

The Future for IP and CI – The Customers Viewpoint

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The Times They Are A-Changin'

The order now is rapidly fadin',
And the first one now will later be last,
For the times they are a-changin'

The Times They Are A-Changin'
Bob Dylan 1963

The consumer's viewpoint

- The retail customer
- The commercial customer

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Income protection in-force business – 31 December 2006, £ per annum

Employer-sponsored ⁽¹⁾	£38,543,557,755
Individual business ⁽²⁾	£15,652,000,000

Source:

⁽¹⁾ Swiss Re Life & Health

⁽²⁾ Association of British Insurers

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Critical illness in-force business – 31 December 2006, £

Employer-sponsored schemes ⁽¹⁾	13,524,285,482
Individual policies ⁽²⁾	450,000,000,000

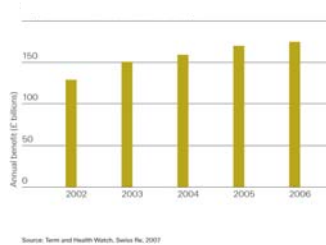
Source:

⁽¹⁾ Group Watch, Swiss Re Life & Health, 2007

⁽²⁾ Best estimate assuming 5.5m policies in-force for an average SA of approximately £80,000

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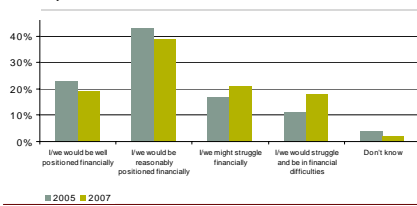
Income protection gap, £ per annum



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Consumer attitudes Financial position

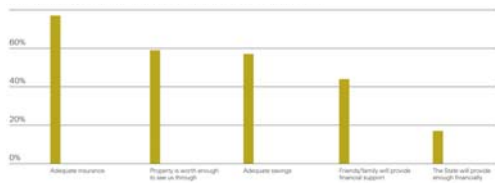
If you were to suffer a long term illness, disability or die, which of the following statements do you think best describes how your household would be positioned financially after this event?



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Critical illness

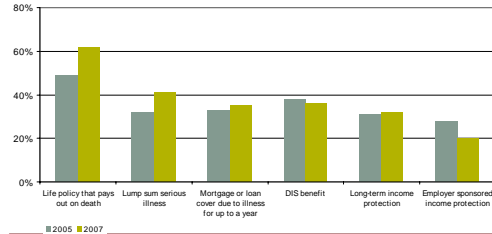
Reasons why consumers feel they would be well or reasonably positioned in case of illness, disability or death



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Insurance cover

What insurance cover do you hold?



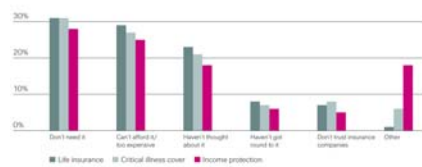
■ 2005 ■ 2007

Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Consumer attitudes Reasons for not buying

What is the main reason you have not bought life insurance, critical illness cover or income protection?



■ Life insurance ■ Critical illness cover ■ Income protection

Source: Research conducted for the Insurance Report, Swiss Re, 2007

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A call to action

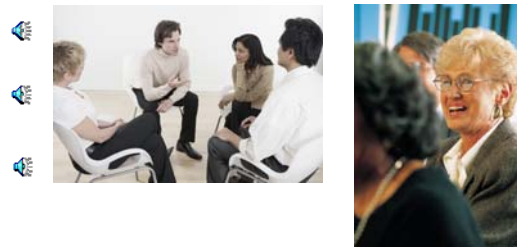
"We have become so used to accepting the premise that we suffer from a lack of trust that we have too often put off other initiatives around the need for people to act until we have somehow restored consumer confidence."

Source: The Insurance Report: Life at the crossroads
Swiss Re Life & Health, 2007

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Clarifying the message

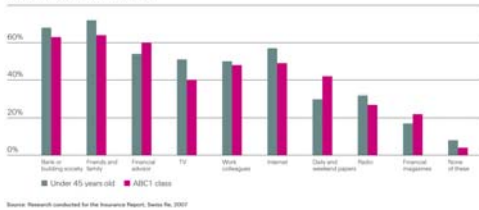
Income protection



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Finding the facts

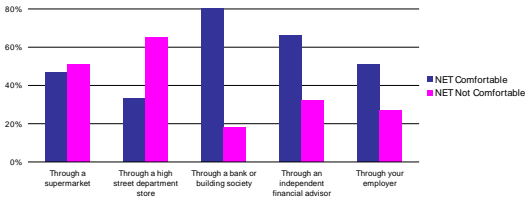
Which, if any, of the following sources do you use to find information on life and protection insurance?



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Reaching the customer

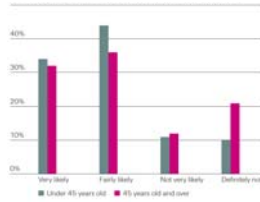
How comfortable would you be buying life or protection insurance, by that we mean to cover you if you were to die or you contracted a critical illness or were unable to work due to illness or disability for a prolonged period of time, through the following sources



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A high street pressure

How likely would you be to consider buying life and health protection insurance through the bank of building society where you have your current account?

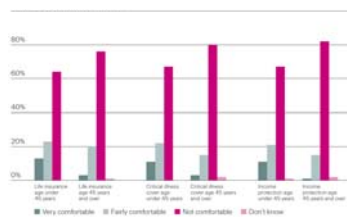


Source: Research conducted for the Insurance Report, Series No. 1007

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Direct distribution – my generation?

