

A Plan from the Pru

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Agenda

- Why and Why Now?
- Product Recap
- Key data (MI)
- Lessons Learned
- What is the future of CI?
- Questions

Why and Why Now?

We believed that the current Critical Illness and Disability offering was outdated

- Medical science has progressed...
- Illness insurance has arguably regressed

Why and Why Now?

Medical science has progressed...

For example, Breast Cancer 5 year survival rates have dramatically improved

1971 - 52%

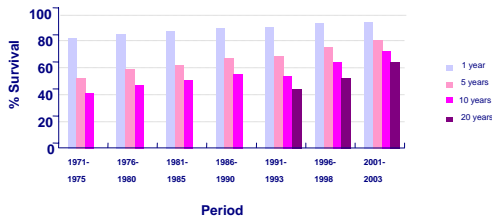
2003 - 80%

Source: Coleman, M.P., et al. Trends and socioeconomic inequalities in cancer survival in England and Wales up to 2001. Br J Cancer, 2004, 90(7): p. 1367-73

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Why and Why Now?

- In fact, 20 year survival rates for female breast cancer are now higher than 5 year survival rates were in 1971...

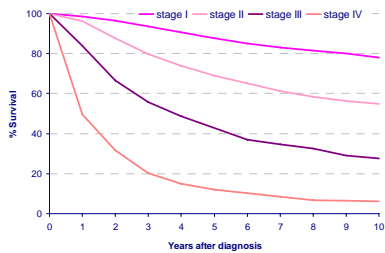


Age standardised relative survival (%) at 1, 5, 10 and 20 years since diagnosis, England and Wales, 1971-2003. Source: Coleman, M.P., et al. Trends and socioeconomic inequalities in cancer survival in England and Wales up to 2001. Br J Cancer, 2004, 90(7): p. 1367-73

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Why and Why Now?

- Survival rates by stage - importance of early diagnosis



Source: Cancer Research UK - year relative survival rates of breast cancer by stage, diagnosed in the West Midlands 1985-1989, followed up to the end on 1998, as at January 2002.

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Why and Why Now?

If your breakdown cover acted like a critical illness policy, would you be impressed with their desire to help?

"You could probably keep going for another 50 miles with that problem, so not serious enough to warrant fixing!"



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Why and Why Now?

- With household insurance, aren't we already used to cover that is proportionate and continuous...?

If you break a window, you get money for a window.....



e.g. £100

If your house burns down, you get enough for a new house. That's fair isn't it?



e.g. £100,000

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Why and Why Now?

- So why does it work differently for traditional critical illness cover?

**"LOST AN ARM?
SORRY YOU NEED TO LOSE BOTH
BEFORE WE PAY OUT."**

www.prudential.co.uk

We're making critical illness better.
It's all part of The Plan from Pru

PRUDENTIAL

Note: this Pru ad preceded the implementation date for the ABI SubP (April 2006) - this now allows for loss of any combination of two or more hands or feet at or above the wrist or ankle joints

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Why and Why Now?

- How can clients be sure that they're covered for any 'critical' eventuality?*
- Clients may assume that their current policies cover them for something like this...



*Please note, FPP does not cover the entire body

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Why and Why Now?

- When actually it's likely to be more like this..
- No wonder 1 in 5 Critical Illness claims are turned down along with 1 in 2 for Total and Permanent Disability (through failure to meet conditions or non-disclosure)*



*Source: GEIS research 2006. Current critical illness policies will also cover loss of limb.

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Why and Why Now?

CONSUMERS

- Confusion
- Negative press
- Reduced desire to buy

CRITICAL ILLNESS 'LOTTERY'

- No payout for anything less than total blindness* or registered blind**
- Pay out for low impact heart attack

ADVISERS

- Uncertain
 - Cheapest?
 - Non-payment of claims
 - Number of conditions?
 - Well-known brand?
- Reduced consumer demand

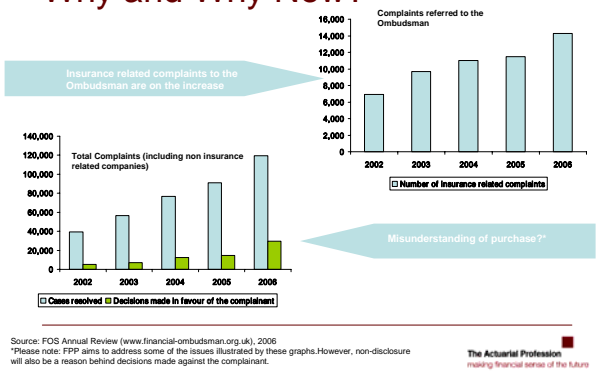
INSURERS/REINSURERS

- Not addressing the fundamental issues?
- Paying unexpected claims
- Claims control not TCF?
- ABI SoBP - introducing drift?

