's Death Benefit

Product Development - UK

- Dual Life cover
- Extending Partial Payments are an obvious consideration
- Upsell opportunities
 - Hospital Cash
 - Surgical Cash
 - Child Death Benefits

UK Protection Success?



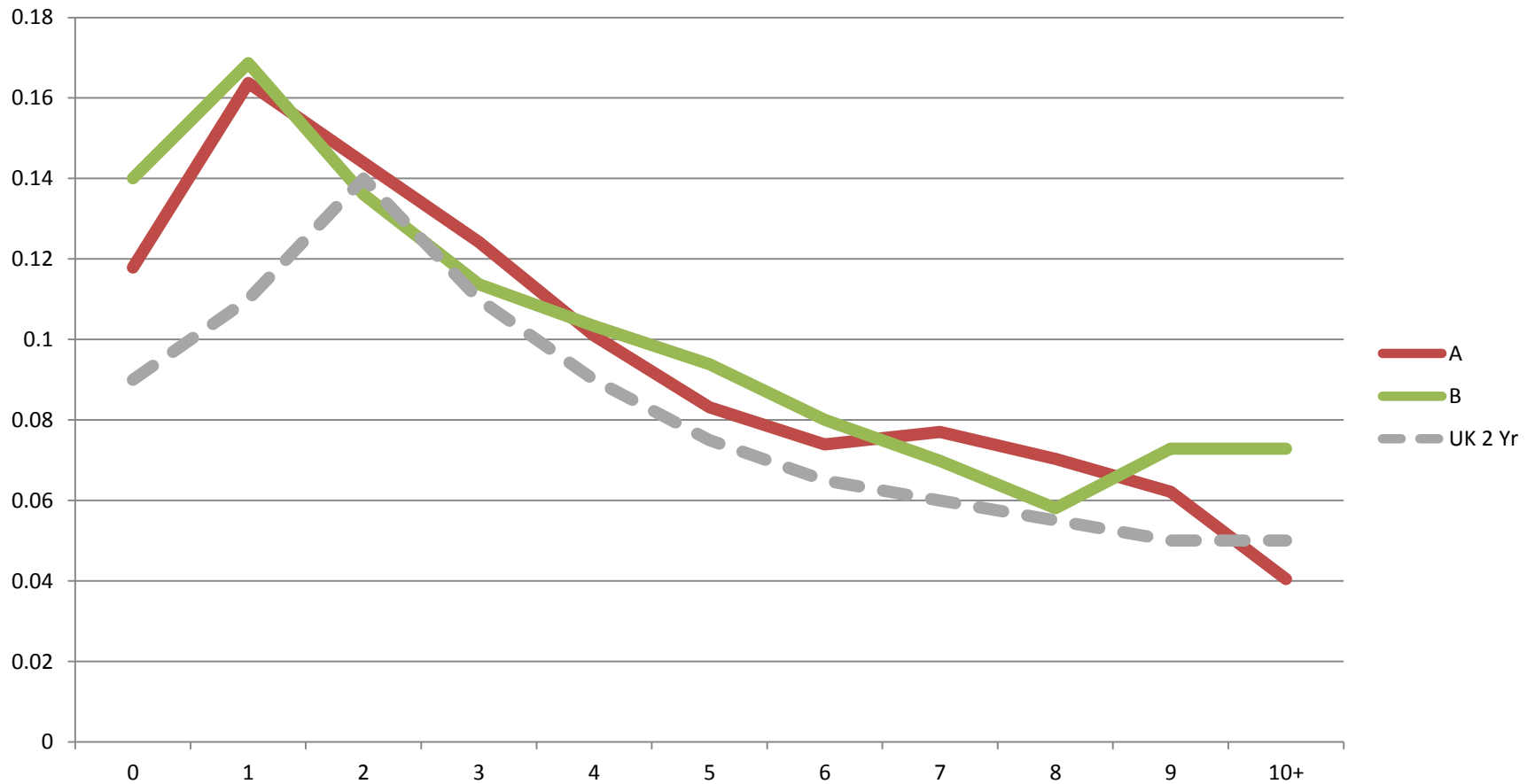
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- **Commission**
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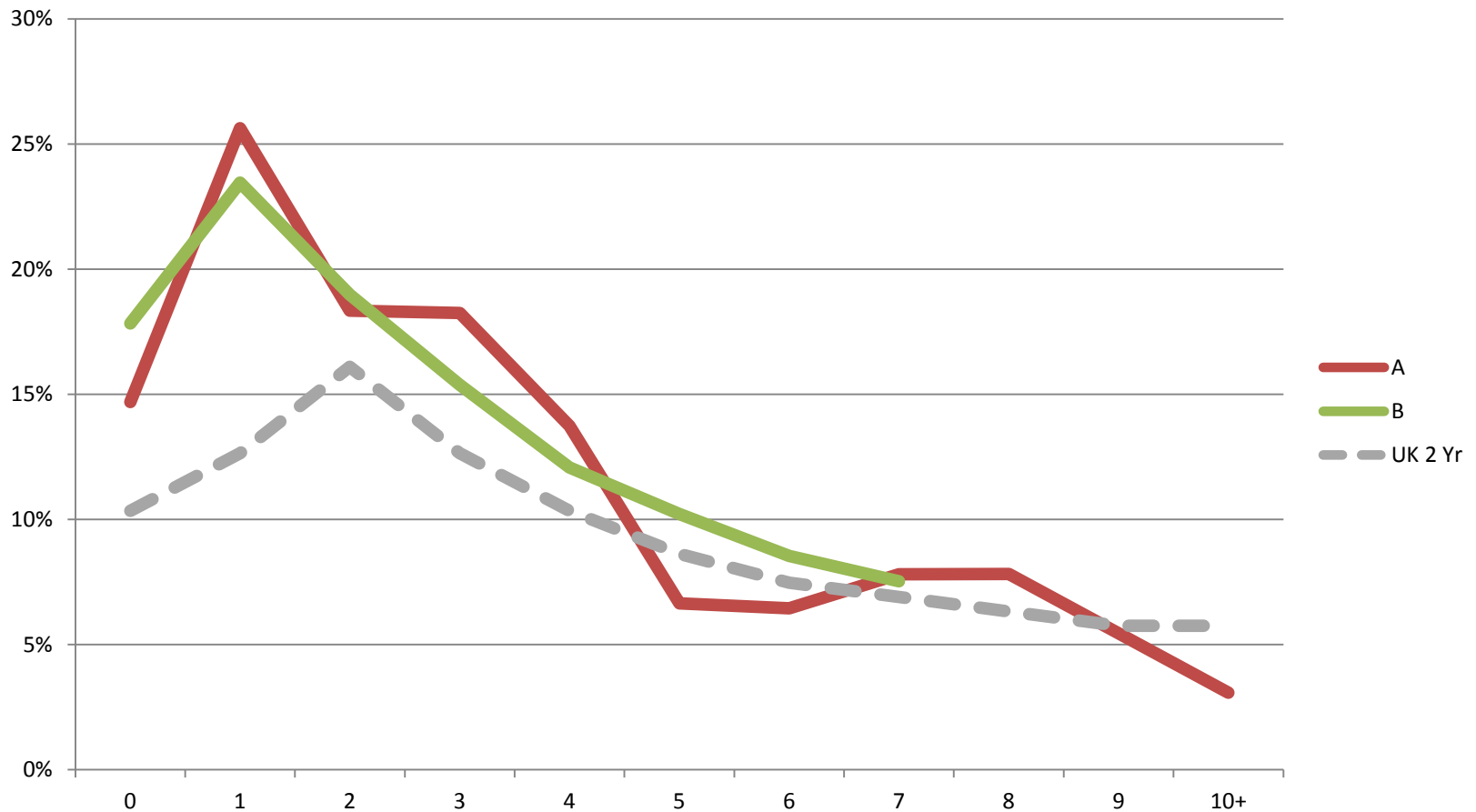
Commission

