

Product Innovations in Korean Life Insurance Market

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*The presentation material has been prepared based on
publicly available information.*

ORANGLIFE 

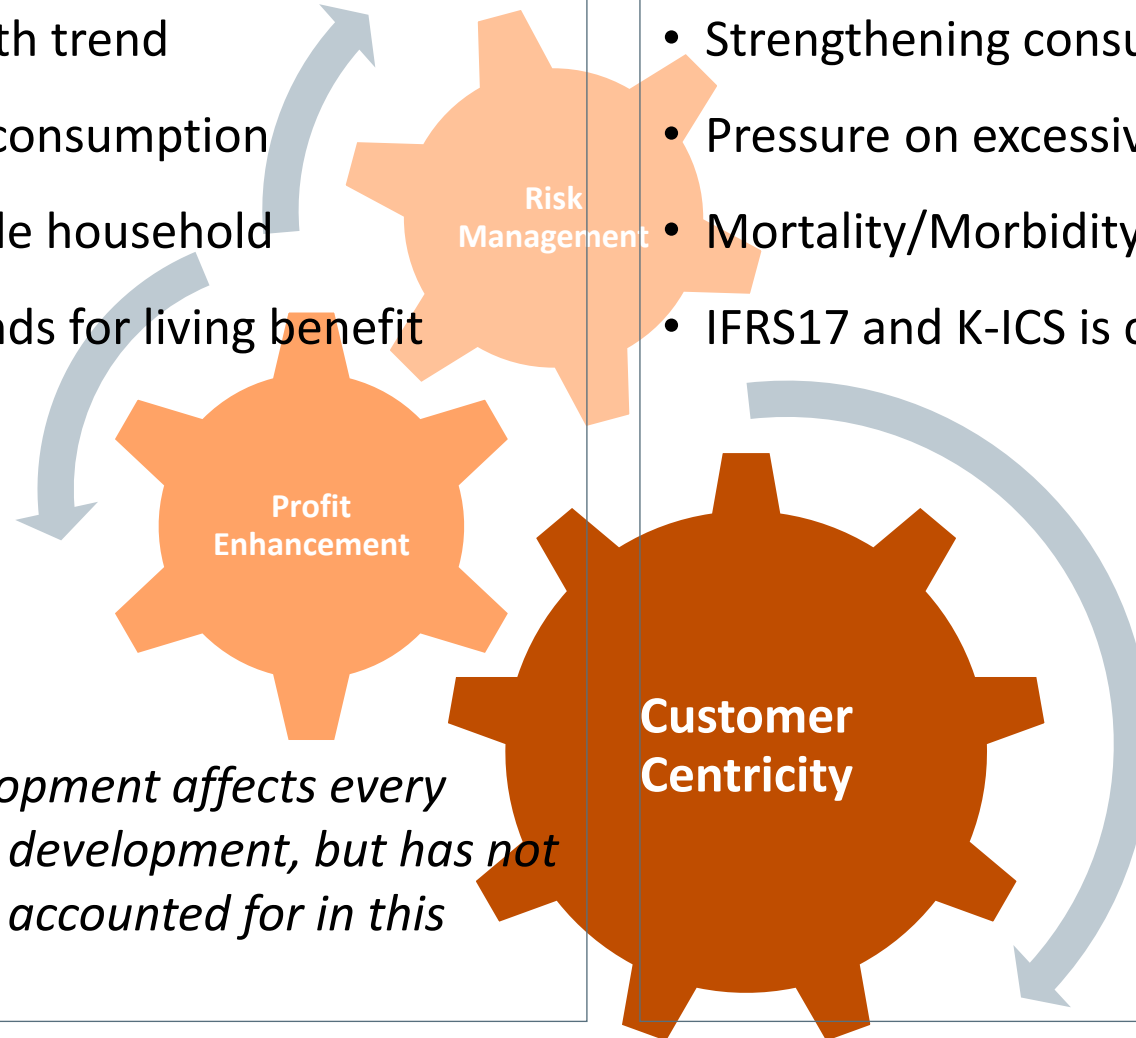
Drivers of Recent Product Innovations

Socio-Demographics & Consumer Insights

- Aging & low birth trend
- Polarization of consumption
- Increase in single household
- Growing demands for living benefit

Regulatory & Market Environment

- Strengthening consumer protection
- Pressure on excessive expense gain
- Mortality/Morbidity Improvement
- IFRS17 and K-ICS is coming!



