



2019 HEALTH
MEETING

JUNE 24-26 | PHOENIX, AZ



Session 60, Critical Illness 20/20: Survey Results & Future Possibilities

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JUNE 25, 2019

SESSION #60 CRITICAL ILLNESS 20/20

SOA Health Meeting

Sydney

PRESENTED BY:

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LOOKING AHEAD

Five Predictions



1. Competition will continue a race to zero that spurs additional investment in operational efficiency and strategic partnership
2. Dynamic regulatory environments will be influenced by elections and other external forces
3. Carriers will be forced to weigh consumer-driven plan design options and their impact on profitability
4. Growth strategies will become increasingly sophisticated as data and information becomes more accessible
5. Critical Illness will remain a key focus of product development and innovation

STRATEGIC PARTNERS

Differentiation protects top and bottom-line results

Benefit Design & Strategic Partners

Carriers are increasingly pursuing **strategic partnerships** (e.g. Mayo Clinic, PinnacleCare, HealthAdvocate, MeMD, etc.) and **new benefits** (e.g. Mortgage and/or Rent Reimbursement, pet care, etc.).

Strategic partnerships and new benefits can move beyond insurance by
1) incentivizing better outcomes and
2) educating consumers

Implemented effectively, these initiatives enable carriers to stand out, improve sales, and protect profitability. Carriers will continue to reflect on their own culture and leverage unique traits to create competitive advantages in the marketplace.

Value Added Services

Now, if you enroll in Aflac Group Accident, Group Critical Illness or Group Hospital Indemnity plans, you also have access to three new services that make it easier to access care, reduce out-of-pocket medical expenses, and navigate the healthcare system with greater ease.

Benefits

- MeMD Telemedicine- Connect with board-certified, U.S. licensed health providers online for 24/7/365 access to medical care-fast
- Health Advocacy- 24/7 access to personal Health Advocates who start helping from the first call
- Medical Bill Saver™- Health Advocate professionals help you negotiate medical bills not covered by health insurance*

*Value Added Services are not available in Idaho, Minnesota, or with plans issued in New York. State availability may vary.



