



Institute
and Faculty
of Actuaries

Group Mentality

James Shattock and Keith Jennings

10 May 2013

Overview

Market pressures and challenges

- Recent soft market
- Falling interest rates
- The tail (claims >5 years duration)

Where is the opportunity and growth?

- Potential markets and developments
- GLMs in Pricing
- Other risk issues



1990



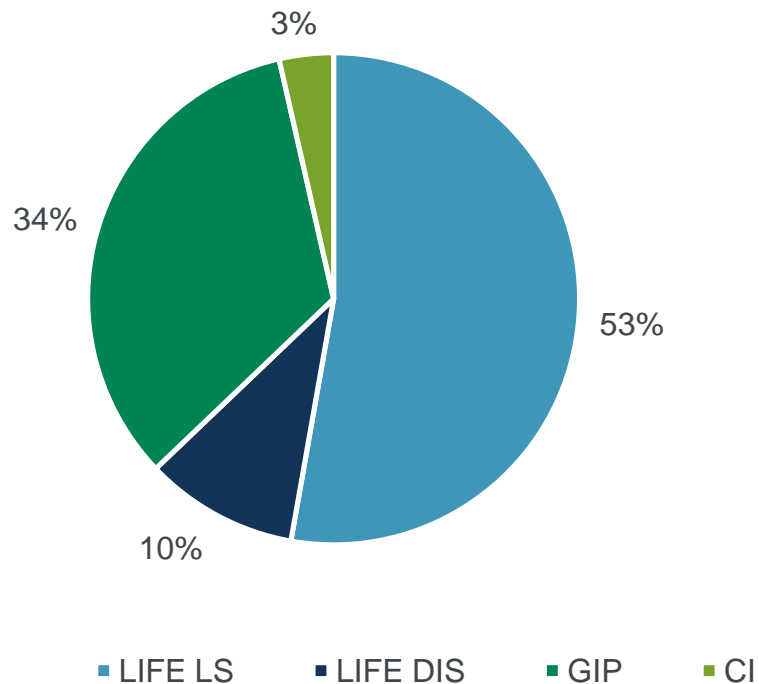
Institute
and Faculty
of Actuaries

2012

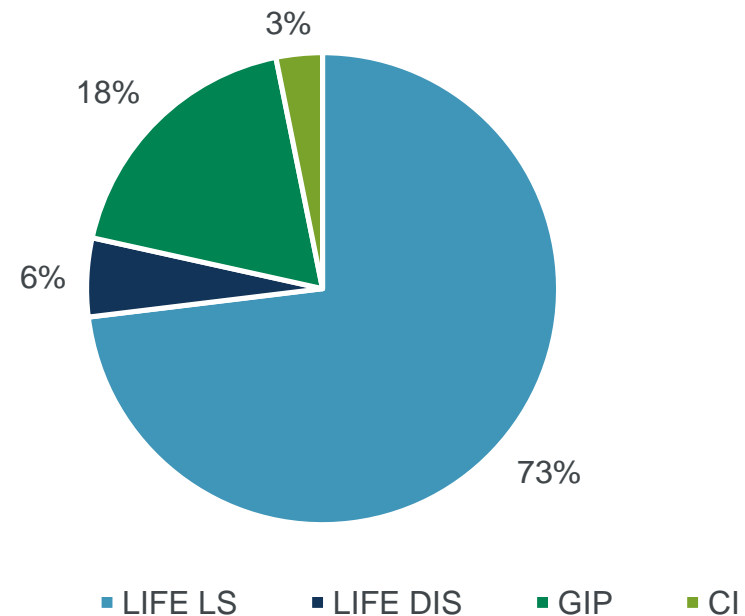


Size of the Group Risk market in 2012