Technology Development affects every aspect of product development, but has not been significantly accounted for in this discussion.

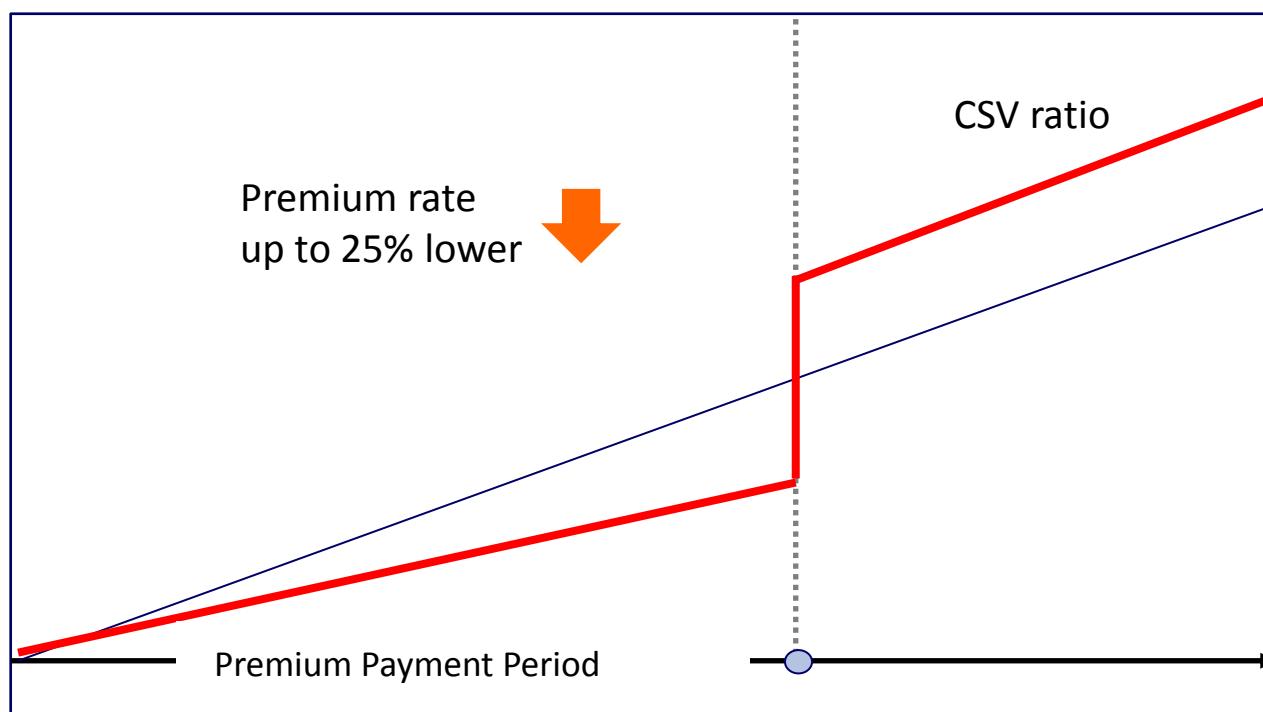
Major Themes Selected

- Pursue Higher Perceived Value for Price
- Drive Consumer's Behavioral Changes
- Meet Diverse Needs of Customers – “Combination” Products
- Serve Specific Segment Needs
- “Asian” Sentiments – Unconditional Love for Grandchildren
- Next Wave of Innovation is Underway...

