



# **Disability Income**

## **The Price is Not Right. Nor is the Product.**

Note: This pack was used for 2 March & 3 March sessions, and has a few updates from the pack used on 17 February.

17 February, 2 March, 3 March 2015

Brad Louis, Wallace Lee, Alex Threlfall, Graham Kelly

# Agenda

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Where is The Industry At Today?

Brad

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Insights

Wallace

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DI product – a new direction

Alex

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Barriers to action

Brad, Graham

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Q & A

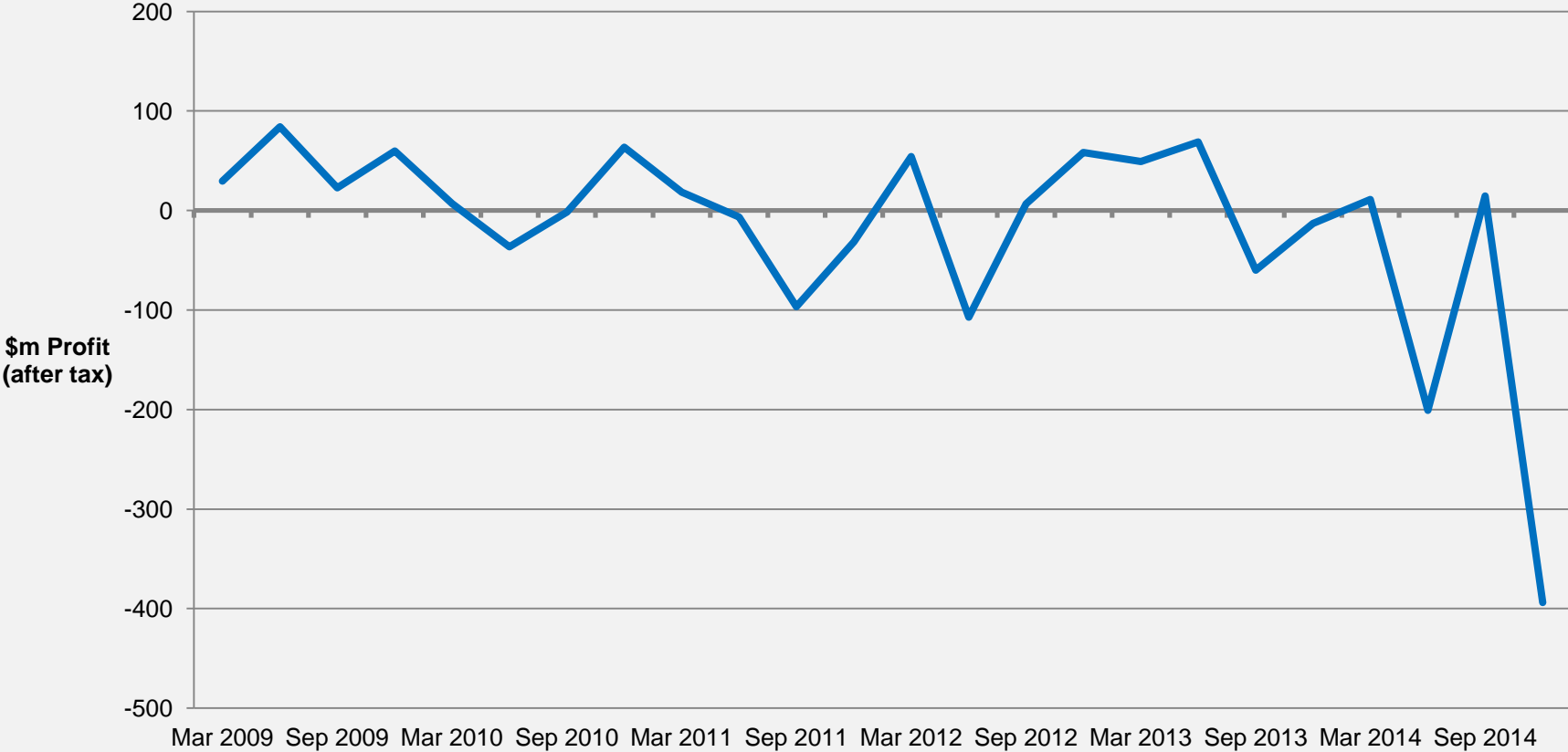
All

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# Where is the industry at today?

