



**Plugged in:
Protection Product Trends Shaping Our Industry**

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Macro trends shaping our industry

- Demographic shifts
 - Aging population
- Asia's burgeoning middle class and wealth creation
 - Slippery slope of wealth pyramid
 - Keeping up with the Joneses
- Digital evolution
 - Impacting consumer engagement, distribution and sales methods, administration and value creation
- Prolonged low interest rate environment
 - Is this the new normal?



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Shift to protection business

- Long duration life insurance
 - Cost increasing, lower minimum guarantees, companies exiting
- Savings and investments still bulk of sales
 - Protection riders becoming more important
- Multi nationals focusing on Value of New Business as a key performance metric
- Demographic and social shifts
 - Increased consumer awareness of their own protection needs
- Explosion of living benefits
 - Critical illness, Medical, Personal Accident...Disability next?
- Mortality selling in specific segments

Protection market has been growing rapidly and will continue to evolve



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What is a life insurance product?

Need	Target Market	Distribution	Underwriting	Coverage
Credit Protection Education plans Health Coverage Income replacement Retirement Planning Estate conservation Funeral Expenses Payout Annuities Group – Life, Health, Pension Key Man Tax Planning Utilities Rent	Family Market (Mass-Affluent) Seniors Market (Mass-Affluent) Business Market (SME) High Net Worth Market Middle Income Market Single Parents Females Disenfranchised Sub-standards	Agency Brokers Bancassurance Mass Market Bancassurance Business Banking Private Bank via Broker Alternate Bancassurance Alternate Distribution Direct Response TV (DRTV) Direct Mail Telesales Internet Shop-assurance	Fully Underwritten Medical Evidence Non Medical Simplified Issue Guaranteed Issue Preferred Simplified Preferred Group Rules Based UW Tele-underwriting Internet	Mortality Illness Disability Ability to Earn



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Mass Affluent: New High Net Worth?

- Wealth growing rapidly in Asia
- Asia has most rapid growth of HNWI individuals
- Once dominated by offshore offerings, the trend is moving onshore and downstream to affluent market
- Developing specific products targeted at High Net Worth (HNW) individuals
 - Universal Life is product of choice in HNWI estate planning market
 - Emergence of HNWI living benefit products
- US, Canada, UK, Australia – the Affluent market is the HNWI market

Drivers

- Mass market products not meeting HNWI needs
- Affluent individuals expect specific services and treatment
- Experience that HNWI individuals have commonality across countries
- Growing wealth in Asia

Opportunity

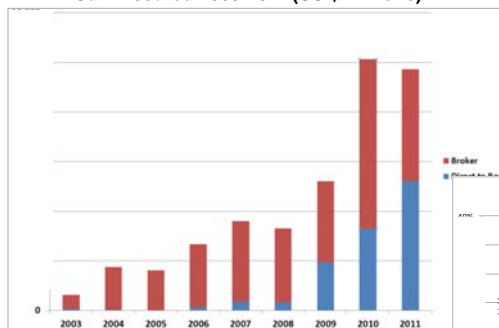
- More exclusive products and services
- Expansion of success across Asia and into other markets
- Move down wealth pyramid: Arm distributors with products, tools, underwriting support, sales propositions



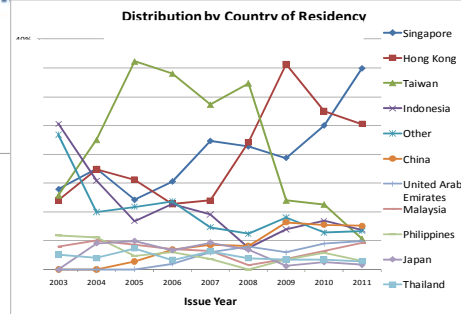
High Net Worth in Asia



Sum Assured 2003-2011 (US \$ millions)