- Old Commission Model
 - 90%-105% Annual Premium, c15% Uplift
 - 105%-120% earned over 1 year.
 - 3% renewal
 - Competitive mortgage market
 - ⇒ high levels of re-broking
 - ⇒ Worse experience

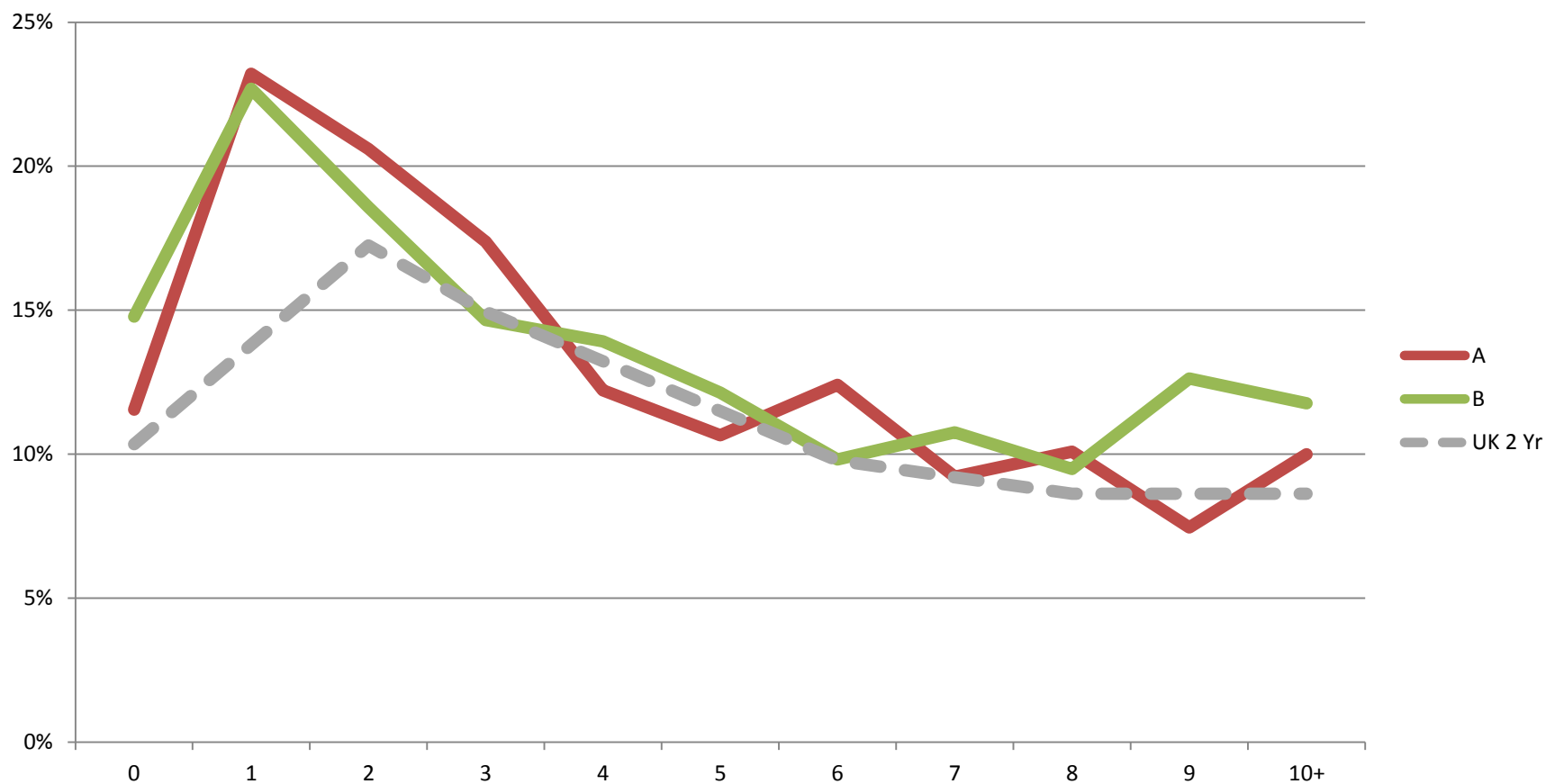
Commission: Persistency: LTA



Commission: Persistency: LTCI



Commission: Persistency: DTCL



Commission: Irish Life

Launched “180” deal.

- 90%, 0%, 45%, 0%, 0%, 45%, 3%... (Yr1, 2, 3, 4,.....)
- Earned over 6 years.
- Brokers decide all or nothing
- Standard 120% remained initially
- Mix of comm. not allowed
- Old 120% commission now removed.
- Second payment depends on persistency.

Commission: Zurich Ireland

Zurich quickly followed and also launched “180” deal.

- 100%, 0, 40%, 0%, 40%, 3%,...
- Earned over 5 years rather than 6, 100% yr. 1 rather than 90%
- Brokers decide case by case basis.
- Also Vouchers combat price matching.

Commission: Friends First

- 4 options, launched March 2011.
 - 1 option replaced 105% commission + 15% (non-clawbackable) override with 120% (1 year earned period)
 - 2 new 6 year earned period options
 - 1 flat commission option
 - Income protection as well as Term Assurance
 - Commission basis selected on case by case basis.

