



Swiss Re



Staying ahead and in control

Global underwriting trends

Key global developments

- Regulatory challenges
- Speed, efficiency and growth
- Older, bigger, sweeter
- The rise of the global wealthy
- Unbundling of the value chain
- Changing role of the risk professional





Agenda

- Regulatory challenges
- Speed & Efficiency
- Unbundling the value chain
- Changing role of underwriting & claims professional



Regulatory challenges

- Started with HIV and genetics
- Spilled over to family history
 - tests regarded as having a genetic component
- Challenges pre-dominantly from Europe but is spreading:
 - EU directives on gender, age and disability
 - EU access to electronic health records
 - UK: Treating Customers Fairly (TCF)
 - Singapore: mental illness
 - US: travel ratings
 - Globally: push for non-contestability clauses





Regulatory challenges: The three issues

Discrimination

- Insurers may be unable to rate on the basis of discrimination in the areas of race, gender, sexual orientation, age, health, genetic make-up and travel, or may be required to justify any ratings they apply
- The key test may be one of proportionality

Consumer Needs

- Insurers may be unable to make certain types of enquiry into confidential information from applicants
- They may also face rules around the way such information is stored or to whom information may be passed

Entitlement

- There may be the view that access to insurance is a basic human right for all citizens to enjoy



Germans ethics council: The right not to know

“It should not be permissible, for the purposes of an insurer’s risk assessment, to require medical examinations and tests directed towards the identification of risks unknown to the proposer himself. These constitute a disproportionate encroachment on the proposer’s personal rights; in particular, they call into question his right to ignorance”

“Forcing such knowledge on a proposer is distressing, particularly if disorders that are neither avoidable nor treatable are diagnosed or predicted. Such knowledge may adversely affect the self-conception of the individual concerned, his future behaviour and possibly the planning of the entire course of his life”

German National Ethics Council, 2008



The ECJ ruling on gender: A sexless future?

- Can we still ask gender questions in underwriting?
- Can we differentiate medical tests by gender?
- Can we rate based on different lab reference ranges?
- How do we approach
 - gender specific diseases
 - family history
 - diseases with greater prevalence in one gender



Underwriting:
Born 18th century; died 2011



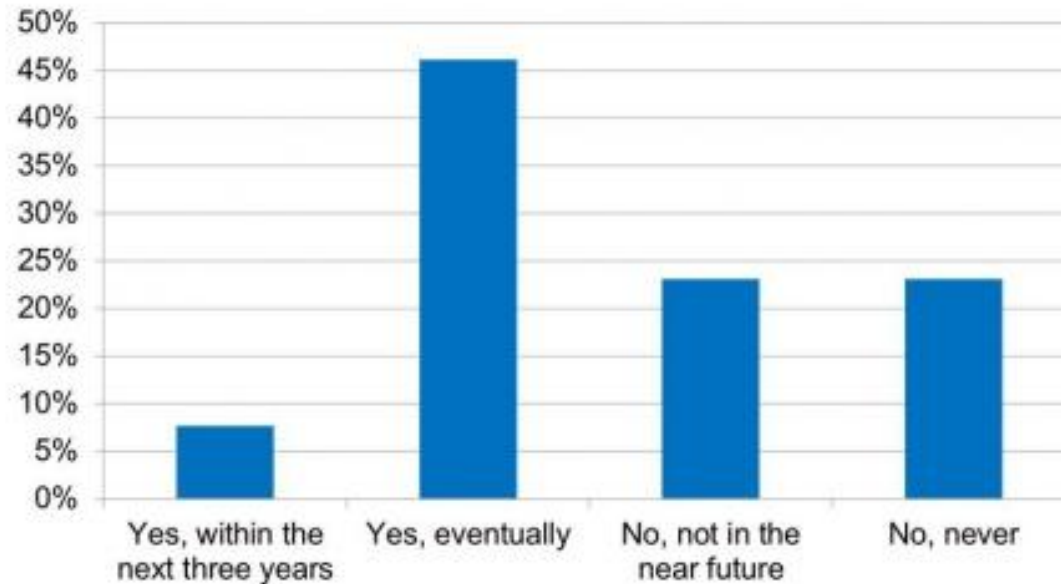
Cause of Death: Fatal blow from a Gender Directive

Identification of the assailant: Believed to be unisex



Will Age and Disability be next?

Following the recent ECJ ruling on the use of gender in financial services do you think age and disability will be next?



