WHAT ARE YOU REALLY WORRIED ABOUT?

Health and Care Conference
May 2015

BRAVE IN A WORLD OF RISK
PROPOSITION

• Cancer is a clear consumer concern
• A fair and affordable cancer product can be made easy to buy
• This is our best chance to engage “middle” Britain with protection…
• …opening up opportunities to meet wider protection needs
• Cancer awareness in the UK
• UK case studies
• Lessons from around the world
• What might work in the UK?
• Questions
CANCER AWARENESS IN THE UK
“THE BIG C”

WE ARE
MACMILLAN.
CANCER SUPPORT

320
people of working age are diagnosed with
cancer every day in the UK.\(^{4, 40} \) 40%
of all cancer survivors are unaware of the long-
term side effects of cancer and its treatment.\(^{41} \)

700,000
people of working age are living with cancer.\(^{5} \)

97
people of working age die from cancer every
day in the UK.\(^{6, 70} \)

1/5
of those who return to work report deterioration
in job satisfaction and career prospects.\(^{124} \)
CANCER AWARENESS IN THE UK

Prostate cancer detected by dogs with more than 90% accuracy
The Independent, 11th April 2015

Cheap holidays blamed for huge rise in skin cancers
The Independent, 6th April 2015

Angelina Jolie has ovaries and fallopian tubes removed
BBC News, 24th March 2015
What would you consider getting insurance for…?

The study was conducted by ICM Research, who interviewed a random sample of 2,000 adults aged 18+ in Great Britain via an online omnibus. Fieldwork took place between 15-17th April 2014 and the results have been weighted to be nationally representative of all adults in Great Britain.
What is the most common form of cancer?

- Breast: 37%
- Skin: 15%
- Bowel: 16%
- Prostate: 16%
- Liver/lung: 14%
- Cervix: 1%
What is the most common form of cancer?

Actual top 5*

- Breast: 37%
- Skin: 16%
- Bowel: 15%
- Prostate: 14%
- Liver/lung: 16%
- Malignant Melanoma only: 7%

*Source: Cancer Research UK
What form of cancer do you think is the most life threatening?

- **Liver/lung**: 61%
- **Bowel**: 17%
- **Prostate**: 10%
- **Cervix**: 5%
- **Breast**: 4%
- **Skin**: 3%

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<thead>
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<td>Bowel</td>
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<tr>
<td>3</td>
<td>Prostate</td>
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<td>4</td>
<td>Cervix</td>
</tr>
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<th>Rank</th>
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<th>Actual*</th>
<th>1 year survival*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Liver/lung</td>
<td>✓</td>
<td>21%</td>
</tr>
<tr>
<td>2</td>
<td>Bowel</td>
<td>✓</td>
<td>76%</td>
</tr>
<tr>
<td>3</td>
<td>Prostate</td>
<td>Cervix</td>
<td>83%</td>
</tr>
<tr>
<td>4</td>
<td>Cervix</td>
<td>Prostate</td>
<td>94%</td>
</tr>
<tr>
<td>5</td>
<td>Breast</td>
<td>✓</td>
<td>96%</td>
</tr>
<tr>
<td>6</td>
<td>Skin</td>
<td>✓</td>
<td>97%</td>
</tr>
</tbody>
</table>

*Source: Cancer Research UK
Do you think more people are being diagnosed with cancer now than 5 years ago?

- **67%** said Yes
- **25%** said Don't know
- **8%** said No
Do you think more people are being diagnosed with cancer now than 5 years ago?

New Cancer Registrations (England)

*Source: ONS incl. & excl. Non Melanoma Skin Cancers*
UK CASE STUDIES

How has the UK insurance industry met the challenge so far?