Premium of £1.68 Billion



10.7 million lives insured



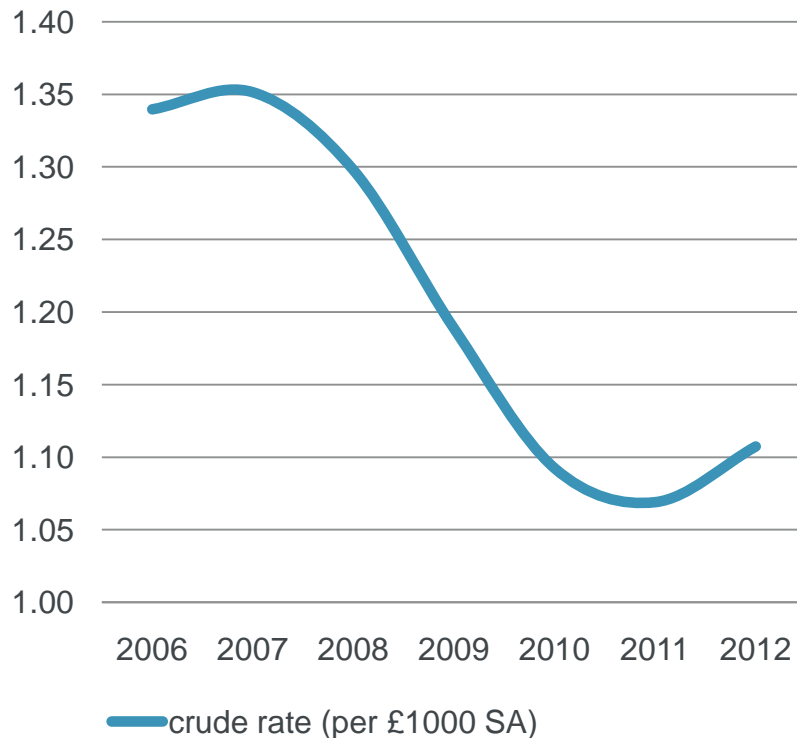
Source: SWISS RE GROUP WATCH



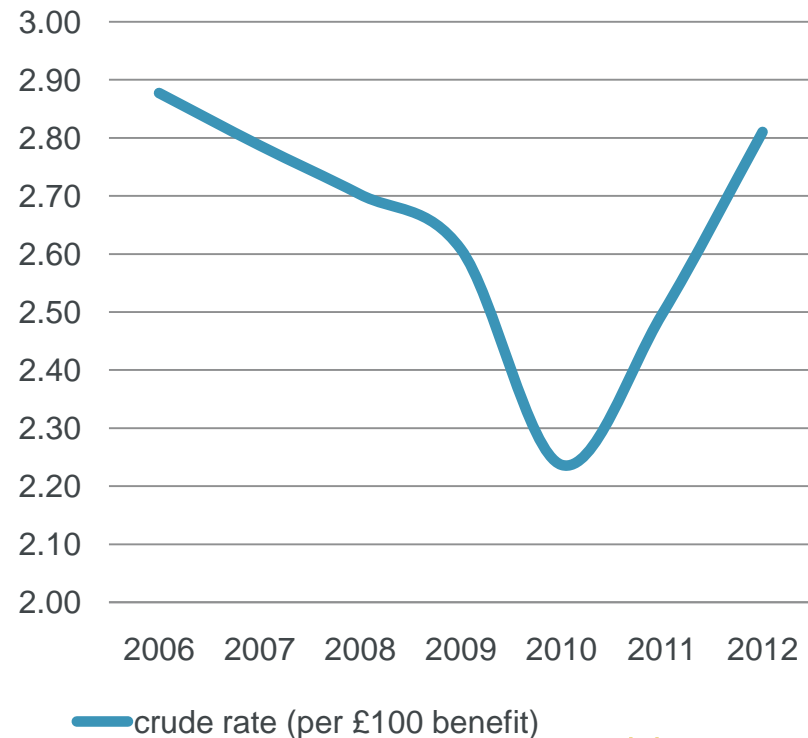
Institute
and Faculty
of Actuaries

A tale of three markets

GL Lump Sum rates over time



GL DISP rates over time

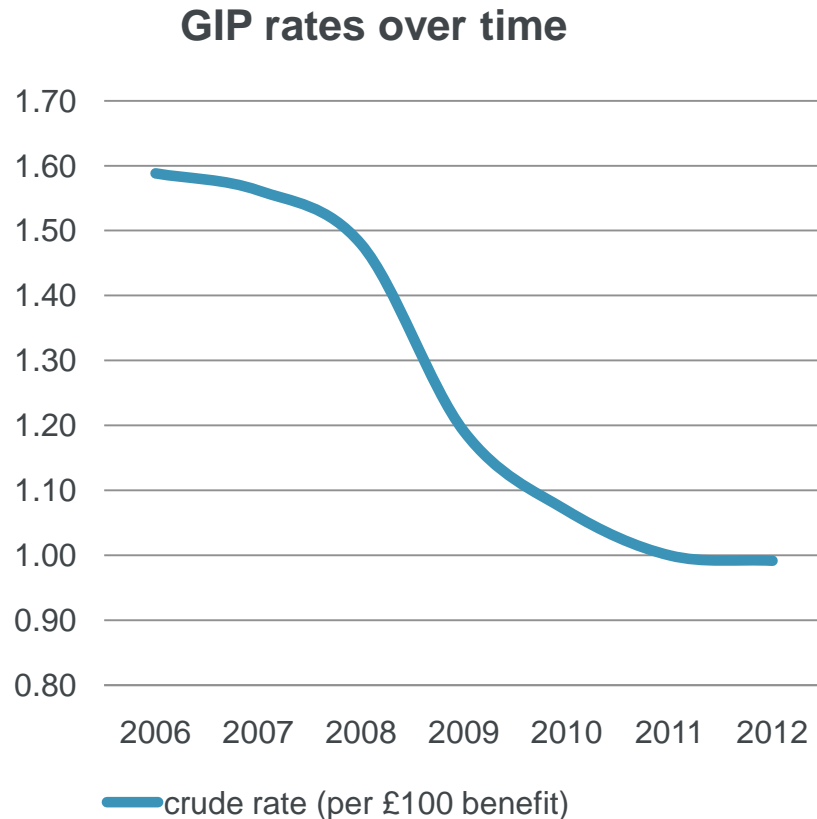


Source: SWISS RE GROUP WATCH



Institute
and Faculty
of Actuaries

A tale of three markets



- Additional pressure on GIP benefit designs
- Free Cover Limits and Maximum Benefit Levels increasing
- Flex designs