Source: Protection Review 2011



Positive marketing: For example: Stage 1 Breast Cancer

1995

GRADE B		ADB	WP	TPD
-Within 3 years	Postpone			
-4th year	17 per M for 5 yrs	D	D	D
-5th year	12 per M for 5 yrs	D	D	D
-6th year	12 per M for 4 yrs	2	D	D
-7th year	12 per M for 3 yrs	2	D	D
-8th year	8 per M for 3 yrs	1½	D	D
-9th year	8 per M for 2 yrs	1½	2	3
-10th year	4 per M for 2 yrs	1½	1½	2
-Thereafter	Std	Std	Std	Std

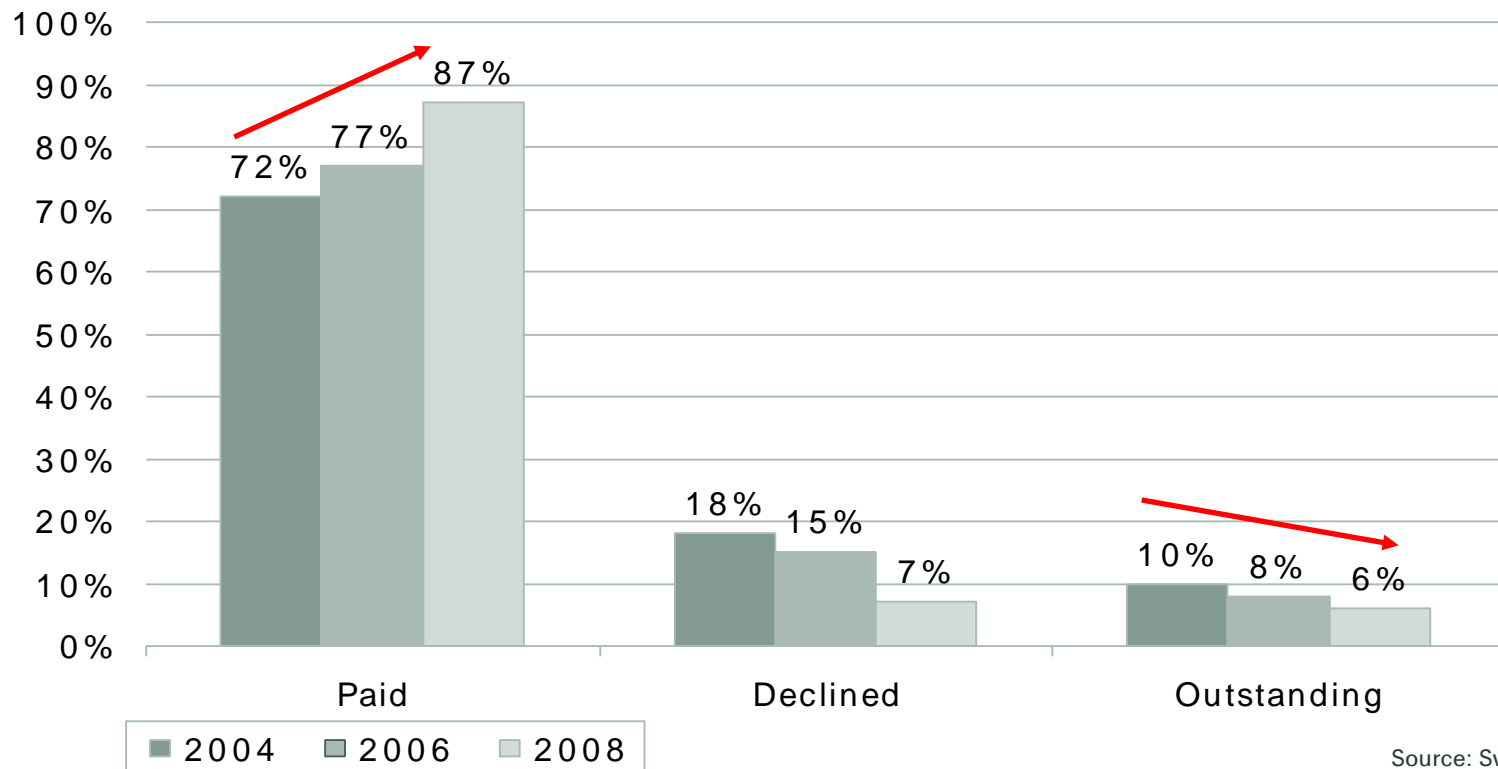
Life Guide 2010

Risk classification	Life	ADB	TPD	WOP
Years since primary treatment:*				
≤ 1	10 x 4	Std	2x	2x
1 - 2	10 x 3	Std	2x	2x
2 - 3	8 x 3	Std	2x	2x
3 - 4	5 x 3	Std	2x	2x
> 4	Std	Std	Std	Std

Positive Marketing

UK critical illness claims decisions

■ Excluding outstanding 92% are paid



Source: Swiss Re Claims Watch 2009



The industry needs to guard against this...