Pursue Higher Perceived Value for Price (1/3)

① Low CSV Whole Life ORANGELIFE

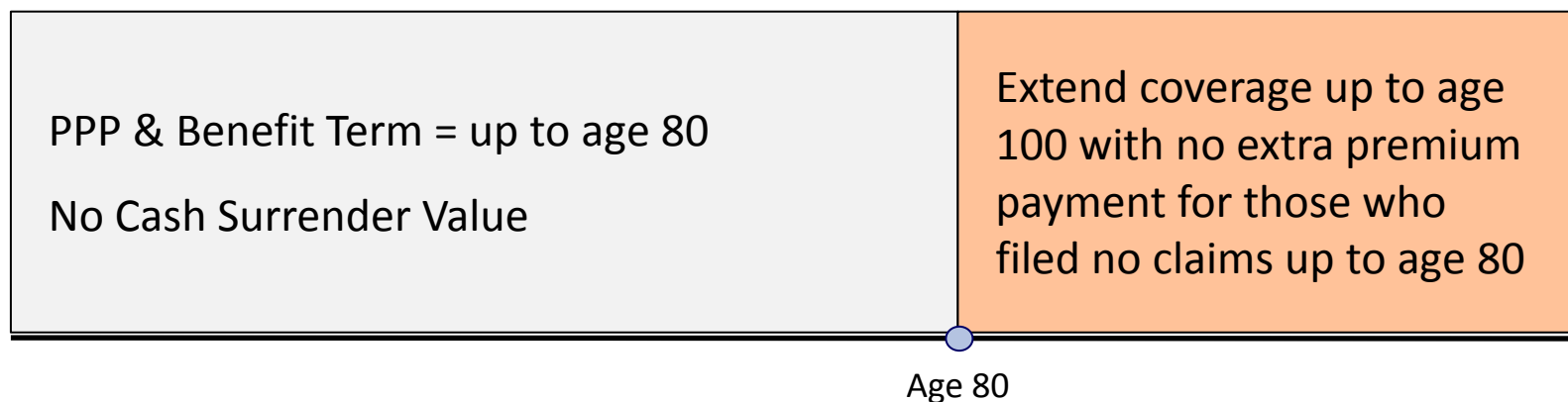
- Originally developed by a Japanese life insurer in the late 90s, and imported to Korean market with more options by Orange Life (formerly ING Life).
- Typically pays 50/70% of normal CSV during premium payment period.
- As a result, premium will be cheaper than standard WL by a max of 25% or sum assured at death will be increased by 25% with same price.
- Assuming reasonable lapse rates in pricing is critical.



Pursue Higher Perceived Value for Price (2/3)

② No CSV 3CI ORANGLIFE

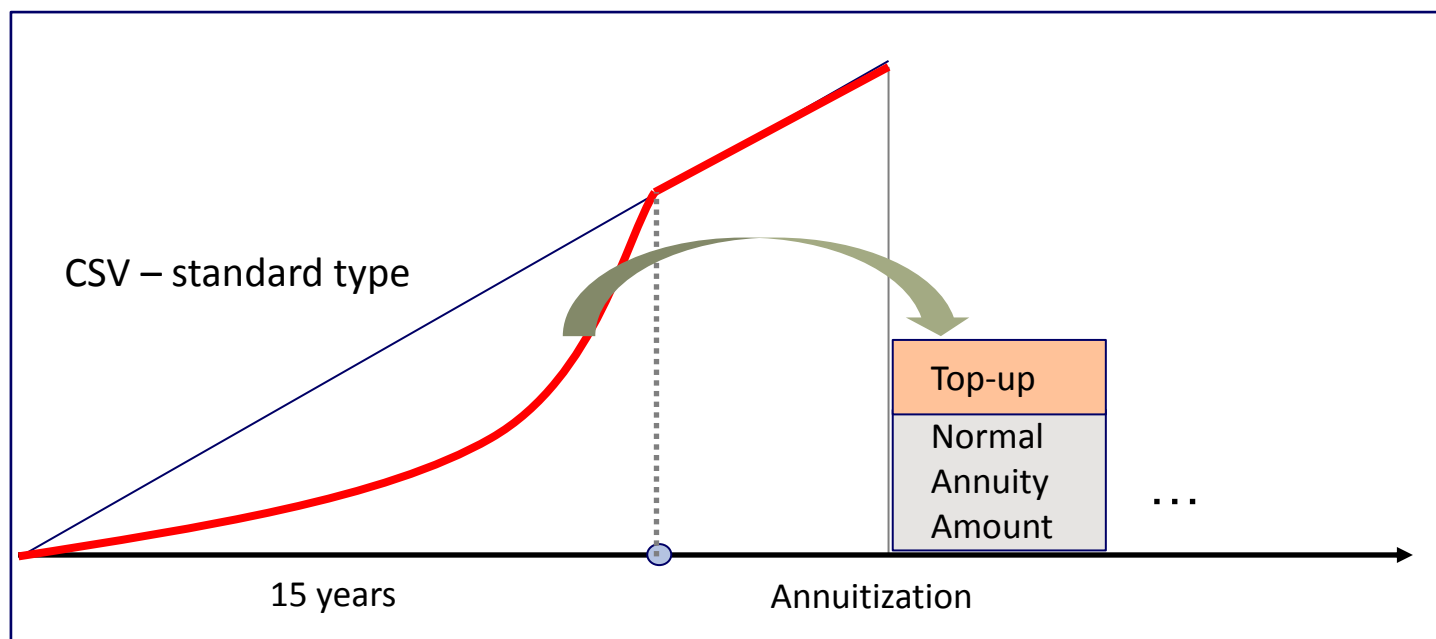
- Covers diagnosis for Cancer, Cerebral Hemorrhage and Acute Myocardial Infarction up to age 80 or 100 with a guaranteed rate.
- No CSV is payable at lapse during premium payment period.
- As a result, premium will be cheaper compared to the standard type by up to 40%.
- Benefit term will be EXTENDED up to age 100 if the insured has no claims history as of age 80 (similar to No Claim Bonus).



