The coverage of multiple events is a natural extension of the classical CI product, enhancing the protection of the policyholder with limited pricing implications. As our case study results have shown, 2nd event incidences are close or even lower than 1st event incidences and the only reason for a premium increase is the need for imposing a waiver of premium. Why are we then not seeing a higher market penetration outside of Asia-Pacific?

Even though the more comprehensive coverage comes at a small premium increase, the increase may still be significant in a competitive market environment. If the perceived need of the additional coverage is not justifying the price difference, a single event CI product will remain the more attractive product. It is therefore essential to first analyze the market situation and identify the motivations for buying CI insurance and the needs for continued coverage. As seen in Australia and the UK, both markets with similar customer needs, the same product design can have a very different market success. In Australia attachment ratios of buyback riders are typically around 10-15%, while in the UK sales are very limited. Apart from marketability of this product, the pricing remains the main challenge. Due to the large variety of possible transitions in policyholder status, full modeling is very burdensome and not justified by the often immaterial impacts. 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The type of product design and the success of its introduction varies across the regions and it is important to understand the reasons for buying CI cover.

As history has shown, the introduction of the classical CI product has been most successful in markets where it addresses a need. In China, where the product addresses a strong need and the National Health Insurance coverage is also a motivation in more developed countries, the main reason for buying CI products in those markets usually relates to covering the loss of income or medical insurance, like in South East Asia and China.

While flexibility to afford better treatments outside of the medical insurance coverage is a motivator in more developed countries, the main reason for buying CI products in these markets usually relates to covering the loss of income or medical insurance. The initial CI products saw a similar diversity at the beginning, with a general high awareness for the risk of substantial medical expenses in case of a severe illness. It is no surprise that CI policies have been most successful in markets where it addresses a need.

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The reasons for buying CI insurance have a direct impact on the demand for a multiple event cover. If a policy is bought for requiring a dialysis then there is little need for a new cover of subsequent events. In the UK, where many CI products are sold to cover a mortgage, Multiple CI is therefore not a target product.

If on the other hand a CI policy is bought to cover medical expenses from the next event unchanged after a first benefit, the policy will be taken up in multiple covers in the UK and other markets. Eventually, multiple CI products offered in addition to single event covers.

As a result, the need for CI products has increased, and the type of product design and the success of its introduction vary across the regions and it is important to understand the reasons for buying CI cover.

The pricing challenge

The pricing implications of a Multiple CI cover might appear minor, with the so-called “only” difference to a classical product being the reinsurance of costs. Unfortunately, the coverage of a second event changes the basic principle of individual insurance. In most cases, a policyholder with a pre-existing condition, applying for CI cover, would be excluded from any future coverage.

As a way to improve the transparency of the pricing model, all CI conditions are classified in several groups. The initial CI products saw a similar diversity at the beginning, with a general high awareness for the risk of substantial medical expenses in case of a severe illness. It is no surprise that CI policies have been most successful in markets where it addresses a need.

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Need for Multiple CI benefits

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As history has shown, the introduction of the classical CI product has been successful in markets where it addresses a need for protection not covered by existing national and private health insurance and disability insurance.

With a general high awareness for the risk of substantial medical expenses in case of a severe illness it is no surprise that CI insurance has been particularly popular in markets with limited medical insurance, like in South East Asia and China.

While the medical advances in recent decades, the longest survival rates after the main critical events like cancer, heart attack and stroke have increased substantially and at the same time the chances of recovery have improved.

The resulting growing population who have pre-existing conditions accentuates the growing need for continuous CI protection.

The initial CI products saw a similar diversity at the beginning as the availability of statistics, a more practical approach has to be taken.

As a matter of fact, for patients with End Stage Kidney Disease or with a serious pre-existing condition, affecting his general health status and more importantly increasing his risk for other conditions

As many CI conditions contribute only a small fraction of total CI claims, they will have a limited impact on the calibration of second event incidences, and the analysis can be limited to the most material conditions. In many cases a maximum of 15 most common conditions will be sufficient, contributing to 85-90% of total claims.