Speed, efficiency (and customer experience)

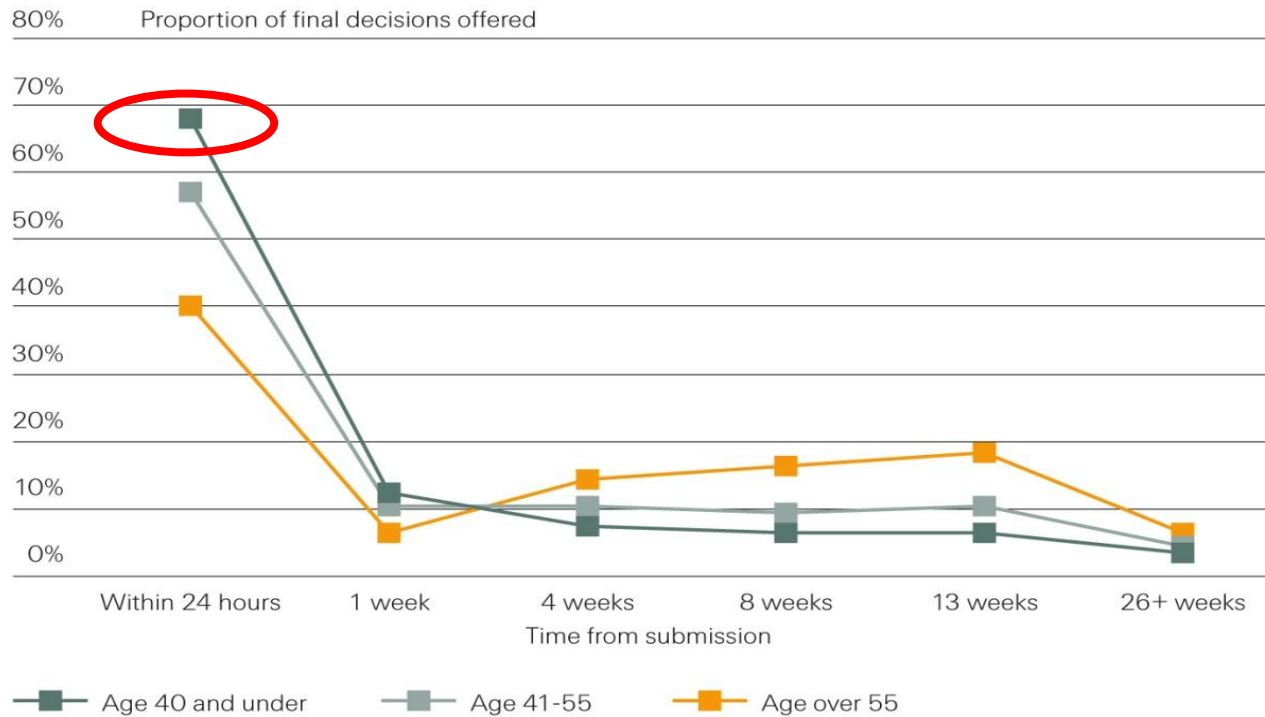
- Simplified issue in virtually all markets
- Tele-uw and tele-claims
- Automatic underwriting systems
- Overhaul of application questions and product definitions

