



PACIFIC LIFE RE

WEAVING SOCIAL NEEDS INTO PROTECTION INNOVATION

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David Wright looks at innovation opportunities in existing product propositions that have the potential to address Thailand's increasing protection needs, making insurance more accessible to everyone.

The Thailand life insurance industry continues to grow with premiums increasing by 6% in 1Q 2017 as compared to the corresponding period last year. This is amid an environment of conventional products that continue to be impacted by low interest rates. The continuing low interest rates provides a strong mandate for insurers to develop innovative new products for their customers.

Even though the industry has demonstrated resilience in adapting in order to sustain growth, this growth is not without its own set of challenges. In order to realise this growth, insurers and the regulator need to work closely together so as to enable innovation.

Innovating with digital

Smartphones are the dominant means of digital access, with over 90% of Thai internet users using their smartphones to go online. With 19.8 million current smartphone users in 2016 expected to increase by over 30% in the next five years, we have seen a number of insurers investing in digital initiatives with brand marketing via social media and other digital avenues gaining increasing traction.

Digital innovation has the potential to form a valuable source of new business revenue for insurers. We are likely to see new digital propositions introduced over the next 12 to 24 months following the release of regulatory guidelines which will apply from August 2017. This provides a clear framework to operate where InsurTech companies may partner with insurers under regulatory guidance to create a fresh outlook on life insurance customer engagement and experience.

Products need to be repackaged such that they are simple, easy-to-understand, and affordable. The marketing of such products would ideally need to trigger a need inside consumers that aims to attract and convert interest. The initial phase may involve a 'hybrid' approach

whereby the marketing is primarily used to increase consumer awareness. It also acts as a lead generator with the sale converted directly by the insurer.

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A key capability for a complete online solution is the ease of fulfilment to avoid a high "drop-out" rate of applicants. As digital propositions mature, automated underwriting is likely to play an increasingly important role in this area.

Innovating with digital will allow insurers to meet the need of the increasing proposition of consumers who wish to engage differently based on their individual preferences. This move ensures that they constantly take steps to remain relevant to the evolving consumers' behaviours.

Protection innovation in the senior segment

In 2016, over 10% of Thailand's population of 68 million is over the age of 65. The United Nations projected that this will increase to over 20% of the total population by 2035, and to 30% in 2050, making Thailand one of the world's fastest growing ageing populations.

Products for the senior segment have historically been most successfully distributed via direct TV marketing. However, most recently, there has been a reduction of activity via this channel, giving insurers the opportunity to redefine their senior protection proposition and distribution considerations.

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This requires a review of alternative distribution channels to effectively reach out to this segment. This may involve broadening the marketing approach to include targeting customers who will most likely be bearing the financial and emotional responsibilities associated with ageing parents suffering from serious or chronic medical conditions.

Secondly, it is worth reviewing the protection benefits for the elderly, taking into consideration the likely medical trends that will impact their future. For instance, the Ministry of Public Health (MoPH) announced in September 2016 that the number of people with Alzheimer's disease had reached 600,000. With 95% of cases diagnosed over the age of 65, Thailand is increasing its medical development and patient care infrastructure in an effort to accommodate this increasing need. The MoPH forecasts the country will reach a million people affected by this disease by 2029.

Innovating in the senior segment requires more than financial coverage. Support services are a must in order to manage varying requirements; from facilitating medical appointments and transportation for treatment, home care, and rehabilitation services, just to name a few.

It is hoped that through the coverage of these areas, insurers can contribute towards minimizing the burden of serious or chronic medical conditions on the individual, family, and the community.

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Cancer innovation

Cancer products are currently being offered by both life and non-life insurers. This poses the following question - why the need to innovate in this area?

There are several reasons why we believe there is a need to innovate in this space. Firstly, current products utilise standardised definitions with coverage for non-invasive and invasive cancer only. The pace of medical advancements for diagnostics and treatment protocols means that the current definitions may become increasingly irrelevant over the longer term. The medical



inflation impact on coverage levels are presently at 8% per annum, and there is a general underinsurance situation where a majority of cancer plans available in the market have maximum sum assureds below the cost of treatment for an invasive cancer.

Innovation in this space would therefore assist to address a number of areas. These include increasing the number of tiered cancer definitions with varying payment percentage levels to align financially with the clinical diagnosis associated with the severity of the cancer. This helps to manage the client's expectations to be paid on diagnosis as with increasing consumer awareness of the advantages of screening, this is likely to lead to an increase in the rate of 'earlier' cancers diagnosed.

Income protection

Apart from that, it is beneficial to include income protection benefits for time off from work associated with treatment and recovery. When a consumer determines the need for cancer-related products, considerations are generally based on the cover for treatment costs, debt exposure, and affordability. Depending on the nature of the cancer and the treatment undertaken, the length of time away from work will vary.

The loss in income may not be fully covered by their employers, or for self-employed people, the ability for their business to continue producing the same income levels. Adequate income to cover the loss of earnings would therefore enable the individual to fully focus on his recovery. This peace of mind relieves one from the financial stresses that would normally occur with the inability to work and provide for one's family.

Increase in cover and value-added services

Lastly, there needs to be in place medical inflationary measures with long term product coverage. Maintaining appropriate levels of cover is a difficult area to manage. Options include increases in cover on a periodical basis without further underwriting or future insurability features, enabling an individual to increase coverage at specific ages or life stage events where there is a greater need for coverage.

Value-added services can be packaged together with cancer products in order to improve the overall proposition and customer experience. Some examples include lifestyle and preventative care programmes such as screening, access to concierge teams to ensure the

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quality of medical referral, expert second medical opinions, and counselling services for both individuals and their families.

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Conclusion

The Thailand life insurance market presents a number of opportunities to grow protection sales with innovative product and service solutions.

Digital initiatives will require an agile environment to test and learn to be successful. Innovating protection products in traditional channels is not without its own set of challenges. New products will require longer implementation timeframes with key development areas including best estimate incidence rates and regulatory engagement for approval.

Reinsurers are well-placed to support life insurers in these areas with the ability to collaborate with new ideas from global markets and support efforts for provision of realistic incidence rates, development of definitions, policy terms, and regulatory filing. For digital propositions, experience in digital underwriting outcomes and use of data can be leveraged to maximize investment in technology.

Insurers constantly face pressures to realise new business sales from product development efforts in any given year that has a tendency to result in a short-term focus. Maintaining a long-term outlook balanced with shorter initiatives is likely to reward insurers with superior growth in excess of industry expectations. At the same time, innovation in areas like the above create real value for consumers, addressing social needs and the way they wish to engage with insurers. This will ultimately benefit both the insurer's brand and our industry's reputation, ensuring that we remain relevant always.



PACIFIC LIFE RE

ABOUT PACIFIC LIFE RE



Pacific Life Re works with clients in Europe, Asia, Australia, and North America to manage their mortality, longevity, and morbidity risk. We have built a strong, experienced team with a reputation for technical expertise, responsiveness, innovation, and excellence in service delivery to our clients.

Pacific Life Re is a wholly-owned subsidiary of Pacific LifeCorp, the parent company of Pacific Life Insurance Company.

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