- Critical Illness
- Income Protection
- Term Life incl. Terminal Illness
- Very little else…
UK CASE STUDY
VIRGIN MONEY: CANCER COVER – “THE BIG V”

- Launched January 2006 & wins Your Money award that year
  - For “tackling a taboo area without euphemism or evasion”
- Distributed by Virgin Money underwritten by Scottish Widows
  - Non advised online or telephone sales
  - Positioned as an affordable alternative to Critical Illness for those without any cover
  - Launched during a period when CI premium rates were increasing and some providers were removing guarantees and tightening terms

- Generally hostile provider & broker reception:
  “It is like insuring your car against crashing into a wall but not insuring it for driving off a cliff“
  Kevin Carr

"The people most likely to want to take out Virgin's cancer cover will be those who have close family members who have suffered from cancer. But unfortunately some of these people are likely to be excluded…”
  Richard Verdin
Tiered cancer stage benefits:

- 10% for early stage (1)
- 25% for intermediate cancer (stage 2 vs. full CI pay-out in most cases)
- 100% for advanced cancer (stage 3+ i.e. more severe than ABI defn.)
- Multiple claims possible with balance paid as cancer progresses through stages
- Death & terminal illness also covered for 100%

90 day initial moratorium plus “CI type” underwriting

5 year guarantee then reviewable premiums

Cover from age 18 to 55 to max. expiry age 69

Some forms of cancer excluded:

- Non-melanoma skin cancers
- Early forms of cervical cancer

Not “all cancers”
UK CASE STUDY
AIG: WELLMAN / WELL WOMAN + COMPLETE

WellWoman cancer cover

From £6.99 per month for £25,000 of cover*

It's good to know it's there

*based on an individual aged 35-39
WellWoman premier cover

WellMan Cancer Cover from £1.99* per month for £25,000 of cover
*based on an individual aged 35-39 premier cover

Complete Cancer Cover from £11.99* per month for £25,000 of cover
*based on an individual, non-smoker aged 35-39 premier cover

Direct distribution
**UK CASE STUDY**
AIG/BOOTS: KEY PRODUCT FEATURES

- **Cancers included in the cover (£12,500, £25,000 or £50,000)**

<table>
<thead>
<tr>
<th>WellWoman</th>
<th>WellMan</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breasts</td>
<td>Prostate</td>
<td>Lung</td>
</tr>
<tr>
<td>Ovaries</td>
<td>Testes</td>
<td>Pancreatic</td>
</tr>
<tr>
<td>Cervix</td>
<td>Scrotum</td>
<td>Bowel etc.</td>
</tr>
<tr>
<td>Uterus</td>
<td>Penis</td>
<td>Carcinoma in Situ (£1,000)</td>
</tr>
<tr>
<td>Vagina</td>
<td></td>
<td>Hospital benefit (£50 pd)</td>
</tr>
<tr>
<td>Vulva</td>
<td></td>
<td>Child benefit</td>
</tr>
<tr>
<td>Fallopian tubes</td>
<td></td>
<td>Red Arc Emotional support</td>
</tr>
</tbody>
</table>

- **Exclusions:**
  - Previous diagnoses, Cancers related to pre existing conditions & 90 day moratorium

- **Other Features:**
  - Cover from 18 to 70 to max. expiry age 75
  - Reviewable age banded premiums (2 year Non Smoker definition)

**Gender targeted**

**Non Smoker definition**
UK CASE STUDY
FRIENDS LIFE: GROUP CANCER COVER

- Schemes with 50+ members (auto-cover)
- £25,000 benefit (14 day survival period + PEC exclusion)
- Support services:
  - Working Towards Wellbeing, Best Doctors & Bupa HealthLine
# Lessons from Around the World

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales</th>
<th>Medical cost focus</th>
<th>Tiered diagnosis benefits</th>
<th>Trend impact</th>
<th>Key Features</th>
</tr>
</thead>
</table>
| Japan   | ✓✓✓✓  | ✓                  | ×                         | ✓            | Cancer top CoD - bowel & smoking related trend  
Aflac worksite supplemental medical cost model  
Emerging second(ary) cancer covers |
| Korea   | ✓✓✓✓  | ✓                  | ✓                         | ✓✓✓         | Cancer top CoD – elective thyroid screening issues  
Market rebuilding following mass withdrawals  
Emerging older age segment/second(ary) covers |
| USA     | ✓     | ✓                  | ×                         | ✓            | Aflac seeking to “repatriate” Japan model  
Positive encouragement to screen |
| Australia | ✓    | ×                  | ✓                         | ✓            | Charity/research marketing tie-in  
“Upsell” to full critical Illness cover |
| UK      | ×     | ×                  | ✓                         | ✓✓          | |
LESSONS FROM AROUND THE WORLD
HOW IS THE UK DIFFERENT…

