

Benchmark 2019

Enabling Financial Resilience

Climate change in the Group Risk Industry

by Michele Jennings

CEO: Group Risk
Sanlam Employee Benefits

THE DAY AFTER TOMORROW



TOP ADVICE THEMES RE GROUP RISK



Increase
funeral cover

Increases in
insurance
rates

Introduction
of Severe
Illness
Benefits

52% indicated that their clients experienced large rate increases over the past 3 years

19% have experienced a trend towards more claims being declined



Increases > 50% accepted

All Insurers

All Stakeholders



Group disability insurance about much more than the premium price, expert warns

May 04 2019 13:02

fin24



Group disability insurance in South Africa is highly commoditised. As such, purchasing decisions are often largely driven by price.

It is important to remember, however, that while offering group disability insurance to employees costs businesses money, the cost of disability in the workplace is even higher, according to Elna van Wyk, head of underwriting and disability management at Momentum Corporate.

She says a price-only focus undermines the real value of group disability insurance.

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"In order to unlock the real value of group disability benefits, employers and their financial advisers need to look beyond price."

Van Wyk adds that premiums for this highly-valued employee benefit have gradually increased over the



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It's a new dawn in group disability insurance

by MoneyMarketing on [June 26, 2018](#) in [Insurance](#), [long-term insurance](#), [News](#)

The time has come to change perspectives around group disability insurance and shape a future which ensures the sustainability of this key employee benefit and unlocks the value of healthy, productive employees. This was the message from **Nashalin Portrag, marketing actuary at Momentum Corporate**, speaking to delegates at the 2018 Batseta Winter Conference in Durban last week.

Batseta is an industry body that unites principal officers and trustees in the South African stand-alone retirement funds industry. While the focus at the annual conference tends to be on investment-related topics, with more than 50 000 South Africans likely to become disabled during 2018,





Sunday Times
Business Times



■ MONEY

Body blow to group disability benefits

Employers cut back on benefits you may need should you fall ill

08 JULY 2018 - 00:08 by LAURA DU PREEZ



DECONSTRUCTION



Pricing Behavior



Change to PHI Tax Treatment



Policyholder Protection Rules



Economic Stagnation



Member Behavior



National Health in Decline

RACE TO THE BOTTOM

Competitive Market

Lower Premiums & Higher FCL

Pressure to 'buy to build' or 'buy to retain'

Experience Turned

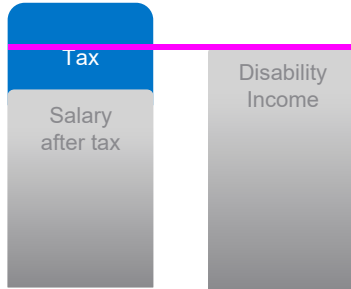
Unsustainable Rates



CHANGE TO TAXATION OF DISABILITY INCOME REPLACEMENT (PHI)



