

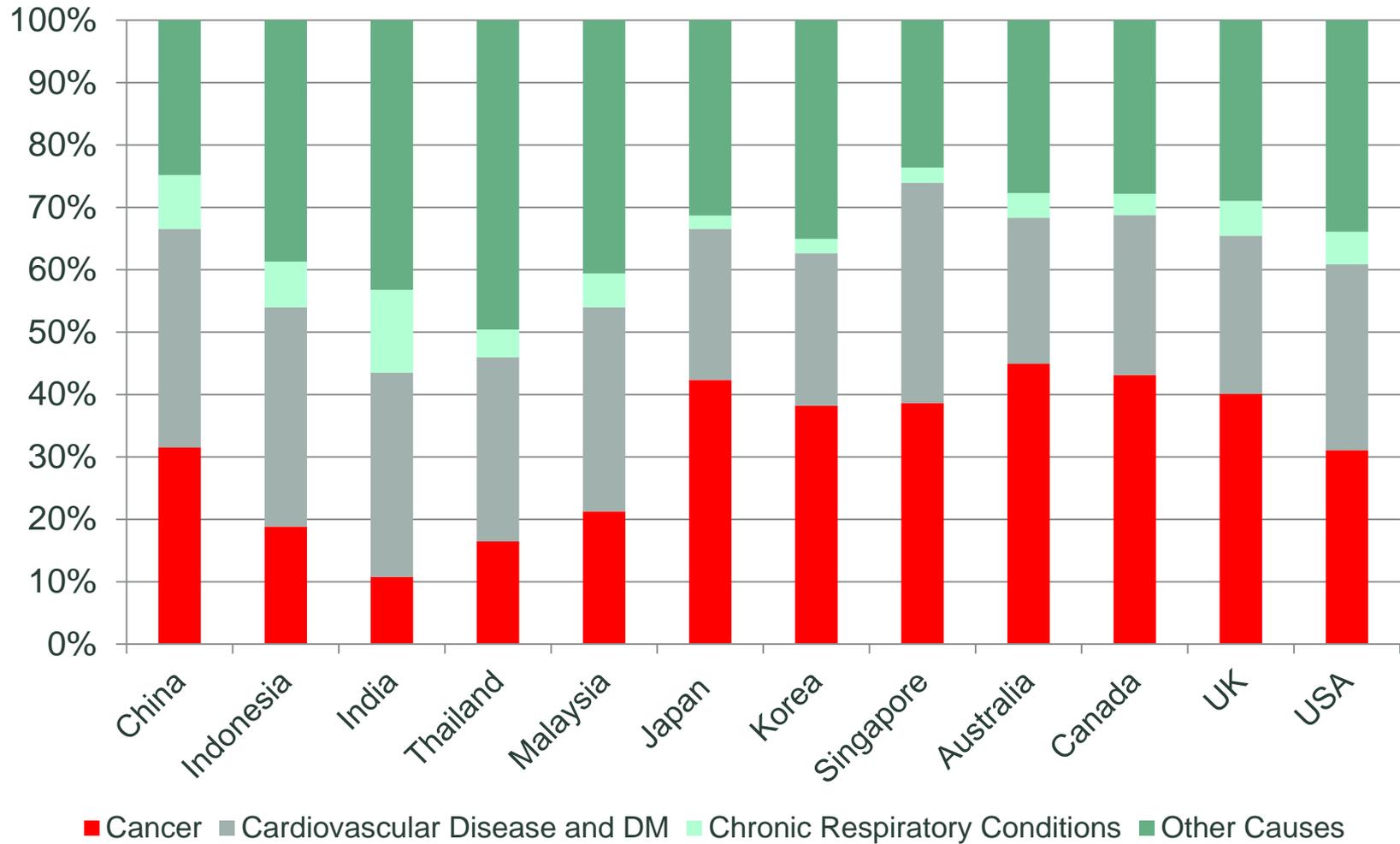
Winnie Ching, FIA
Director, Health Solutions Asia, Swiss Re Singapore

