



# *CHALLENGES IN TRAUMA PRODUCT DESIGN*

17 August 2011

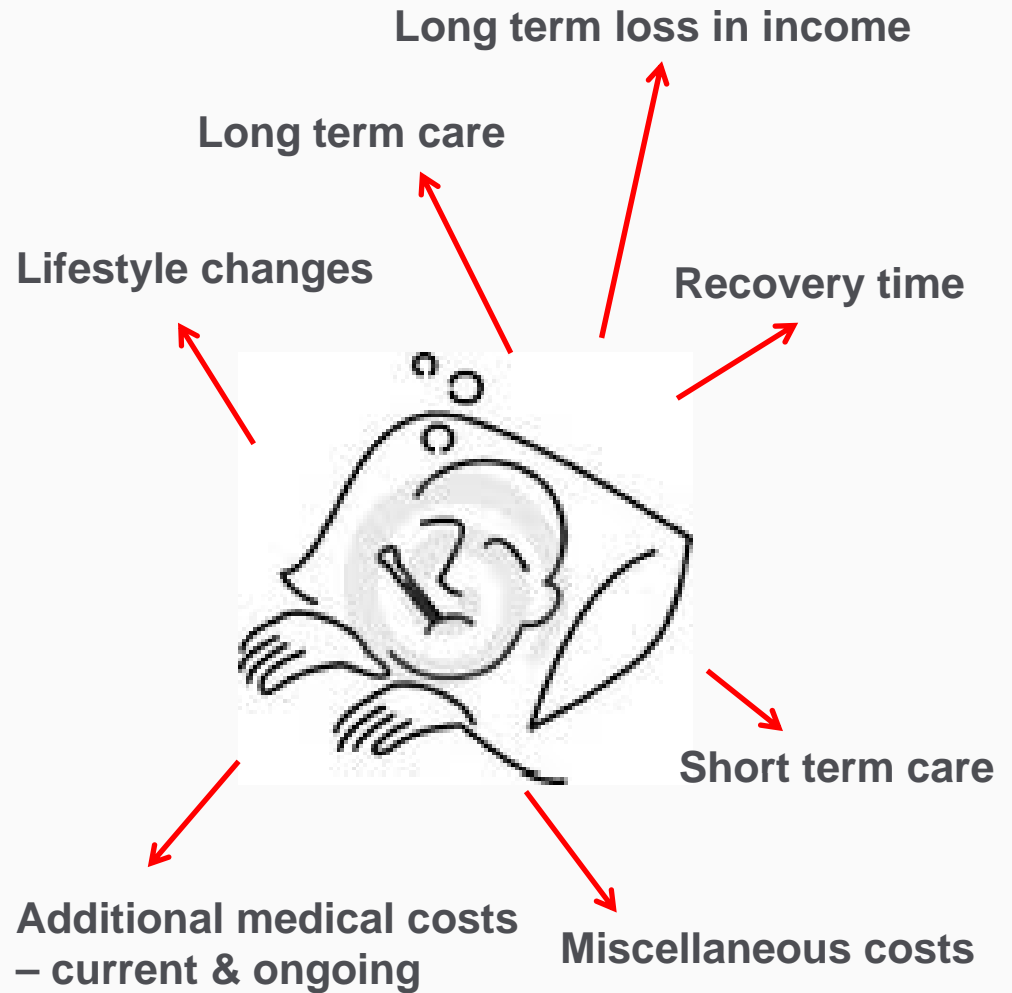