Pursue Higher Perceived Value for Price (3/3)

③ Low CSV Annuity

- Includes “Tontine” feature in order to improve retirement income in an era of low interest with high uncertainty & volatility.
- Charge additional surrender penalty in case of lapses within the first 15 years, which will be used to increase annuity payout later.
- As a result, annuity amount will be increased by 7-8% compared to the normal type.



Drive Customer's Behavioral Changes (1/4)

① Encourage Long Term Persistency

- Increase account value (“AV”) if the policy remains in force at or after a certain period from policy issue. Some examples of long-term persistency bonus are as follow:

| Bonus item | Details | Insurer |
|-----------------------|---|-----------------|
| account value ↑ | Percentage of AV will be added annually if the policy remains in-force after 10 year | AIA etc |
| | Percentage of total premium paid will be injected into the fund if the policy is maintained until a certain point in time (e.g., 7 th year or at paid-up) or at inception of annuity payout | Samsung etc |
| fund management fee ↓ | Fund management fee will be reduced going forward if the policy remains in-force for (e.g.) 10 years from issue, with the discounted amount being added to the policyholder's fund. | Orange Life etc |

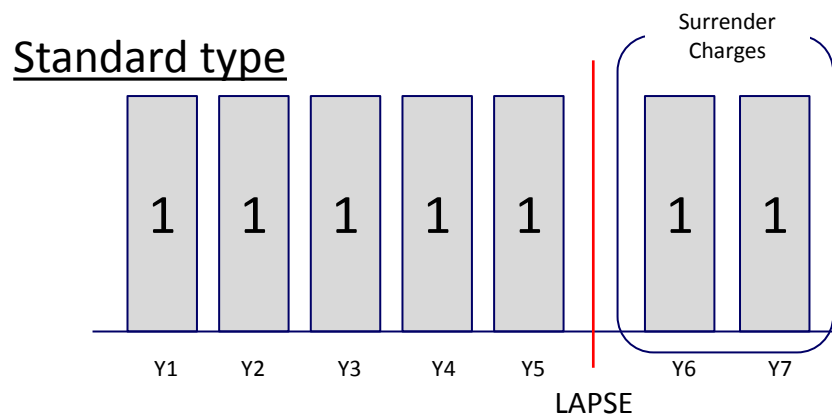
- This kind of scheme is quite frequently adopted in not only Annuity/Savings but also Whole of Life... sometimes the bonus is linked to size of sum assured.