Commission (Friends First)

PROTECTION

Description	Upfront 120	Enhanced 150	Stepped 180	Level 200
Commission Paid	Yr 1 120%	Yr 1 150%	Yr 1 90%	Yr 1 33.34%
	Yr 2 3%	Yr 2 0%	Yr 2 18%	Yr 2 33.34%
	Yr 3 3%	Yr 3 0%	Yr 3 18%	Yr 3 33.34%
	Yr 4 3%	Yr 4 0%	Yr 4 18%	Yr 4 33.34%
	Yr 5 3%	Yr 5 0%	Yr 5 18%	Yr 5 33.34%
	Yr 6 3%	Yr 6 0%	Yr 6 18%	Yr 6 33.34%
	Yr 7+ 3%	Yr 7+ 3%	Yr 7+ 3%	Yr 7+ 3%
Commission Earned (Clawback)*	Earned as paid	90% yr 1 12% pa yrs 2-6	Earned as paid	Earned as paid

* Unearned commission will be clawed back in the event of a lapse

Commission (Friends First)

INCOME PROTECTION				
Description	Upfront 150	Enhanced 180	Stepped 215	Level 250
Commission Paid	Yr 1 150%	Yr 1 180%	Yr 1 120%	Yr 1 41.67%
	Yr 2 3%	Yr 2 0%	Yr 2 19%	Yr 2 41.67%
	Yr 3 3%	Yr 3 0%	Yr 3 19%	Yr 3 41.67%
	Yr 4 3%	Yr 4 0%	Yr 4 19%	Yr 4 41.67%
	Yr 5 3%	Yr 5 0%	Yr 5 19%	Yr 5 41.67%
	Yr 6 3%	Yr 6 0%	Yr 6 19%	Yr 6 41.67%
	Yr 7+ 3%	Yr 7+ 3%	Yr 7+ 3%	Yr 7+ 3%
Commission Earned (Clawback)*	Earned over 16 months	100% yr 1 16% pa yrs 2-6	Earned as paid	Earned as paid

* Unearned commission will be clawed back in the event of a lapse

Commission: Feedback

- Indications
 - Very early days as only circa 1 year since launch.
 - 40% of cases select longer commission
 - Persistency is improving
- Implications
 - Companies that haven't followed likely to attract worse business.
 - Persistency will improve.

Commission

- Opportunities for UK Market
 - Like Irelands' windmills
 - Distributor alignment
 - But can we move backwards from 2 year drift?

UK Protection Success?