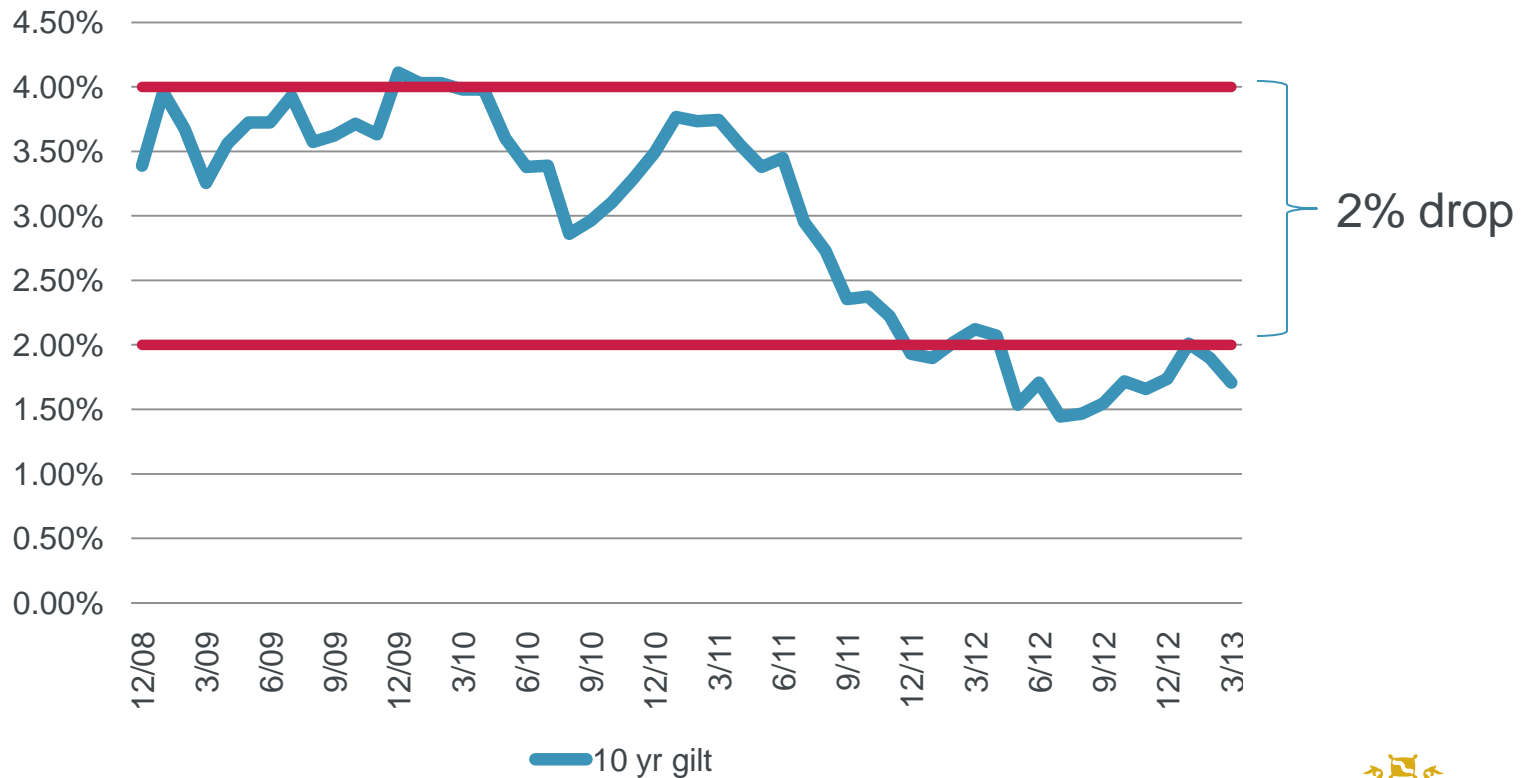
Source: SWISS RE GROUP WATCH



Institute
and Faculty
of Actuaries

Interest rate pressures

UK Gilt yields from 2008 to 2013



Institute
and Faculty
of Actuaries