Drive Customer's Behavioral Changes (2/4)

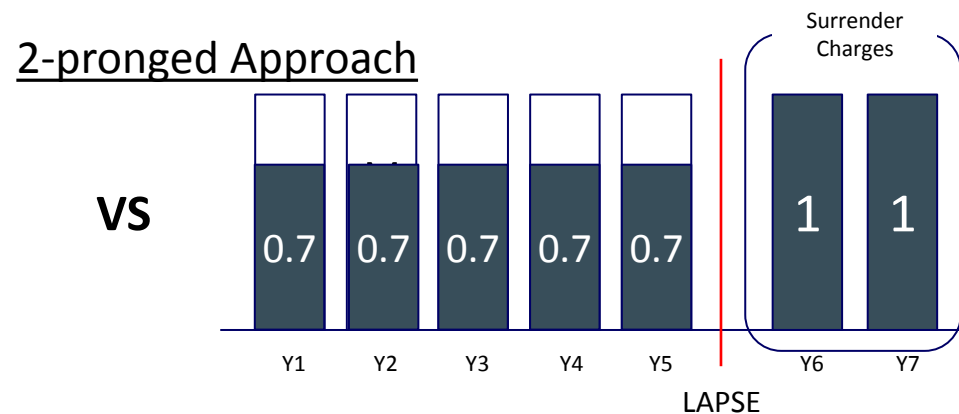
② Two-pronged Approach to Acquisition Loading & Surrender Charge



- Companies are facing regulatory pressure on expense loading for savings/annuity products and also struggling to control persistency.
- Incentivize customers who maintain their policies for a long time at the cost of those who tend to lapse earlier:
 - Only 70% of normal acquisition loading will be charged if he/she does continue the policy, which will improve the CSV ratio.
 - However, surrender penalty will be deducted based on 100% of acquisition loading if the policyholder lapses the policy.



Sum of amortized acquisition loading + surrender charges remain unchanged between the lapsed and the remaining.



For each year policy is maintained, 30% of acquisition loading will be saved.

Drive Customer's Behavioral Changes (3/4)

③ Incentivize Prevention of Diseases & Health Management

Cancer Prevention



- 3-4% premium discount for women who are HPV vaccinated to prevent cervical cancer.
- 6-8% premium discount for non-smoking males (1% for females).

Incentive for Health Management



- Bonus will be added to AV or cashed-back if the insured gets medical checkup annually up to 10 years from the predetermined retirement age.
- Additional NCB will be paid out in case no claims are filed during the period.

Reward for Walking



- Depending on the number of months achieved for daily average of 10K steps, a max of KRW 500,000 (about USD 430) will be cashed-back.
- The reward is also payable in case he or she is certified as a NHC (National Healthy Citizen).