From 1 March 2015

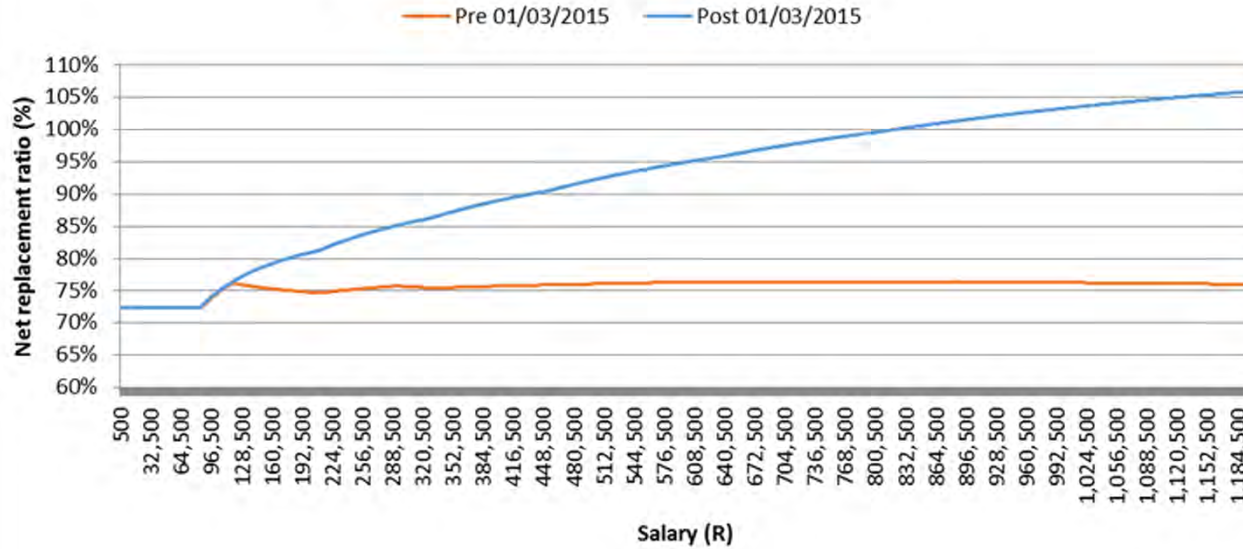


... PHI Benefits not taxable

- Increase in benefit received
- Increased incentive to claim
- Reduced incentive to rehabilitate



Change in net replacement ratio

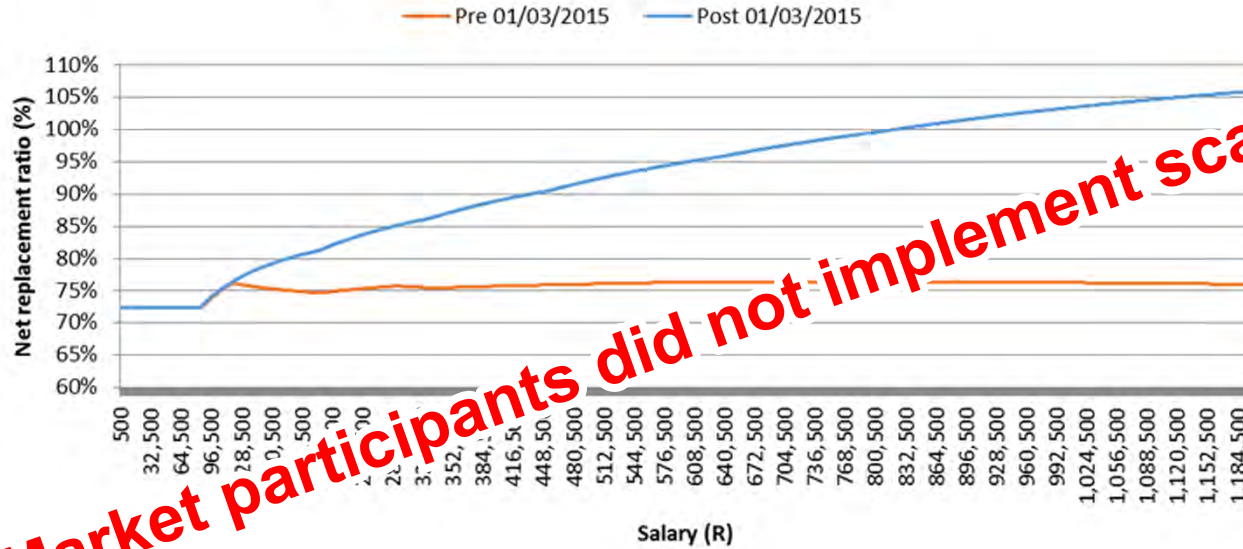


Menninger Centre for Applied Behavioral Sciences Net replacement ratio vs recoveries (return to work after 2 years)

Net replacement ratio	Returned to work
≤ 25%	84%
25% – 50%	70%
50% – 75%	52%
75% – 100%	38%
100% – 150%	26%
≥ 150%	6%



Change in net replacement ratio



Market participants did not implement scaled benefits

Menninger Centre for Applied Behavioral Sciences Net replacement ratio vs recoveries (return to work after 12 weeks)

Net replacement ratio	Returned to work
≤ 25%	84%
25% – 50%	70%
50% – 75%	52%
75% – 100%	38%
100% – 150%	26%
≥ 150%	6%



Question	Yes	No
Consider level of pre-existing impairment/disability before joining the group scheme to determine benefit payable	38%	62%
Link disability income benefits to the % of the job description that the employee cannot perform	22%	78%
Considered reducing the disability income benefits due to the changes in tax legislation on 1 March 2015?	15%	85%
Consider employees that do not meet fitness for work criteria due to a diagnosis or medication, but who have no real impairment be compensated on a different benefit scale?	21%	79%
Cover of newly appointed employees with disabilities to be restricted	21%	79%
Consider lifestyle factors and compliance with medical treatment when determining the benefit payable	19%	81%
The % of functional impairment that the claimant experiences to determine benefit payable	18%	82%