- NHS + established PMI market
- IFA dominance of established CI market
- “Middle Britain” not well serviced by IFA’s
- Robust TCF environment
- Cardiovascular disease more significant
### Lessons From Around the World

**How is the UK different... and so what?**

<table>
<thead>
<tr>
<th>NHS + established PMI market</th>
<th>Simplify claim triggers</th>
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<tr>
<td>IFA dominance of established CI market</td>
<td>More affordable “entry level” cover</td>
</tr>
<tr>
<td>“Middle Britain” not well serviced by IFA’s</td>
<td>Clearly meet expectations on what is/isn’t covered i.e. cover <strong>all cancers proportionately</strong> including 2nd diagnoses</td>
</tr>
<tr>
<td>Robust TCF environment</td>
<td><strong>Instant underwriting</strong> decisions based on basic criteria</td>
</tr>
<tr>
<td>Cardiovascular disease more significant</td>
<td>Scope to widen coverage later:</td>
</tr>
<tr>
<td></td>
<td>- Incl. IP &amp; CVR</td>
</tr>
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<td>- Consider WoL cover</td>
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- Focus on diagnosis benefits
- Focus on direct distribution:
**WHAT MIGHT WORK IN THE UK?**

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Multiple claims possible for diagnoses in different sites or within same site at higher severity up to 3x cover in aggregate.
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**Pay all cancers**

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Proportionate benefits but seek to simplify claim triggers

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• Survival probabilities vary strongly by type of cancer

http://info.cancerresearchuk.org/cancerstats/faqs/#How
Survival probabilities vary strongly by type of cancer

Strong improvements in recent years for some common causes

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Survival probabilities vary strongly by type of cancer.

Strong improvements in recent years for some common causes.

Consumers have a fair understanding of the relative severity of common cancers.
• Survival probabilities vary strongly by type of cancer
• Strong improvements in recent years for some common causes
• Consumers have a fair understanding of the relative severity of common cancers
• “Site” is a crude proxy for severity

http://info.cancerresearchuk.org/cancerstats/faqs/#How
ALL CANCERS

- Proportionately cover all cancers
- Including those often excluded under ABI Critical Illness severity criteria
- Pre cancer screening beneficial

http://info.cancerresearchuk.org/cancerstats/faqs/#How
ALL CANCERS

- Proportionately cover all cancers
- Including those often excluded under ABI Critical Illness severity criteria
- Pre cancer screening beneficial
- Consumers expect cover to persist & to provide multiple payments

http://info.cancerresearchuk.org/cancerstats/faqs/#How
AFFORDABLE COVER

Invasive Cancer

- Reduced payouts for some common forms of Cancer
- Typically some of the most anti-selective causes under CI

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AFFORDABLE COVER

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- Nominal cover for prevalent very low severity skin cancers & CIS

http://info.cancerresearchuk.org/cancerstats/faqs/#How
AFFORDABLE COVER

- Reduced payouts for some common forms of Cancer
- Typically some of the most anti-selective causes under CI
- Nominal cover for prevalent very low severity skin cancers
- Death by cancer a proportionate “catch all”

CIS

- Other Skin: 5%

Death from cancer

- Unpaid balance

Invasive Cancer

- Melanoma: 25%
- Breast
- Prostate
- Cervical
- Bowel
- Lung: 50%

- Lung: 100%

http://info.cancerresearchuk.org/cancerstats/faqs/#How
Q Scope for anti-selection surely drives need for full u/w?