*Source: ABI SoBP for CI April 1999-April 2007. **ABI SoBP for CI April 2006 - effective definition.

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Why and Why Now?

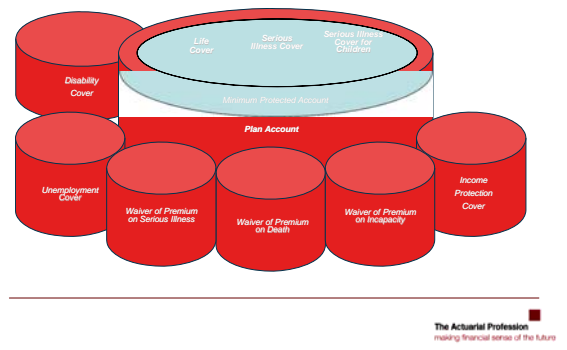


Product Recap

The Flexible Protection Plan



Product Recap



Product Recap

- The Plan can provide:
 - Life Cover
 - Serious Illness Cover
 - Minimum Protected Account
 - Disability Cover
 - Income Protection
 - Optional Serious Illness Cover for Children
 - Premium waivers
 - Unemployment Cover
 - Product and Funding Flexibility

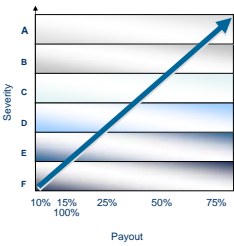
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Product Recap

Dynamic claim payments

- By having graded severities, Prudential has potential to:

- Pay claims at an earlier stage of an illness
- Match the payout to the relative expected impact of the condition on lifestyle



Cover matches clients' needs better

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Product Recap

Example : Blindness - Different illnesses have different impacts on lifestyles

Serious Illness of the eye 	Blindness (ABI definition - post April 2006)	⇒	SEVERITY A	100%
	Severe Visual Impairment	⇒	SEVERITY B	75%
	Significant Visual Impairment	⇒	SEVERITY C	50%
	Central Blindness	⇒	SEVERITY D	25%
	Blindness in one eye / Surgical removal of one eye / Tunnel Vision	⇒	SEVERITY E	15%
	Surgical Repair of Detached Retina (excluding laser surgery)	⇒	SEVERITY F	10%

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Product Recap

Dr Marius Barnard

- founder of CI cover in South Africa talking about UK market

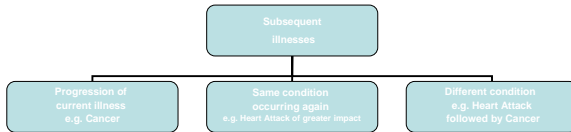
"In 10 years time [severity based] will be the **only product in the market**. And if it is not, then we are going to run into trouble because diagnosis is getting better and most people have treatment and then walk out. If they continue to receive full pay-out at diagnosis, the cover will become so expensive it will no longer remain affordable to those that really need it. After all, what I would like to see is a product that is patient orientated, not provider or IFA orientated. **It has to be aimed at the person who buys the product.**"

Source: Inclusive Media, Aug 2005

Product Recap

Continuity of cover after a claim

- Clients are likely to suffer more than one illness in their lifetime
- Important that cover does not stop after a claim*
- Clients may then claim more than once until their Plan Account is depleted

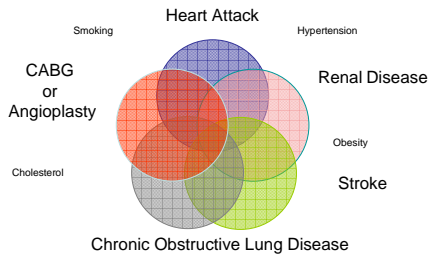


- Multiple claims may also occur across benefits (e.g. Serious Illness Cover AND Disability Cover)

*Cover continues because payouts are assessed on severity of condition and could be between 10% & 100% of the Plan Account

Product Recap

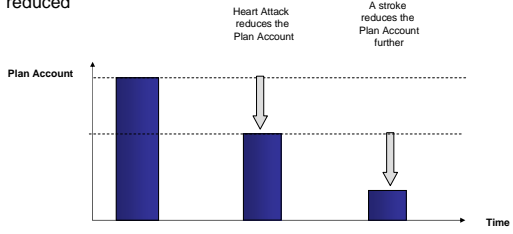
Illnesses have complex inter-relationships