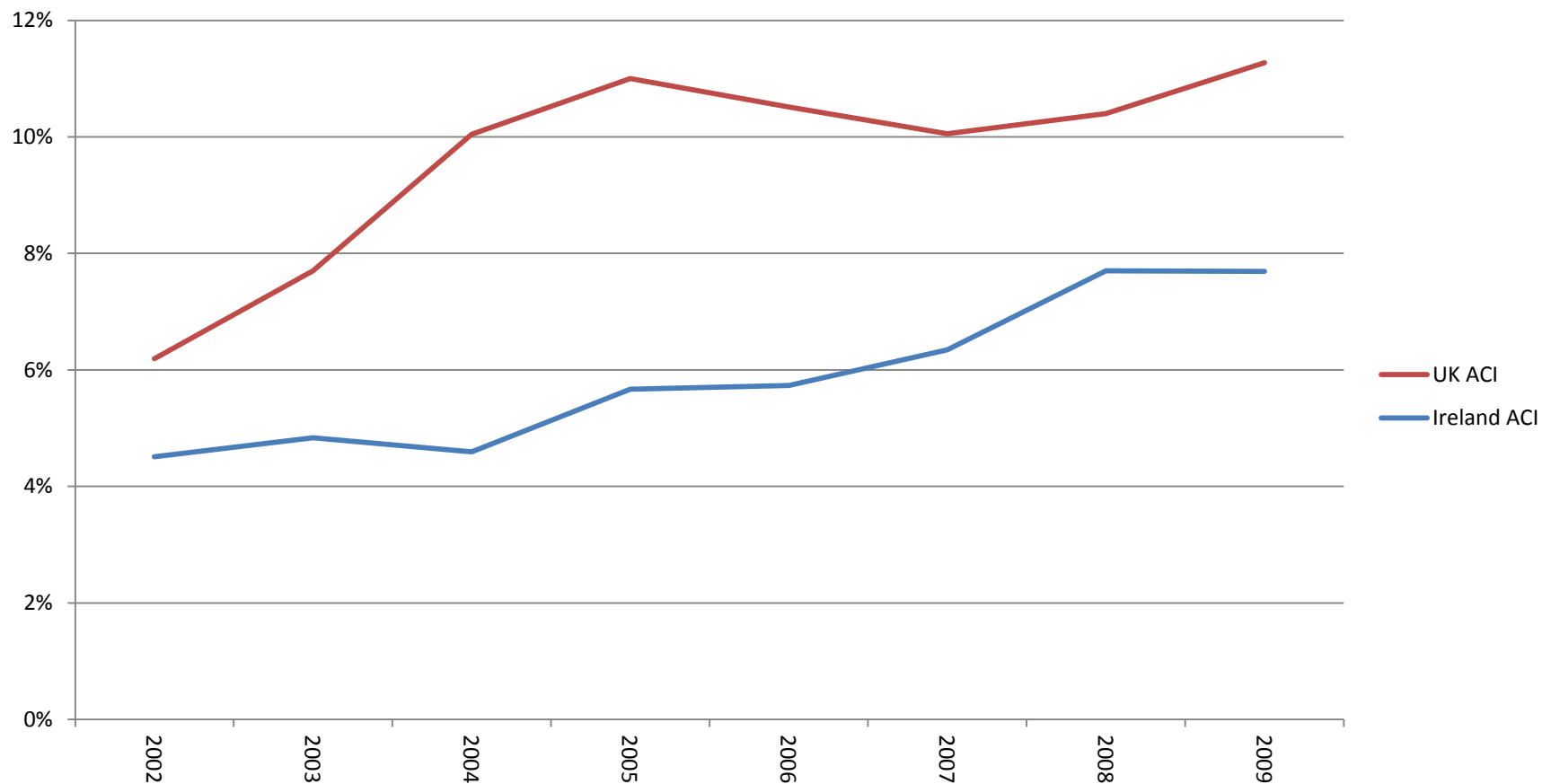
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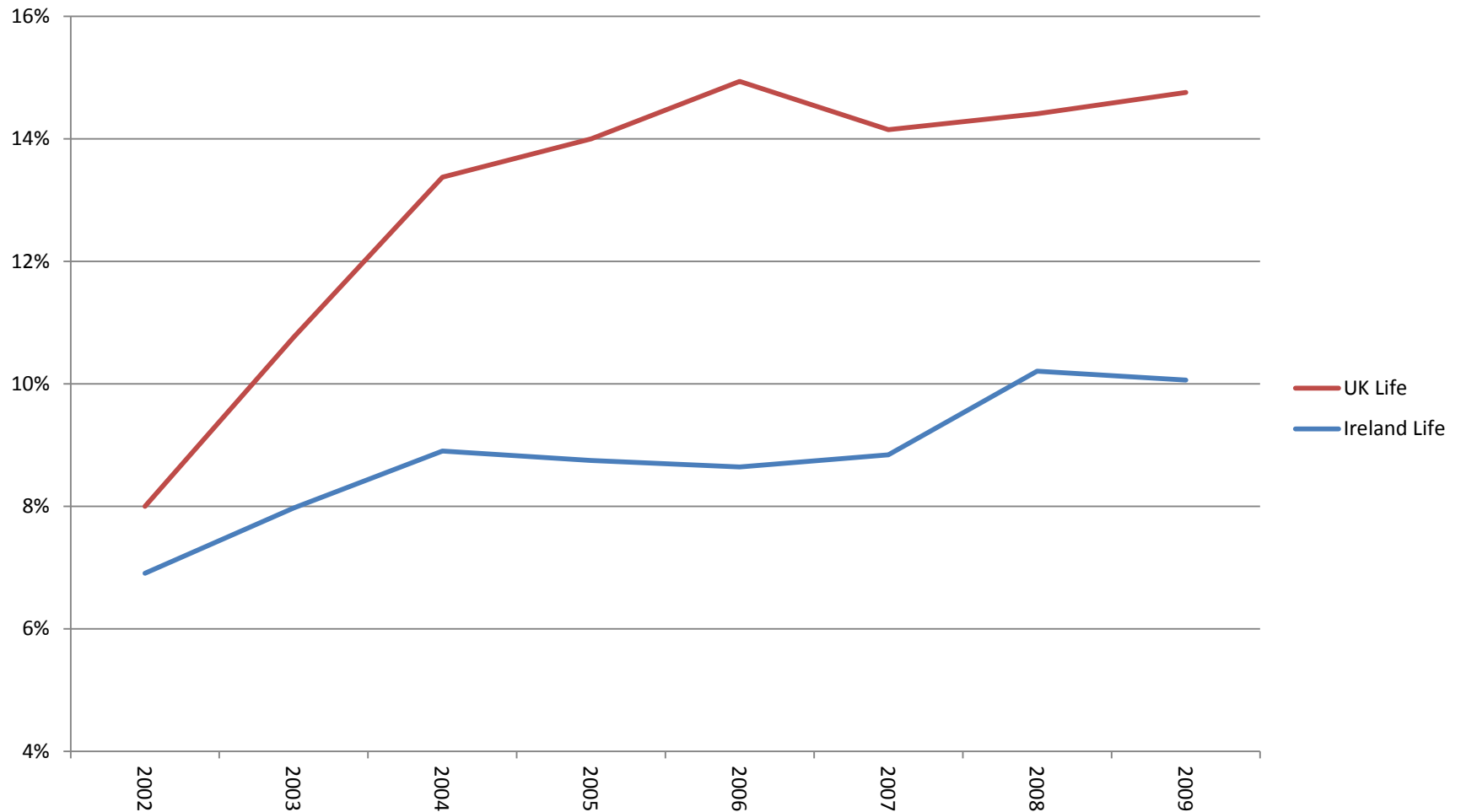
Underwriting