- Cancer only claim causes vs. wider range for CI/mortality covers
- Key criteria:
  - Prior diagnoses
  - Incipient conditions
  - Family History
  - Lifestyle

Question (CIS/Cancer)
Short moratorium or “lumps/bumps” question

- Reduced payouts for low severity/CIS
  - BRCA Breast/Ovarian – young age onset question
  - Smoking question (NS more restrictive?)
  - Other factors to potentially sharpen prices

A Not necessarily!
• Claim assumptions:
  • Leverage CI experience – it is more cancer than anything else…but:
    • Impact of other CI conditions “hiding” cancer incidence
    • Impact of severity definition & condition exclusions – ABI+ starting to shed light here
  • Leverage population data - Cancer registrations + medical studies UK & US SEER
    • NB asymptomatic low severity forms and some skin cancers
    • Multiple claims - “Longitudinal” ideal but elusive – less of a concern than you may think!
  • Shorter underwriting – inherently less anti-selective benefit design + reinsurer input
  • Cancer trends
    • Sensitivity to site/type of cancer vs wider more benign CI trend
    • Benefit amount weighted
    • Screening
• Other “stuff”:
  • Persistency – impact of partial claims & distribution
  • Appropriateness capital – more uncertainty
  • Premium shape & guarantee appetite – durable cover at a predictable price
  • Gender mix (if unisex) or offer gender targeted product?
  • Other/ancillary benefits
CONCLUSION

- Cancer is a clear consumer concern
- A fair and affordable cancer product can be made easy to buy
- This is our best chance to engage “middle” Britain with protection…
- …opening up opportunities to meet wider protection needs
The 20 Most Common Causes of Cancer Death in 2011
Number of Deaths, UK

The 20 Most Common Cancers in 2011
Number of New Cases, UK

http://info.cancerresearchuk.org/cancerstats/faqs/#How
How many cancers can be prevented?

Although there are some things we can’t control about our cancer risk, decades of research have clearly shown that by living a healthy life, people can reduce the risk of developing the disease. But how many cancers in the UK are really caused by things we can change?

This diagram shows the results of new research funded by Cancer Research UK, which aims to show the number of cancer cases in the UK that could be prevented by known lifestyle and environmental factors, like being a non-smoker, keeping a healthy weight, drinking less alcohol, eating a healthy, balanced diet, and avoiding being exposed to certain infections or radiation.

The thin lines show the total number of cancers of each type from the latest UK incidence figures, and the large bars in the centre of each line show the proportion of these cases that could be prevented in men and women. Around the outside, you’ll see the lifestyle and environmental factors that are linked to each cancer type. On the left is the contribution of each lifestyle factor to cancer overall.
APPENDIX 3
LESSONS FROM AROUND THE WORLD

• Case study detail
• Aflac are still the dominant cancer insurance provider
  • 50%* market share (99% in 1981 & 13 million policyholders at peak in 2001)
  • 10 other significant providers entered since 2001
• Roots in supplemental medical insurance in US (American Family) but Japan now dominates and cancer insurance is the key driver
• Cancer remains the top cause of death in Japan and has been since 1981 following a strong increasing trend since 1950
  • Colorectal & smoking related cancer in particular
• Substantial demand for worksite marketed insurance of supplemental medical costs
• Japan has until very recently treated cancer as a taboo topic
  • Initial barrier to sales but also caused a lack of initial competition
  • additional regulatory barriers for domestic insurers pre 2001

*Source: As at March 2012 via Quartz using Moody’s data
• Typical cancer products include diagnosis based benefits but have more of a hospital cash/”major medex” structure:
  • Daily Hospital Cash
  • Daily Outpatient Cash
  • Defined Surgical Cash et al.
  • Diagnosis benefit typically 100x daily Hospital Cash amount

• Usually sold on the basis of a medical questionnaire - no pre existing cancer eligibility criterion
• Recent trend towards offering further payouts on second or third diagnoses subject to a “separation period” e.g. 2 years
• Some providers will cover those with prior cancer diagnoses at outset subject to sufficient elapsed time e.g. 5 years and a rating
KOREA
A RECOVERY UNDER WAY?