Product Recap

Effect of multiple claims

- At each claim for serious illness your client's Plan Account will be reduced

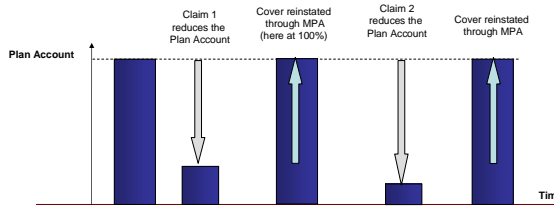


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Product Recap

Minimum Protected Account

- Optional protection of Plan Account following a serious illness claim
- Plan Account protection can be selected up to 100%
- Plan Account is reinstated after claim is paid



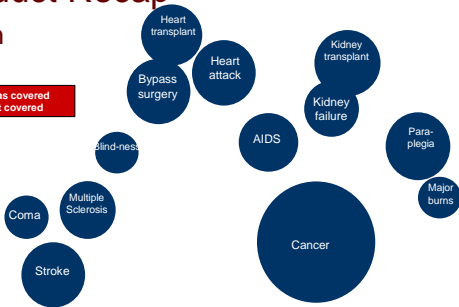
Total payment may exceed original sum assured
(maximum 3x SIC original sum assured or £1m, whichever is less)

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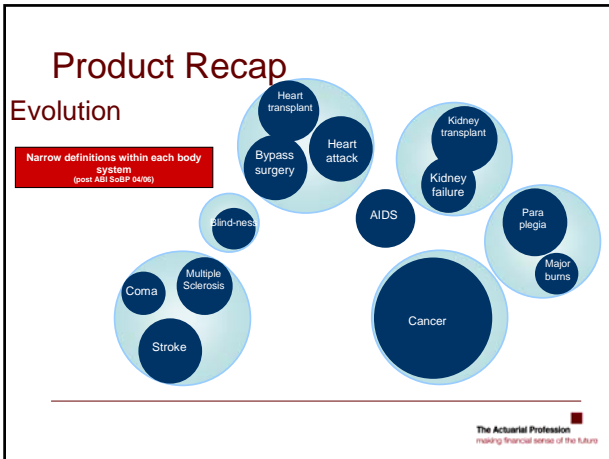
Product Recap

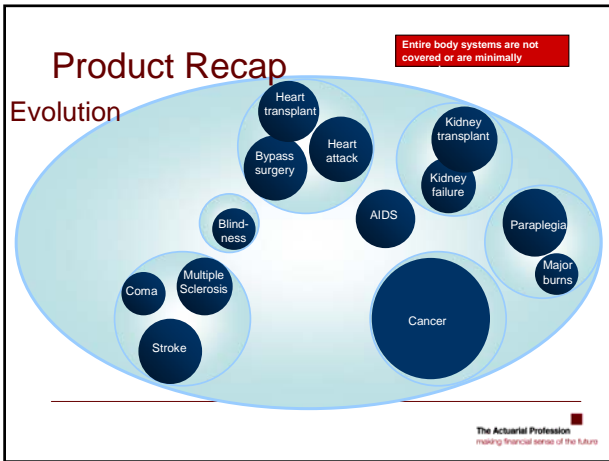
Evolution

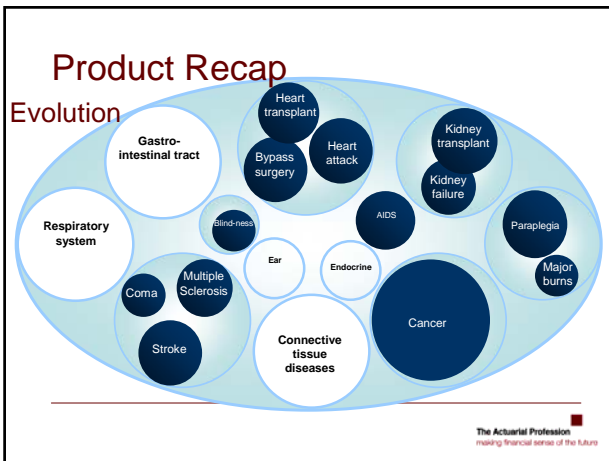
Unclear what was covered
and what wasn't covered

