

Swiss Re



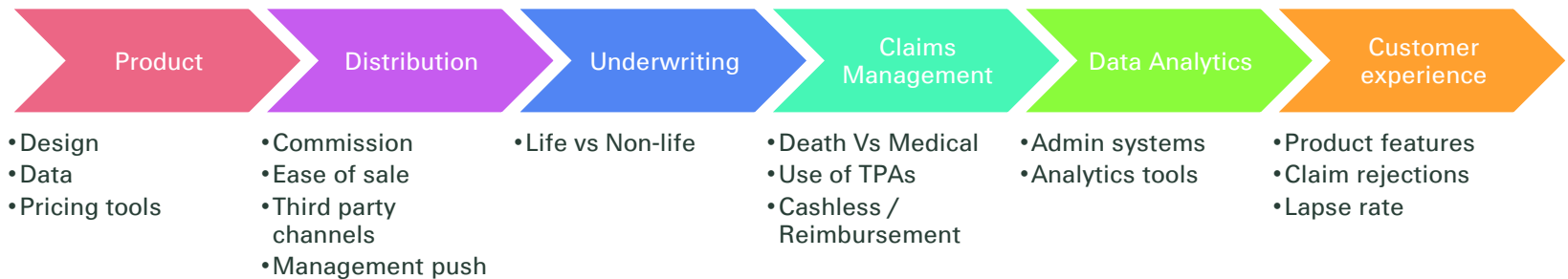
Issues related to health insurance products sold by life insurers



SWISS RE
150
YEARS

Agenda

- Market overview
- Issues



- Possible solutions
- Q & A / Comments



Market Overview

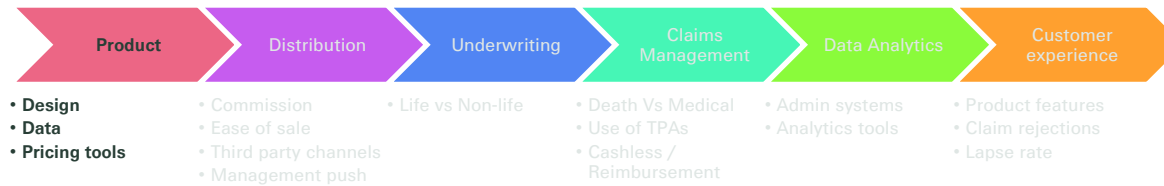
Market overview

- Year ended 31 March 2013
 - Non-life companies
 - Wrote health premiums of INR 15,000 crores
 - Of which individual premiums were about INR 6,000 crores
 - Health business second to Motor
 - Growing at upwards of 15% per annum
 - Life companies
 - Approximate estimates only available
 - Had an in-force health premium of less than INR 500 crores
 - Frequent press about potential growth in this area

Sourced from IRDA reports and Public Disclosures



Issues

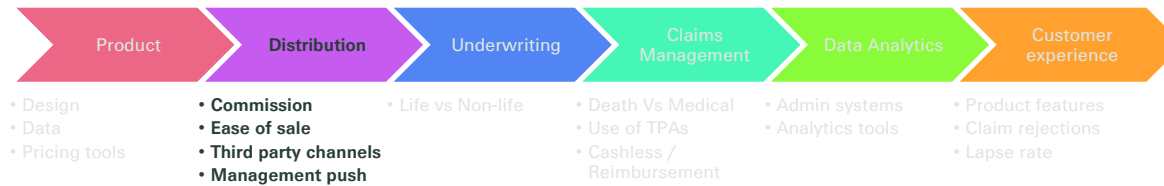


■ Design

- Relatively late entrants into market
- Perceived high risk and so "safe" design features preferred
 - Individual rather than Group products
 - Started off with Critical Illness/Hospital/Surgical Cash
 - Now trending to indemnity
- Stand-alone Vs Rider Vs Savings linked
- Family policies Vs floaters
- Longer term guarantees

■ Data & Pricing

- Living benefits, shorter term
- No past experience or existing pricing tools/software



■ Commission

- Average premium size
- High initial and much lower renewal

■ Ease of sale

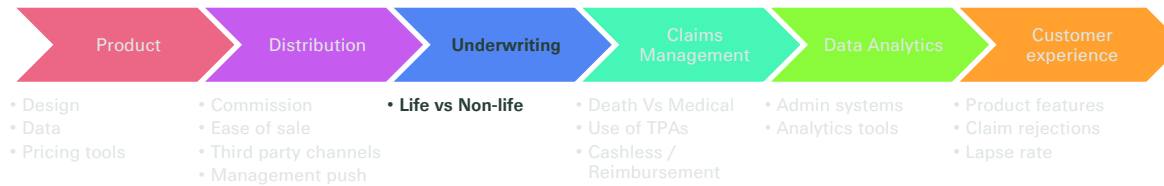
- Need to talk about "protection"
- More features to explain
- And some waiting periods/exclusions as well

■ Third party channels (Banks, Corporate agents, Brokers)