Interest rate pressures

GIP claim- an annuity certain for 7 years

2% drop in fixed yields equates to a 8% increase in cost

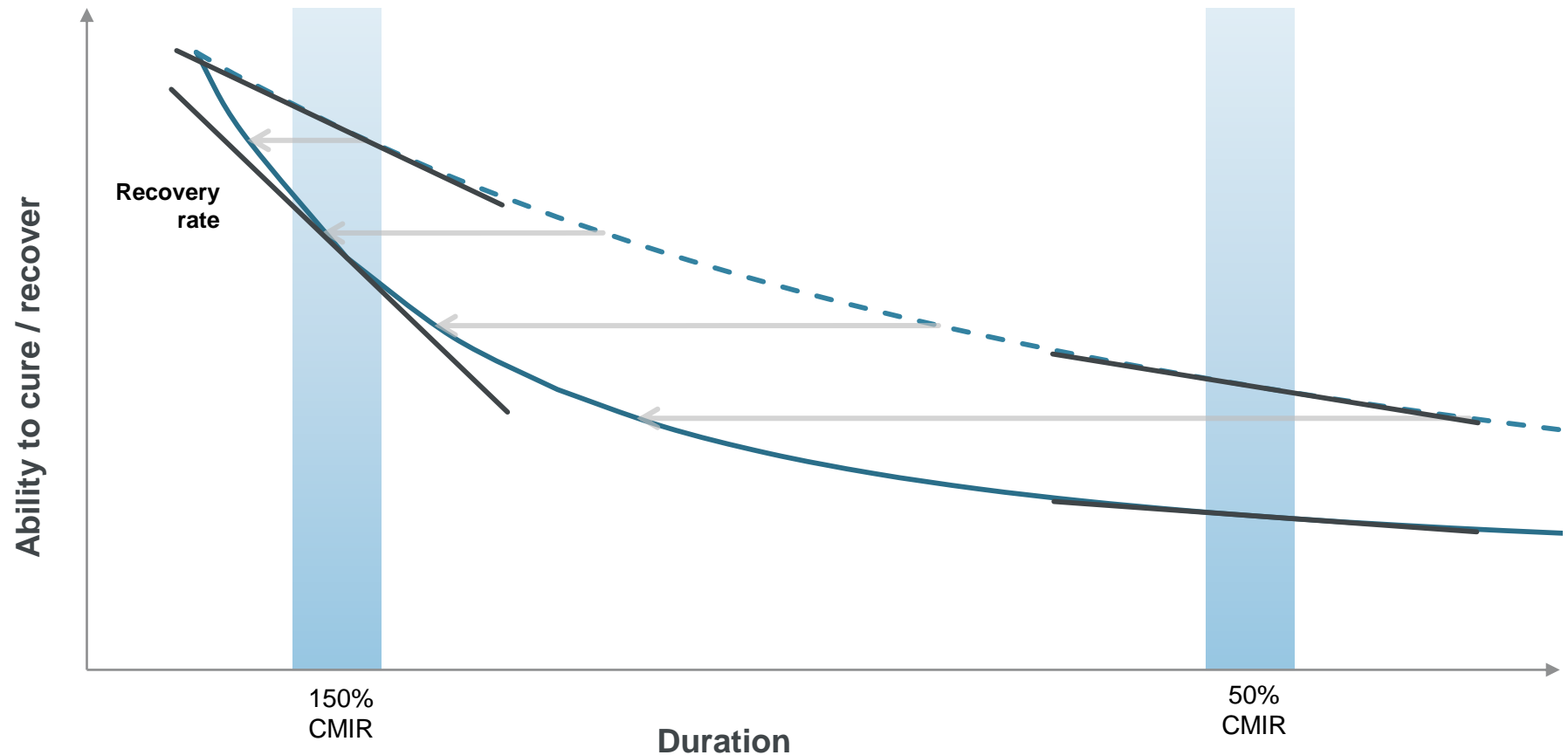
DISP claims - annuities for healthy spouses