How comfortable would you be buying these policies over the internet?



Source: Research conducted for the Insurance Report, Series No. 1007

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The retail customer – in summary

- Over-estimates the amount of cover in place
- Struggles to understand health products
- Is less confident about the ability to survive financial challenges
- Sees banks / building societies as a natural access point
- Little difference in willingness to consider direct life and health propositions...but is this lack of understanding?

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Employer – sponsored IP and CI in context

	Income Protection	Critical Illness
Lives covered	1,731,138	229,998
Premiums	612,071,121	34,798,472
Of which, flex	22,509,827	14,982,354

Source: Group Watch, Swiss Re Life & Health 2007

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Employer sponsored income protection – the market views

Future growth:

12 respondents expect market growth in 2007

13 respondents expect market contraction in 2007

Most positive respondents anticipate inflation-linked only

Other key findings:

- More effective communication of the message needed
- Need to be aware of employer cost issues, leading to alternative and cheaper benefit structures?
- Age discrimination in employment regulations a key issue

Source: Research conducted amongst leading industry providers, intermediaries and employment benefits consultants for Group Watch, Swiss Re Life & Health, 2007

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Employer sponsored critical illness – the market views

Future growth:

13 respondents expect market growth in 2007

10 respondents expect market contraction in 2007

Other key findings:

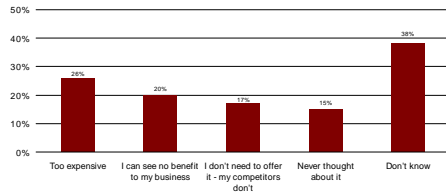
- Growth will be in flexible benefits; why would an employer purchase group CI?
- Most positive respondents anticipate new schemes to market as demand for flex grows
- Age discrimination in employment regulations seen as an issue but less so than for IP
- Reputational risk for employers if claims disputed / rejected

Source: Group Watch Swiss Re Life & Health, 2007

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Reasons for rejection – death cover

Which if any of the following are reasons why you do not provide life assurance / death in service cover for your staff?

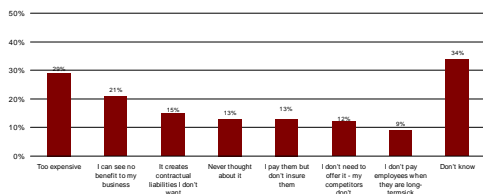


Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Reasons for rejection – disability cover

Which if any of the following are reasons why you do not provide disability insurance / income protection cover for your staff?

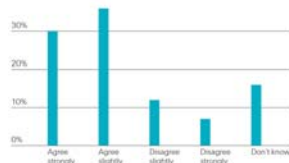


Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Age discrimination in employment regulations

To what extent do you agree or disagree with the following statement? "I understand how age discrimination legislation could affect life and disability benefits I provide for my employees."



Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Age discrimination in employment regulations

“We are seeing many employers saying, well, we are not going to employ people past 65, full stop.”

Employee Benefits Intermediary

“If you have to continue paying them benefits because it's part of their contract of employment, you could really, really catch a cold as an employer because all of a sudden a person earning £15,000 a year is now costing you £28,000 because his benefit costs have gone through the roof.”

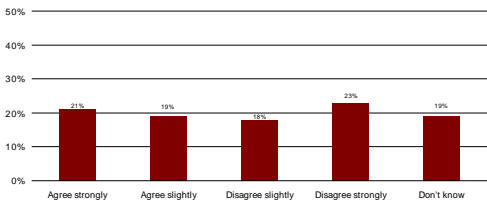
Employee Benefits Intermediary

Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Age discrimination in employment regulations

To what extent do you agree or disagree with the following statement: I would withdraw income protection benefits if I had to provide them for every employee irrespective of age

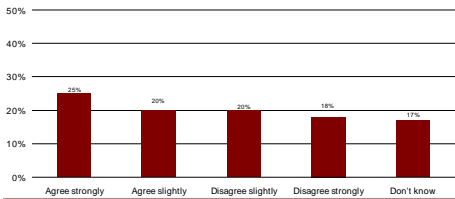


Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Getting personal – the employer view

To what extent do you agree or disagree with the following statement: I would remove life and income protection benefits if I was forced to contribute into a government pension scheme for all my employees



Source: Research conducted for the Insurance Report, Swiss Re, 2007

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Power to the people

"There seems little reason why the growth in interest in flexible benefits will not continue, it is a powerful reinforcement of the move away from paternalism to greater employee empowerment."

The Insurance Report, Swiss Re Life & Health, 2007

"If group benefits are to thrive in this more flexible environment, we need to ensure that the product and benefit communication adapt to meet both employers' and employees' needs."

The Insurance Report, Swiss Re Life & Health, 2007

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Tell it like it is

"It will only be through becoming a natural partner in the process of consultation and market change that the coverage it (group risk) provides will be seen as more relevant."

The Insurance Report, Swiss Re Life & Health, 2007

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Tell it like it is

"There is a vital need to make them (members) more aware of the value of what they have, and what it would cost them if they had to buy the cover elsewhere."

The Insurance Report, Swiss Re Life & Health, 2007

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The employer and long-term health insurance – in summary

- The number of IP schemes is reducing
- Uncertainty as a result of increased costs
- Age discrimination regulations are a key issue
- Group CI market growing as flex schemes expand
- Communications needs to be improved

The Times They Are A-Changin'

There's a battle outside and it's ragin',
It'll soon shake your windows and rattle your walls,
For the times they are a-changin'

The Times They Are A-Changin'
Bob Dylan 1963

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