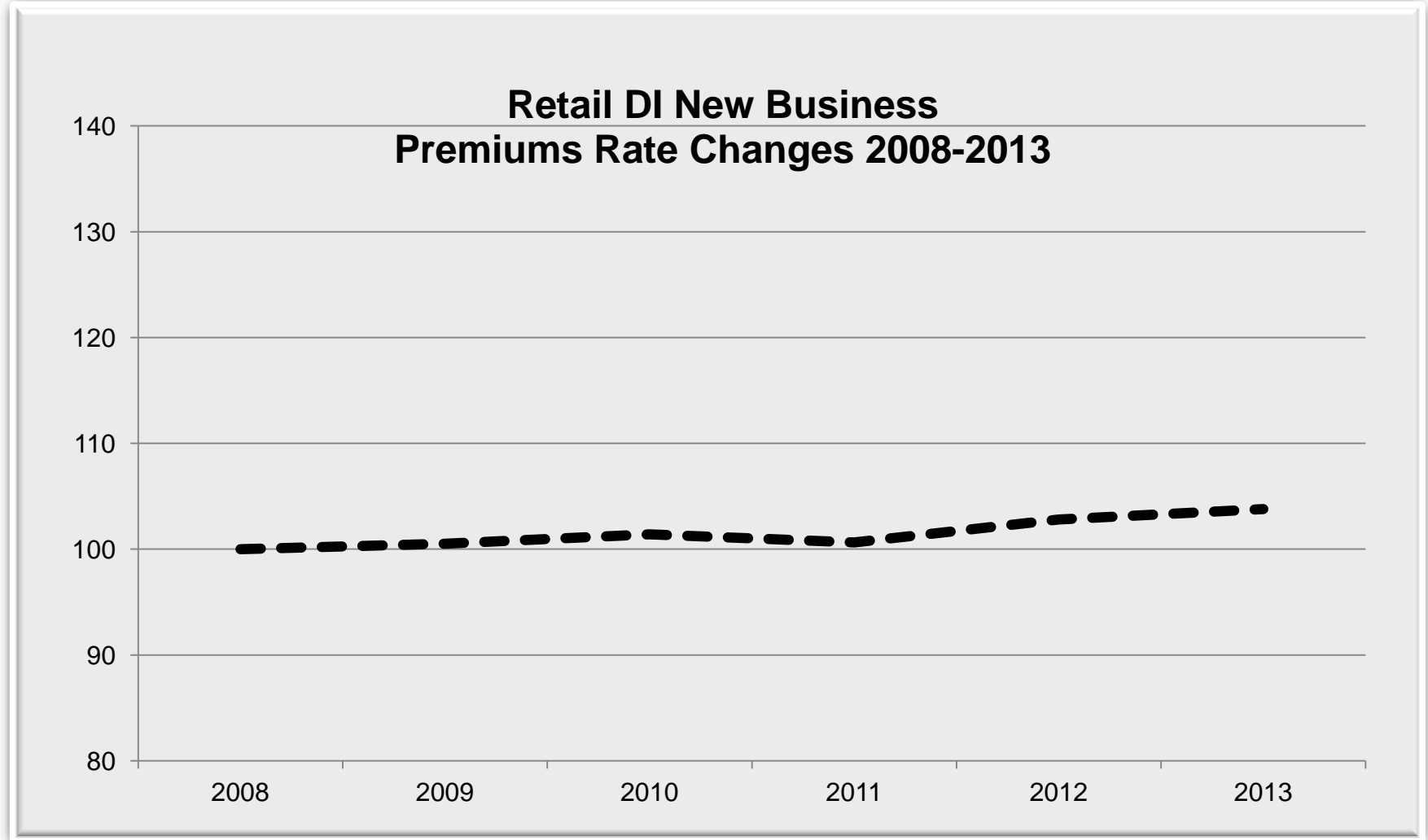


## Industry Quarterly Profit for Retail DI



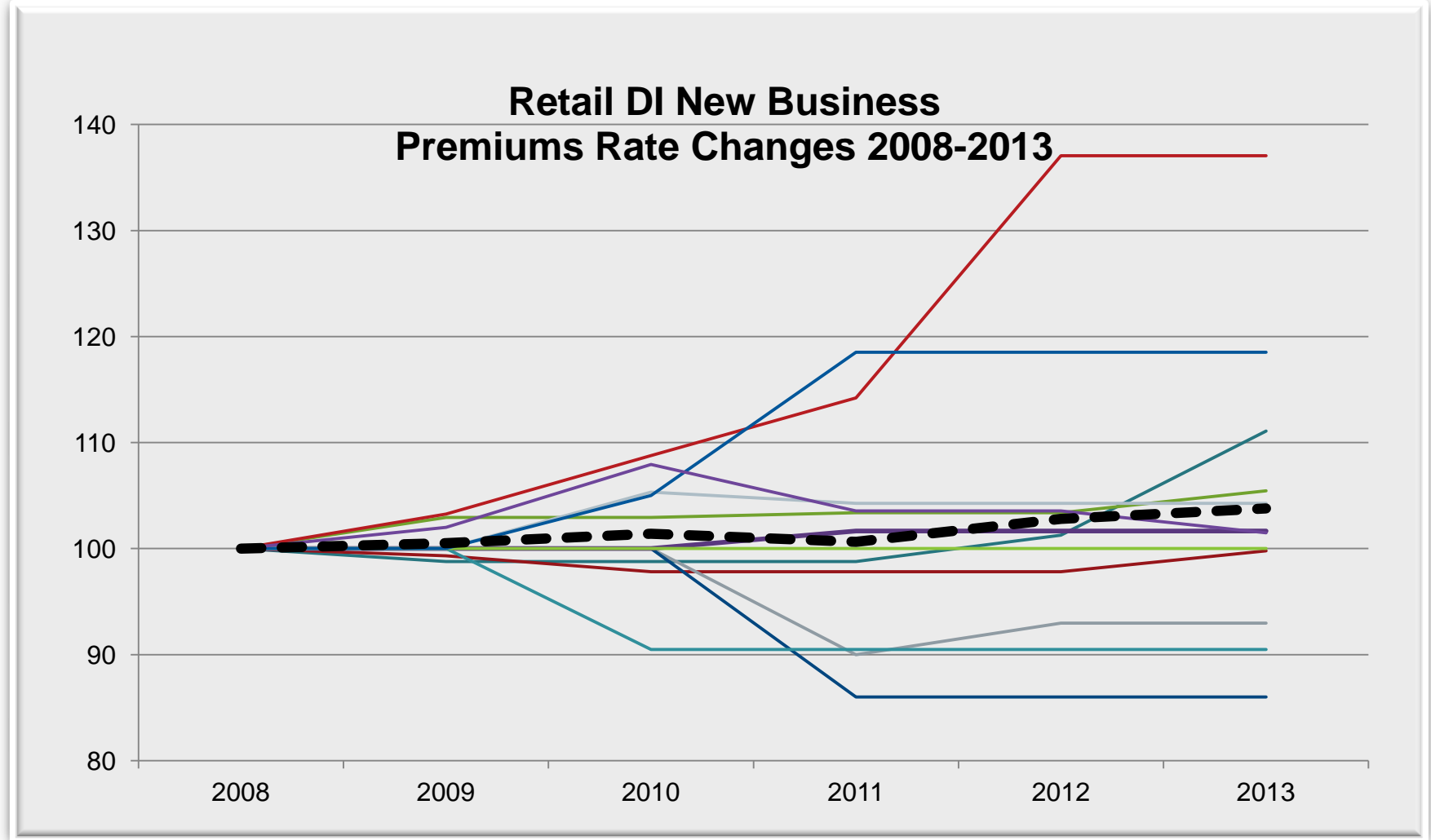
Source: APRA Quarterly Life Insurance Performance