Preference for healthy teeth



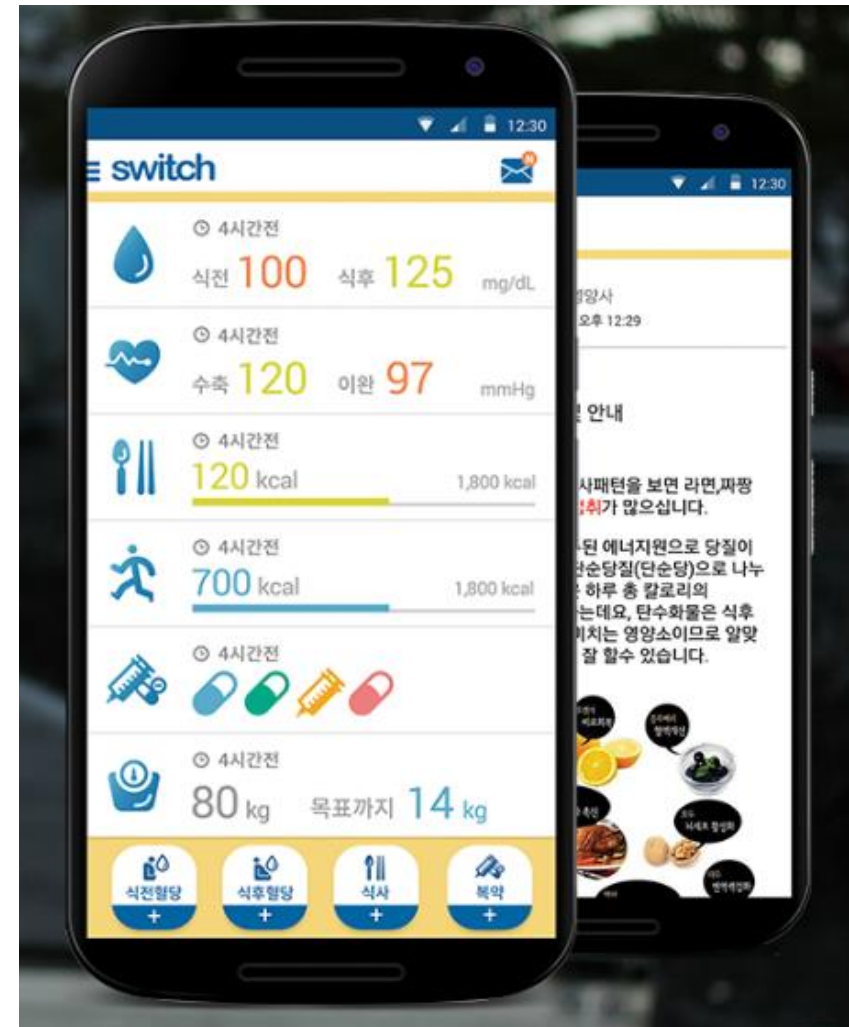
- Offers a 13-40% premium discount depending on dental health checkup result.
- NCB payable if no permanent tooth has been pulled out.



Drive Customer's Behavioral Changes (4/4)

④ case study – “Health Switch”

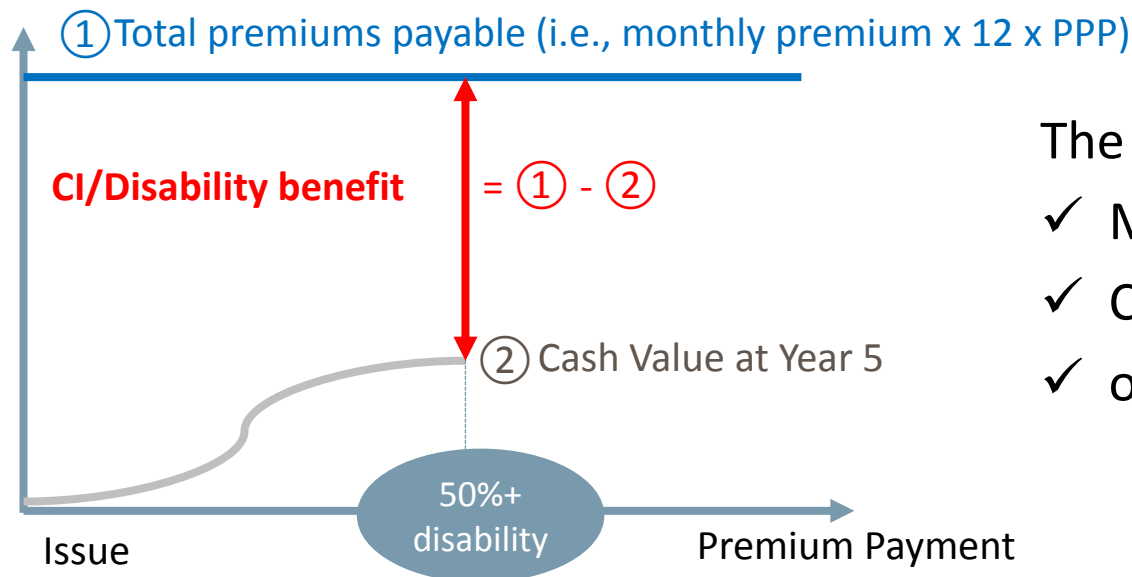
- Smart-phone based digital health care application
 - Developed by Huray Positive (healthcare startup) and provided by Samsung F&M as part of customer service
- Life-style & chronic disease management – focused on pre-diabetic and early stage diabetic patients
 - Intensive monitoring and coaching for the first 12 weeks
 - Regularly check blood sugar, medication, daily diet & exercise data etc.
 - Based on usage and participation rates, incentives are available.
- A test-run on 150 diabetic patients for 6 months resulted in a 0.63%p improvement in HbA1c.