The impact of speed

Percentage of cases with final decision offered

Figure 14

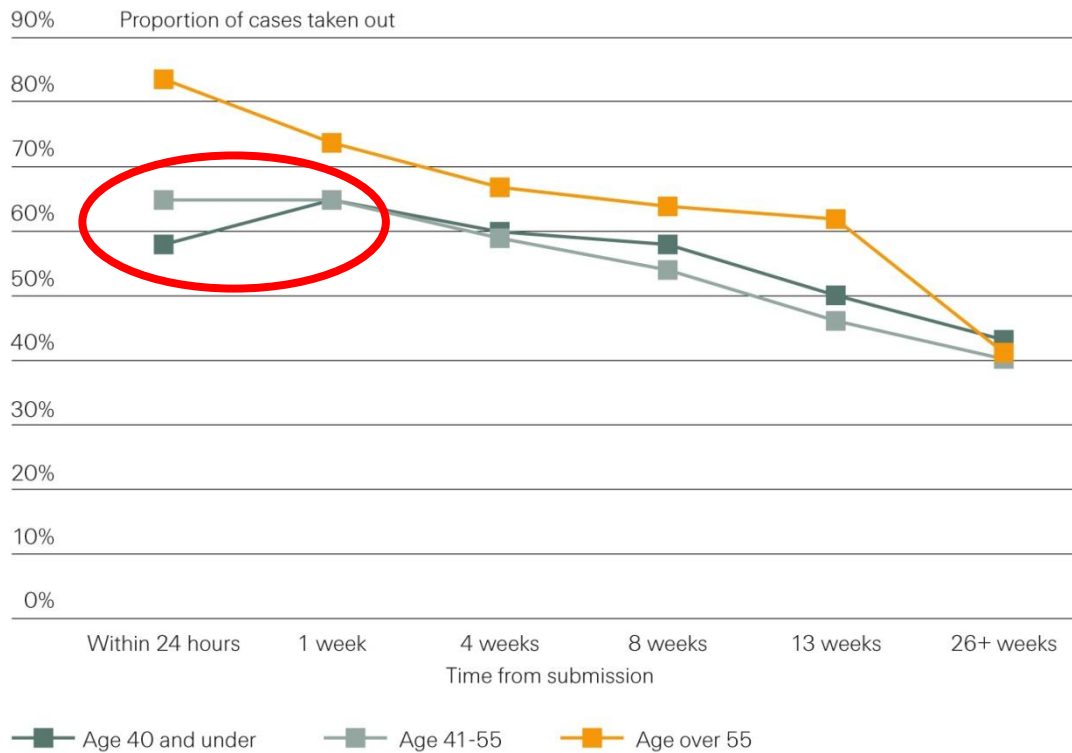
Completion rates by duration and age – life cover



Source: Swiss Re
 Underwriting Watch 2011

Proportion of cases taken up

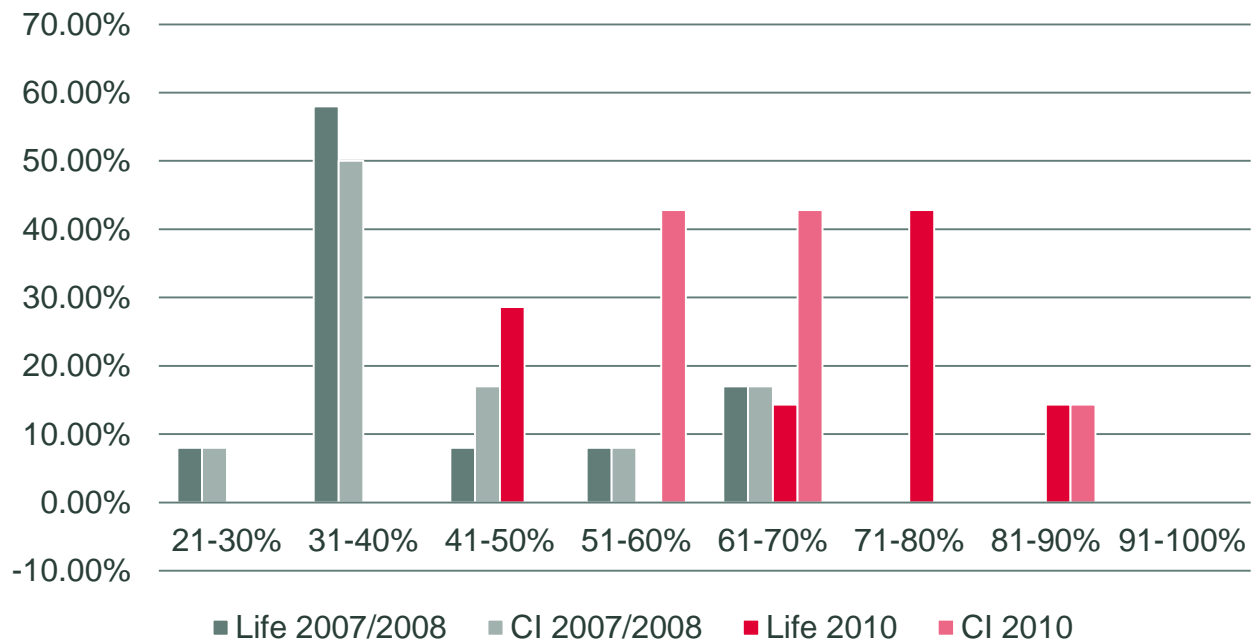
Figure 15
 Percentage of cases completed within each time period – life cover