# Where is the industry at today?



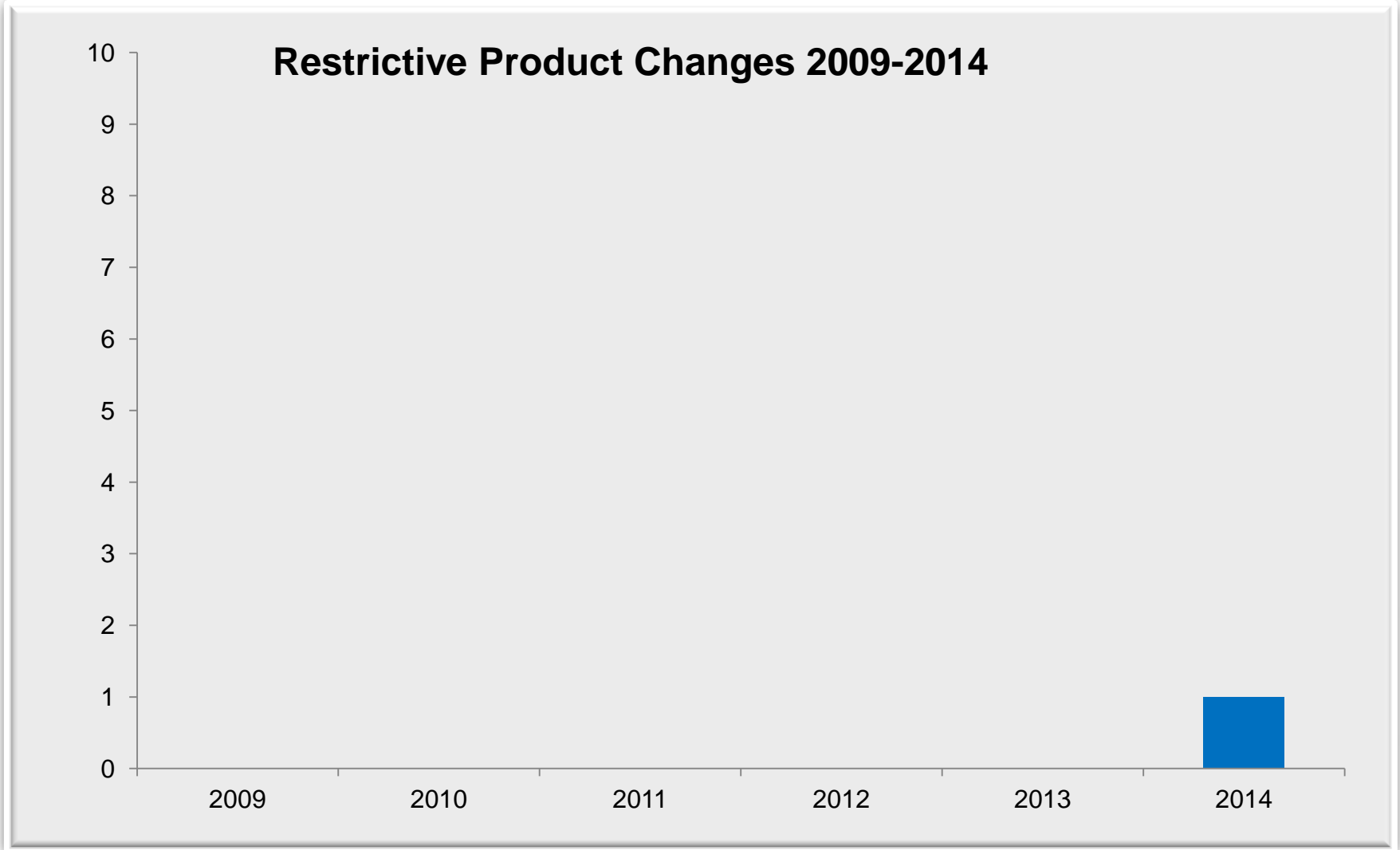
Source: Rice Warner

# Where is the industry at today?



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Source: APRA Quarterly Life Insurance Performance