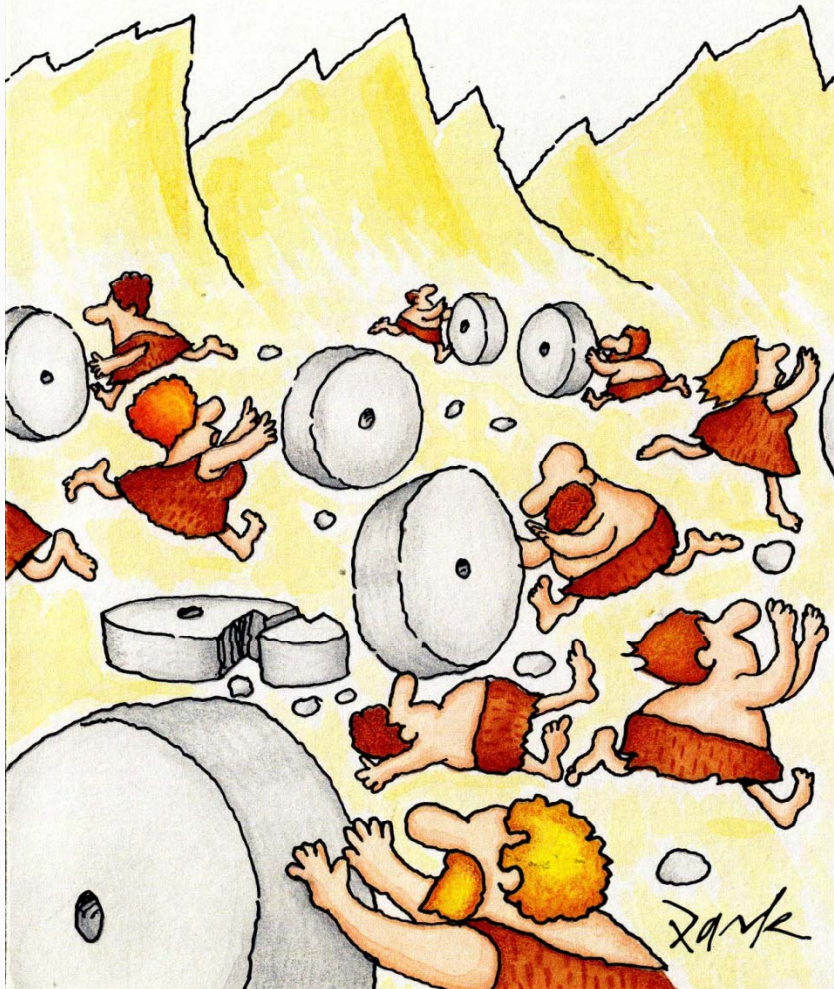
Geetha Singam & Richard Lall