**Cancer Insurance –
The Road Travelled and Opportunities for India**

16th Global Conference of Actuaries

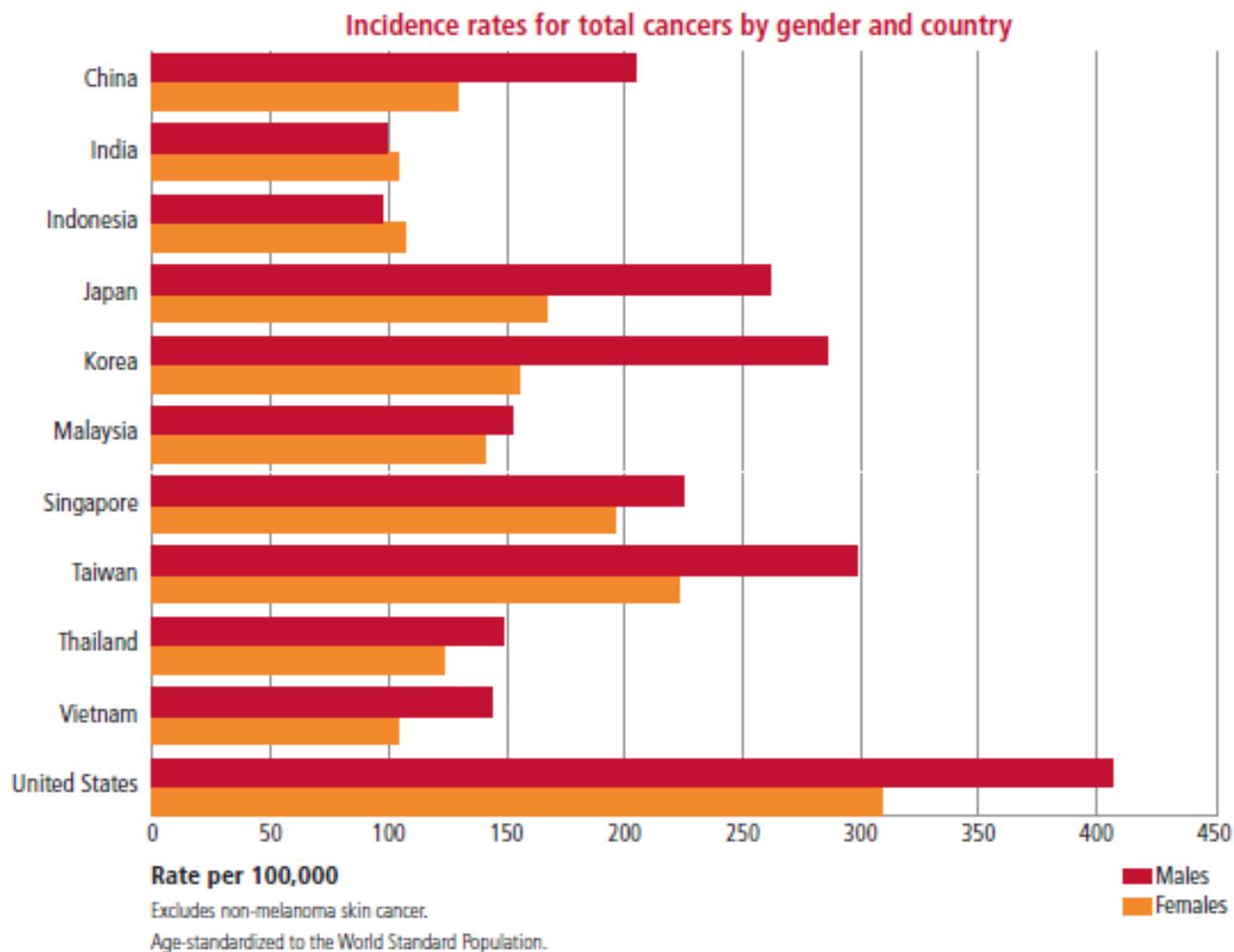
17th – 18th Feb, 2014 Mumbai - India

Cancer is a leading cause of death for all countries...



Sources: World Health Statistics 2012, WHO

Higher incidence is observed in the developed countries owing largely to screening and lifestyle