<http://marshdriverbenefits.mybenefitslibrary.com/aflac-supplemental-insurance/>

SALES GROWTH

High performing market is expected to continue its rise

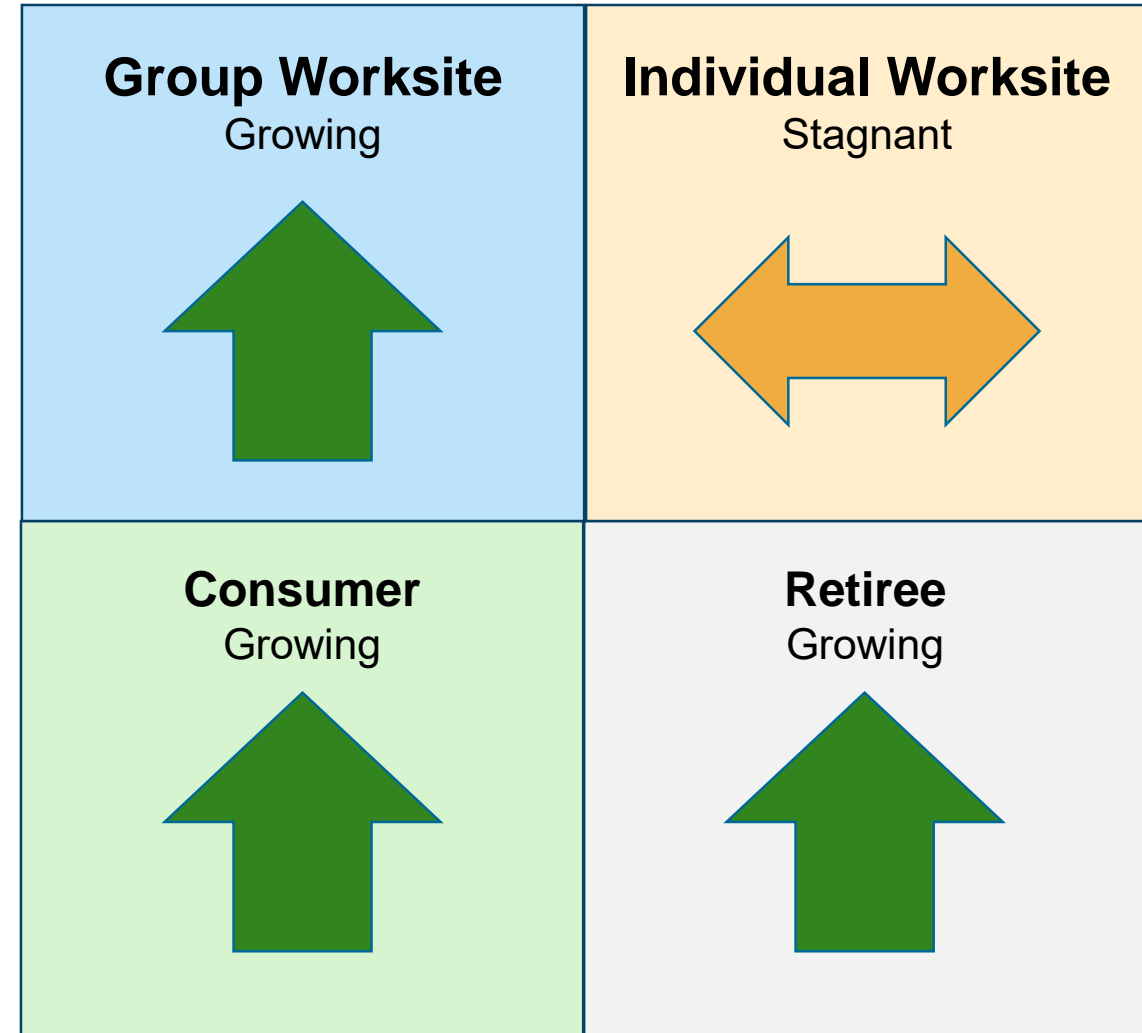
Sustained Growth

Similar to much of the last decade, 2019 is expected to be a strong sales growth year for supplemental benefits. The growth rates are attributed to both new employer accounts and takeovers of existing business.

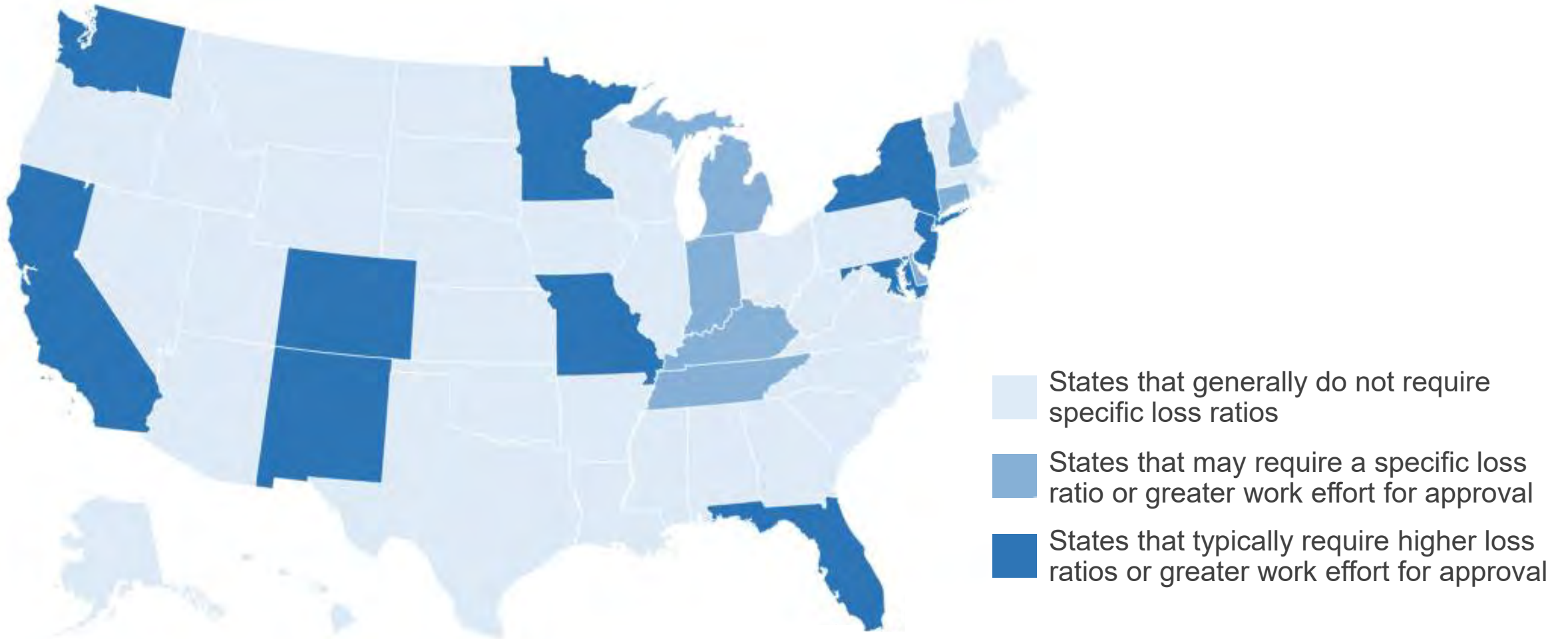
Critical Illness: Expected 10% to 20% growth

