



Institute
and Faculty
of Actuaries

Modifiable Risks. Re-thinking risk assessment to create better value, more inclusive products

Alan Martin
L&H Product Strategy Manager, Swiss Re

Presented by webinar: Thursday 6 June 2019 at 15.00

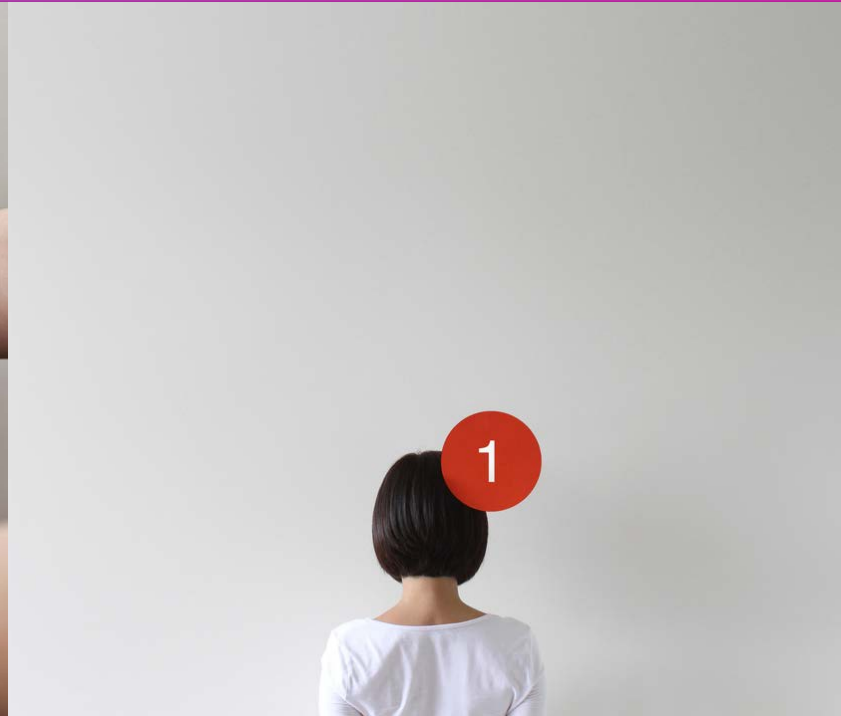
A few MEGA TRENDS are converging...

Society shifts



Seismic shifts, health crisis.

Consumers



The digital consumer and its expectations.

Regulation



Constraints meet incentives.

Mega-trend spotlight: Societal shifts

The rise of Non-Communicable Diseases (NCD)...

...especially the growing obesity and diabetes epidemic

70%

of all deaths globally can be attributed to Non-Communicable Diseases (NCD)

88%

of the US population is overweight

1 in 3

of these NCD-related deaths impact individuals between the ages of 30 and 69

1 in 10

adults are predicted to suffer from diabetes in 2040

80%

of the premature NCD deaths are linked to 4 causes

>50%

higher risk of dying or being hospitalized for stroke or heart attack for diabetics compared to non-diabetics



Cardiovascular 17.7 m



Cancers 8.8 m



Respiratory 3.9 m



Diabetes 1.6 m

Faced with the rising obesity epidemics, the **“Eat well and exercise”** lifestyle is becoming more mainstream.



Mega-trend spotlight: The Digital Consumer



The hyper-connected customer experience: Willing to share personal data for higher value

I'd like to be better understood

I trust my peers and community over big corporations

Powered by more, increasingly sophisticated wearables

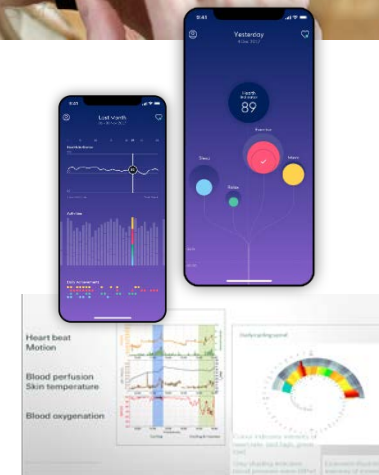
I don't mind sharing my data but there needs to be something in it for me

I want total transparency

Fitness grade



Medical grade



I want to be treated as an individual



I demand engaging experiences, ease of use, flexibility and value

Mega-trend spotlight: Regulation

The dilemma for governments and regulators today: how to reconcile seemingly contradictory actions to “Protect consumers”?