Spouse age	Female e_x	2% Δ in real yields
30	52	+70%
40	43	+55%
50	33	+41%
60	24	+28%



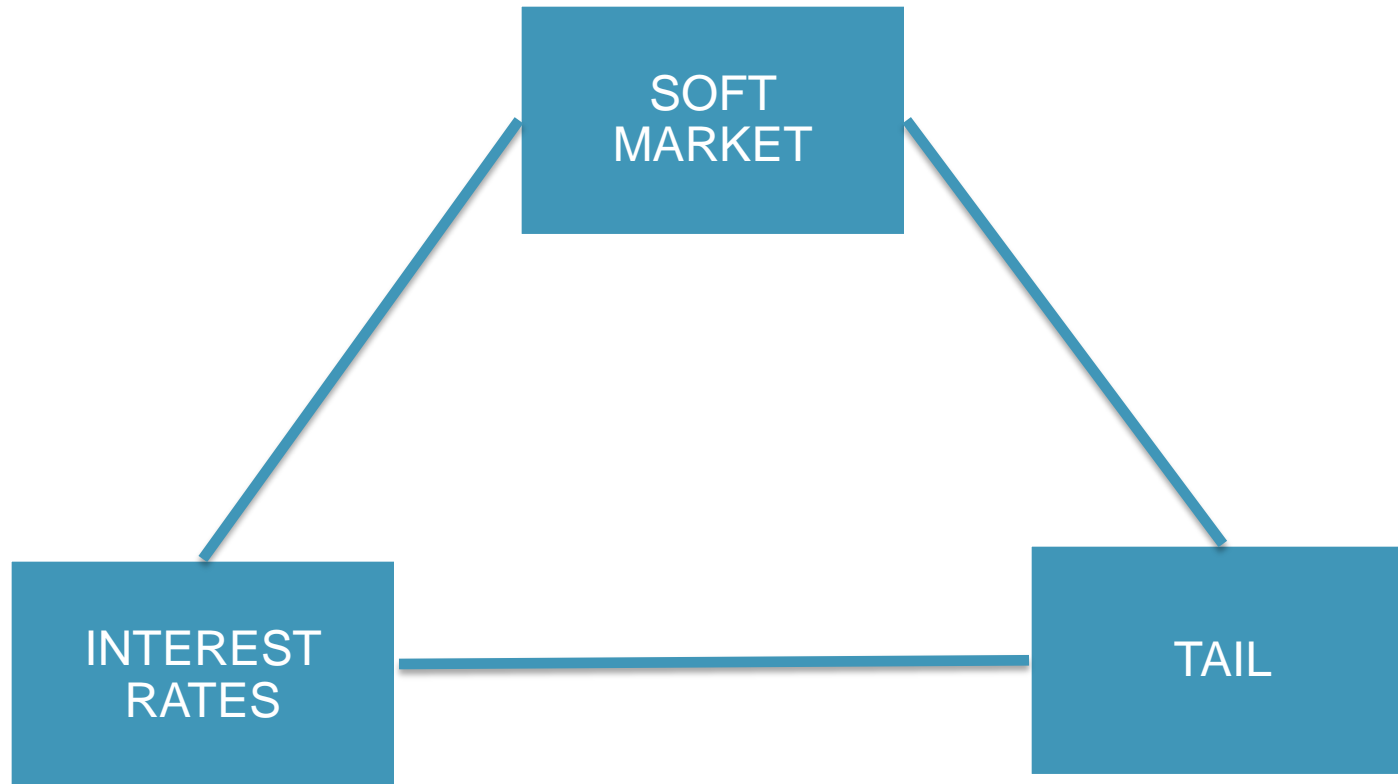
Institute
and Faculty
of Actuaries

Tail – Challenge in setting assumptions



Institute
and Faculty
of Actuaries

Group risk - a tough market to make money in



Where is the growth?

Employer pressure to reduce costs?



Number of lives covered in recent years

Year	LIFE	GIP
2008	7,673,764	1,757,365
2009	7,379,318	1,777,459
2010	7,858,497	1,792,315
2011	8,204,884	1,836,020
2012	8,389,579	1,963,814

Source: SWISS RE GROUP WATCH

LIFE DISP

On the slow road to extinction?



Institute
and Faculty
of Actuaries

But.....lots of opportunity!



Source: UNUM



automatic enrolment



Institute
and Faculty
of Actuaries

GLMs in group risk pricing



Institute
and Faculty
of Actuaries

GLMs in group risk pricing

