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Plenary 2

Innovation out of Africa – A New Approach to Diabetes

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UK and Ireland

Document outline

- **Who is AllLife**
- What is Diabetes
- What AllLife offers in the diabetic market
- How Gen Re has localised the general offering
- What next

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HIV prevalence is widespread and poses a number of significant challenges to those living with the disease in South Africa

Although HIV prevalence is very high in SA...

- People living with HIV: 5.38 Million (~17% of adults)
- Economically active people living with HIV: 2.5 million
- New HIV infections per day: 915
- Total AIDS deaths: 194 000 (over 500 people per day)



Source: UNAIDS / WHO Study 2008

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...living with HIV is a significant challenge

- Contracting HIV is seen as a death sentence
- Significant stigma associated with a sexually transmitted disease
- Lack of understanding of appropriate treatment due to confusing messaging from Government and society
- People living with HIV are generally unable to access life cover for family and security which hinders access to other financial services products (such as home or business loans)



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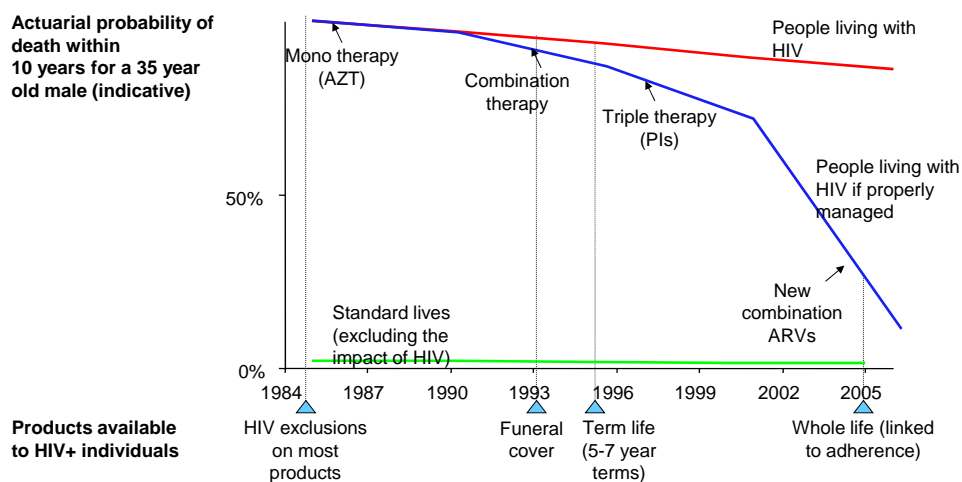


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Better management of HIV can massively change the realities of this disease

Actuarial probability of death within 10 years for a 35 year old male (indicative)



Source: Gen Re; AllLife. Information is proprietary, indicative data shown

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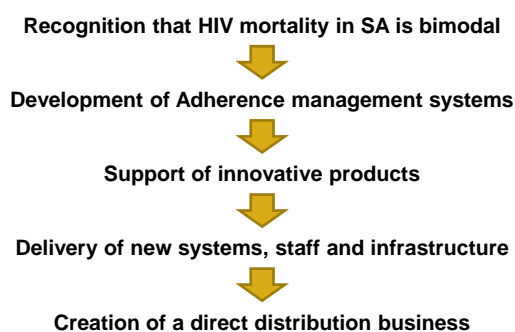
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AllLife has taken a number of steps to address these challenges



- The Company's clients are well managed with life expectancies significantly different from the "average" HIV positive population
- AllLife is able to offer life insurance to people living with HIV at rates that people with other chronic manageable diseases have come to expect