Sustained growth has created additional pressure on both expenses (e.g. enrollment costs associated with group business) and profitability (e.g. additional underwriting concessions, more frequent pricing updates, etc.).

Market Channel Overview (Not Intended to be Comprehensive)



REGULATORY ENVIRONMENT

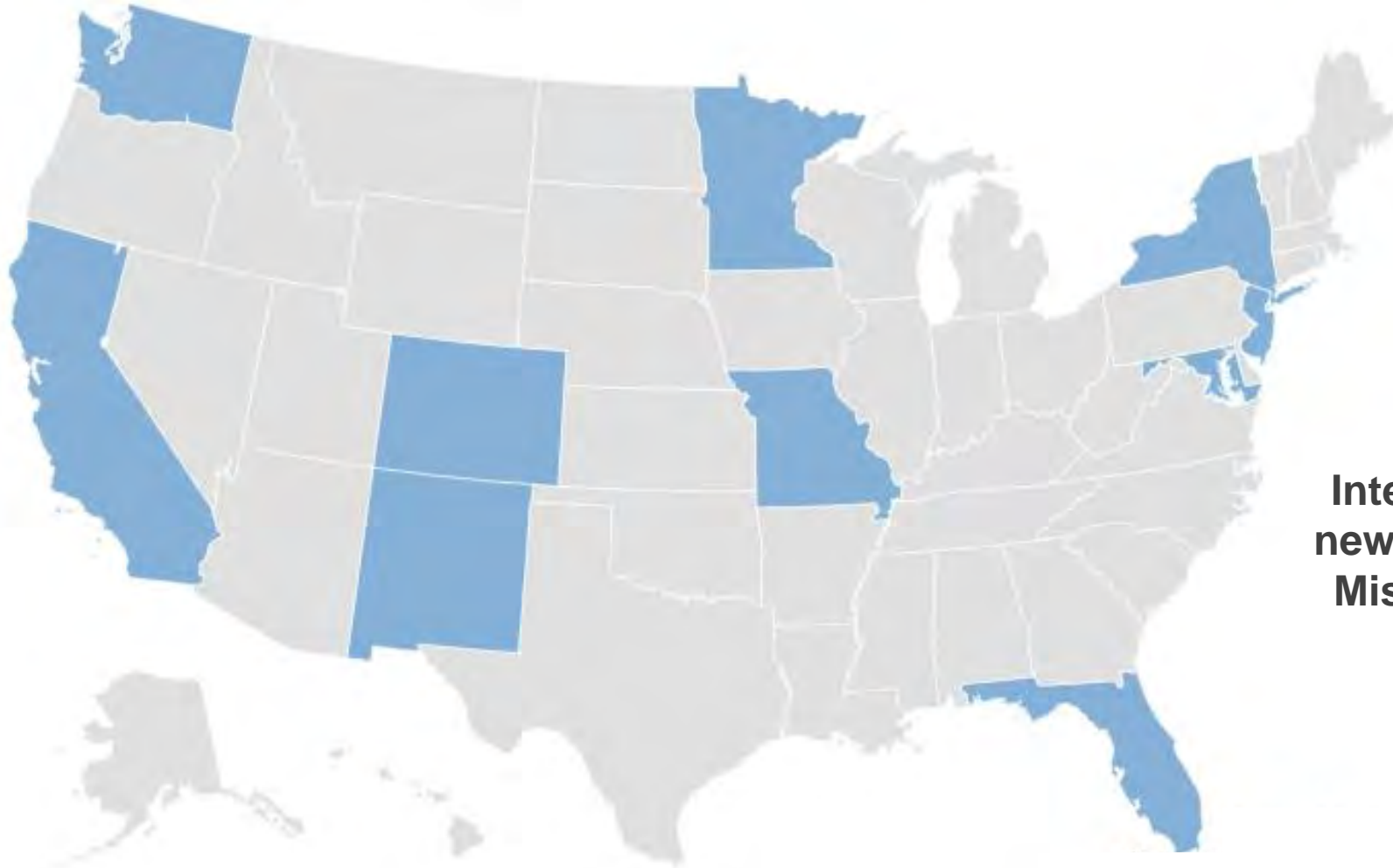


REGULATORY ENVIRONMENT



Anticipated loss ratios for new products typically filed between 50% and 65% in these states