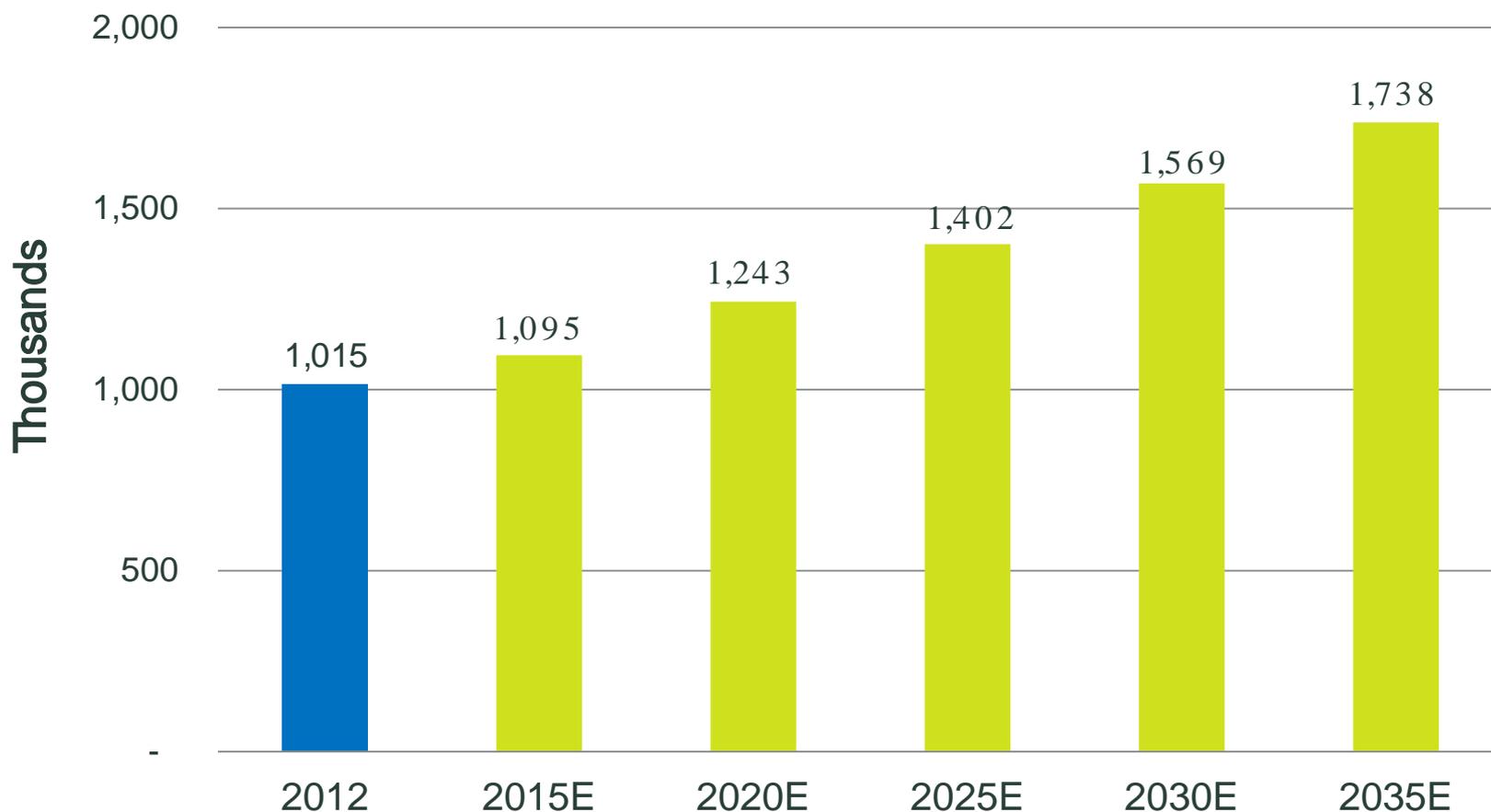


Source: The Burden of Cancer in Asia, Pfizer 2008

...new **cancer** cases are projected to rise to 17 million by 2020, and almost half of the world's new cancer cases will occur in Asia...



The number of new cancer cases in India is expected to increase by 70% by 2035



Sources: Global Burden of Cancer Studies, GLOBOCAN, WHO, 2012

Case Study : Insurance Cycle of Korean Cancer Product

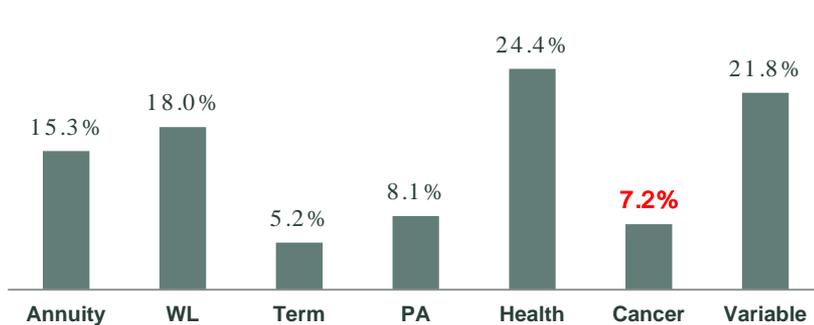
Korean Cancer Product – Background

- First cancer product launched in 1988
- Covering cancer death, cancer surgery and cancer hospital cash, but no lump sum diagnosis benefit
- Early 1990s – competition drives addition of lump sum diagnosis and outpatient benefits
- Total number of cancer policies in life insurance industry :
 - ~ 7.2million as at 2009
- High persistency of existing policyholders
 - Cancer product has the highest rate of persistency among all product lines (5.7% lapse for duration year 5, during the period of 2003 – 2007)

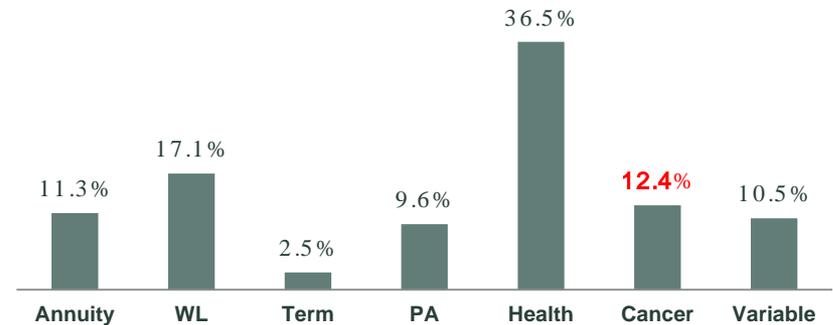
Korean Insurance Business Mix by Products

Product type	Number of New business			Number of in-force business		
	2007	2008	2009	2007	2008	2009
Annuity	1.4 million	1.5	1.3	6.0 million	6.5	7.0
Whole Life	1.7	1.7	1.6	9.6	9.7	10.1
Term	0.6	0.4	0.5	1.4	1.4	1.6
Accidental	1.1	0.8	0.4	6.3	5.1	5.2
Health	2.4	2.1	2.3	21.0	20.8	21.2
Cancer	0.7	0.7	0.6	7.1	7.2	7.2
Variable	2.1	2.3	1.7	5.1	6.3	6.7

New business Portfolio from 2007~2009



In-force business Portfolio from 2007~2009



Source: Korea Insurance Development Institute (KIDI)

Korean Cancer Product – Experience

- Late 1990s to Early 2000s – bad claims experience eroding overall company profits
- Industry risk premium loss ratios : Claims Paid / Premium Received

Year	Diagnosis	Surgery	Hospitalisation
2005	111.9%	196.5%	100.0%
2006	115.6%	195.9%	102.0%
2007	120.6%	202.6%	102.4%
2008	128.3%	213.8%	103.2%
2009	133.5%	221.8%	102.0%

Source: KIDI

Korean Cancer Incidence – All Sites



Source: KIDI

Underlying Reasons for Deteriorating Experience

Macro Issues

- Advancement of medical technique
- Awareness of the general public: National Cancer Campaign
- More provisions / higher utilisation of the medical facilities
- Change in lifestyle / dietary habits see higher incidence in colon cancer

Product Design and Pricing Issues

- Windfall claims from Early Thyroid Cancer (ICD code C73)
- Use of reference rate with little flexibility in setting premium rates or allowing for trends
- Policy term typically up to age 80, on a level guaranteed gross premium basis locked in unprofitable, low lapse business