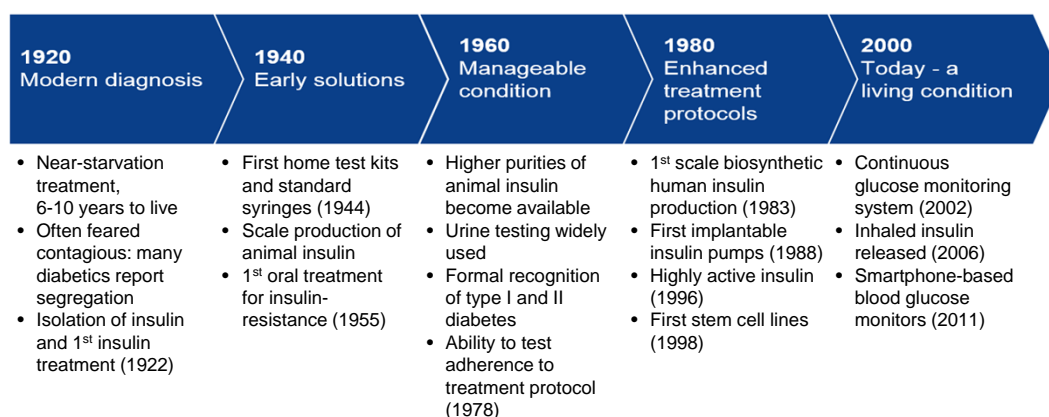
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Diabetics historically faced similar issues to what people living with HIV face today



Although still incurable, diabetes is generally manageable and diabetics integrate easily into society



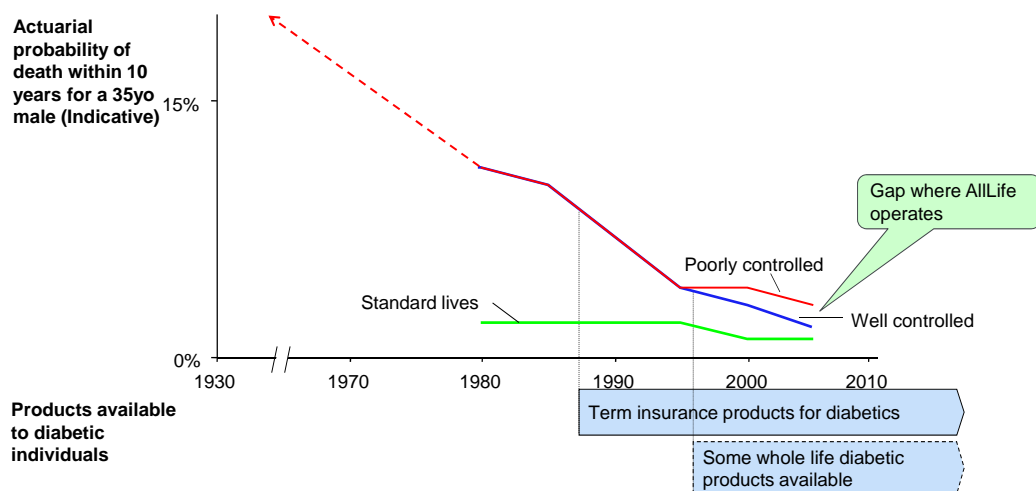
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With proper control, diabetic mortality may approach that of standard lives'



