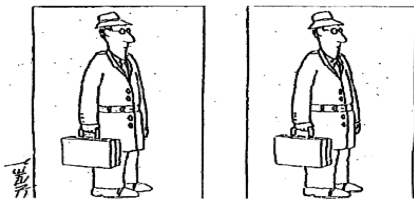


2001 Healthcare Conference *Keeping Health on Track*

21-23 October 2001
Scarman House



**The Thrill
of Victory**

**The Agony
of Defeat**

The Actuary

INCOME PROTECTION MODULE

23 October 2001

Sue Elliott

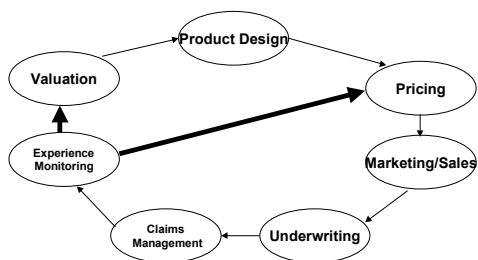
Overview of contents

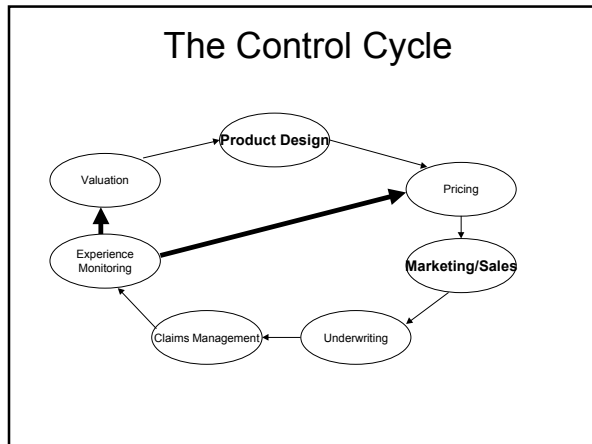
- Background & the UK market
- Product design
- Features of group IP business
- Pricing
- Sales
- Taxation, regulation and professional guidance
- Underwriting

Overview of contents - continued

- Claims management
- Reinsurance
- Experience monitoring
- Valuation and financial reporting

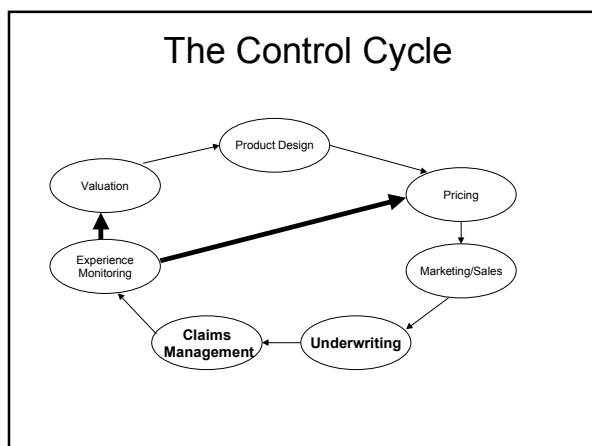
The Control Cycle





Product design & marketing

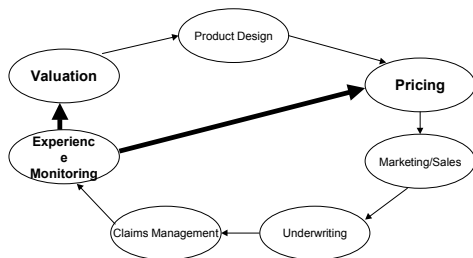
- “IP” formerly known as “PHI”
- Around for over 100 years
- Aim of product:
 - replace part of income
 - in the event he/she becomes unable to work due to accident/illness
- Sold through IFA and DSF
- ABI Statement of Best Practice and Key Features Document.



Underwriting & claims management

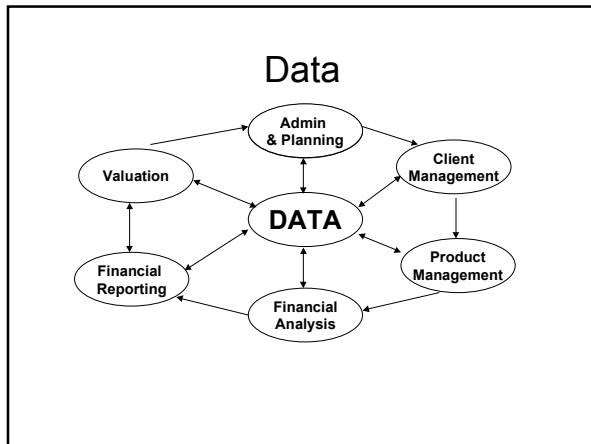
- Much more complex
- Pivotal in ultimate profitability
- Philosophy must be mirrored in the pricing assumptions
- Work closely with actuarial team to ensure that trends form basis of future strategy
- Claims specific:
 - proactive management from first contact

The Control Cycle



Experience monitoring, pricing and valuation

- The nature of the product means that the true experience will not be known for a long time
- Admin systems must be able to cope with the complexity of IP designs
- Experience monitoring systems must be robust with timely and regular results
- Crucial for feed into pricing and valuation bases.



Reinsurance

- 2 main purposes with respect to IP:
 - to cover large cases that are above ceding company's retention
 - to obtain specialist knowledge and expertise at both a local and global level.

The role of the actuarial profession

- Control cycle - not just pricing
 - product design
 - experience monitoring
 - sound risk management
- Be prepared to explain ourselves and support our findings
- Listen to the customer