Korean Cancer Product – Market Reaction

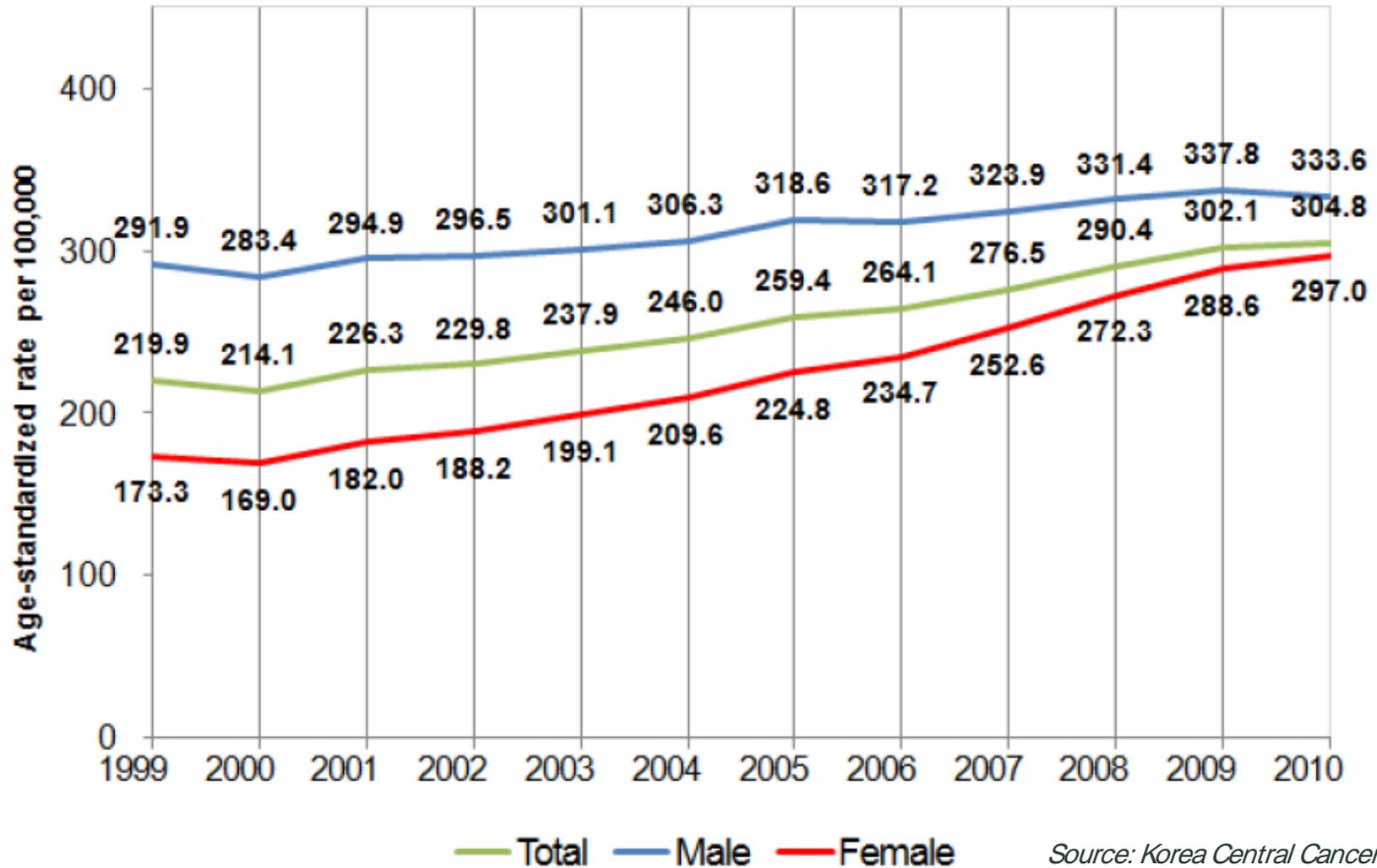
- Following the burn, insurers repositioned their cancer offering, some even withdrew from market
- No of life companies selling standalone cancer products

