Cancer: Past, Present and Future – View from the Korean market

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Session Number: WBR8

Joint IACA, IAAHS and PBSS Colloquium in Hong Kong
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Agenda

- Market: past and present
- Risks: on-going concerns
- Products to come
Market
## Top 5 products in Korea

<table>
<thead>
<tr>
<th>Major products</th>
<th>Channel</th>
<th>Who sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings type product (Variable products + Fixed annuity)</td>
<td>Mainly F2F (TA, GA, Bancassurance)</td>
<td>All companies</td>
</tr>
<tr>
<td>WoL (mortality)</td>
<td>Mainly F2F (TA, GA)</td>
<td>All companies</td>
</tr>
<tr>
<td>Critical illness (long term premium guaranteed)</td>
<td>Mainly F2F (TA, GA) Direct in case of Cancer</td>
<td>All companies (CI – leading companies, cancer – re-entering)</td>
</tr>
<tr>
<td>Hospital Cash &amp; Surgery benefit as riders</td>
<td>Mainly F2F (TA, GA)</td>
<td>All companies</td>
</tr>
<tr>
<td>PMI (standardized) as rider Medical</td>
<td>F2F and Direct</td>
<td>Most companies (excl. Ace, Pru US, Metlife, HanaHsbc, Cardif)</td>
</tr>
</tbody>
</table>
Cancer products – history in the Korean market

- Started with cancer death, cancer surgery and hospitalisation in 1980's; outpatient benefit added in late 1980's; cancer diagnosis in 1990's

- Bad experience mainly due to costing and long term guarantee
  - use of reference rate or little flexibility in setting premium rates
  - policy term up to age 80, with level premium

- Insurers' repositioning in the cancer market in late 2000's
  - shortening the policy term: renewable, shorter term guarantee
  - reducing coverage
  - withdrawing from the market
Cancer products – history in the Korean market; continued

- Total number of cancer policies in life insurance industry: around 8,038,000 as at Sep 2009.

- High persistency of existing policyholders
  - Recent study on lapse experience by product line showed lowest lapse rate for cancer product (5.7% for duration year 5, during the period of 2003 - 2007,)

- No of life companies selling cancer products

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 (as at Sep 2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of life companies</td>
<td>16</td>
<td>11</td>
<td>9</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

- as at Sep 2010,
  - 3 companies with renewable cancer products, 4 offering long term guarantee
  - the rest including market leading companies provide only cancer riders
## Typical cancer product

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued age</td>
<td>• Inception: age 15 ~ 55/60</td>
</tr>
<tr>
<td>Max Sum insured</td>
<td>• KRW 40-60m</td>
</tr>
<tr>
<td>Diagnosis Benefit (as % of SI)</td>
<td></td>
</tr>
<tr>
<td>Cancer (excl. C44&amp;C73): 100%</td>
<td></td>
</tr>
<tr>
<td>Other Skin cancer: 10%</td>
<td></td>
</tr>
<tr>
<td>CIS: 10%</td>
<td></td>
</tr>
<tr>
<td>Borderline: 20%</td>
<td></td>
</tr>
<tr>
<td>Thyroid: 10-20%</td>
<td></td>
</tr>
<tr>
<td>• waiting period of 90 days for Cancer; no waiting period for CIS or Borderline</td>
<td></td>
</tr>
<tr>
<td>Reduced payment</td>
<td>• 50% benefit in case of diagnosis within 1 year or 2 years</td>
</tr>
<tr>
<td></td>
<td>• 10% of the benefit payable, in case of Breast Cancer diagnosis within 90 days after waiting period</td>
</tr>
</tbody>
</table>
Cancer products – changes in 2011-2012

- Re-launching of cancer products: 13 life insurers selling standalone cancer products (as at March 2012)
- More companies offering long term guarantee: small to medium players
  - 11 companies offering up to age 80 or above (up to 100/ WOL)
  - More players, if including non-life insurers
- New design
  - Varying benefit amount by cancer type
  - Multiple payment
- Regulator’s view
  - Reference table covering up to age 100
  - Concern on people who do not have protection against cancer
  - More open to new ideas e.g. staged cancer
Risks
Risks

- Deterioration of cancer experience
  - Early detection
  - Increase of incidence

- Claim issues
  - C73
  - CiS (D01 vs C18)

