IP for the Gig Economy: What we have learnt 5000 claims later

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Agenda

Changing workplace and need
LV= Personal Sick Pay
PSP – the early days
The Future
An unmet need
Income Protection

• IP is the one insurance every working person should have… but doesn’t

• IP works when you can’t

• Financial safety net and rehabilitation support

• Gaining recognition & traction
Changing Labour Market

Comparing numbers on the gig economy

- Currently on a zero hours contract for main job (ONS): 0.9
- Currently working through online platforms* (RSA): 1.1
- Worked through online platforms in past year (CIPD): 1.3
- Currently self employed (ONS): 4.8
- Currently in Work (ONS): 32.0

Source: ONS UK Labour market, June 2017; RSA Good Gigs, April 2017; CIPD, To gig or not to gig; Huws & Joyce, Crowd working survey, March 2017
What is the GIG economy?

• Flexible work, where people are offered piece-work through a website or app
  – running errands (TaskRabbit) giving lifts (Uber) or delivery services (Deliveroo or Hermes)
• Can be low paid but includes people providing services who are freelancers or one person businesses

Source: RSA, Good Gigs, April 2017 based on Ipsos Mori research
Characteristics of the GIG economy

Department for Business, Energy & Industrial Strategy
Base (YouGov Omnibus): All GB adults (aged 18+) and those who are in the GIG economy who are in work

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Income Protection Landscape

- Income Protection targeted at people with stable / predictable income streams
- Complex products with bells and whistles
- Expensive for manual occupations
- Difficult for people with variable incomes to buy and claim, due to the need to demonstrate earnings
- Benefits didn’t match customer’s need for cover for short term sickness, as well as longer term.
Customer need

Limited take up of Income Protection

Only smaller friendly societies had products that catered to some extent for these groups
The Solution
LV= Personal Sick Pay

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LV= Personal Sick Pay

• Benefits
  – The best definition of sickness: own occupation
  – A ‘back to day one’ option for customers without an adequate safety net
  – Includes the Personal Sick Pay £1,000 guarantee, providing normally work 30 hours a week
  – Can insure up to 60% of income with no deductions for state benefits
  – Budget version available
  – Option for weekly claim payments

• Price
  – The price is based on age attained
  – Same price regardless of job or smoker status
PSP was an instant success
LV= launches ‘Personal Sick Pay’ IP policy

Fiona Murphy
@cover_fiona
29 May 2014

LV= has launched an income protection policy ‘Personal Sick Pay’ widening eligibility to occupations that have previously been more expensive to insure.

The insurer said the policy had been developed in response to adviser feedback and is designed for workers such as manual workers, tradespeople, teachers, nurses and drivers.

It also offers income protection cover for clients whose situation makes it more difficult to prove income, such as those who are self-employed or regularly move jobs.
Initial Policy Sales
Initial Mix - Gender

PSP MIX

- MNS: 59%
- MSM: 16%
- FNS: 20%
- FSM: 5%

TYPICAL IP MIX

- MNS: 54%
- MSM: 7%
- FNS: 36%
- FSM: 3%
Initial Mix - Occupation

PSP MIX

- 46%
- 39%
- 10%
- 5%

TYPICAL IP MIX

- 60%
- 21%
- 9%
- 10%
Initial Mix - Deferred Period

PSP DP MIX
- 13% (0)
- 23% (1)
- 39% (4)
- 25% (4+)

TYPICAL IP MIX
- 0% (0)
- 22% (1)
- 78% (4+)

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Initial Mix – Payment Period

PSP

IP

Budget  Full
The challenges of being first
Some cautionary tales
PSP was the first mainstream manual occ product

- Manual occupation products had been the mainstay of smaller friendly societies
- Opening this market up revealed significant differences to the traditional IP market
PSP is sold by both traditional specialist IP brokers as well as brokers new to the IP market.

‘Most sports have some element of risk, and *injury is always a possibility.*’

**Tommy Searle,**
*British Motocross GP Rider*

Love sports? Protect yourself and your family with our specialist sports insurance. Get Totally Covered today.
Sales approach and focus was different to traditional brokers
Broker experience was variable
Avocations were a significant indicator of experience
Benefit design influenced claims experience

Experience at monthly benefit of £1000 was significantly worse than other sums assured.
Practical challenges
Claims handling

- PSP sold significantly better than expected
  - Claim volumes were therefore also higher than expected
Claims handling

• Given the different profile of customer, our claimants were also different
• Significant material non-disclosure was found
• Hours worked was in fact difficult for claimants to prove

• New claims procedures were developed to improve customer experiences and manage risk in the portfolio
The Future
Potential and risks for the product
Emerging Risk – Universal Credit

Any Individual IP benefits a person receives when making an Individual IP claim will reduce their UC entitlement £1 for £1
Emerging Risk – Universal Credit

We do not know:

- if, or when, someone will make an IIP claim
- the nature, severity and duration of their incapacity
- what their household circumstances will be at that point
- what Universal Credit rules and amounts will be in place.

Prospects of UC penalty becoming reality

The shortcomings of state benefits

- rules are being tightened and amounts reduced or withdrawn
- only provide ‘basic’ support
- can involve lengthy application processes, with high bars for qualification (and reassessment)
- welfare benefits stigma.
What’s coming over the hill

Income Protection

- Benefits are linked to income and circumstances
- Certainty of contract and benefits
- Own occupation definition
- 9 out of 10 claims paid
- Added value services during contract and at claim.

- A negative message for IP
- Doing the right thing & the spectre of penalty
- Potential for significant overlap and Irrational behaviour
- Less resilient, more on benefit & toxic tarnish
The need for IP is growing

- The workplace is changing, there are nearly £5m self employed and about another £2m with zero hours contracts or in the gig economy
- The support from the state is increasingly limited and is becoming more and more uncertain
- PSP has confirmed that there is an awareness and an appetite for this type of product
- Launching a new product into a new market was always going to be challenging.
- Monitoring and adjusting design and processes have ensured success for both the customer and the company.
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.