# Where is the industry at today?

**20% - 35%**



Target Loss Ratio 50%



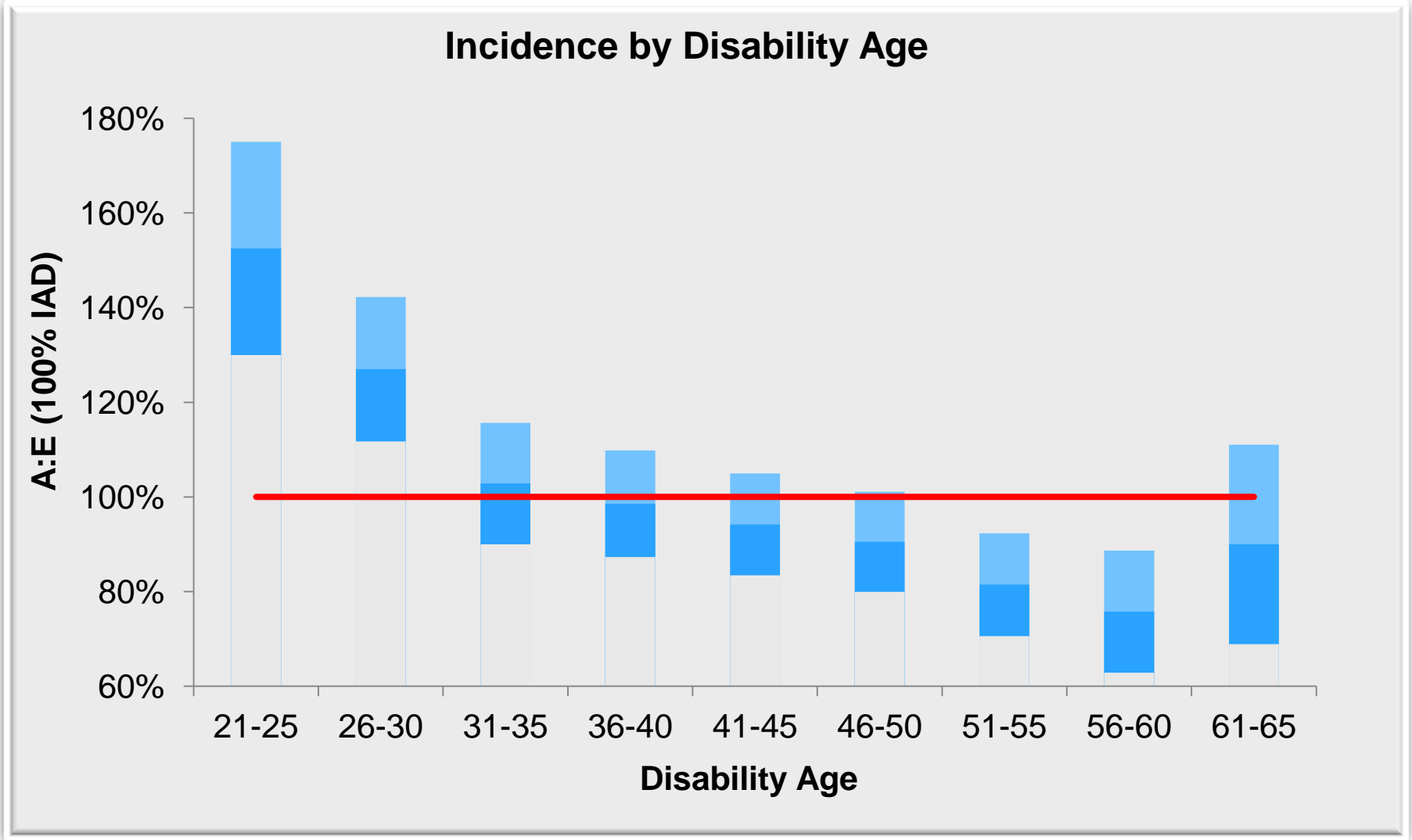
Target Loss Ratio 45%





# MRA INSIGHTS





## MRA Investigation

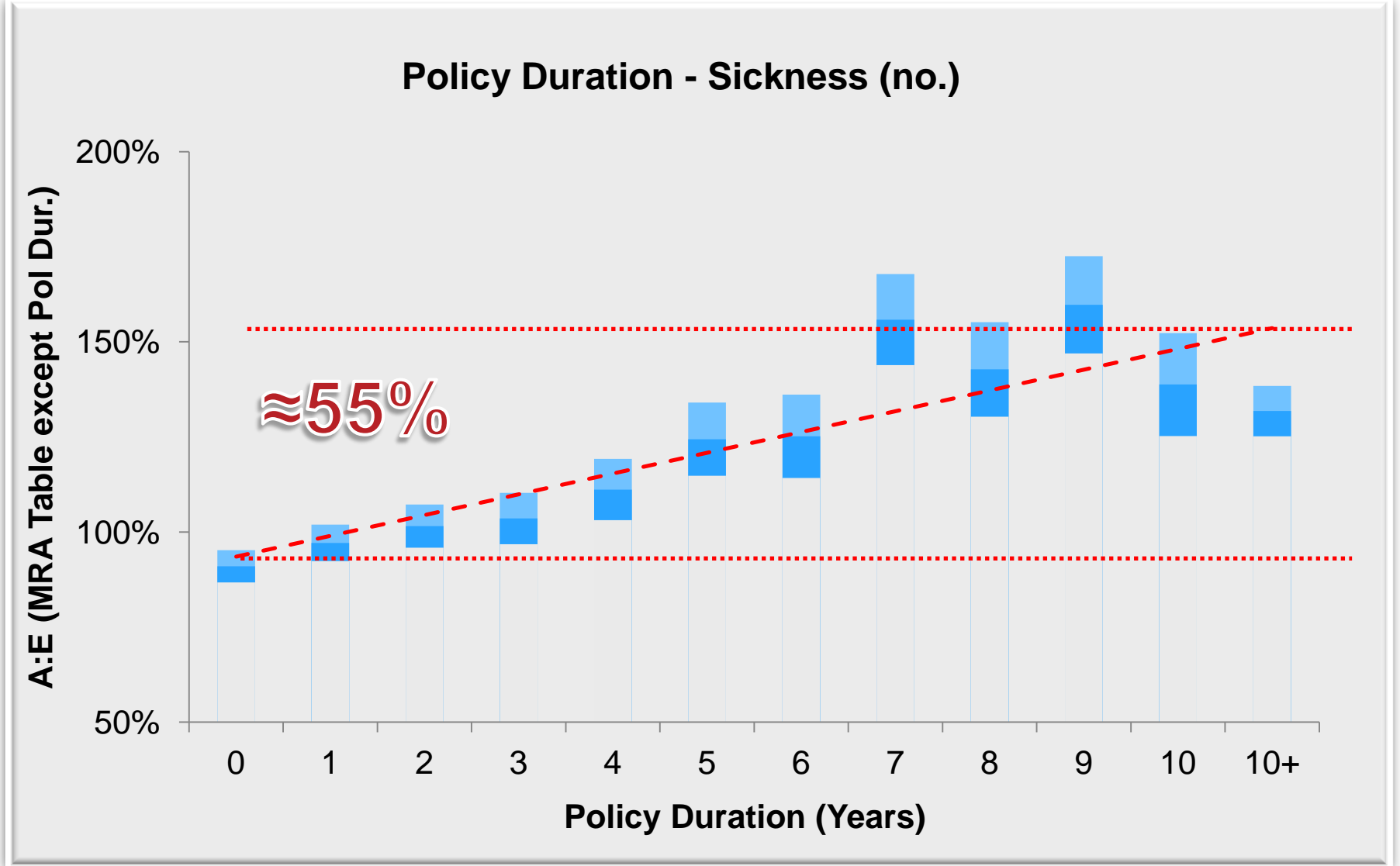
- Covers 70% of the market
- 10 year analysis
- Credible data volumes
  - 19,321 incidences &
  - 15,616 terminations