Year	2006	2007	2008	2009	2010
# Companies	16	11	9	6	7

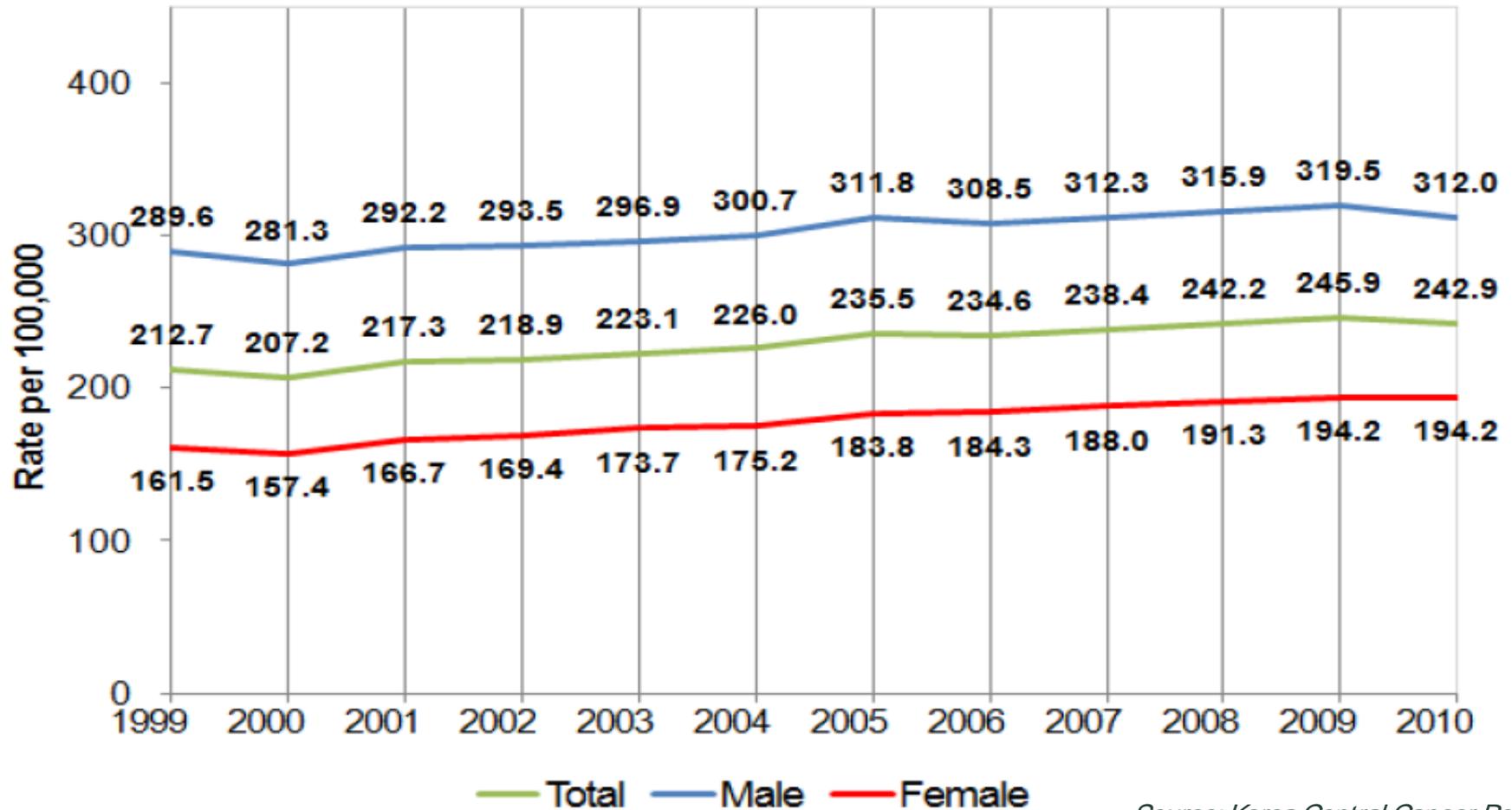
- As at September 2010
 - 3 companies (re)started offering renewable cancer products
 - 4 offers long term guarantee
 - the rest including market leading companies provide only cancer riders

The end...

Cancer Incidence Trends – All Sites



Excluding Thyroid Cancer...a Stabilising Trend?



Source: Korea Central Cancer Registry

The next 'Thyroid' Cancer?

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average trend
All	214 / 100,000	226.3	229.8	237.6	245.6	258.8	263.2	275.0	286.8	3.3%
Stomach	44.1	45.8	45.4	45.0	42.9	46.1	44.5	43.3	43.8	Δ0.4%
Liver	27.6	28.2	27.3	26.7	26.4	26.6	25.2	25.0	24.5	Δ1.9%
Lung	28.2	28.7	28.9	28.2	29.1	29.4	29.0	28.6	28.1	0.0%
Leukemia	4.2	4.5	4.7	4.5	4.6	4.5	4.7	4.6	4.8	0.8%
Colon	21.8	23.7	25.5	27.6	29.3	31.7	33.1	34.2	35.1	6.3%
Breast	12.4	14.6	16.0	16.4	17.1	18.4	19.2	20.5	21.3	6.4%
Prostate	2.7	3.6	3.9	4.8	5.9	6.3	7.2	8.5	9.6	14.9%
Thyroid	6.9	9.1	10.9	14.8	20.0	23.9	29.4	37.9	47.6	25.5%

Source: Korea Central Cancer Registry

How are things done differently now – Setting of Cancer Definitions

	2002	2006~		2009~
	Excluding skin cancer from the cancer definition	Excluding thyroid cancer from the cancer definition	Reduced breast cancer benefit within 180 days or 1 st policy year	Cancer types grouped by considering risk
Change benefits	<p>Example :</p> <p>In terms of other skin (C44), company pays 10% of normal cancer benefit</p>	<p>Example :</p> <p>In terms of thyroid (C73), company pays 10~30% of normal cancer benefit</p>	<p>Example :</p> <p>When breast cancer occurs within 90-day waiting period, 10% of normal cancer benefit is paid</p>	<p>Example :</p> <p>Normal cancer 100% Female genital-related cancer : 40% of SA Male genital-related cancer : 40% of SA</p>

India Cancer Definition Exclusions:

- Papillary micro - carcinoma of the thyroid less than 1 cm in diameter
- All tumours of the prostate unless histologically classified as having a Gleason score greater than 6 or having progressed to at least clinical TNM classification T2N0M0

How are things done differently now...

Sensible Product Design

- Shortening the policy term : shorter term renewable with less guarantee
- Reducing per life coverage, average industry SA is KRW 30 m (USD 28 k)
- Varying benefit amount by cancer type / site
- Reduced SA/ ROP only in the initial policy years
- Surgical/ Hospitalisation benefits only offered as minor benefits

Pricing Approach

- Companies' own experience in the most recent 3 years
- Not allowed to price in consideration for future trends of deterioration but safety loading allowed

Korean Cancer Product – Current Offering

- Generally a more cautious approach to this line of business
- Re-launching of cancer products: 15+ life insurers selling standalone cancer products:
 - 10+ companies offering renewability up to age 80 or above (up to 100/ WOL)
 - some with long term guarantee (>20 years)
 - More players, if including non-life insurers

New Grounds in Not-So-New Markets

New Market Segment

- Korea – Silver Cancer launched 2012 specifically for the greenfield 60+ market
- Tailored underwriting rules to accept lives with uncomplicated chronic conditions
- 5 players launched to date, and more to come