← INCENTIVE for industry innovation on NCDs

→ CONSTRAINT to industry innovation on NCDs



To “protect consumers”, we need to intervene and strongly **nudge/enforce better health behaviours.**

e.g. Implementation of “sin taxes” e.g. Sugar taxes already implemented in 28 countries.

The DILEMMA for GOVERNMENTS



To “protect consumers”, we need to protect **purchasing power, employment** levels and their **individual freedom.**



To “protect consumers”, we need “fairer” products, that everyone is able to buy. We need to get **more people insured.**

The DILEMMA for INSURANCE REGULATORS




To “protect consumers”, we need to ensure adherence to the basic principle of **risk pooling** in insurance.




For insurers, the repercussions are significant


3 observed mega trends...



REGULATION
A mix of constraints and incentives



SOCIETAL SHIFTS
The rise of non-communicable diseases, diabetes

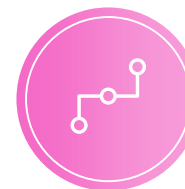


CONSUMERS
Data for value and hyper-connected experiences

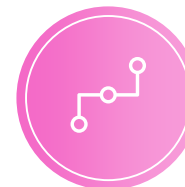
For our industry this means...

- Governments alone cannot solve the **health crisis**.
- The notion of “**fair**” **underwriting** in the L&H context is being challenged.
- **Cost of claims** will continue to rise.
- An increasing part of the population **won't be able to afford traditional coverage**.
- **One size fits all** solutions are **not good enough anymore** for consumers.

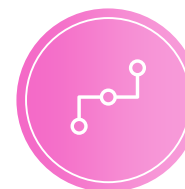
To **FUTURE-PROOF** of business, this means



Target **preventative interventions** to delay or prevent claims. **Assess** key modifiable risks **dynamically** over time.



Develop more **engaging and inclusive** products for all consumers, not just the healthy; target **preventative interventions** to delay or prevent claims.



Attract and reward consumers **willing to take action** to manage their health. Support customers to **improve and/or maintain** their health

For your business this brings clear challenges as well as opportunities...but some fundamental questions arise.

How to support my customers to **improve and/or maintain** their health?

How to **assess** key modifiable risks, **dynamically** over time?

How to target **preventative interventions** to delay or prevent claims?

How to develop more **engaging and inclusive** products for all consumers, not just the healthy?

How to attract and reward consumers **willing to take action** to manage their health?



Change has been
very slow ...why?
What is holding us
back?



Where are we today?

Some offerings have started to **embrace** the opportunity to **engage with customers** on ways to improve their health... but some **sizable challenges** remain

- Industry focused on selling efficiently to healthy lives.
- Underwriting is negative process for individuals suffering from NCDs.
- Many don't attempt or give up buying cover.
- Those who make it: often feel they got a bad deal.
- Products targeting “unhealthy lives” tend to be disease specific (EG Diabetes) therefore quite niche.



The conditions caused by modifiable risks typically do not occur until **later in life** and once policy sold.



Discounts and rewards are not enough to remove roadblocks to sale and incentivize engagement.



Individuals affected by NCDs experience **painful underwriting process** with high loadings & cost of cover.



The consumer gets **little value from our risk assessment.**

Authenticity

Can we effectively **engage** with customers to **manage** health risk without changing how we **structure** our products?

Modifiable Risks

Is how we **assess and manage** risk today appropriate, given the influence **individuals** can have through their diet & **lifestyle choices**?

So where do
we go from
here?



Consumer-centred Modifiable Risks Solutions

Our mission

Deliver **insurance-relevant expertise, programs** and **insights** to our partners.

Grow sustainable & profitable business; inclusive and relevant for all lives to close the **Protection Gap**.

Help change **consumers' perception** of Protection & underwriting.