Question	Yes	No
Consider level of pre-existing impairment/disability before joining the group scheme to determine benefit payable	62%	38%
Link disability income benefits to the % of the job description that the employee cannot perform	22%	78%
Considered reducing the disability income benefits due to the changes in tax legislation (Section 2015)?	15%	85%
Consider employees that do not meet fitness for work criteria due to a diagnosed medical condition, but who have no real impairment be compensated on a different benefit scale?	21%	79%
Cover of newly appointed employees with disabilities for restricted	21%	79%
Consider lifestyle factors and compliance with medical treatment when determining the benefit payable	19%	81%
The % of functional impairment that the claimant experiences to determine benefit payable	18%	82%

85% of respondents did not consider benefit changes

POLICYHOLDER PROTECTION RULES



- Policyholder Definition includes Members
- Increased Communication
- Increased costs
- Increased awareness and member expectations
- Increased claims = Increased premiums

BUSINESS INSIDER BUSINESS

There has been a record number of complaints about life and funeral policies – here's how the insurers stack up

Helena Wasserman, Business Insider SA
May 29, 2019, 12:58 PM

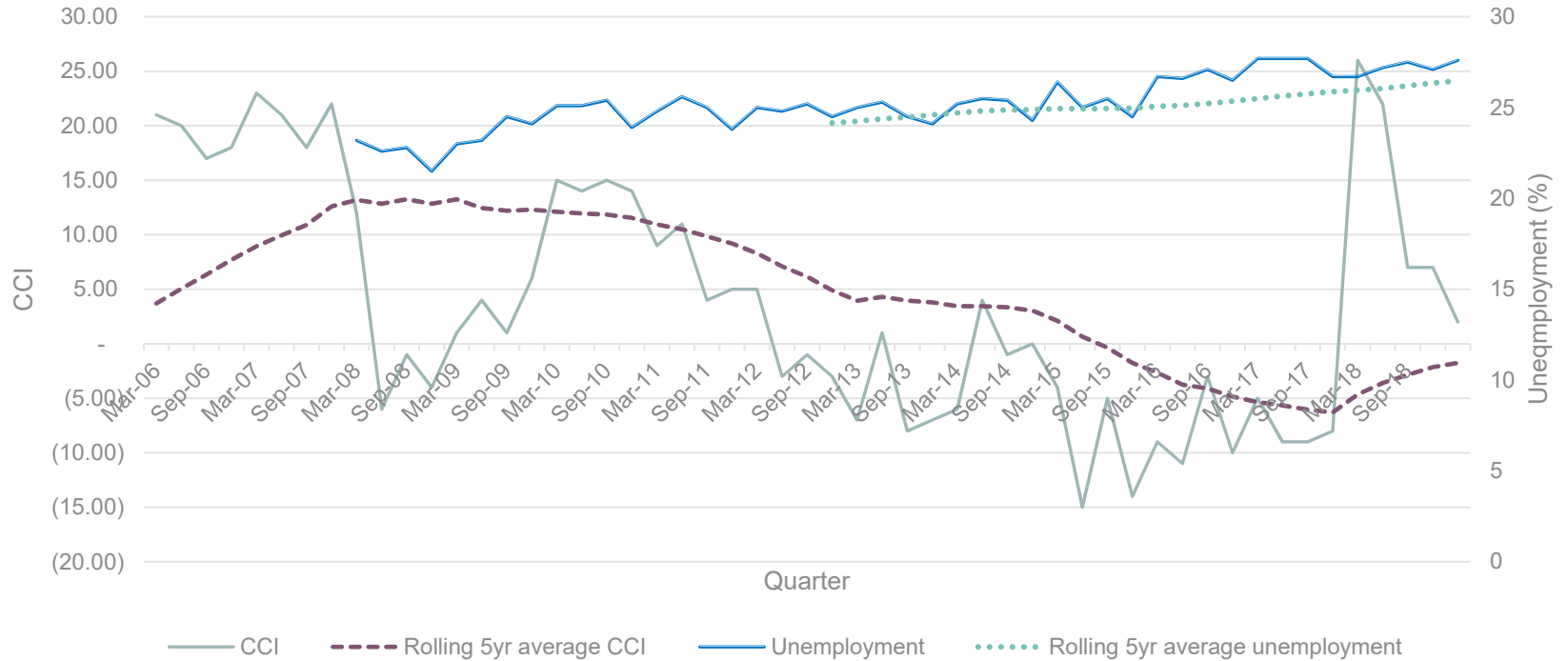


	SCHEDULE
	POLICYHOLDER PROTECTION RULES (LONG-TERM INSURANCE), 2017
	Section 62, Long-term insurance Act, 1998
	ARRANGEMENT OF CONTENTS
	CHAPTER 1 INTERPRETATION
1.	Application
2.	Definitions
	CHAPTER 2 FAIR TREATMENT OF POLICYHOLDERS
	RULE 1: REQUIREMENTS FOR THE FAIR TREATMENT OF POLICYHOLDERS
	CHAPTER 3 PRODUCTS
	RULE 2: PRODUCT DESIGN



