Managed Death Benefits

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Traditional Management of Risk

- Risk is management throughout the life of the policy
Traditional Management of Risk

Policy Inception
- Application
- Underwriting
- Classification of Risk

Policy Lifetime

Claims Stage
- Product Design
- Claims Underwriting
- Claims Management

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Worksite Wellness Programmes

- Developed to manage absenteeism and healthcare costs
- Focus on managing risk before a claim occurs
- An Example:
  - Johnson and Johnson Health and Wellness Programmes
  - Relaunched in 1995
  - Health assessment
  - High Risk Intervention Programmes
  - Education and Self Responsibility
- Reference
Financial Incentives
Preventative Care
Health Education
Drug & Alcohol Awareness
Ongoing Awareness
Specialist Programmes
Management of Risk Factors
Risk Identification
Intervention
Heath Screening
Nutrition
Tobacco Use
Vehicle Safety
Blood Pressure
Cholesterol
Diabetes Risk
Worksite Wellness Programmes

- **Review of Results**
  - Reduction in the prevalence of risk factors
  - Reduction in disability days
  - Reduced absenteeism
  - Reduced disability costs

- **Can this be translated to benefits for Individual Life policies?**

- **South African Examples**
A paid program
- Gold, Silver and Blue status
- Accumulate points to get better status
  - Gym
  - Movies
  - Health screening tests
  - Use of internet
  - Weight loss programs
- Status linked to premium discounts, lengths of guarantees

“Up to” 20% discounts
• Choose to belong to the program

• Upfront medical assessment of active rating factors
  – Cholesterol, Blood Pressure, etc

• Review every 3 years

• Discounts from 5% to 25% on all life insurance products

• Further annual discount based on a Body IQ fitness assessment

• Higher premium payback
Comparison to Worksite Programmes

➢ Similarities to Worksite Programmes

➢ Focus on management of risk factors before a claim occurs
➢ Focus on health screening
➢ Focus on education
➢ Focus on self responsibility

➢ But not employer based – no direct link to worksite
Comparison to Loyalty Programmes

- **Similarities to Loyalty Programmes**
  - Incentive based
    - Reduced gym membership
    - Discounts for health related activities
    - Non-health related savings eg. Special travel offers
  - Discounts depend on use of related benefits
  - Discounts increase if additional company services are taken up

- **Discounts offered on Life & Health insurance premiums**
Key Advantages and Disadvantages

**Advantages**
- Risk can be managed during the term of the policy
- Additional information on in-force lives
- Potential to price competitively
- Price differentiation at a detailed level
- Reduced prevalence of risk factors
- Customer loyalty initiatives
- Impact on lapse rates
- Cross-selling opportunities
- Sales may benefit

**Disadvantages**
- Complex
- Systems may be difficult to set up
- Difficult to set up in stages
- Loyalty partners
- Focus on healthy lives only
Chronic Disease Programmes

- Focus on ONGOING risk management
  - Can be easily translated to Life Insurance
    - Diabetes
    - HIV/AIDS
  - Management of condition should result in lower mortality / morbidity
  - Policies can be issued whereas lives may be declined under standard
  - Discounts can be offered based on maintaining key

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Number of Diabetics (WHO 2000)
UKPDS: Association of Glycemia and Mortality in a Diabetic Population

![Graph showing the association between mean HbA1c level and mortality rates. The graph illustrates the adjusted incidence rate for all cause mortality and diabetes related mortality across different HbA1c levels.]
➢ Product developed specifically for Diabetic lives
   ➢ HbA1c monitoring is required
   ➢ Cover may be suspended if the life does not control blood glucose levels
   ➢ Potential to offer cover more CHEAPLY than standard products

➢ Key Issues include:
   ➢ Systems required to monitor adherence
   ➢ Limited information available for pricing
HIV Positive Product

- Generally HIV Positive lives have low life expectancy
- But, Anti-retroviral treatment has resulted in reduced morality
- Success depends on adherence to treatment

Translating this to Life Insurance

- Adherence to treatment protocol must be monitored
- Effectively, this implies continuous underwriting throughout the policy in terms of adherence
- CD4 Cell Count & Viral Load are measurable outcomes
- Cover reduces if lives are non-adherent
Key Benefits

- Products can be offered more cheaply than otherwise
- Products can be offered to lives who may have otherwise be declined

But

- Adherence requirements must be objective and fair
- Systems to monitor ongoing compliance are needed
Conclusion

- Traditional risk management tools do not manage risk in the period between policy inception and claim.

- Programmes to manage this risk do exist:
  - Health monitoring incentives for Standard/Healthy lives
  - Chronic disease management programmes for Sub-Standard

- Key Issues include:
  - Product design is complex
  - Comprehensive design may be needed
  - Limited information available for pricing
  - Systems requirements may be onerous
Questions
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