Source: Swiss Re
 Underwriting Watch 2011



Straight through system processing

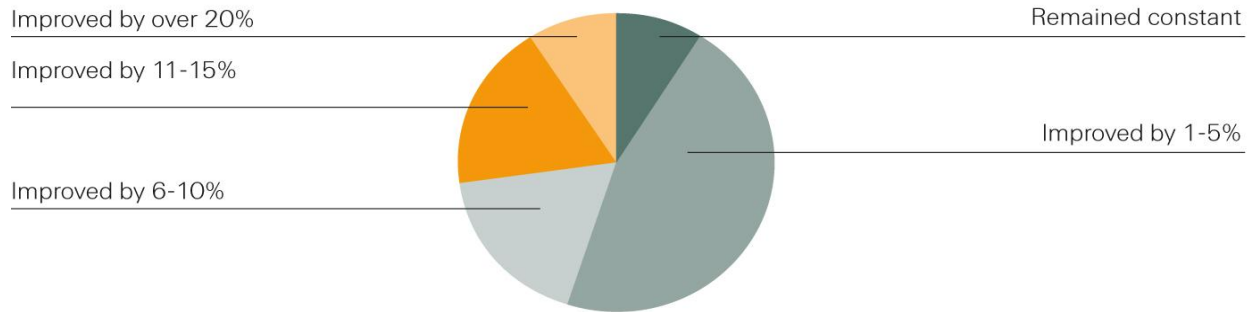


Changes in STP

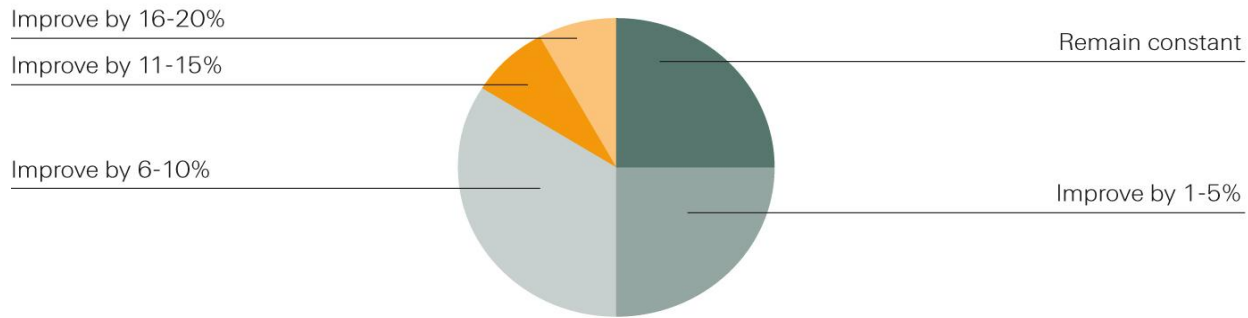
Figure 7

Changes in STP rates

How has your STP changed over the past two years?



How do you expect your STP to change in the next two years?





Time for change?