Our vision:
More sales,
more
engaged
consumers

Embracing the modifiable nature of risks – P&C Telematics

Modifiable risks in the context of auto insurance:


- How you drive
- How much you drive
- When and where you drive

Swiss Re's Telematics solution



Deliver added value to today's consumers


The traditional automotive risk pricing model



- Age
- Driving years
- Territory
- Vehicle data
- Previous claims

Based on Risk proxy

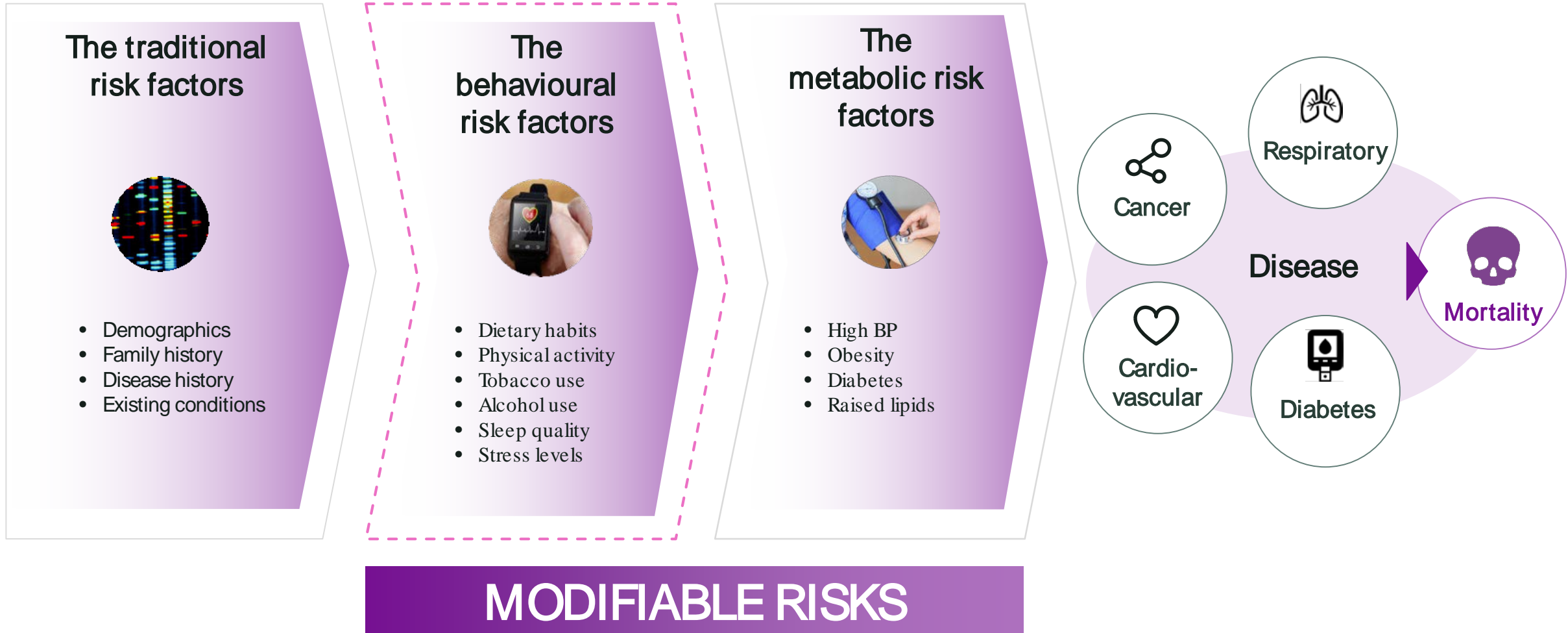
Usage-Based Insurance (UBI) pricing model



- Driver behaviour
- Context of driving
- Surrounding information
- Comparison to other drivers