Korea cancer insurance new business trends:

<table>
<thead>
<tr>
<th>No of new policies (000's)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1.547</td>
<td>1,404</td>
<td>1,041</td>
<td>1,039</td>
<td>800</td>
<td>650</td>
<td>520</td>
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Due to poor profitability the number of providers reduced from 16 in 2003 to 6 in 2009 but some now re-entering:
- e.g. Kyobo Life, Samsung

Key success factors in Korea:
- Cancer incidence rate is steadily increasing (esp. thyroid detection)
- Public awareness of cancer has been enhanced
- Regulators encourage insurers to develop cancer products
- Recent focus on older age sector

Source: Korean FSS * 2012 & 2013 numbers are estimated.
• Basic tiered cover for cancer diagnoses (max. KRW 20m*):
  • 20% for prostate cancer
  • 40% for “minor” cancers: incl. breast, cervix, endometrial, bladder
  • 100% for other cancers
• Optional additional covers:
  • 10% for “pre cancer”: CIS, thyroid & intramucosal colo-rectal cancer & “other” skin (non melanoma)
  • +50% for specified types: stomach, liver, lung
  • +100% for “high cost” cancers incl. pancreas, bone, brain & leukaemia
  • 100% for death by cancer* (up to age 80)
• 10 year renewable: entry age 61 to 75 to max. expiry age 100
• Face to face agency distribution

* If death cover option is not selected then basic cover is limited to KRW 5m
Added Protection for You and Your Family

Chances are you know someone who’s been affected, directly or indirectly, by cancer. You also know the toll it’s taken on them—physically, emotionally, and financially. That’s why we’ve developed the Aflac Cancer Care insurance policy. The plan pays a cash benefit upon initial diagnosis of a covered cancer, with a variety of other benefits payable throughout cancer treatment. You can use these cash benefits to help pay out-of-pocket medical expenses, the rent or mortgage, groceries, or utility bills—the choice is yours.

And while you can’t always predict the future, here at Aflac we believe it’s good to be prepared. The Aflac Cancer Care plan is here to help you and your family better cope financially—and emotionally—if a positive diagnosis of cancer ever occurs. That way you can worry less about what may be ahead.

HOW IT WORKS

- **Policyholder suffers from frequent infections & high fevers.**
- **Physician visits & bone marrow biopsy reveals diagnosis of leukemia.**
- **AFLAC CANCER CARE - PREMIER Coverage is selected.**
- **AFLAC CANCER CARE - PREMIER Insurance policy provides the following:**
  - **$40,925**
  - **TOTAL BENEFITS**
• Cancer Wellness
  • Up to $100 pa for various screening interventions

• Cancer Diagnosis
  • $6,000 lump sum for Internal Cancer or Associated Cancerous Condition
  • $200 imaging diagnosis & $1,000 NCI evaluation/consultation benefits

• Cancer Treatment
  • $150 pm to £10,000 - range of periodic treatment specific payments

• Hospitalisation
  • $300 pd inpatient/outpatient benefit

• Continuing Care benefits
  • $75 pd to £12,000 - range of periodic care & rehab specific payments

• Ambulance, Transportation, Lodging & Other benefits
  • $0.50 per mile etc.
• 4 levels of cover:
  • AUD 25,000, 50,000, 75,000 & 100,000
• Cancer Care Plus:
  • Coverage (1x cover) for 22 additional non cancer “CI” conditions
• 10% of each premium donated to ACRF
• Automatic inflation linked cover (max CPI, 5% with opt out)
• Premiums:
  • Gender, & age specific with 3 year Non Smoker definition
  • Reviewable YRT premiums (cover non cancellable)
• Cover from age 18 to 55 to max. expiry age 65
• Exclusions include;
  • Other skin cancers, initial 90 day moratorium & sudden deaths
FOR MORE INFORMATION PLEASE CONTACT:

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