1. Challenges in understanding purpose, need & consumer expectations
2. Challenges in making sense of trauma experience
3. Challenges with trauma definitions e.g. Heart Attack, Severe Rheumatoid Arthritis

# Challenges in Trauma Product Design - Purpose of CI Cover (WHY?)

*Insurance was invented about an hour after the wheel.*



# Challenges in Trauma Product Design - Purpose of CI Cover (WHY?)

- Challenge to understand purpose
- Purpose in Australia different versus Overseas markets such as UK, South Africa
- Impacts:
  - Cover levels offered
  - Structuring/interactions with other personal risk products

Purpose	Funding
Long term loss in income	IP
Long term care	TPD, NDIS?
Lifestyle changes	TPD
Recovery time	CI in IP
Short term care	CI
Additional medical costs	CI
Misc. costs from event	CI

# Challenges in Trauma Product Design - Defining need (HOW much?)

- Not well understood or quantifiable. Base on:

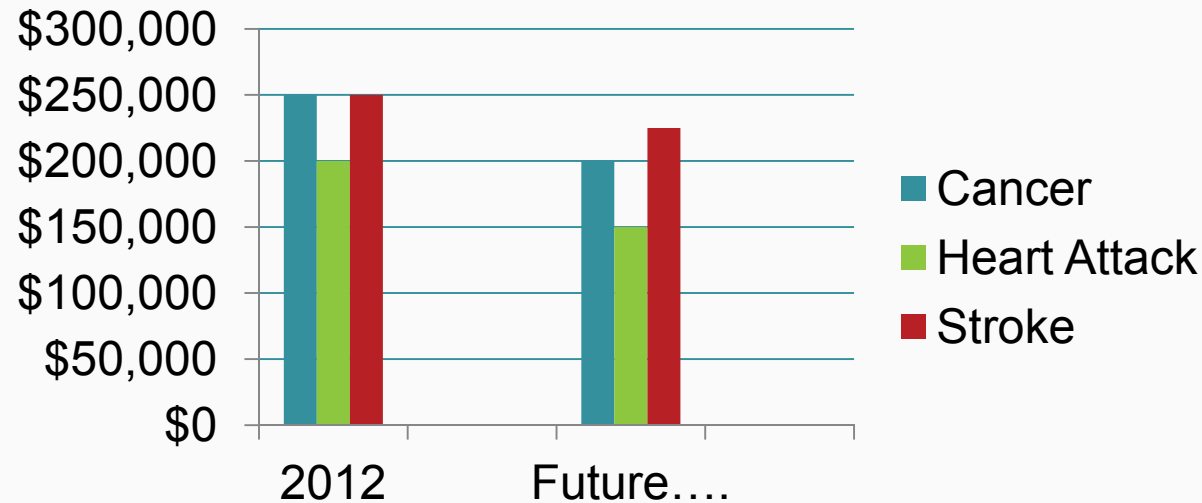
- Income?
- Estimation of extra medical expenses?
- Private health coverage?
- Other?



- Little consistency: Does not make it easy for distribution or consumer.
- Given available product range, perhaps:
  - Focus on standardisation of needs or level of cover instead of definitions.

# Challenges in Trauma Product Design - Defining need (HOW much?)

- Industry could consider a “Standard Trauma Need”?
- Consult with Trauma claimants, medical professionals, associations, support groups etc.



*The chart above is hypothetical and for illustrative purposes only*

- **Benefits** – easier to recommend, build trust, appropriate insurance, best interest

# Challenges in Trauma Product Design - Defining need (HOW much?)

- What about less severe/partial conditions currently ?
- Is the need covered?
- Which is more appropriate?  
*(assuming same premiums paid & early need is approx. \$40-60K)?*

Sum Insured	\$200K	\$100K
Partial benefit	\$20K (10%)	\$50K

- Could be \$ amount OR a minimum \$ amount with %



"Another alternative is to freeze you until some future insurance company would pay for your medical procedure."