Allows for the covariance between pricing factors that one way analysis does not



Institute
and Faculty
of Actuaries

GLM pricing models in Group Risk

GLM techniques are part of the solution of better risk management



Market used to providing many risk factors at NB
Multiplicative rating tables are the norm

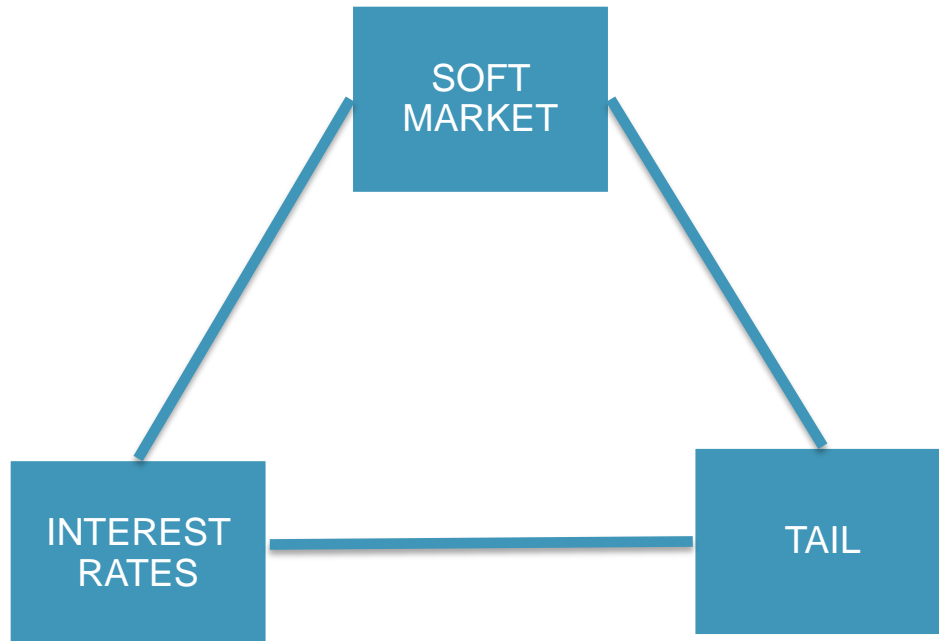


Requires a lot of good quality data
Data issues with Group Risk census
Not a project to be undertaken lightly!



Institute
and Faculty
of Actuaries

Group risk - a challenging market



Institute
and Faculty
of Actuaries

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 presenters.



Institute
and Faculty
of Actuaries

Appendix – Other risk issues



Struggling industries



A lot of auction activity



Flex out/up and anti selection



Institute
and Faculty
of Actuaries