Source: Gen Re; AllLife. Information is proprietary



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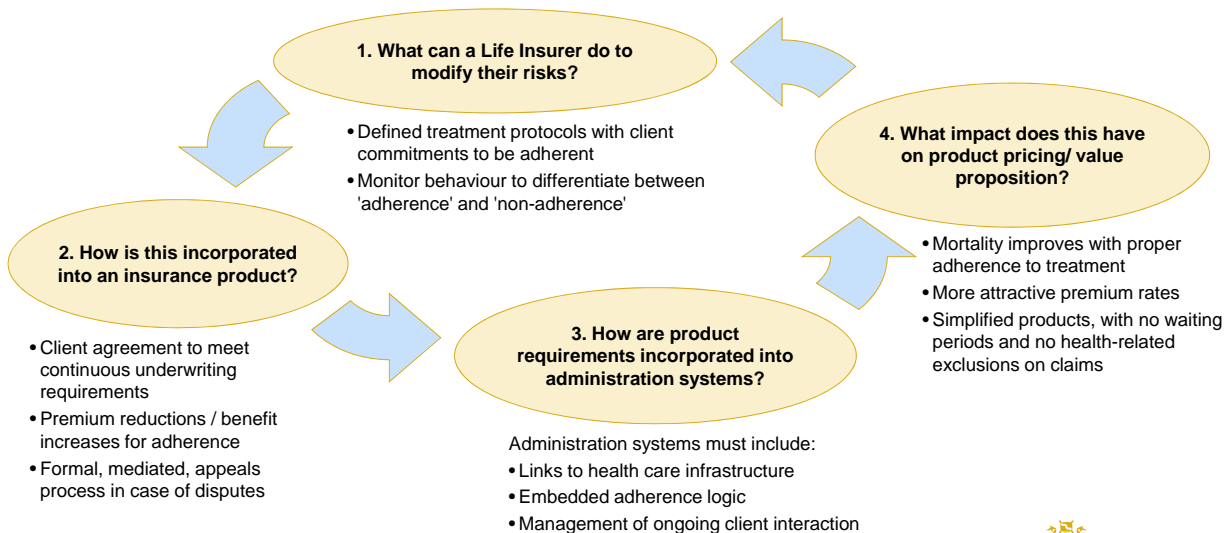


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A continuously underwritten solution from AllLife



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AllLife is having a real impact on society

Adherence keeps clients healthy

- The Adherence program helps clients understand what treatment is required in order to remain healthy, and generally results in improved client health. AllLife reminds clients of when to undergo blood tests and when to start ART

PTC increases awareness

- AllLife provides a free counselling service (PTC) for people who have just found out that they are HIV positive during the life insurance application process. Life companies refer their clients to AllLife for telephonic post-test counselling. AllLife has already provided PTC to over 5 000 people

Facts on living with HIV are provided

- The sales process plays a significant role in educating society on the facts of living with HIV. A great deal of life-saving information about staying healthy and living with HIV is imparted to the general population. More than 500 000 people have been spoken to about what it takes to manage HIV appropriately by AllLife's consultants since the business was launched

HIV is a chronic manageable disease

- By providing large amounts of cover at reasonable premiums to people living with HIV, AllLife communicates that its HIV positive clients' deaths are by no means imminent, that HIV is a chronic manageable disease and that living with HIV should not exclude anyone from making a contribution to society. This reduces the stigma associated with being HIV positive

Access to capital is enabled

- Provision of life insurance products helps clients access capital or to participate in other financial transactions where insurance is required, allowing them to actively participate in the economy. This has a significant positive effect on their general mental attitude

Facts reduce mortality stigma

- Significant levels of marketing spend means that mass market audiences are getting the facts about HIV explained to them on a daily basis. The Company's adverts explain that HIV is a chronic manageable disease and not a death sentence, this significantly reduces the mortality stigma associated with the disease

AllLife's success has been driven by several factors

1. Giving clients **cover when they want / need it**
2. Winning business on **quick delivery** and process, supported by competitive pricing
3. Using **low-cost IT driven health interventions** to manage risk successfully
4. **Engaging with clients** continuously and thereby owning the client relationship
5. Providing straight forward, **simple and transparent products** to significant **underserved** groups of clients
6. Building **processes to serve clients**, not making clients fit in with processes
7. Building strong **win-win partnerships**

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Diabetes is a growing issue in global health, with no cure available

- **8.3% of all adults worldwide** have diabetes (one in twelve)
- Largest populations of **diagnosed diabetics** are in China (135 million), India (98 million), the USA (31 million) and Brazil (15 million)
- Diabetes is caused by disorders in how the body **produces and uses insulin** to control glucose
 - **Type 1** diabetes is caused by the pancreas **failing to produce insulin**
 - **Type 2** is caused by the body's cells **failing to respond to insulin**
- Although the mechanisms differ, both types result in a lack of glucose control, with the risk of fluctuating glucose levels causing disorientation, retinal damage (blindness), nerve damage, foot problems, or other microvascular issues
- **Diabetes can be controlled but not cured** using diet, exercise and medication