The pricing implications of a Multiple CI cover might appear innocent, with the only “difficulty” a classical product being the reversion of cost. Unfortunately the coverage of a second event changes a basic principle of individual insurance, in that it is no longer a pool of policies buying at the event of coverage. On the contrary, everybody under cover for a second event will have an additional pre-existing condition, affecting his general health status and more importantly increasing its risk for other conditions.

The latter approach might require additional specific exclusions. For example, for patients with End Stage Kidney Disease or with a serious pre-existing condition, apply for CI cover.

The pricing model

As many CI conditions contribute only a small fraction of total CI claims, they will have a limited impact on the calibration of second event incidences, and the analysis can be limited to the most material conditions. In many cases a maximum of 15 most common conditions will be sufficient, contributing to 85-90% of total claims.

The derivation of incidence rates after a first CI event is closely related to the analyses performed by medical underwriters during the assessment of a new applicant with a pre-existing condition, applying for CI cover.

At the underwriting stage, the increase in risk is expressed as a multipliers factor, based on the expected incident/premium rate. Loadings are derived based on medical research, where a similar approach is adopted to the classical CI product.

As a way to improve the transparency of the pricing implications of a Multiple CI cover might appear innocent, with the only “difficulty” a classical product being the reversion of cost. Unfortunately the coverage of a second event changes a basic principle of individual insurance, in that it is no longer a pool of policies buying at the event of coverage. On the contrary, everybody under cover for a second event will have an additional pre-existing condition, affecting his general health status and more importantly increasing its risk for other conditions.

The latter approach might require additional specific exclusions. For example, for patients with End Stage Kidney Disease or with a serious pre-existing condition, applying for CI cover.
Pricing challenge

The timing of multiple CI cover might appear once, with the “only” difference to a classical product being the reinstatement of cover. Unfortunately, the coverage of a second event changes a basic principle of individual insurance. In this longer, more polycritical context, we are at the event of coverage. On the contrary, everybody under cover for a second event will have a surplus pre-existing conditions, affecting his overall health status and more importantly its risk for other conditions.

The latter approach might require additional exclusion. For example, for patients with first Stage kidney Disease or with a history of high blood pressure, the prerequisite is to have a transplant, in which case it shall be excluded from further coverage.

Pricing model

The derivation of incidence rates after a first CI event is closely related to the incidence pattern of medical condition. As the product idea is relatively new and with a short history of sales of different product designs, a specific stand alone multiple CI design was the natural approach. A stand-alone product allows more customization, focusing on the multiple benefits. As a way to improve the transparency of the coverage, the product price is determined by the amount of the premium schedule, which allows the individual to customize the product to their preferences.

In China, where the product addresses a strong need and the dynamic insurance market is used to frequent product updates and parallel sales of different product designs, a specific stand alone multiple CI design was the natural approach. A stand-alone product allows more customization, focusing on the multiple benefits. As a way to improve the transparency of the coverage, the product price is determined by the amount of the premium schedule, which allows the individual to customize the product to their preferences.
Following the above approach an analysis has been performed based on 100,000 applied to a typical CI product covering the 22 ABI conditions risk. Terminal illnesses and TPD. The number of exclusions was kept to a minimum and a waiting period of 90 days between two benefits was assumed. Results show that 2nd event incidences vary significantly depending on the type of first illnesses. Cancer is only mildly connected to other conditions; the increase in incidences is therefore more than offset by the exclusion of the first claims conditions from future coverage. As Cancer is the main cause of death for males at around 100% and lower for females, event if two separate benefits are provided for Heart Attack and Stroke (Fig. 4) based on these results it would in principle be possible to offer a 2nd event cover at unchanged premium rates.

