

## 2001 Healthcare Conference *Keeping Health on Track*

21-23 October 2001  
Scarman House

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### SMALL COMPANY PAID PMI WORKING PARTY

Team:     Tony Cox  
             Stephen Evans  
             Sarah Jordan

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### Objective

To investigate current pricing and underwriting practices for small company paid groups and compare these with "best practice"

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## Method

- A questionnaire was sent to each of the companies operating in this market
- The results from those who kindly responded have been collated and are presented herewith
- Thanks to those who contributed
- **All the main players!**

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## Group Size

Minimum	3	90%	2	10%
Maximum		50		20%
		100		40%
		200		20%
		250		10%
		No limit		10%

All based on policies rather than lives( ie employees covered)

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## Rating Factors

- Age bands            60%    Individual ages    40%
- Unisex rates        100%
- Single, married, family rates    90%
- Ages of lives covered            10%

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### Rating Factors (cont)

- Hospital scales / National rates 50%
- Hospital scales / Post coded rates 20%
- No scales / National rates 20%
- No scales / Post coded rates 10%

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### Rating Factors (yet again)

- Discount by size 70%
- Starting at 10 or less 50%
- Excess per annum 80%
- Excess per claim 20%
- Discounts for £100XS vary from 6% to 20%!!!

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### Underwriting Method Previously Uninsured

- Full medical underwriting 50%
- Full med u/w or moratorium 50%
- One company use "preferred lives" as well
- Medical history disregarded 50%
  - at 20 policies (with prem load) 30%
  - at 25 policies 10%
  - at 50 policies 10%

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## Underwriting Method Switch ( previously insured)

- Continued personal exclusions ( CPME ) 60%
- CPME plus health evidence 40%
- MHD 70%
- 60% charge differential rates dependent upon acceptance terms ( CPME/MHD/MORI )

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## Underwriting Method Switch (previously insured)

- 80% demand/request claims information
- 60% demand/request high individual claims information
- The 20% not asking for claims information do ask for individual high claims
- 40% ( yes only 40%) provide claims information

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## Occupation

- 90% would decline hazardous or high claiming occupations
- 10% would load or modify terms
- Suspect more would do this for larger groups
- High degree of agreement that blacklist is
  - Police
  - Medical profession
  - Armed forces
  - Professional sports

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## Renewal

- 80% would load at renewal depending upon claims experience
- 20% use community rating ( at least for some products)
- Pricing at renewal depends upon a variety of claims related measures including frequency, claims (over one or more years), adjusted claims

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## Eligibility

- Most have an upper age limit from 65 to 80
- 60% limit the aged to 10%
- 70% claim to have non-selective membership categories which are generally not policed/audited
- 80% allow the inclusion of underwritten voluntary dependants

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## Rate Reviews

- Annual 10%
- Half Yearly 80%
- Quarterly 10%
- 70% would have exceptional reviews if competition or claims experience warranted them

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## Guarantees

- 70% said no including some quite vehement replies
- 10% said sometimes ( ie on a specially designed product)
- 20% declined to reply

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## Commission

- Only one company claimed to have a fixed commission scale
- Most common rates are 20 to 30% initial with 5% renewal or 10% level
- Rates could vary depending upon almost all factors that could be appropriate

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## Profit

- 50% use a target loss ratio
- 10% use a target loss ratio combined with a return on capital employed
- 20% virtually everything
- 20% didn't reply

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## Summary

■ Size	3-100
■ Underwriting	50%MORI
■ Renewal	Claims related
■ Commission	Deals
■ Reviews	Half yearly
■ Profit	Loss ratios
■ Flexibility	On all factors (usually size dependent)

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## Best Practise

- Do we use the right rating factors ?
- (eg. Male / Female / Spouse rating)
- MHD v Mori → Anti-selection v positive selection ?
- The elderly
- Guarantees and the consumer
- What profit measurements should we use ?
- Initial commission and re-broking

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