- May be used to selling non-life versions
- JV compulsions

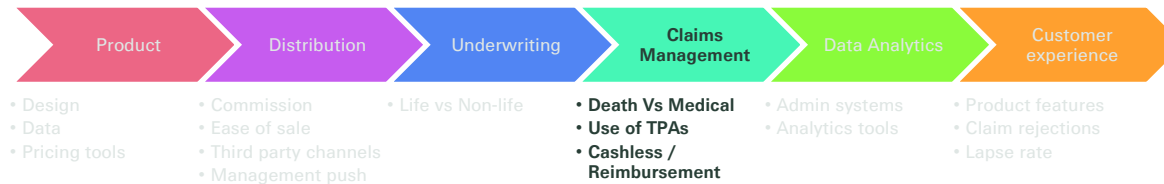
■ Management push

- NB margins and volumes



■ Life vs Non-life

- Philosophy
 - Assess in detail, call for further requirements, OR/Rate up/Decline (Life)
 - OR/Decline/Loading for HT, DM and Chol (Many non-life)
 - Somewhere in between (Other non-life)
- Pre-Existing Diseases
 - Can accept with a rate-up
 - Can accept with a lifetime exclusion instead of decline (New regs??)
- Application forms/ NML / Medical screening
 - Most use the age 45 cut off



■ Death Vs Medical

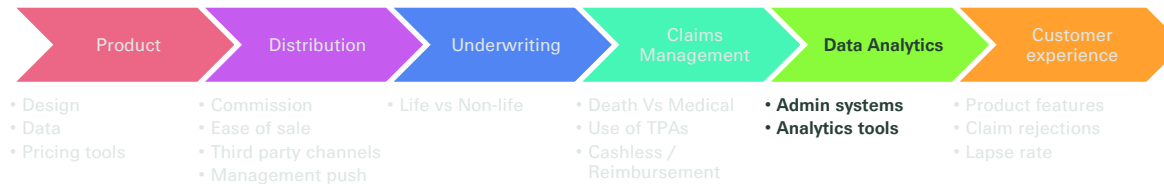
- Fixed benefit once Vs variable benefit multiple times
- Need for significant medical opinion at claim stage
- Interaction with hospitals – at pre-auth and claim stage

■ Use of TPAs

- Access to expertise – medical, claim adjudication and market standard
- Access to network of hospitals
- Complications if multiple TPAs used
- Trend seems to be to take this back in-house

■ Cashless / Reimbursement

- Many do not offer cashless
- Long lags between claim occurrence, claim reporting and actual payment

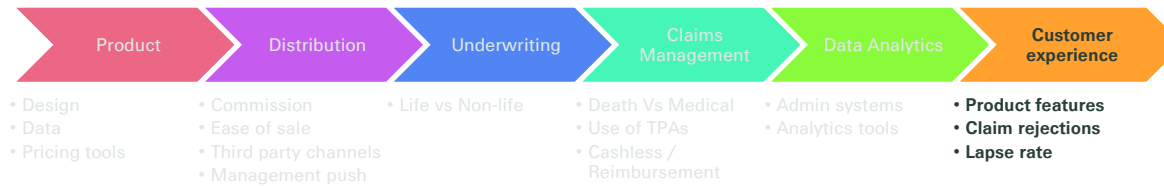


■ Admin systems

- Significant upgrade required to accommodate claims
- Particularly complex to import TPA data
- Rate guarantees can complicate premium tables

■ Analytics tools

- Need to pick up early signs of any issues
- Frequent monitoring of experience required – quarterly at least
- Multiple dimensions to be seen
 - Disease burden
 - Hospital behaviour
 - TPA management
 - Portfolio performance (A/E analysis)
- Enable advanced analytics – GLMs etc



■ Product features

- Used to "medicclaim" (pays for everything)
- Power of "fixed benefit" not understood usually

■ Claim rejections

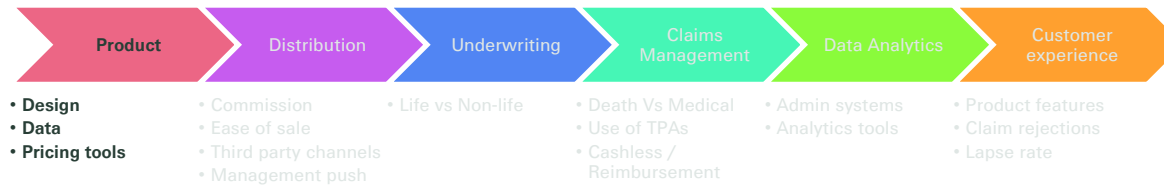
- Usually due to policy conditions (poor sales process?)
- Fixed benefits (claim amount much higher / lower than expected)
- Reimbursement claims can get messy

■ Lapse rate

- Significantly high lapse rates on medical products

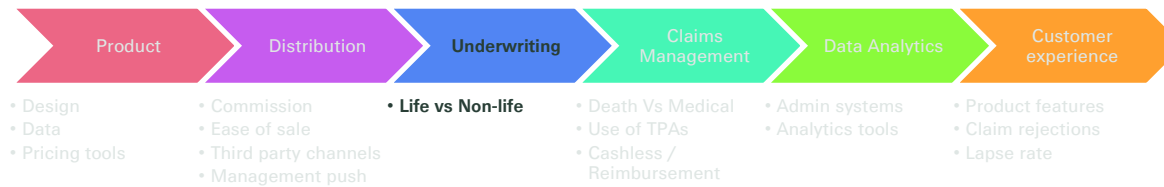


Possible solutions



■ Design

- Need differentiated products
 - Savings linked products can play to strength
 - Fixed benefit products serve a key need
 - Regulations require guarantees



■ Life vs Non-life

- Better Point of Sale experience
 - Automated underwriting engines
- Better access to Third Party databases
 - Predictive underwriting tools

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Thank you

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