Distribution by Country of Residence



Source: RGA Proprietary Statistics



Targeting the senior market

- Roughly defined as age 50-65, affluent with disposable income
- Untapped potential for protection sales – Huge in force customer bases exist
- Segment’s various needs not being provided by state/social security
- Aging population growing in many markets, proportionately more wealth is held by retirees
- In addition to heavy savings product, companies are developing more flexible, living benefit oriented products to address customer needs: challenges in product design and underwriting

Drivers

- Aging population
- Weakening of family support systems
- Longevity risk and medical advancement
- Evolution of underwriting and risk selection

Opportunity

- Engagement
- Health, income protection, longevity, final expense, estate planning
- Products for substandard lives
- Limited pay and guaranteed premium products



Single Premium LTC

- Single premium term policies sold to 50-70 year old individuals.
- Main benefit provides a lump sum, which is a multiple of premium, that varies by level of debility
 - Benefit pays out if insured cannot perform from 3-5 ADLs
 - ‘Severity-based benefit’ increases with severity
- Target single premium toward existing policyholders who have endowments or other products maturing
- Target regular premium products to other customers or those receiving dividends
- Sample payout scale (% is a percent of single premium)

Plan	Type I (3 ADLs)		Type II (4 ADLs)		Type III (5 ADLs)	
	Male	Female	Male	Female	Male	Female
50	500%	600%	600%	750%	700%	1000%
60	250%	300%	300%	350%	350%	450%
70	150%	150%	150%	150%	150%	200%




Online Term

- Significant sales successes in India, Japan, Australia and UK
 - India: 100,000 policies sold annually
 - Japan: Lifenet has sold over 150,000 policies
 - Australia: AUD 200m of new business sold annually
- Various fulfillment models
- Low price is not driving factor
- Key drivers of success: Driving traffic to website, easy products and process, functional website, multiple fulfillment options

Drivers

- Technology advances and increasingly reliance on internet
- Comfort with online transactions
- Do-it-yourselfers / empowerment
- Strong marketing
- Cost and aging of traditional distribution

Opportunity

- Simple products such as term
- Value products
- One platform, multiple distribution and products
- Reach markets your agents will not
- Upsell and cross-sell opportunities
- Mobile and tablet



Aegon Religare India



Policies up to 50% cheaper than face-to-face sale
Average face amount several times higher than face-to-face sale

- Pioneered online term life in India in 2009
- 70,000 policies sold to date - Majority sold in the last year
- Over 30% of total life sales
- Majority of leads sourced from Aegon sites
- Smartphone apps
- Implementing automated underwriting tool for efficient processing
- Recently added online health insurance plan

AEGON Religare Online Customers	
No. of policies	
	69024
Claims Received	29
Claims Honoured	26
Claims Rejected	3



Direct Term Australia

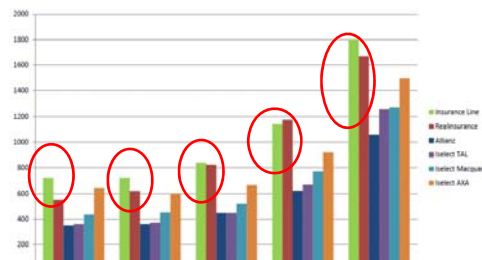


- 140m of new business revenue in 2011 (AUD)
- Big brand, lots of advertising
- Model transformations

insuranceline	Hollard
Awareness to brand	Awareness Various brands being developed
Funeral to term and living benefits	Funeral to funeral + term
Direct response to +affinity	Aggregator site

Retail Rates

Male NonSmokers \$500,000 of mortality cover D2C Internet Quotes
Based on quote for \$20K of cover



Underwriting as a competitive advantage

- Companies investing in automated underwriting solutions
 - Higher percentage of business is being underwritten on automated basis
 - Improving sales while gaining significant expense efficiencies and improved data
 - Better underwriting analytics leading to continually improving the process
- Predictive analytics
 - Companies implementing predictive analytics using consumer behavior and biomedical data
 - Offer products with very competitive terms on a guaranteed/simplified issue basis
- Other approaches to simplify and streamline the underwriting process:
 - Includes using past underwriting results, offering at life stages points, etc.