Diabetic markets are underserved, creating a huge opportunity to own uncontested portions of the diabetic market

- South African (and most international) life insurers believe that they serve the diabetic market, but do not write business at the scale the prevalence in the population would suggest (~12% of the adult population is diabetic, 2-3% of life insurance policies are sold to diabetics)
- Studies in the UK have found that up to 70% of diabetics who apply for life cover, drop out of the application process, often without even getting a price²
- Only a small proportion of adult diabetics who require life insurance have actually accessed the life cover they want
- We serve this uncontested market through three key innovations:
 - We have wider acceptance criteria, enabled by continuous underwriting
 - We sell and incept policies in real time (through the use of an algorithmic approach to pricing), giving clients what they want, when they want it and minimising drop-out
 - Real time delivery of product also ensures certainty of commission for brokers
 - We drive people into our distribution channel through marketing, supported by messaging that diabetic clients are likely to be accepted for cover¹
- This has provided us with unique levers to grow new business volumes, and helped our diabetic sales (even in early stage) grow to be larger than any other life insurance player in the South African market

¹ While AllLife focuses on direct sales in South Africa, this approach captures the opportunity with both broker/agent and direct sales

² Source: Gen Re, "Process: Into the footlights of performance - innovations from the UK and Ireland", May 2013



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Some UK examples of diabetics who are frustrated by the cost, lack of availability and slow speed of delivery of existing life insurance products

Expect to pay over the odds for life insurance cover, there are specialist companies that deal with people who have life-long conditions but tbh you better just shopping around yourself and getting the best quote.

noblehead, diabetes.co.uk, Apr 2014

When my ex husband and I bought our first property I was refused life insurance so the mortgage had to be in my husbands name only.

jwilson, diabetes.co.uk, Aug 2013

Has anyone managed to get life insurance as I apply and they say 'yes of course we can insure you'. I fill out all forms and send off, wait about 4 months to be told 'sorry we can't insure you' sorry!! I want security for my son and dogs, I need to get some.

Lindyl0007, diabetes.co.uk, Nov 2014

Thanks for the advice. Scary and overwhelming. As if the disease isn't enough to contend with....

samantha13, diabetes.co.uk, May 2013

I now have an application going through with XXX with nothing back yet, its been about 3-4 weeks..... I am disappointed how hard it has been so far.....

Novorapidboi26, diabetes.co.uk, Nov 2014

I am going through the process of getting a life insurance, its not straight forward i think, been a week now and still no news from insurers.

Brettsza, diabetes.co.uk, Nov 2014

Problem is, diabetics as a group are more likely to suffer complications/problems that will then cause the insurance companies to pay out critical illness / life cover... so obviously, we're going to have to pay higher premiums. Unless they start assessing diabetics on their control of the condition.

Shedges, diabetes.co.uk, Sept 2014

As you will see, you can complete a diabetes questionnaire online and get an indicative premium within 5 days.

Ali H, diabetes.co.uk, Nov 2014

I have just been told by a life insurance company that I have been declined due to disclosing that I have type 2 diabetes treated with insulin. Do companies have a right to do this?.

Chipmunk2410, diabetes.co.uk, Apr 2014



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Source: Diabetes UK discussion forums

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There are 5 key challenges to overcome for diabetic life insurance products to be successful

1. **Speed of application:** Clients want cover to be available immediately – demand for cover reduces if they are subject to long lead times to complete an application, to get through underwriting, or long waiting periods
2. **Value:** Clients want transparency of benefits and price – premiums that are subject to change after application (e.g. +100 loadings) cause a lot of frustration
3. **Expectation of Success:** Clients (and Brokers) want a high probability that their application will not be declined and/or repriced to an unaffordable level in underwriting.
4. **Range of benefits:** Clients want the same range of benefits that non-diabetics can access
5. **Sense of Belonging:** Clients want to engage with businesses that don't find them weird or different