- Costing
  - risk rate derivation in practice
Cancer experience: industry

- Loss ratio: claim paid/premium received (KIDI, 10 life insurers)

<table>
<thead>
<tr>
<th>year</th>
<th>diagnosis</th>
<th>surgery</th>
<th>hospitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>111.9%</td>
<td>196.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2006</td>
<td>115.6%</td>
<td>195.9%</td>
<td>102.0%</td>
</tr>
<tr>
<td>2007</td>
<td>120.6%</td>
<td>202.6%</td>
<td>102.4%</td>
</tr>
<tr>
<td>2008</td>
<td>128.3%</td>
<td>213.8%</td>
<td>103.2%</td>
</tr>
<tr>
<td>2009</td>
<td>133.5%</td>
<td>221.8%</td>
<td>102.0%</td>
</tr>
</tbody>
</table>

- Why still selling the business?
  - Good sales
  - Profitable in aggregate
  - Re-pricing and revision of the product design
  - Optimistic view: the worst has gone
Deterioration of cancer experience: early detection

- Advancement of Medical technique
- Awareness of the general public: national cancer campaign
- Utilisation of the medical sector/insured lives
Deterioration of cancer experience: early detection – Thyroid cancer

- Free screening at the regular medical check up
- What will be the "next Thyroid" cancer?
  - Prostate?
  - anything else?
Deterioration of cancer experience: early detection – Prostate

- Population data shows around 15% p.a. increase
- Will we follow US example?
Deterioration of cancer experience: increase of incidence

- Detection of cancer cells, not previously detectable, due to medical technique development
- Change in life style/eating habit
  - Colon cancer
  - Breast cancer

Age-adjusted incidence rate per 100,000
Risk rate derivation

- Companies' own experience
  - recent 3 years of experience
  - no consideration for future trend but safety loading
  - safety loading – will it be enough?

- Old age – portfolio/population not mature enough
Risk rate comparison - male

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Risk rate comparison - female

- MA female
- GH female
- YP female
- SL female
- SA female
- SC female
- YA female
Other issues

- Court decision made on claims
  - CiS (D01) -> Cancer (C18)
  - next?
- Fraudulent claims : C73->C77.
- Cancer surgery
  - multiple payments
  - simpler procedure and more frequent
Improvement of cancer experience

- **Smoking**
  - Known to cause cancers of lung, mouth, esophagus, pharynx, bladder, pancreas, kidney, cervix, stomach and acute myeloid leukemia.
  - Quitting smoking dramatically reduces the risk of cancers, e.g. 10 years after a person quits smoking, his or her risk of lung cancer is decreased to about 1/3-1/2 that of a person who continues to smoke.
  - Expect to see the impact of the decrease in smoking to be materialized in near future.

- **Other behavioral factors** – preventive actions etc.
Cancer experience - population

- Excluding Thyroid cancer and prostate cancer

- Incidence rates are on increasing trend from 1999 to 2005
- Relatively severe deterioration observed from 2004 to 2005, with trend of 4-5%, possibly due to wider range of population becoming eligible for free cancer diagnosis under the National cancer diagnosis program
- From 2005, the cancer incidence rates seem to be stabilized, esp for male (female still increasing due to breast cancer)
- Stabilising/slight decreasing for stomach, lung and liver for male; stomach, liver and cervix uteri for female
Products
New Products introduced in the market 2011-2012:

- **Multiple cancer/CI**
  - benefit payable upon the diagnosis of the second cancer
  - definition of the 2\textsuperscript{nd} cancer varies company by company
  - 2\textsuperscript{nd} cancer is the acceleration of death benefit

- **Cancer/CI products for those with specific diseases**
  - for those with diabetes and/or hypertension
  - diabetes: low sales due to strict underwriting
New Products to be introduced in the market: Staged cancer

- **Staged cancer**
  - benefit payments varying by the severity of the cancer condition
  - FSS's guideline on the product features
  - expected to be the major cancer product in 2012-2013

- **Major challenges**
  - Risk rate derivation
  - potential disputes at claim stage
New Products under discussion: simplified issue/guaranteed issue

- New market creation
- Major challenges
  - requires approvals on risk rates, application form and product
  - comparison with the fully underwritten product at sales stage
Market changes – opportunities

- Cash flow pricing from April 2013
  - Regulator's approval on risk rates may not be required
  - Expect more flexibility in derivation of risk rates
- More variations of the products in the market
- Major life players back in the cancer market
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