Drivers


- Current processes are inefficient
- Consumer and producer dissatisfaction
- Shift to protection business
- Technology advances
- Current approaches not reaching underserved market


Opportunity

- Engage distributors and consumers with improved sales process
- Higher value products
- Leverage across multiple markets
- Close "protection gap"
- Non-traditional distribution approaches



E-underwriting: Benesure Canada







- Benesure offers bancassurance products via mortgage brokers in Canada
 - Offered through 4,000 + mortgage brokers
 - Life, TPD and Disability Income products
- Applications held up in underwriting department: 18 days to issue a policy
- Benesure re-engineered its issue process and implemented an e-underwriting solution to
 - Increase sales by improving point-of-sale acceptance
 - Consistency of decisions
 - Improve data capture and MI reporting potential

Results

- 70% issued without further underwriting
- 85% of remainder issued after tele-underwriting
- Average time to issue declined from 18 days to 4 days
- Third Party Medical expenses declined by 60%
- Sales increased from 10,000 per year to 40,000 in 3 years







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UK Bancassurer

E-underwriting and Predictive Modeling






25+ minutes



Time to underwrite prior to changes

- 42 questions
- 22 page application
- 0% of cases accepted at point of sale
- Non disclosure 25%
- Pipeline 15,000
- COVERED BY 7 WEBSIT

Presentation by Andy Clark to ILAG on 30 April 2011, with the slides available from <http://www.ilag.org.uk>



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Combination products starting to sell... well?

- Combination products create comprehensive coverage which packages several insurance risks
 - Mortality, Terminal Illness, TPD, Disability Income, Critical Illness, Long Term Care, Hospitalization and Surgery, Accident benefits
- Living benefits typically accelerate the mortality cover
- Companies segmenting by target market and distributor
- Provide 'full range of covers at one low price'
- Examples include Accelerated Critical Illness, Long Term Care and mortality, package of life, CI and DI, up to 12-in-1

Drivers

- Higher profit margins on protection
- Comprehensive coverage at lower cost
- Consumer demand for tangible benefits and access to insurance pool
- Tax advantages

Opportunity

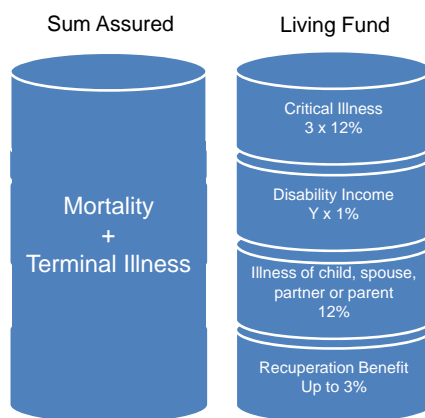
- One stop sale – especially important for emerging affluent customers
- Solution for new agents
- Product differentiation: Customize and develop building blocks for upsells
- Easy –one application, one plan, one premium, wide coverage