- Application Forms have been improving
- Underwriting Manuals & Rules Engines identical
- Underwriting Audits generally positive
- Different outcomes
 - Ireland fewer rating for Life and CI

Underwriting: Rated Proportions: ACI



Underwriting: Rated Proportions: Life



Underwriting

- Reasons for this?
 - Guinness has remarkable health qualities??
 - Population is healthier?
 - Younger?
 - Replacement business is generally standard?
 - Assignment – greater pooling, less selection?
 - Non disclosure most likely.

Underwriting

- Implications
 - Simple maths indicate lost load equates to c4% on Life.
 - Slightly less on CI
 - Is this symptomatic of non-disclosure?

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Price Pledge

- Price Pledge
 - Match cheapest rate
 - Operated in the broker market
 - Allows Dual pricing
- Benefits
 - Actuarial Students have it easy?
 - All p/h's gain cheapest rate in the market
 - Adviser uses preferred provider
 - Focus on product not price

Price Matching



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Life Details Input:

Male, 29 years 6 months (26/10/1982), Non-Smoker, life cover €250,000

Life Cover Only (including 1% levy)

	Level	Convertible	Mortgage
Caledonian Life (eSP) (price pledge)	18.49	19.37	15.00
Canada Life	18.79	20.30	13.48
Zurich Life	15.71	16.36	10.65
Friends First (price pledge)	16.17	17.52	10.72
Aviva (price pledge)	20.00	20.16	20.00
Irish Life (price pledge)	16.47	17.46	13.13
New Ireland (price pledge)	20.20	20.20	15.15

[\[click here for full underwriting requirements\]](#) [\[click here for online proposals\]](#)

Plan Detail:

20 year term, mortgage interest 6.00%, benefits and premiums not increasing.

1% levy included.

Research Report

Client Letter

Reasons Why Letter

Reasons Why (Mortgage)

Price Pledge

- Disadvantages
 - Consumer detriment?
 - Rates more expensive than would otherwise be the case
 - Naturally curtails product expansion?
 - Vs. UK OFT stance on comparison sites
 - Profitability for Insurers

UK Protection Success?



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Gender Directive

- I-E Tax changes came into effect Jan 2001
- Gender directive changes therefore not masked
- Significantly greater re-broking opportunities vs. UK.
 - Implications for business written now.
 - Male Term likely to be less profitable?
- Less relevance for UK in short term.

Summary

- Regulatory Environment
 - Assignment beneficial to sales
 - Other problems such as no centralisation of GP records
- Product Development
 - Greater focus given price matching
- Commission
 - Changes Impacting positively on persistency
 - Can we replicate?
- Underwriting
 - Jury is still out on why differences
- Dual Pricing
 - OFT would have a field day

Questions or comments?

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 presenter.