## Drivers

- Age (& Claim duration)
- Claim cause
- Waiting period
- Occupation
- Gender
- Others

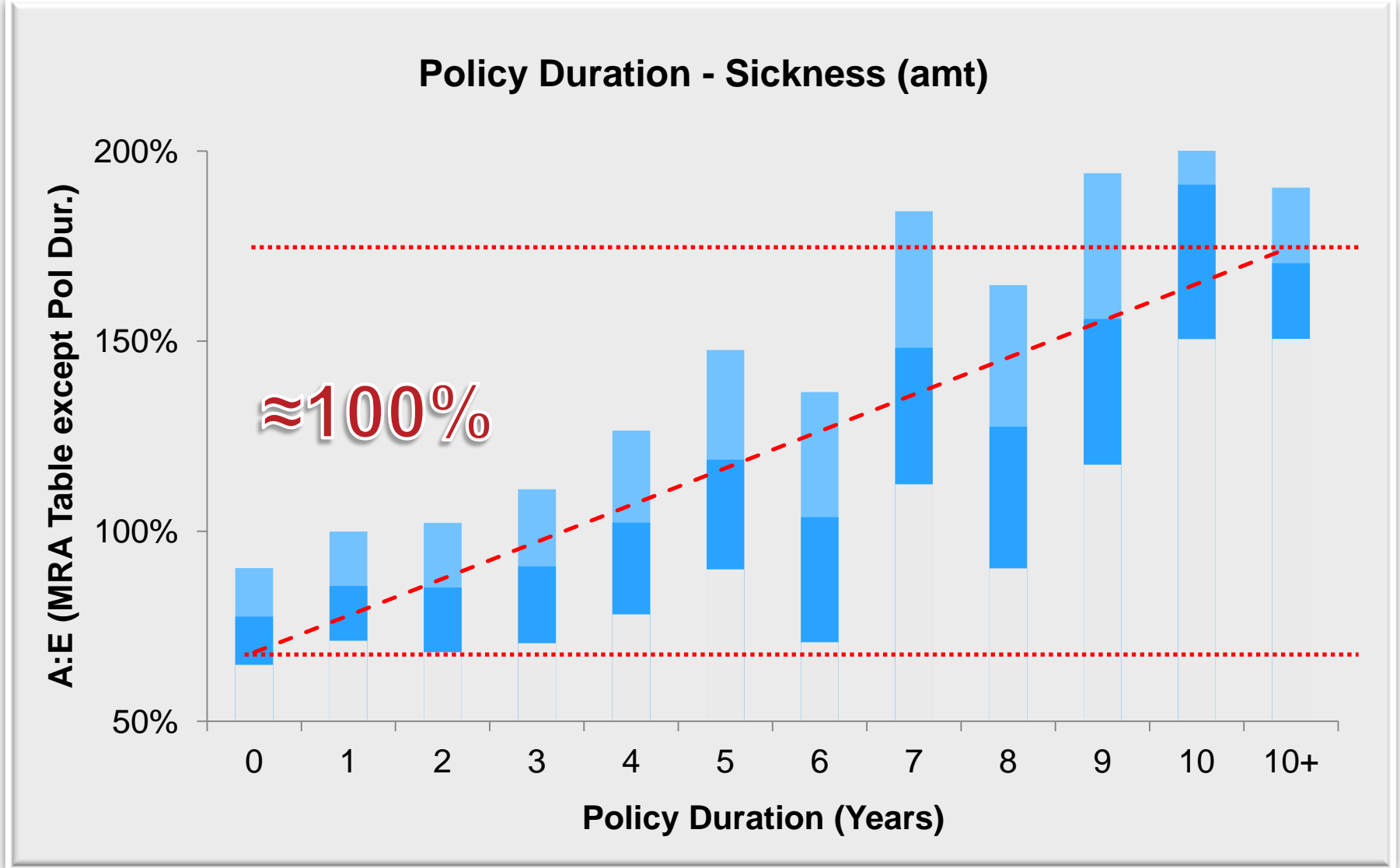
# INSIGHT 1:

## Sickness incidence increases by policy duration



# INSIGHT 1:

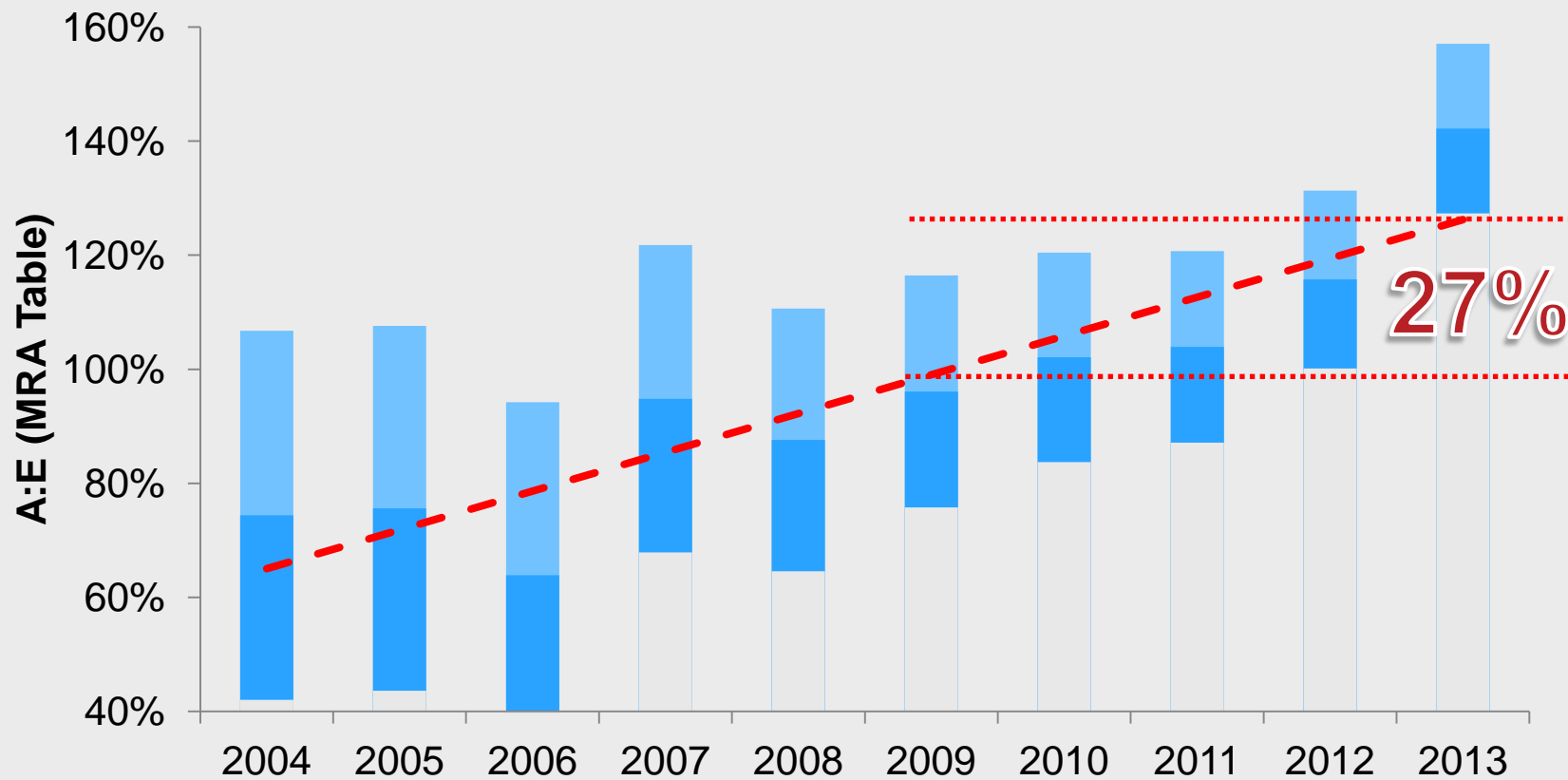
## Sickness incidence increases by policy duration