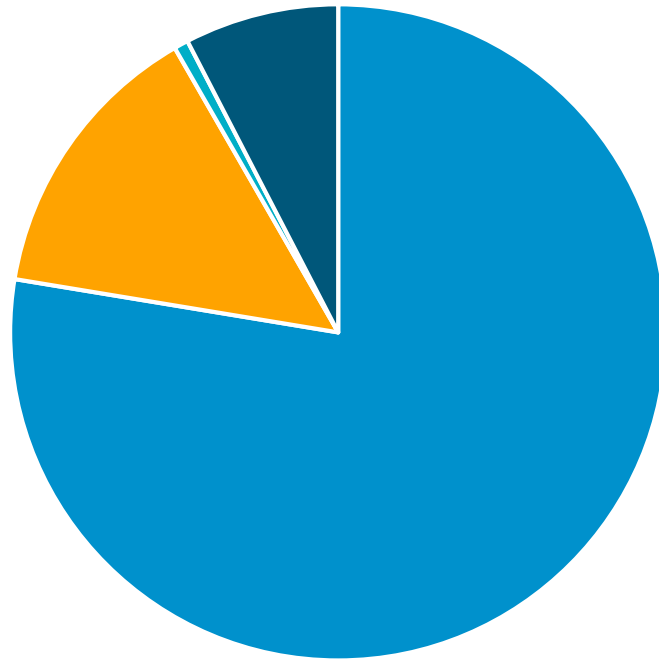
REGULATORY ENVIRONMENT



Intensity of regulatory oversight in new product filings has increased in Missouri and New Mexico over the last several years

CRITICAL ILLNESS BENEFIT TRIGGERS

Claim Payments



- Core Benefits (77.6%)
- Common Benefits (14.1%)
- Childhood Conditions (0.7%)
- Miscellaneous Conditions (7.6%)

Core Benefits (7)

Invasive Cancer, Non-Invasive Cancer, Heart Attack, Stroke, Major Organ Failure with Transplant, End-Stage Renal Failure, Coronary Artery Disease (Bypass Surgery)

Common Benefits (11)

Skin Cancer, Bone Marrow Transplant, Heart Valve Surgery, Sudden Cardiac Arrest, Coronary Artery Disease (Angioplasty or Atherectomy), Complete Loss of Sight, Complete Loss of Speech, Complete Loss of Hearing, Coma, Severe Burns, Benign Brain Tumor

Childhood Conditions (8)

Cerebral Palsy, Down Syndrome, Type I Diabetes, etc.

Miscellaneous Benefits (40+) Excluding Wellness

ALS, MS, ARDS, Occupational HIV/Hepatitis, Advanced Alzheimer's, Meningitis, Lyme Disease, Legionnaire's, etc.

MULTI-YEAR STRATEGY

Products with a cash value can improve aggregate persistency by 5% or more

Initial Enrollment

Lead with 1-2 products

- Accident / Critical Illness
- Accident / Hospital Indemnity
- Gap

- Product alignment with value proposition
- Simple & efficient administration
- Use **demographics** to tweak product offering

Year 2

Add 1 product

- Hospital Indemnity
- Critical Illness
- Critical Illness

- Annual stewardship reporting
- Educate the employer on plan performance
- Identify additional areas of need

Year 3

Add 1 product

- Life
- Life
- Hospital Indemnity

- Annual stewardship reporting
- Review plan performance with the employer
- Consider life products with cash values

Demonstrate Expertise -> Deliver Value -> Long-Term Relationship

A blue-tinted photograph of four business professionals in a meeting. Two men are shaking hands in the foreground, while a man and a woman look on. The scene is overlaid with a semi-transparent blue filter.

CONTACT INFORMATION

WHO WE ARE



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Sydney is a client-focused organization that provides health care solutions, including product strategy, actuarial, compliance, data, and consumer education services. We are data-driven problem solvers employing actuaries, compliance professionals, and operational staff. We do not consider ourselves successful unless you meet your objectives.