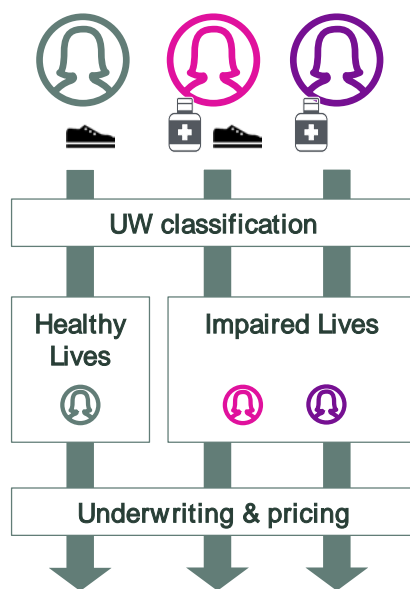
Based on Behavioural rating

Embracing the modifiable nature of risks in the L&H context



Rethinking the customer experience for ALL LIVES

Today



Select and sell efficiently to healthy lives



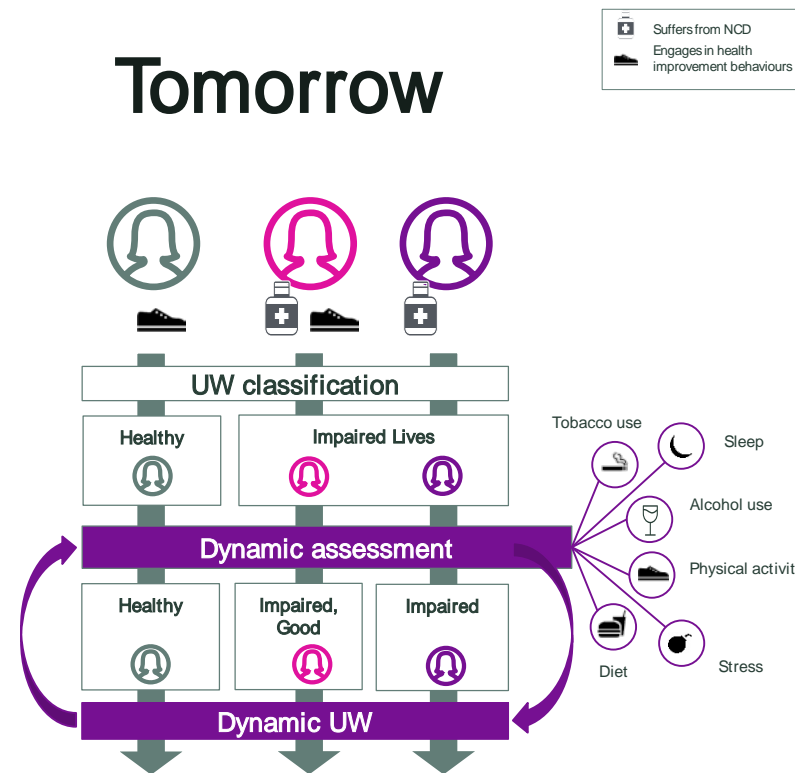
✓ Results

Negative outcome for "Substandard" Lives

No opportunity to benefit from positive action

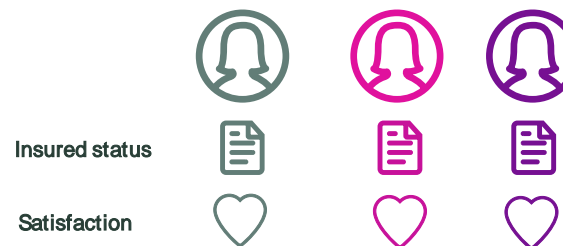


Tomorrow



Suffers from NCD
 Engages in health improvement behaviours

Support and reward all lives, on an ongoing basis.



✓ Results

Relevant journey and coverage for each life

Everyone benefits from dynamic approach

Dynamic Underwriting

More formally bring risk assessment and disease management into one continuous cycle



Reposition underwriting throughout the life course.

Impaired lives get **more inclusive and positive** outcomes.

Refocus **risk assessment to help** individuals understand & manage their health risks.

Assessment drives support and interventions: **improve the risk** before increasing the price.



Price dynamically, based on objective health stats.

Reward people for taking positive steps to manage their health.

Positive selection: those with healthy behaviors are **more likely to buy**.

Life Guide and Magnum are ready: leverage Cardiovascular Risk Calculator and our Automated UW solutions.



Manage and prevent diseases.

Start when the problems are small: early **detection and incentives** to action.

New risk factors: Measure behaviors that drive tangible risk outcomes (e.g., BMI vs. exercise and diet).