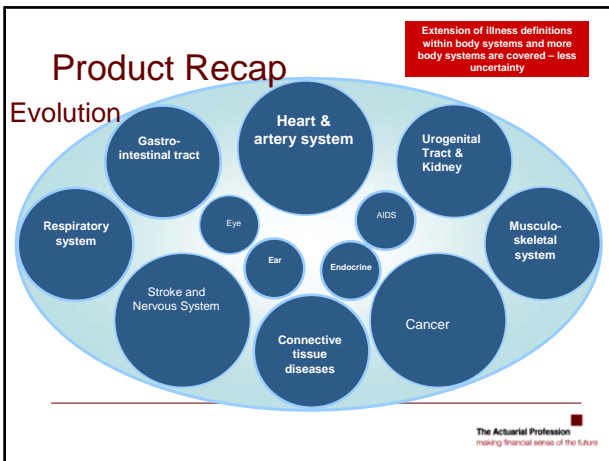


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Key data (MI)

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Key data (MI)

- Policy Sales	>3,000
- Average Premium - at application	£779
- Serious Illness Cover Penetration Rate	59%
- Female Split	45%
- No. of advisers trained	3,000
- No. of advisers to be trained by end H1	7,000

Data as at 12th April 2007

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Lessons Learned

TAKING AWAY THE KEY MESSAGES

- Flexible cover
 - "Body system" coverage
 - Can pay up to three times the selected cover for SIC (subject to £1m maximum)
- Customers understand it
 - Our research tells us that people like this method
 - They find it easier to understand and fairer
- Making it work for Financial Advisers
 - Different ways of selling the same product
 - Different ways of fixing the plan to budget
 - Discovery Life's experience was similar

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Lessons Learned

PACKAGING FOR ADVISERS

- Adviser 1
 - Recommends 100% Serious Illness and 100% MPA
 - Offers reduction in number of conditions covered (Comprehensive to Primary)
 - Reduces the sum assured but maintains 100% MPA
 - Offers same sum assured and reduced MPA
- Adviser 2
 - Uses Disability to cover mortgage 100% Disability
 - Recommends 30-50% Serious Illness cover depending on affordability
- Adviser 3
 - Recommend 70% Serious Illness Cover with 100% MPA
 - 30% Disability Cover

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Lessons Learned

THE IMPORTANCE OF SUPPORT

- Training support from our Business Development Managers
 - Workshops
 - Regional meetings
- Regular support from our specialist consultants
 - Face to face business support
 - Tailored support packages
- Compliance support
 - Example "Reasons Why" paragraphs
 - Suitable advice assistance
- Client materials
 - Sales Aids
 - Customer facing literature

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Lessons Learned

ADVISERS USPs

- A fair price for an increased cover
 - Mathematically a higher chance of a payout
 - More areas of the body covered
 - The only cover of its type
- Happy clients
 - Potentially more cover
 - Increased flexibility
- Increased premiums
 - Average case size is significantly higher
- Happy Compliance
 - Potential for alternative options to be looked at

Lessons Learned

WHAT WOULD WE CHANGE?

- Over-estimated level of CI knowledge
- Over-estimated understanding of TPD
- Press coverage - need to get to frequent press commentators to avoid uninformed comment
- Controlled launch

What is the future of CI?

- Severity Based Cover
- TPD overhauled - definition-based or stand alone
- Benefit-led, not price-driven
- Treating Customers Fairly

Implementing TCF

Treating Customers Fairly - Self-Assessment Tool

Sales & Marketing:

- How do you ensure you understand the product you are offering to your customers?
- How are your promotions targeted to make sure they're aimed at the right customer?
- What process do you have for approving a financial promotion?
- How are customer queries and complaints used to improve or stop financial promotions?
- How do sales people ensure customers understand the risk and limitations of a product as well as its benefits?
- What processes and checks are in place to ensure records are kept of discussions and conversations with customers?
- How have your training and competency requirements developed to implement TCF?

After Sales Customer Care

- What steps do you take to understand, manage and, where appropriate, fulfil your customers' expectations of you from after the point of sale?
- What do you do to ensure that service issues and claims are processed in a timely manner?
- How do you ensure that an effective flow of information to customers is maintained and recorded (including verbal discussions)?
- How does your firm identify trends and remedy issues arising from your handling of customer complaints that might indicate a wider or recurring problem?
- What targets do you set for people handling complaints?
- How are lessons from complaints shared between different business areas?
- What is done to ensure the outcome offered to customers is full and fair?

FSA Guidelines: Sample Self-Assessment

Questions

"How do you ensure you understand the product you are offering to your customers?"

"How do sales people ensure customers understand the risk and limitations of a product as well as its benefits?"

↓

Critical/Serious Illness

For further information: www.fsa.gov.uk/act/tcf

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What is the future of CI?

- Severity Based Cover
- TPD overhauled - definition-based or stand alone
- Benefit-led, not price-driven
- Treating Customers Fairly
- Profitable to insurers and reinsurers!

What is the future of CI?

Will FPP and similar products be part of the future?



Questions

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Director of Protection, Prudential