# Challenges in Trauma Product Design - Impact of Medical Advancements

- Medical Advancements – creates mismatches

***Clinical diagnosis & advice***



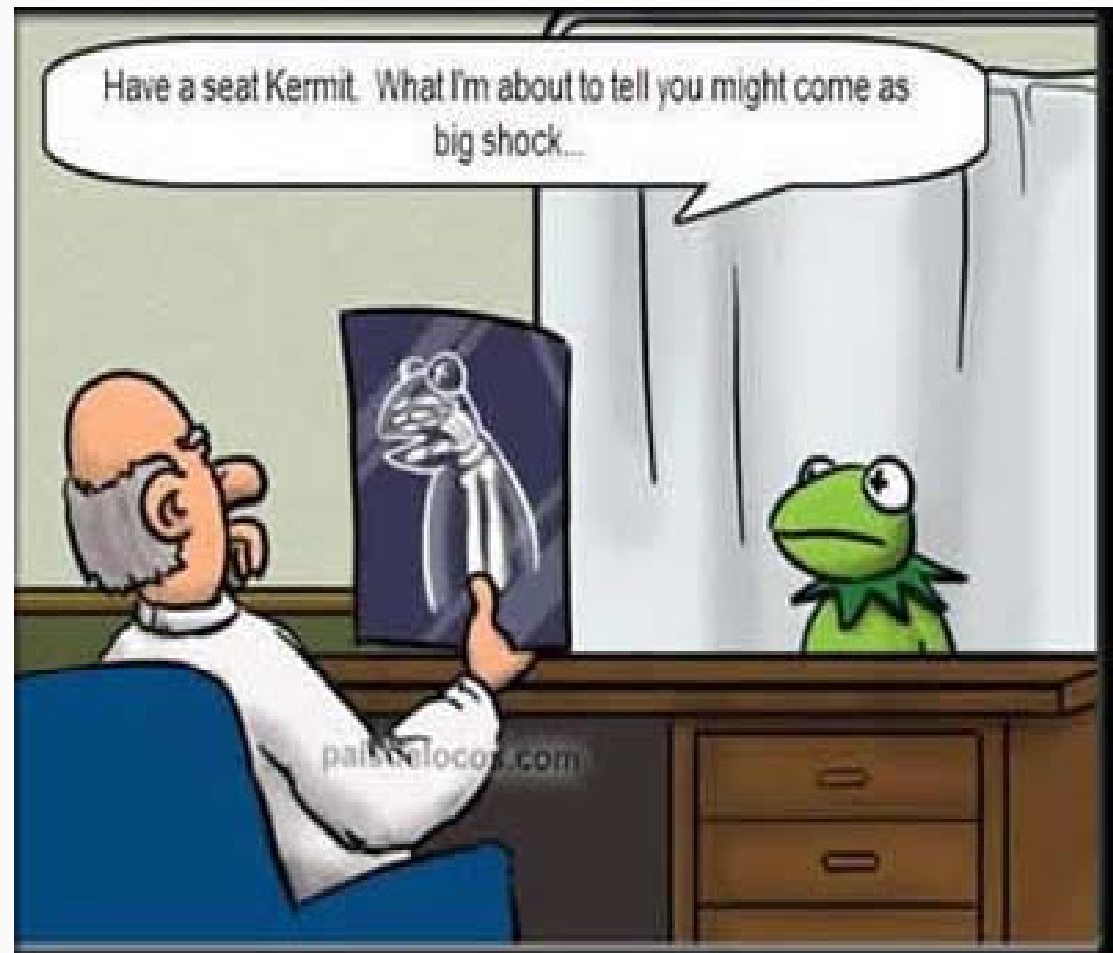
***Client communication***



***Policy definitions***



***Information for pricing***



# Challenges in Trauma Product Design – Impact of Medical Advancements

- Considerations:
  - What's in a name? Perception is everything! Presentation important.
  - Paying out for lower levels of severity appropriate
  - Future-proofing definitions & managing legacy business
  - Pricing



# Challenges in Trauma Product Design - Simplicity vs. Complexity

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- No. of conditions? Currently top 10 conditions contribute bulk of claims
    - Impacts complexity & communication
    - TPD & LOIE: Need to design a better “catch all?”
  - No. of levels of severity? Currently 2 and 7

# Challenges in Trauma Product Design - Simplicity vs. Complexity

- Considering purpose, needs, medical advancements, consumer perception - new structures possible:

Level	Cancer	Heart Attack	Stroke	MS
Mild	\$50K	\$25K	\$25K	\$50K
Moderate	\$100K	\$75K	\$200K	\$150K
Severe Standard	\$200K	\$150K	\$250K	\$250K
Severe Custom	\$500K	\$500K	\$500K	\$500K

*This table is hypothetical and for illustrative purposes only*

- Some degree of complexity inevitable
- Severity vs. Affordability vs. Need – need for increased Flexibility
  - Flexibility to take Cancer, Heart Attack etc to desired level - nothing new
  - Take up only Mild or Moderate– paid on full or partial definition both

# Challenges in Trauma Product Design - Additional thoughts

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- Time to market and skills: need cross-functional teams (Product, Pricing, Claims, Underwriting, CMOs). Need for more specialist medical knowledge.
  - Difficult to complete control cycle – how much did this actually cost? Claims information and data difficult to analyse especially for upgrades to definitions
  - Anything more we can be offering? What about “Claims Care” – Someone to help you when you need it most
  - Difference in male/female trauma needs.