Case Study: Ageas UK



Real Life Cover



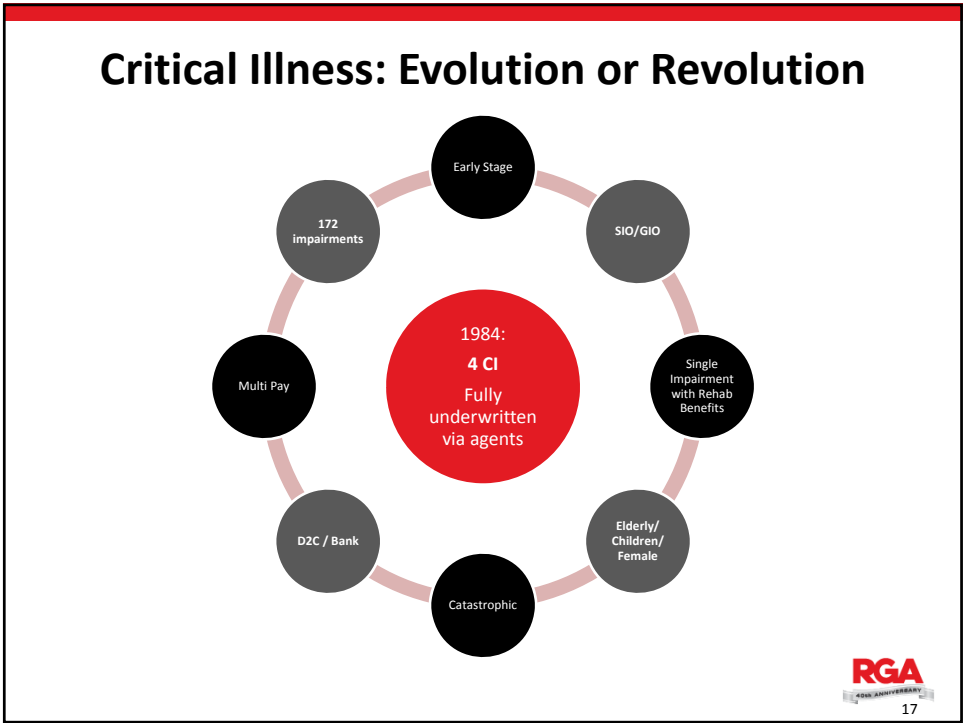
- Package of Insured Risks sold as a term product
- Mortality bucket & Living Benefit bucket – claim up to 200% of Sum Assured
- Riders on package available
- Inexpensive compared with sum of each risks

Real Life Cover	Competitor A	Competitor B
11.07	15.00	12.60

Cost (monthly) for £100,000 of cover for a Male, Non Smoker, Age 35, T30

Product comparison is a market consistent accelerated CI product with ~ 40 impairments





Longevity Protector: Momentum

CASE STUDY

services | Your rewards | Your financial wellness | Critical Illness

LIFE INSURANCE | HEALTH | INVESTMENTS | FUNDSATWORK

Life insurance - Longevity benefits

not die?

think that we are going to die early. We

be about the risk of dying, it should also be about the risk of becoming a burden on your loved ones when you

er you if you die, but also if you stay alive.

cover?

lump sum amounts as you reach various longevity

or becoming critically ill or disabled and every five years of the benefits.

er you have claimed or not.

eyed healthy and never claimed.

Medical technology are making us live much longer. How do you protect yourself against the risk of:

Critical illness benefit of R1 million at age 35

Claim	Age 40	Age 45	Age 50	Age 55	Age 60
R1 000 000	R128 000	R163 000	R208 000	R265 000	R339 000

Assumptions: Claim starts at age 35, Benefit increase 7% p.a.

RGA
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Wellness programs

- Increased use of wellness programs to incentivize healthy behavior
- Insurers expecting lower claims costs and higher value products
- Some offer ongoing renewal premium discounts
- Offering partnerships and discounts for specific health style services
- Sales success in South Africa, Europe and emerging in Asia

Drivers

- Recognition of alignment of interests between insurer & consumer
- Proliferation of living benefits and associated claims cost management
- Desire for product differentiation

Opportunity

- Increase value proposition to end customer: Improved loyalty and value
- New thread of innovation for insurers to differentiate their offerings
- Improved data and analytics



Discovery Vitality



Up-front discount
Up to 17.5%

Vitality Status	Premium Escalations	5 Year PayBack %
Blue	2.25%	5%
Bronze	1.50%	7.5%
Silver	0.50%	15%
Gold	-0.50%	20%
Diamond	-0.75%	25%

- ✓ #1 Life risk writer in South Africa
- ✓ \$200 million life APE
- ✓ \$200+ million annual earnings
- ✓ Mortality gains every year since 2004
- ✓ Exported Vitality to UK, China; Australia and Singapore are next

Source: www.discovery.co.za



What does this all mean?

- Protection is growing and its here to stay
- New needs will emerge
- More focused targeting of segments and needs with appropriate mix of distribution, underwriting and coverage
- Alternative distribution has taken off and proven to be successful – where is the next winner?
- Actuaries with different skill sets
- Cash returns vs. rewarding risk



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Questions?



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Thank you

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