However as premiums include a strong cross-subsidy from Cancer patients to other patients, it is recommended to waive premiums after the first claim and base the premium rate for the waiver of premium accordingly. An alternative is the approach adopted in Australia & New Zealand of initially charging a premium loading for Cancer, providing a discount to the reinstated cover. Please note that the above pricing approach and results focus on the reinstatement of CI cover and do not include the buyback option and in case of certain conditions, like Cancer, provide a discount to the reinstated cover. New Zealand of initially charging a premium loading for Cancer, provide a discount to the reinstated cover. However as premiums include a strong cross-subsidy from Cancer patients to other patients, it is recommended to waive premiums after the first claim and base the premium rate for the waiver of premium accordingly. An alternative is the approach adopted in Australia & New Zealand of initially charging a premium loading for Cancer, providing a discount to the reinstated cover. Please note that the above pricing approach and results focus on the reinstatement of CI cover and do not include the buyback option and in case of certain conditions, like Cancer, provide a discount to the reinstated cover. New Zealand of initially charging a premium loading for Cancer, provide a discount to the reinstated cover.

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Even though the more comprehensive coverage comes at a small premium increase, the increase may still be significant in a competitive market environment. If the perceived need of the additional coverage is not justifying the price difference, a single event CI product will remain the more attractive product. It is therefore essential to first analyze the market situation and identify the motivations for buying CI insurance and the needs for continued coverage.

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Thanks to its global and in-depth expertise in Critical Illness, SCOR Global Life has a capital of €274,540,000 and Critical Illness and Disability product solutions as its Asia-Pacific experience.

The classical Critical Illness (CI) product has become a standard and mature product offered in many markets around the world.

The recent decade has seen a search towards the next generation of product design. After the first wave of product enhancements introduced by insurance companies mainly consisting of changes within the core product design, like the increase of covered conditions, or focused on specific subgroups, like children, the interest was high for developing a substantial improvement in product coverage.

Product extensions mainly went along two dimensions, providing coverage earlier for less critical conditions and providing coverage for longer, even after a first CI event. As can be seen in Australia and the UK, both markets with similar customer needs, the same product design can have a very different market success. In Australia, attachment ratios of buyback riders are typically around 10-15%, while in the UK sales are very limited. Apart from marketability of this product, the pricing remains the main challenge. Due to the large variety of possible transitions in policyholder status, full modeling is very burdensome and not justified by the often irrational impacts. We have presented an alternative simple model which captures all essential risk elements. While sufficient for internal pricing purposes, some markets might require a higher granularity to fulfill local regulatory requirements for product filing. Thanks to its global and in-depth expertise in Critical Illness, SCOR Global Life is optimally positioned to assist you with your product development. Our market specialists, product experts and medical underwriters can support you in designing, pricing and launching your next CI product, tailored to your local market needs.

Following the above approach an analysis has been performed based on data applied to a typical CI product covering the 22 ABI conditions as well as Terminal Illness. The number of exclusions was kept to a minimum and a waiting period of 90 days between two benefits was assumed. Results show for 2nd event incidences by several times higher than incidences for a 2nd event by several times. This leads to a HR for a second event below 100% and lower for females, even if two separate benefits are provided for heart attack and stroke (Fig. 4). Based on these results it would in principle be possible to offer a 2nd event cover at unchanged premium rates.

However as premiums include a strong cross-subsidy from Cancer patients to other claimants it is recommended to waive premiums after the first claim and raise the base premium for the waiver of premium accordingly. An alternative is the approach adopted in Australia & New Zealand of initially charging a premium loading for the Cancer condition and offering a grace period of 90 days. After this grace period the base premium is reduced by around 30% to obtain a HR for the second event below 100%. As Cancer, provide a discount to the reinstated cover. Please note that the above pricing approach and results focus on the reinstatement of CI cover and do not include the buyback option and in case of certain conditions, like Cancer, provide a discount to the reinstated cover. An alternative is the approach adopted in Australia & New Zealand of initially charging a premium loading for the Cancer condition and offering a grace period of 90 days. After this grace period the base premium is reduced by around 30% to obtain a HR for the second event below 100%. As Cancer, provide a discount to the reinstated cover. An alternative is the approach adopted in Australia & New Zealand of initially charging a premium loading for the Cancer condition and offering a grace period of 90 days. After this grace period the base premium is reduced by around 30% to obtain a HR for the second event below 100%.