- Impact of regulatory challenges
- New data sources and interpretation



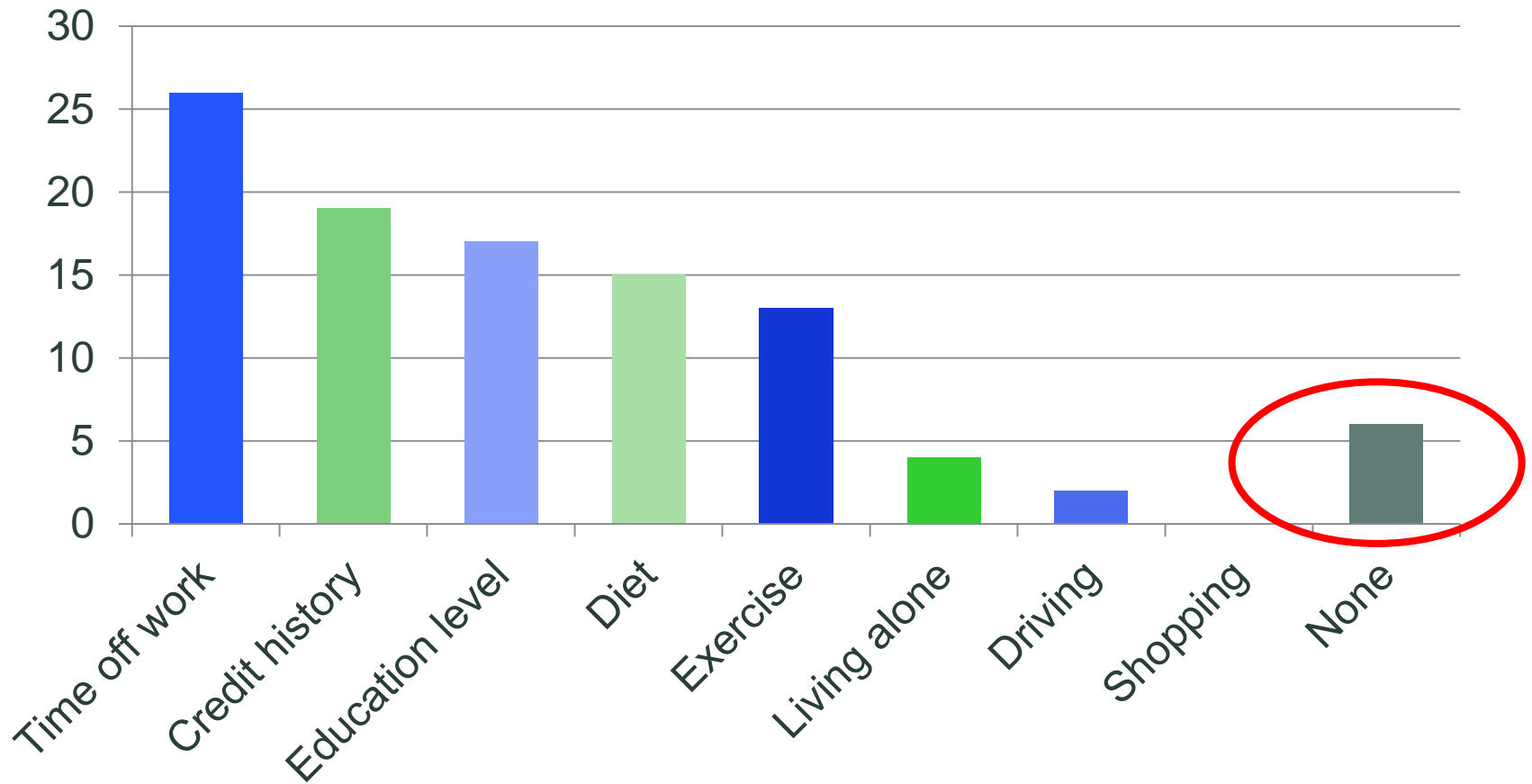
The new kids on the block

Future underwriting risk factors?

Risk factor	Key considerations
Education	Highest level of education attained
Postcode	Accurate indicator of mortality differential?
Driving	Number of accidents; points on driving licence; mileage
Exercise	Type of exercise and frequency; proof by gym membership
Diet	Application questions; supermarket data
Credit standing	Bank and credit history; value of house; credit card status
Living alone	Recognised negative risk factor, particularly for men
Time off work	Frequency in last 1-2 years; number of doctor consultations



Which alternative risk factor will you be using to underwrite in 5 years time?



Unbundling of the value chain

1. More routine underwriting will be done by constantly evolving intelligent systems
2. Larger direct insurers will retain the underwriting/claims function in house
 - Many will outsource to third parties
 - Offshore
3. Remote/home working will also increase
 - In the US, 64% currently operate or are considering (SR survey)
4. Greater overall involvement of reinsurers
 - Specialised skills in highly impaired lives, annuities and longevity
5. Large brokers will develop more risk services
 - Employ underwriters directly





Who will sell Life Insurance?

- Insurance Companies through
 - independent / tied agents
 - Banks
 - Online / Phone / Direct Mail
- Retailers / supermarkets
- Utility companies
- Affinity groups
- Health Clubs
- Anyone with a group of customers who are alive!



Changing role of the risk professional

- Technical role
- In addition:
 - rules based systems
 - utilise and understand data
 - assessment on new and more complex risks
 - articulate and justify processes and ratings
 - regulators, intermediaries, consumers and interest groups
 - explore new risk factors





Summary

Australian market considerations

- Avoid complacency over regulatory developments
- Opportunities to differentiate and lead
- Recognition of the evolving role of the RM professional



Swiss Re



Global Developments in Risk Management

A world tour of key trends