# INSIGHT 2: Accident incidence increasing



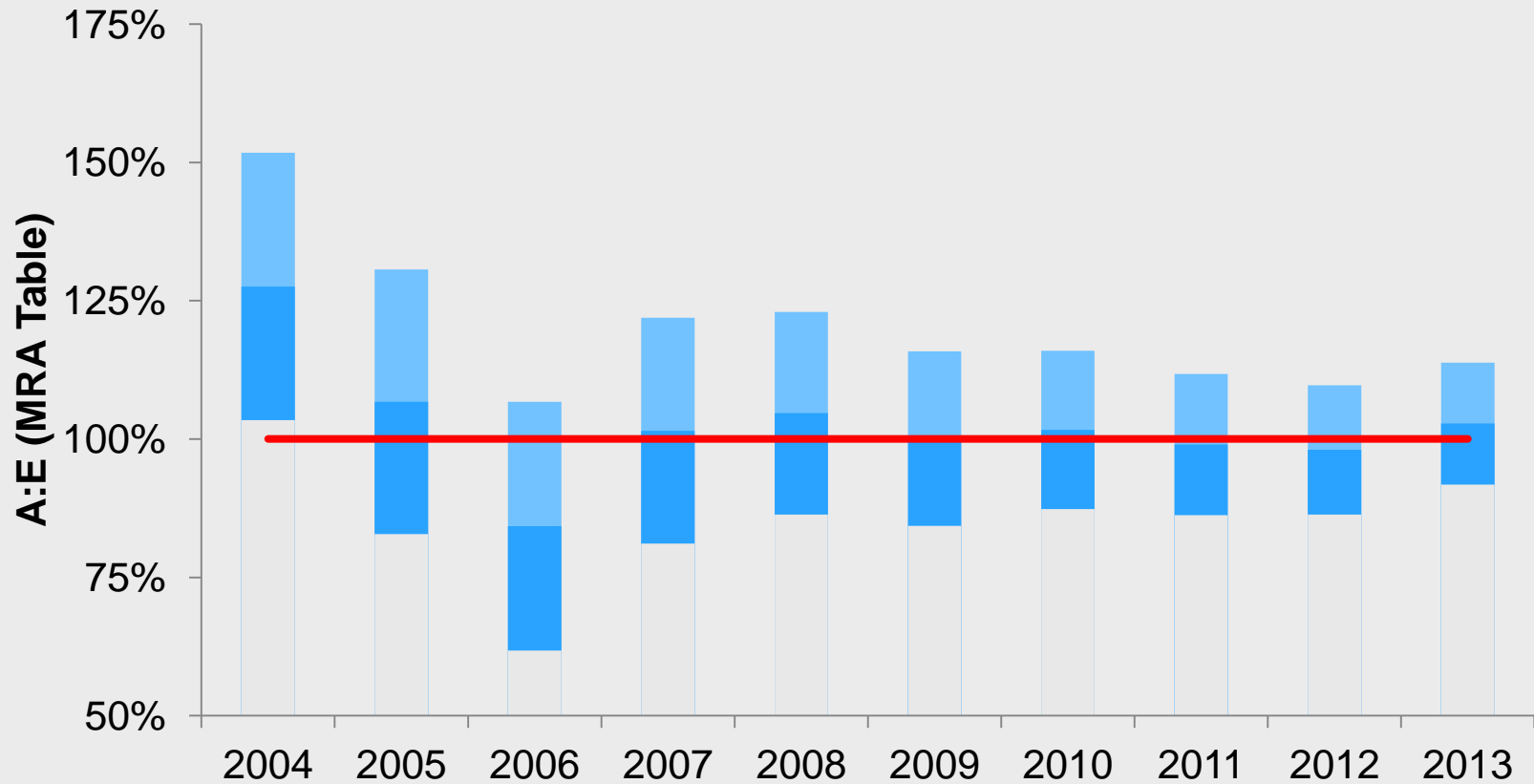
### Accident by Year



# INSIGHT 3:

## No systemic change in termination experience

### Year 1 Claim Duration by Year

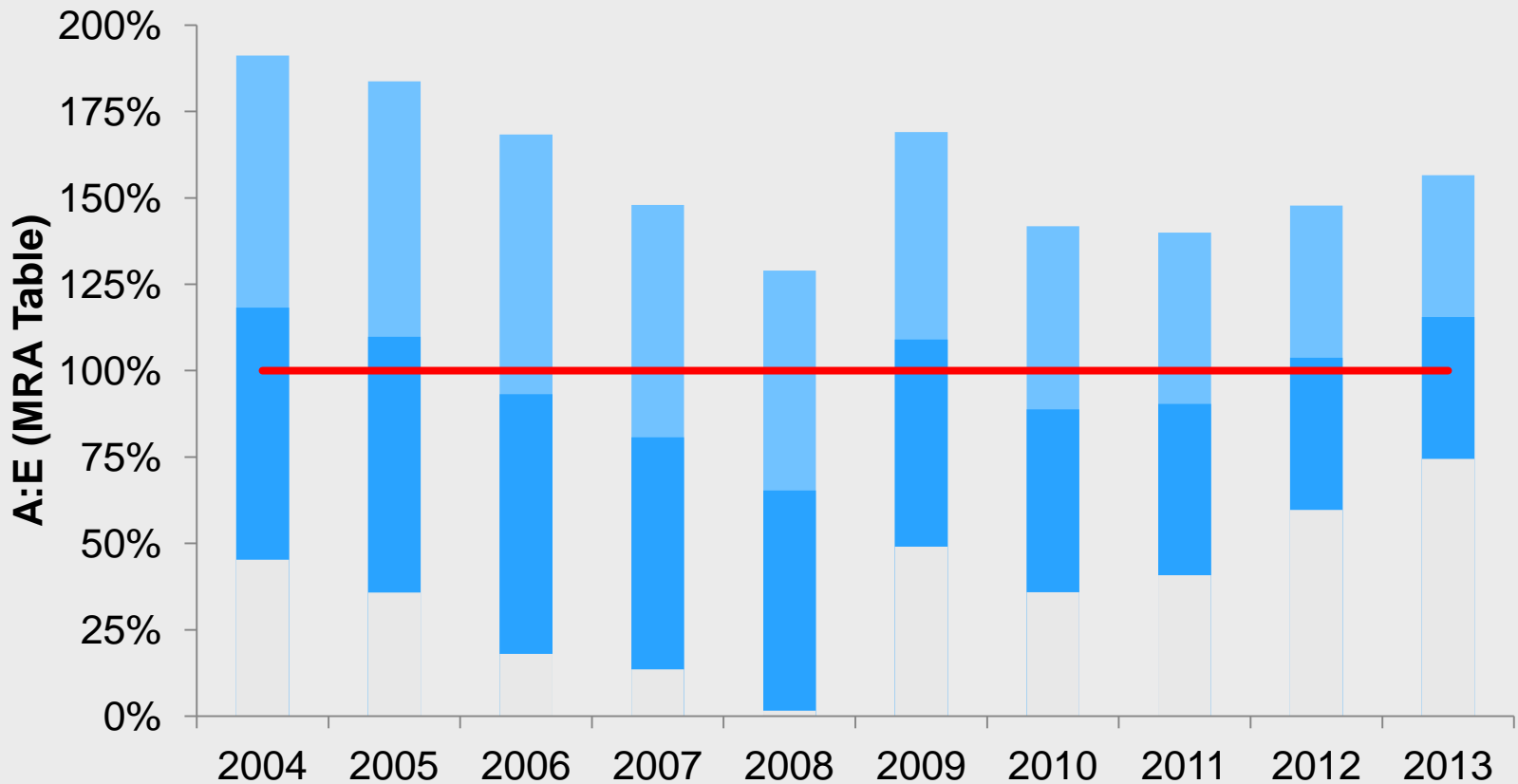


# INSIGHT 3:

## No systemic change in termination experience



### Year 2 Claim Duration by Year

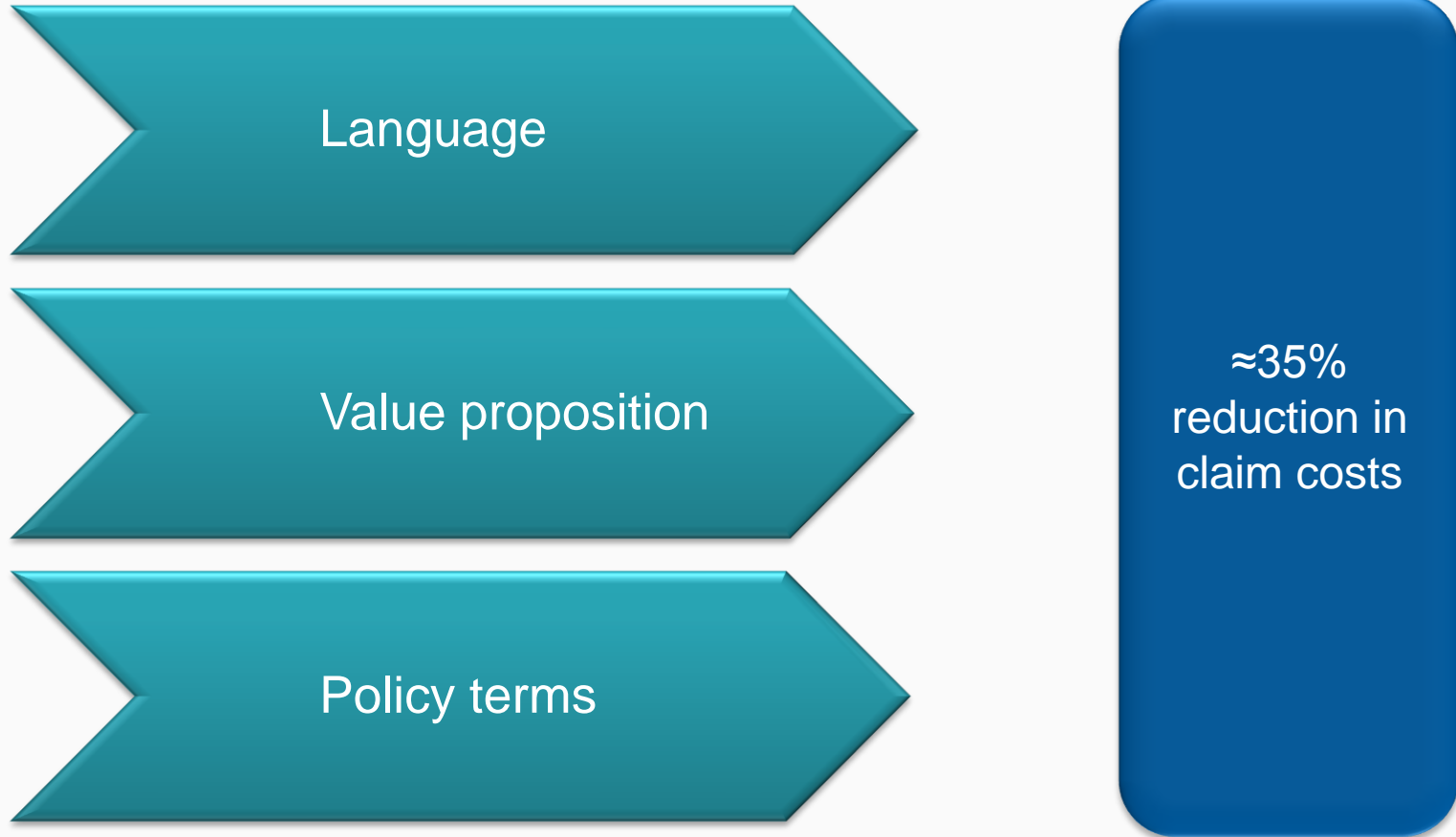






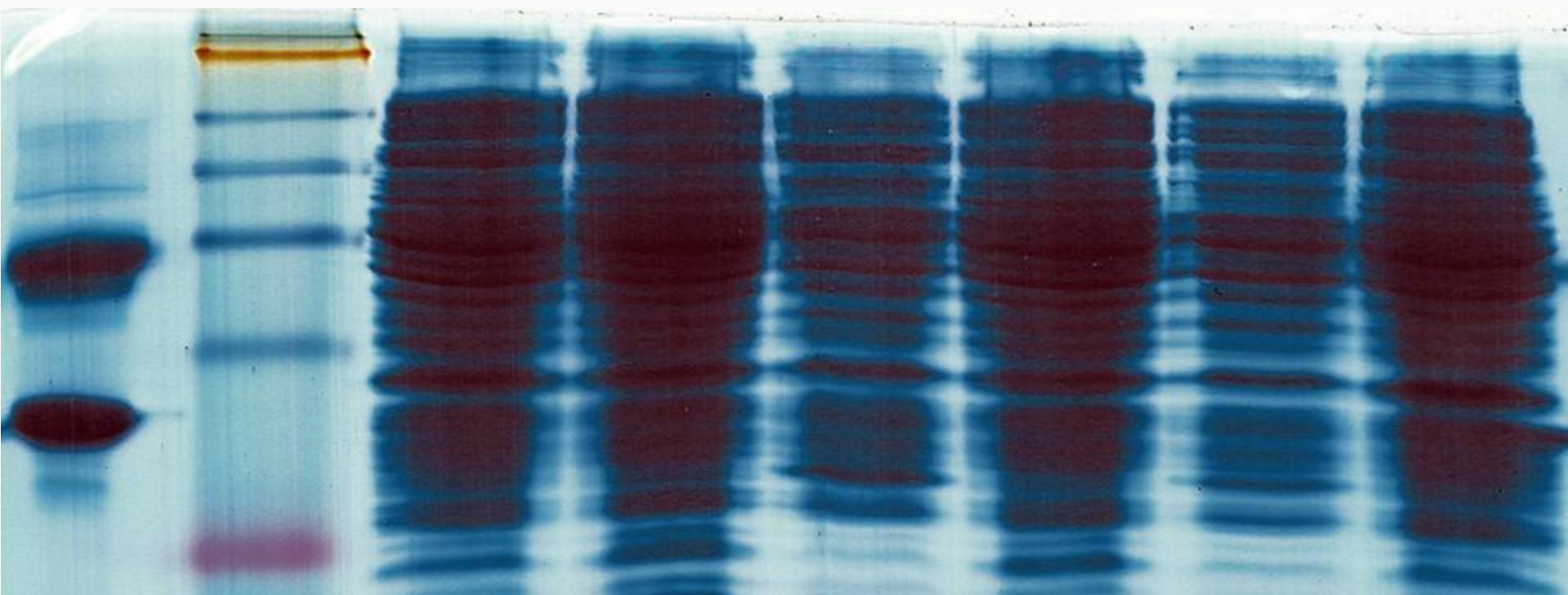
# DI PRODUCT – A NEW DIRECTION







# BARRIERS TO ACTION



## A 20%-35% Price Rise Is Not A (Big) Surprise

### Changes Since 2008 We've Known About

Product "Enhancements"

Underwriting "Improvements"

Interest Rate Movements

**15% - 20%**

### Changes Since 2008 We May Not Have Known

Accident Trends

Duration Trends

**5% - 15%**



Barriers	Barrier Busting?
Lack of Knowledge / Analysis	KPMG/MRA/FSC
Reinsurers	Reinsurers
Treating the Symptoms	Treating The Cause
Lump Sum Profitability	Acknowledge Risk
First Mover Disadvantage	Last Mover Disadvantage
Rating Houses	Risk Management

Review Experience  
Analysis

Adopt FSC Table  
Bring up to date

Review Assumptions

Review Product

- Increase prices
- New product t&c's

# What I Would Do If I Was an.....

AA / Experience  
Analysis Actuary

Pricing Actuary

Product Manager

Claims Manager Or  
Underwriter

# THANK YOU



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