Integrate **service model into ongoing risk** assessment.



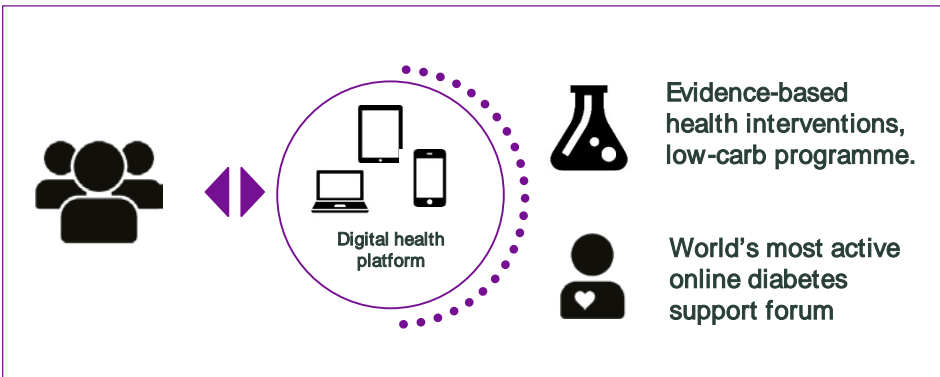
Gro Health

Addressing the Obesity and Diabetes Epidemic through targeted Behavioural Intervention



The solution

A breakthrough **diabetes and metabolic risk programme**, based on low carb nutrition principles, run in partnership with Gro Health, coupled with our behavioural expertise.



Addresses all aspects of modifiable risks...



...through multiple channels and an ongoing cycle of feedback and support



The benefits are clear – improved health, lower claims

>70%

Customer engagement with the platform 12 months after start

39%

Diabetic platform users who put their diabetes into remission

1 to 5 pts

Estimated claims improvement impact

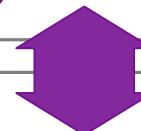
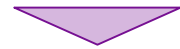
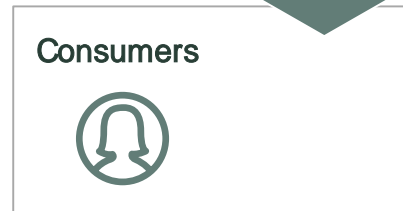
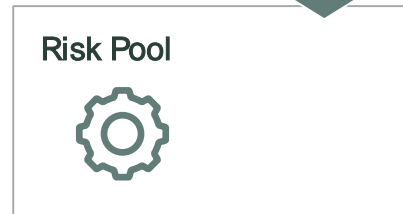
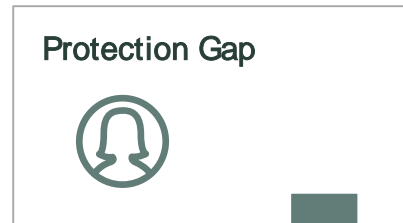


Delivering tangible business benefits, “growing the pie”, closing protection gaps

Today



Tomorrow





Today we **deliver resilience** by paying out money at the **point of claim** to support those in need.

As an industry, **we can do MORE.**

Let us drive resilience by helping our policyholders stay **healthy** and **prevent**, not just pay for claims.

We're smarter together

©2018 Swiss Re. All rights reserved. You are not permitted to create any modifications or derivative works of this presentation or to use it for commercial or other public purposes without the prior written permission of Swiss Re.

The information and opinions contained in the presentation are provided as at the date of the presentation and are subject to change without notice. Although the information used was taken from reliable sources, Swiss Re does not accept any responsibility for the accuracy or comprehensiveness of the details given. All liability for the accuracy and completeness thereof or for any damage or loss resulting from the use of the information contained in this presentation is expressly excluded. Under no circumstances shall Swiss Re or its Group companies be liable for any financial or consequential loss relating to this presentation.



Swiss Re



Institute
and Faculty
of Actuaries

Questions

Comments

The views expressed in this presentation are those of invited contributors and not necessarily those of the IFoA. The IFoA do not endorse any of the views stated, nor any claims or representations made in this presentation and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this presentation.

The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this presentation be reproduced without the written permission of the IFoA [*or authors, in the case of non-IFoA research*].