AllLife offers diabetics (and brokers) a better experience, with greater availability, faster delivery and standard features

The reasons clients buy products:

Price

- Price is always comparable to competitors (not necessarily cheaper)

Features

- Standard life cover benefits (country dependant)
- Real occupational disability cover (own or reasonable occupation definition)
- Premium pattern informed by regular health checks (can only improve)

Speed of delivery

- Real-time initial pricing using questionnaire
- Policy sold in a single interaction
- Immediate inception possible
- Limited medical tests only for verification after inception



Availability

- Accept HbA1c up to 14%*
- Type 1 or Type 2 accepted
- Applications accepted up to 75th birthday
- Disability cover up to 65th birthday or retirement



*HbA1C of <8% is considered good control, >14% is very poor control; subject to local reinsurance parameters



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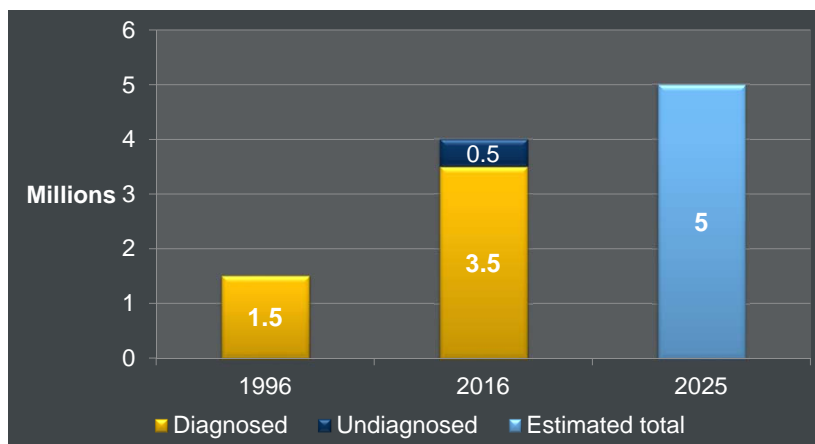
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Diabetes in the UK - Prevalence



Source : www.diabetes.co.uk



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Diabetes – Some Facts



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Diabetes – Some Facts

**10% of NHS budget
£192m per week**

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Diabetes – Some Facts

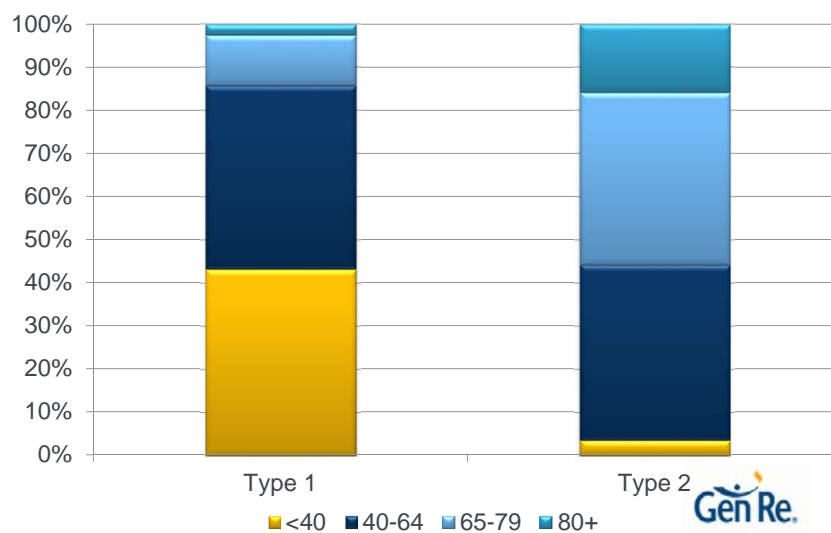
40m + prescription drugs



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Age Distribution of Diabetics



