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 13:03

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 Elia 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
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 Portrog, 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 officials 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,
Body blow to group disability benefits

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

08 JULY 2018 • 08:08 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
Menninger Centre for Applied Behavioural Sciences

Net replacement ratio vs recoveries (return to work after 2 years)

<table>
<thead>
<tr>
<th>Net replacement ratio</th>
<th>Returned to work</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 25%</td>
<td>84%</td>
</tr>
<tr>
<td>25% – 50%</td>
<td>70%</td>
</tr>
<tr>
<td>50% – 75%</td>
<td>52%</td>
</tr>
<tr>
<td>75% – 100%</td>
<td>38%</td>
</tr>
<tr>
<td>100% – 150%</td>
<td>26%</td>
</tr>
<tr>
<td>≥ 150%</td>
<td>6%</td>
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Change in net replacement ratio

- Pre 01/03/2015
- Post 01/03/2015
Menninger Centre for Applied Behavioural Sciences

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Market participants did not implement scaled benefits
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<th>Question</th>
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<td>Consider level of pre-existing impairment/disability before joining the group scheme to determine benefit payable</td>
<td>38%</td>
<td>62%</td>
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<td>Link disability income benefits to the % of the job description that the employee cannot perform</td>
<td>22%</td>
<td>78%</td>
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<td>Considered reducing the disability income benefits due to the changes in tax legislation on 1 March 2015?</td>
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<td>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?</td>
<td>21%</td>
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<td>Consider lifestyle factors and compliance with medical treatment when determining the benefit payable</td>
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<td>The % of functional impairment that the claimant experiences to determine benefit payable</td>
<td>18%</td>
<td>82%</td>
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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

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

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

CCI
Rolling 5yr average CCI
Unemployment
Rolling 5yr average unemployment
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
Cancer, psychiatric and neurological cases increase as income bands increase.

Musculoskeletal higher in lower income bands.
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

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

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

- Insurers withdrew from the market
- Premium increases
- Benefit restrictions
- Limitations on causes and occupations
- Investment & focus on claims management
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Critically Important for financial inclusion
MOVING AHEAD CAUTIOUSLY

Government

- Economic growth
- Public Healthcare
- Access to quality healthcare
- Medical Specialists
MOVING AHEAD CAUTIOUSLY

Employers
- Employee wellness
- Early intervention
- Occupational Health Clinics
- Integration of Healthcare & Insurance
- Claims management
MOVING AHEAD CAUTIOUSLY

Insurers

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