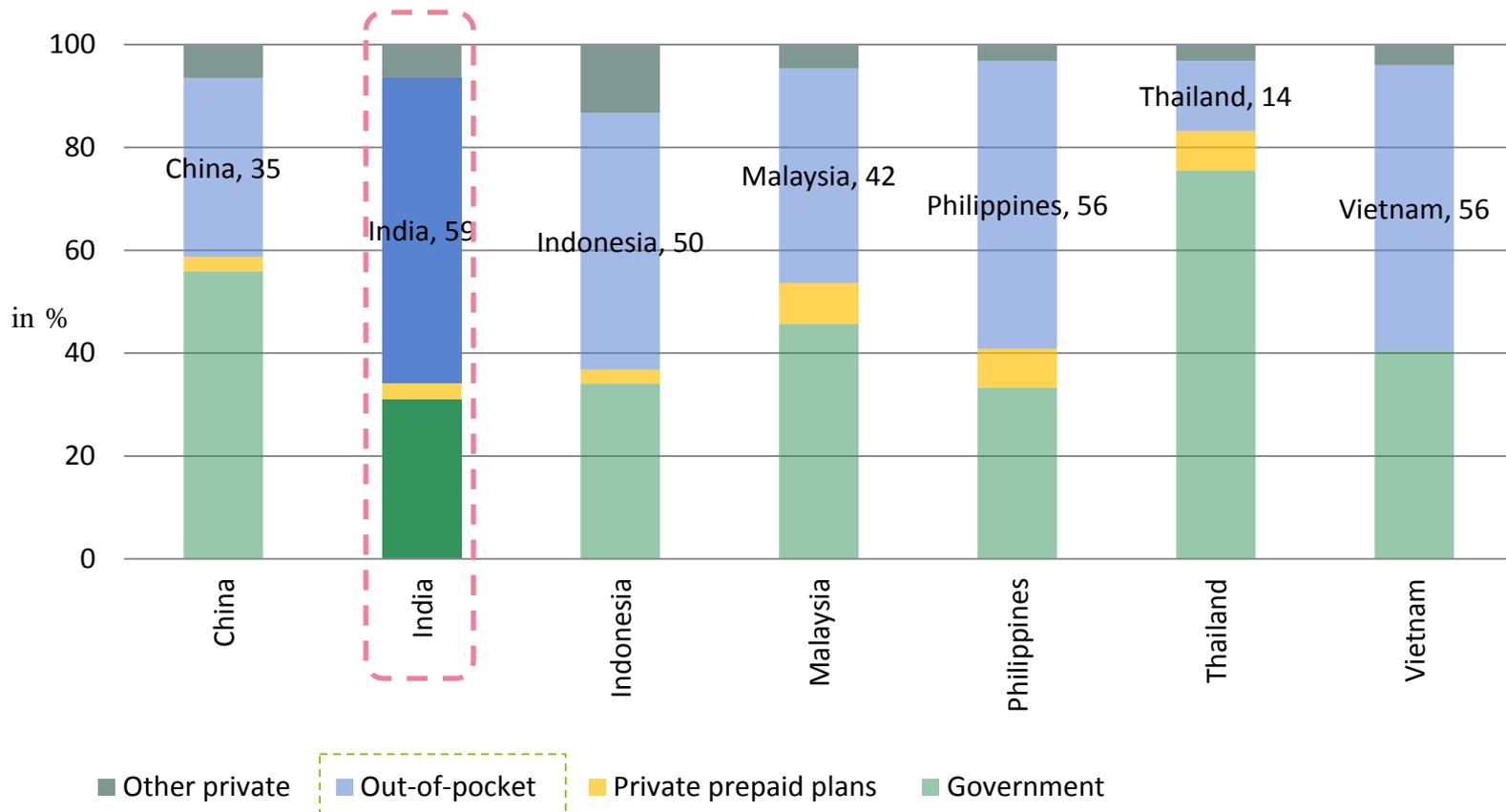
New Partnerships

- Collaboration with stakeholders in healthcare not traditionally involved in insurance solutions formulation
- Partner with pharmaceutical companies in raising consumer awareness, education, provision of value added services...

What does this mean for India?

Proportion of healthcare expenditure from out-of-pocket is among the highest in Asia