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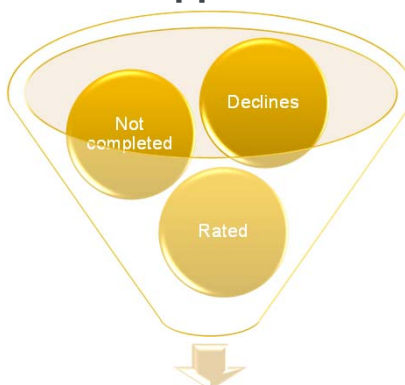
Source : National Diabetes Audit 2014-2015

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“Normal” Underwriting Approach



100 applicants



30 in force



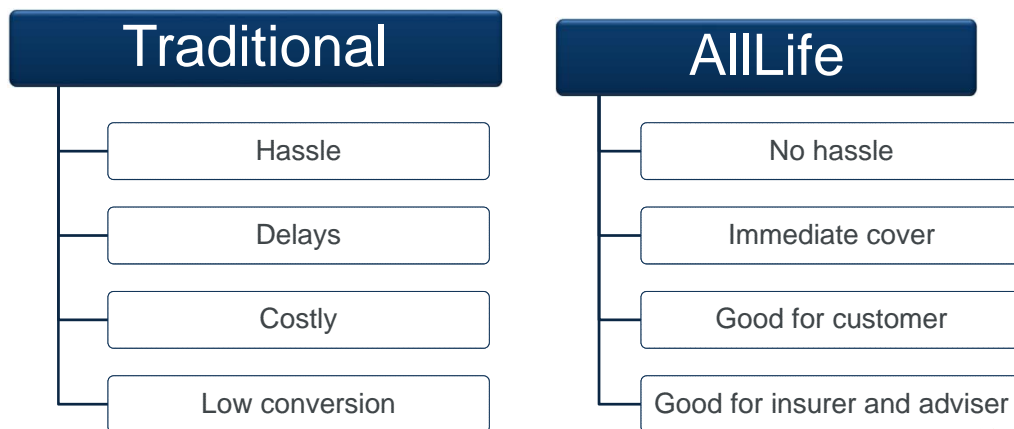
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Comparing the Approaches

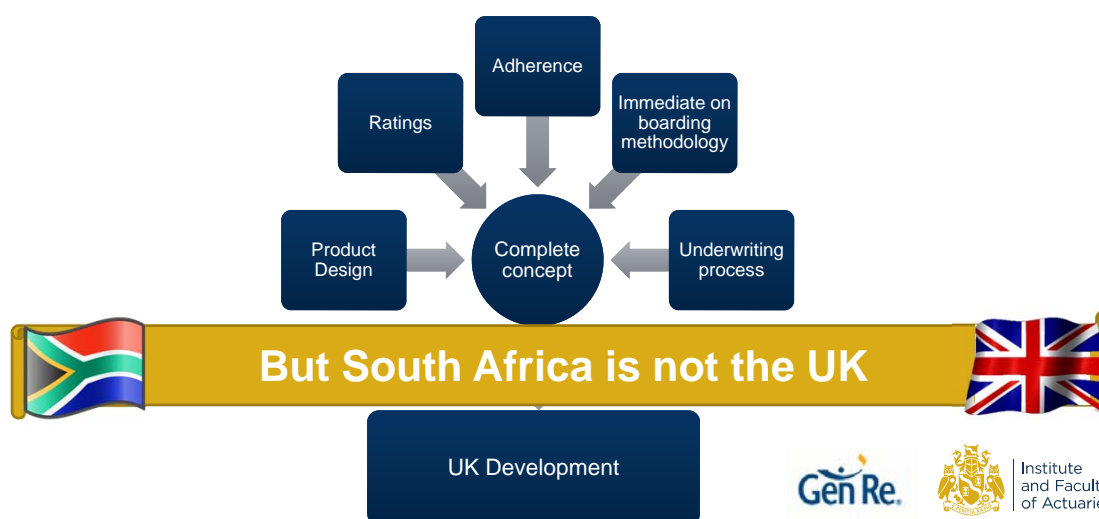


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The UK Development



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South Africa vs the UK



Healthcare systems

Product Design



Ratings

Distribution



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Healthcare Systems



- Government Healthcare
- Less formal follow up
- Patient responsibility for monitoring
- Often poor control
- Private Health care
- Some follow ups but not universal