ECONOMIC STAGNATION

Consumer confidence index and unemployment rate per quarter





ECONOMIC STAGNATION

Employers under pressure

Uncertain vs Certain Income

Aging working population

Economy link to PHI claims

MEMBER BEHAVIOUR



Financial stress

Longer working hours

Single parenting

Unhealthiest nation in the world

Excessive alcohol consumption

Lawlessness

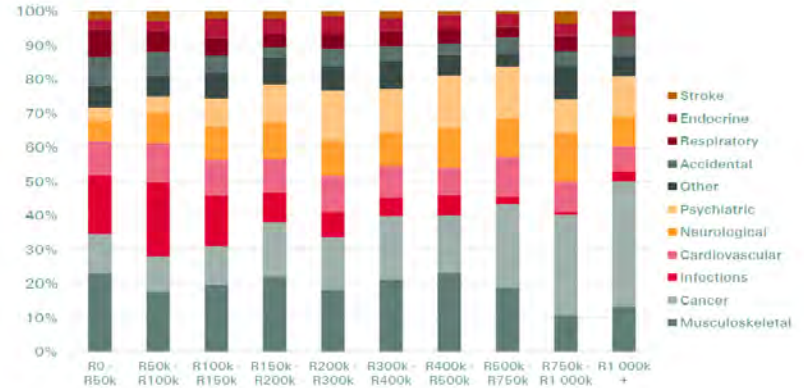


IMPACTS EVERYBODY



- ③ Cancer , psychiatric and neurological cases increase as income bands increases
- ③ Musculoskeletal higher in lower income bands

Cause of claim by salary band



NATIONAL HEALTH IN DECLINE



- Indigo Wellbeing Index - Unhealthiest in the world
- Chronic deterioration in public health facilities
- Private healthcare unaffordable for most
- Critical shortage of medical specialists
- Effective treatment is a scarce commodity

Times LIVE

SOUTH AFRICA

Medical specialists crisis: 'If you don't fill these posts, the whole health structure will collapse'

06 June 2018 - 11:16
BY KATHARINE CHILD

South Africa's dire medical-specialist skills shortage is taking a heavy toll

The medical-specialist skills shortage is already having a major impact on the South African health landscape and indications are that

South Africa has an average of one doctor and one nurse per 1 000 patients, according to figures released by the World Health Organization (WHO) in 2014. This is appallingly low when compared to countries such as Australia, for instance, which averages four doctors and 12 nurses per 1 000 patients. These statistics are for general practitioners - the figures for specialists would be significantly lower.

INTERNATIONAL EXPERIENCE USA & AUS



- ② Insurers withdrew from the market
- ② Premium increases
- ② Benefit restrictions
- ② Limitations on causes and occupations
- ② Investment & focus on claims management



INTERNATIONAL EXPERIENCE USA & AUS



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Critically Important for financial inclusion

Income protection business in Australia recorded product losses of \$13 million. The major impact was continuing poor claims experience – 2000

Capitalised losses are due to strengthening reserves for the income protection insurance business in Australia - 2000

We firmly intend to manage this portfolio back to profitability - 2000

Macquarie's summary of the problems besetting AMP notes that they are industry wide and not easily fixed - 2013

Both the individual and group income protection portfolios suffered from worse than anticipated claims costs and continued to be areas of considerable management focus - 2000

MOVING AHEAD CAUTIOUSLY



Government

- ④ Economic growth
- ④ Public Healthcare
- ④ Access to quality healthcare
- ④ Medical Specialists



MOVING AHEAD CAUTIOUSLY



Employers

- ③ Employee wellness
- ③ Early intervention
- ③ Occupational Health Clinics
- ③ Integration of Healthcare & Insurance
- ③ Claims management



MOVING AHEAD CAUTIOUSLY

Insurers

- ④ Sustainable pricing
- ④ Selective risks
- ④ Stricter application of policy conditions
- ④ Product refinement
- ④ Member support
- ④ Member engagement