Meet Diverse Needs of Customer – “Combination” Products (1/2)

① Annuity + CI/DI ORANGLIFE

- In case of CI or severe (50% or above) disability from accident or diseases during the accumulation period, the company will pay a lump-sum benefit, which can be used for premium payment for the remaining years (see below for illustration).
- If the insured is diagnosed with cancer or LTC (e.g., ADL) only after annuitization period, annuity payout will be doubled for 10 years from incidence.
- Product idea was considered to resolve customer’s pain point, but its product structure is good from risk management and profitability perspectives as well.



- The benefit can be used for
- ✓ Medical treatment expense
 - ✓ Continuous accumulation of funds
 - ✓ or, Earlier annuitization

Meet Diverse Needs of Customer

– “Combination” Products (2/2)

② Life Annuity + Income for Bereaved Family

- Customer’s pain point - **If the insured dies soon after annuitization**, they will just receive lower-than-expected annuity income although it pays out at least 20 years.
- Solution - When the insured passes away after annuitization, the same amount as life annuity will be paid annually for 20 more years to the bereaved family.
- This is an advantage to the company as well since it provides hedging between longevity & mortality risk.

③ Rebalancing Death and Health Coverage

- Customer’s life / health Insurance needs to change by life stage
- (for example) Upon retirement, customers need & want more living benefits rather than death benefit to protect family income.
- Some products that are “transformable” by life stage are being launched such as:
 - **[Pre-retirement]** ① death with ② illness cover
 - **[Post-retirement]** ① illness cover with minimum death cover, OR
② combination of illness and retirement income

Serve Specific Segment Needs (1/2)

① Children Protection

- Risk protection typically starts from a fetal stage (Korean context!).
- In general, it covers diagnosis, hospitalization and surgeries etc due to diseases or accidents that tend to occur more frequently in childhood.
- Quite often an element of “savings” is embedded for education fund purpose.
- Sometimes it covers very specific insurance events – e.g., diagnosis as precocious puberty, accidental disability during school hours etc.
- Always packaged with value-added services such as education & healthcare for kids.

② Female

- Offers diagnosis & medical treatment benefits for female-specific diseases, on top of general coverage regardless of gender.
- Often provides strong coverage for diagnosis & surgical operation (removal & restoration) for breast cancer.
- Also include pregnancy complications.
- Options to select savings elements such as survival and maturity benefits.

Serve Specific Segment Needs (2/2)

③ Senior Cancer

- Basically full underwriting but guaranteed issue for hypertension or diabetes
- Typically issuable age starts from age 60 (up to 75 or 80) – “silver” segment targeted
- Covers diagnosis and death from cancer
- Recently coverage extended to CH and AMI

④ Single Households

- Kyobo Lifeplanet – “Pet Love” Term Life
- In case of death of insured (pet owner), sum assured can be used to care for the bereaved pet.
- Various services for the “pet” during the benefit term or at death are available
 - e.g., discount for pet goods/service, free ticket for pet care etc.

“Asian” Sentiments – Unconditional Love for Grandchildren

- Increasingly more grandparents take care of or even raise their grandchildren, given the aging and low birth trends, which leads to a strong attachment to their grandson or granddaughter.
- They seek to transfer their wealth, as well as pass on good memories to their grandchildren.

- **Term Life –
Love for Grandchildren**



- The insurance company sends a “happy birthday” card with grandparent’s message of love to his or her grandchildren while he is alive and after passing away. Upon death, insured amount will be delivered together with a card written by the grandparents.
- The letter and benefit will help grandchildren look back on the best & unforgettable memories with his / her grandparent.

- **Annuity -
(Grand)Parental Love**



- When the grandparent passes away, their annuitization will be transferred to the grandchild, who has been designated in advance.
- % of transfer can be chosen (e.g., 20-100% of initial annuity payout)
- Annuity payout for grandchildren is possible even before age 45.
- The product meets both retirement and (generation-skipping) inheritance needs.

THANK YOU
for your attention!

Q&A