- Well-developed recall system
- Annual (or more frequent reviews)
- NICE guidelines
- GPs incentivised to keep people healthy – prevention of serious conditions



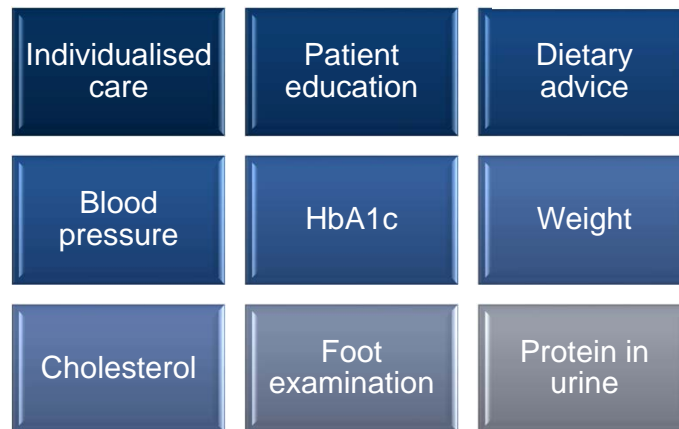
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NICE Guidelines

NICE National Institute for
Health and Care Excellence

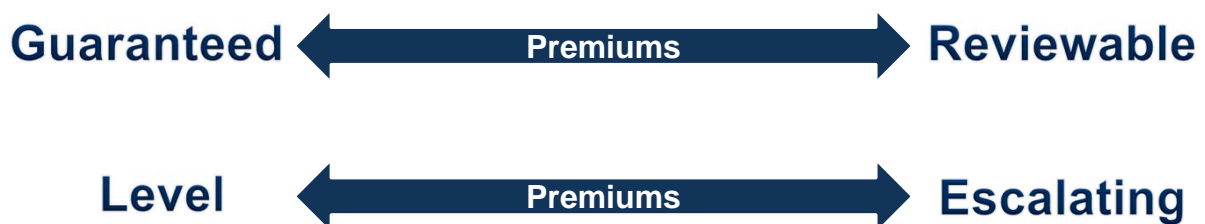


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Product Design



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Ratings

Rating Factors
HbA1c
Age
Duration since diagnosis
Type 1 or 2
Co-morbidities

Re-underwriting every year,
not for policy term

Premium changes for
adherence



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Distribution

Direct

Telephone sales

Insurer has control



IFA

IFA has control

Price

Process

Annual HbA1c



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Partnership with AllLife



Long standing relationship in SA

Pricing, underwriting and product developed for UK market

Concept can now be taken elsewhere in the world

Benefit of a true partnership



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Next steps in expansion

- Currently biggest provider of life insurance to diabetics and HIV+ in South Africa
- Chosen a partnership approach to delivering product globally - Partner with significant regional / country players to deliver to a largely uncompeted market segment
- Q1 2017 expect to launch product into UK (through partnership model)
- AllLife provides:
 - Sales system which includes full end-to-end real time underwriting and algorithmic approach to pricing (including differential pricing by broker and ability to do price elasticity studies – regulatory dependant), delivers the product immediately to the client (diabetic policies only) via brokers
 - Limited data integration with partner systems
 - Rules based approach to medical information verification
 - On-going health management and pricing adjustments
 - Risk (Gen Re provides global support on reinsurance)
- Partner
 - Existing life infrastructure (regulatory, distribution, premium collection, underwriting (following AllLife rules) and claims processing)
 - Regulatory knowledge
 - Commitment to drive product through existing distribution and scale opportunity



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Questions

Comments

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