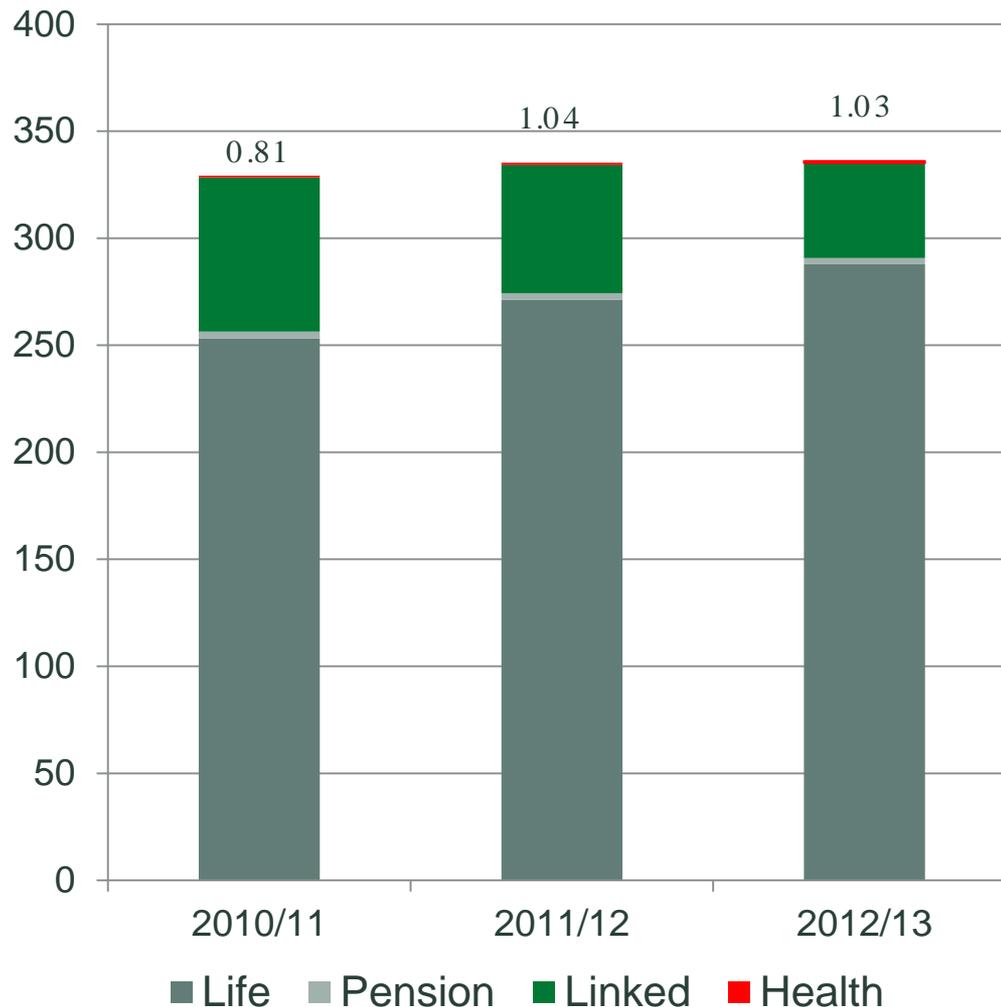
Total healthcare expenditure breakdown in 2011



Sources: World Health Statistics 2013, World Health Organisation; Swiss Re Economic Research & Consulting

India Health Insurance Penetration

Individual Business – Number of Policies IF (in millions)



Health Premium written by Non Life companies 2012/13 :

INR 140b (USD 2.3b)

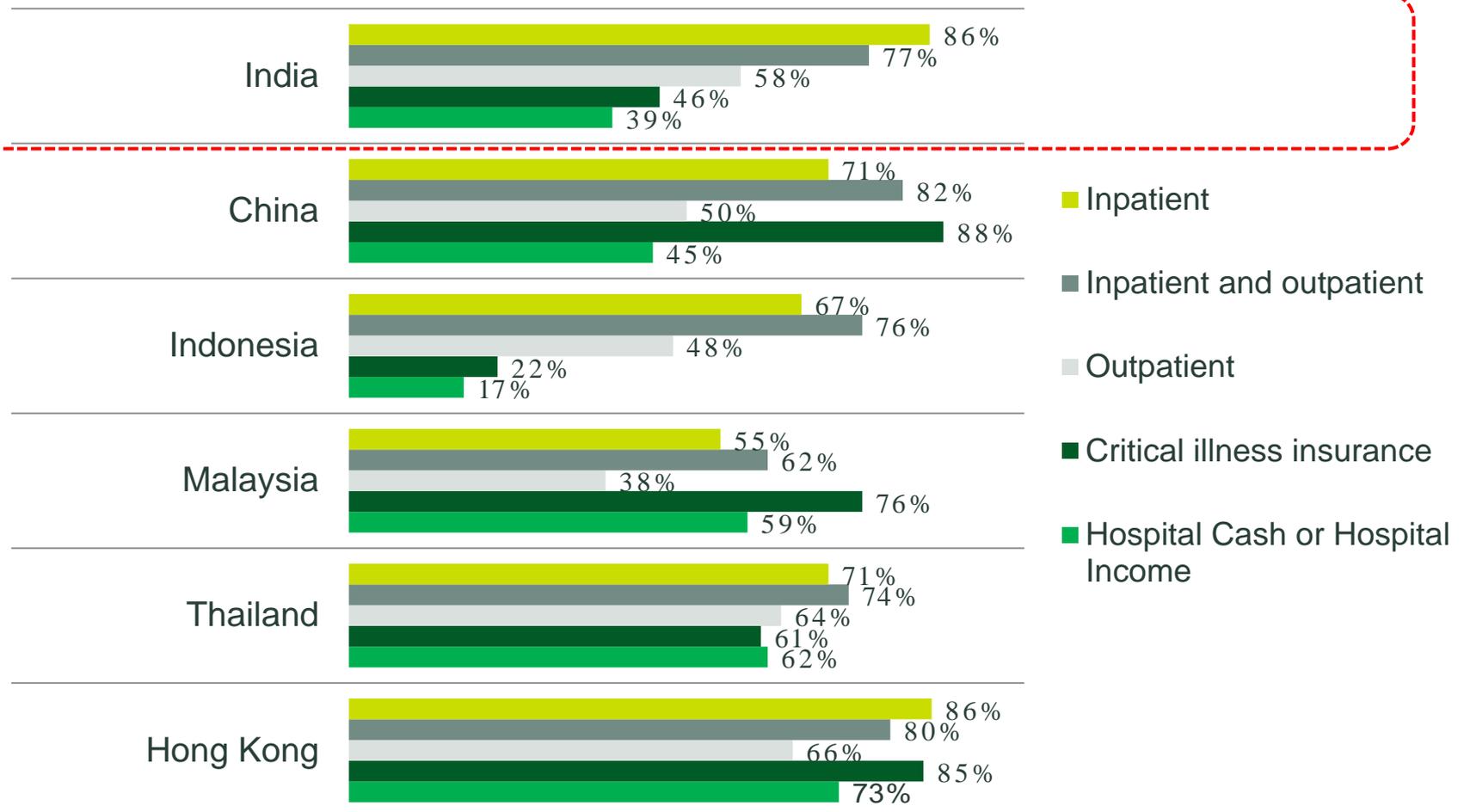
Total Gross Premium Income written by Life companies 2012/13 :

INR 2,872b (USD 47.9b)

Source: IRDA Annual Report 2012/13

Indian respondents have comparable level of product awareness to other markets...

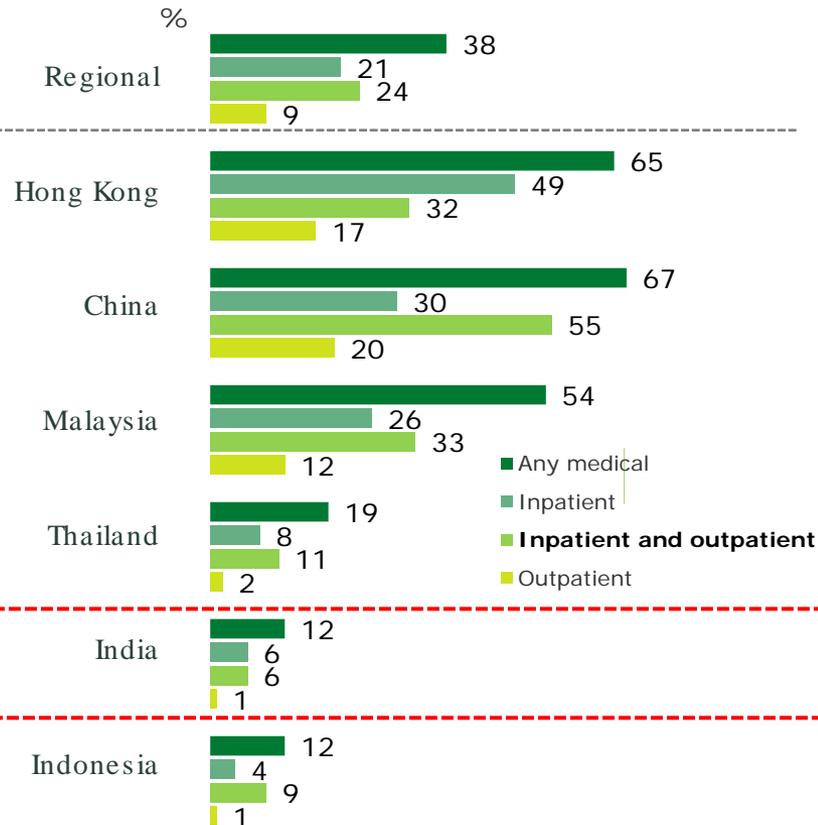
Insurance product awareness



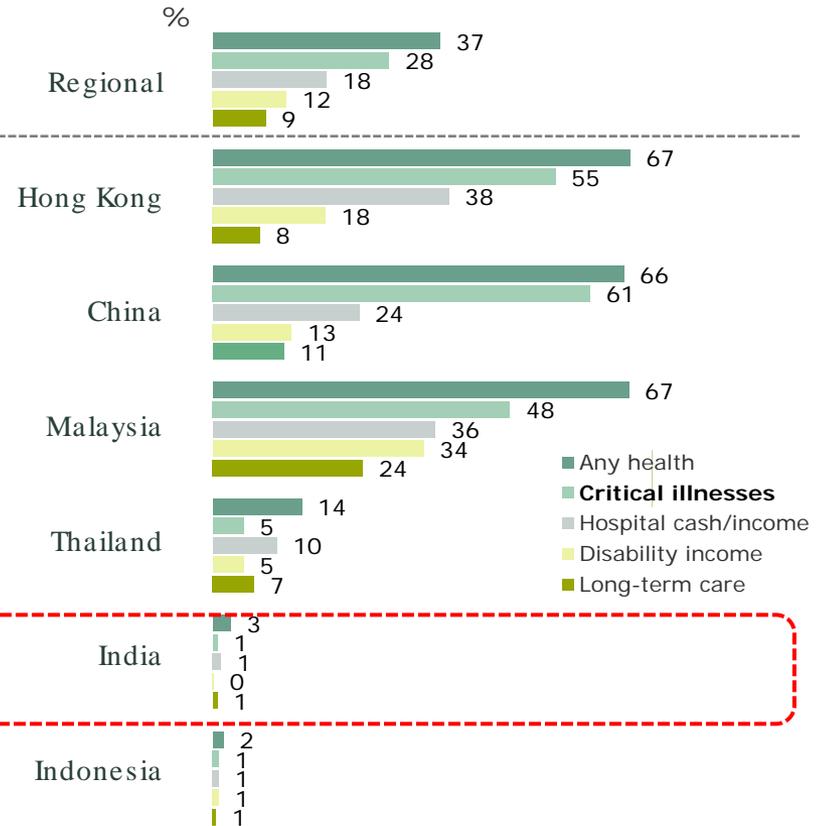
Actual ownership of health / medical insurance policies is very low

Insurance product ownership – Personal

Medical reimbursement insurance



Health insurance



Source: Medical Insurance Consumer Survey 2013, Swiss Re Asia Medical Solutions

Indians expressed the highest level of reliance on family to support their medical expenses...

Source of funding for current medical expenses



Source: Medical Insurance Consumer Survey 2013, Swiss Re Asia Medical Solutions

Health protection insurance is still in its relative infancy in India...

Largely unmet consumer needs and growing economies creating strong potential for increased penetration ...

Where do we start?

We did! More than a decade ago...

"Insanity: doing the same thing over and over again and expecting different results."

Albert Einstein

Why are Critical Illness / Cancer not selling well?

- Distribution : Will and Skill
- The *BEST* product in the market?
- Simple \neq Easy
- Modular approach



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