# Challenges in Trauma Product Design – Making sense of trauma experience

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## Trends in overall experience

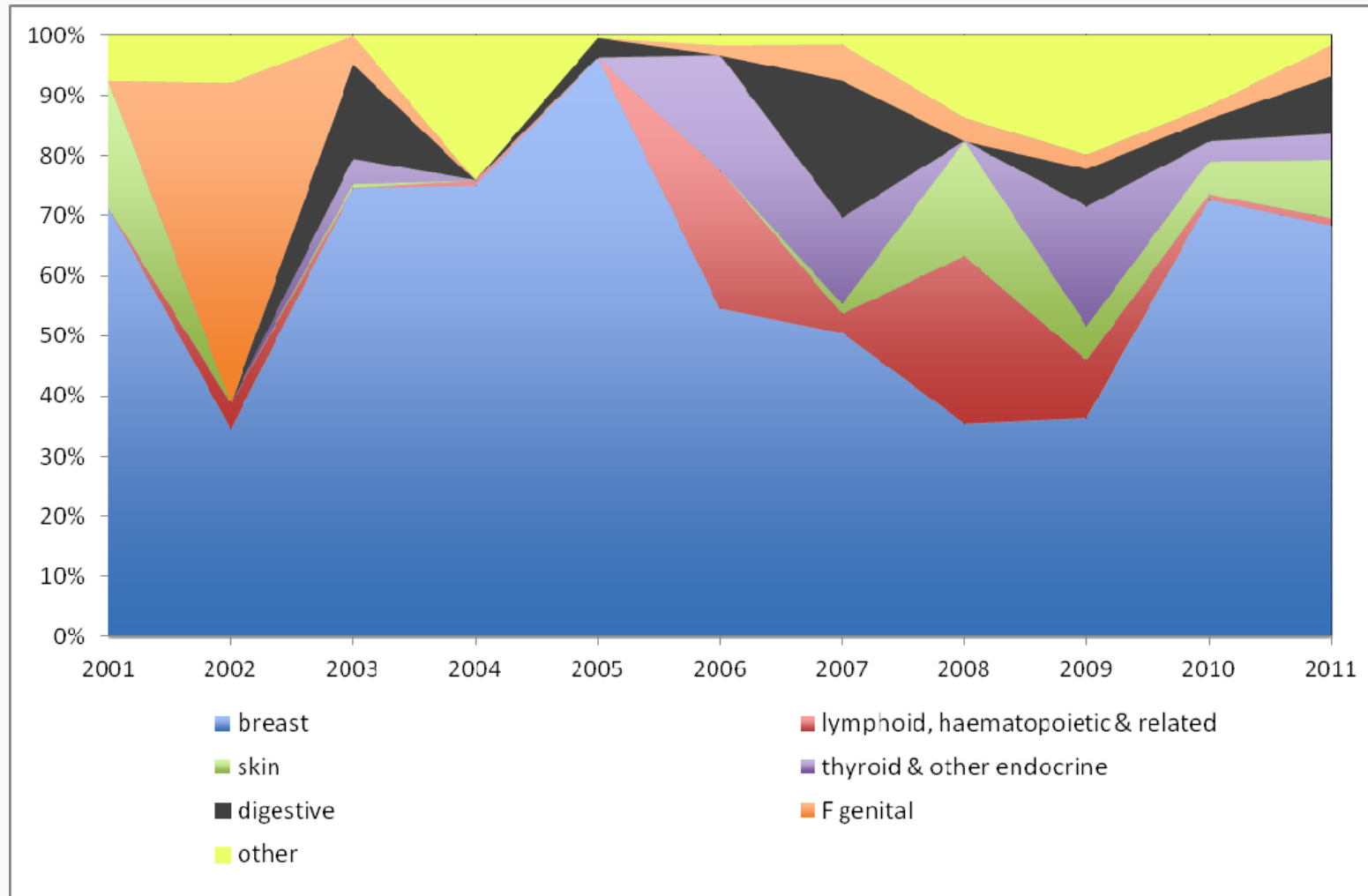
- 2000 to early 2011
- Mainly males
- Cancer more than half of claims
- Increasing number cancer claims
- Cardiac just under a ¼ of claims
- Increasing amount cardiac claims
- Neurological growing ≈ 10%



# Challenges in Trauma Product Design – Making sense of trauma experience



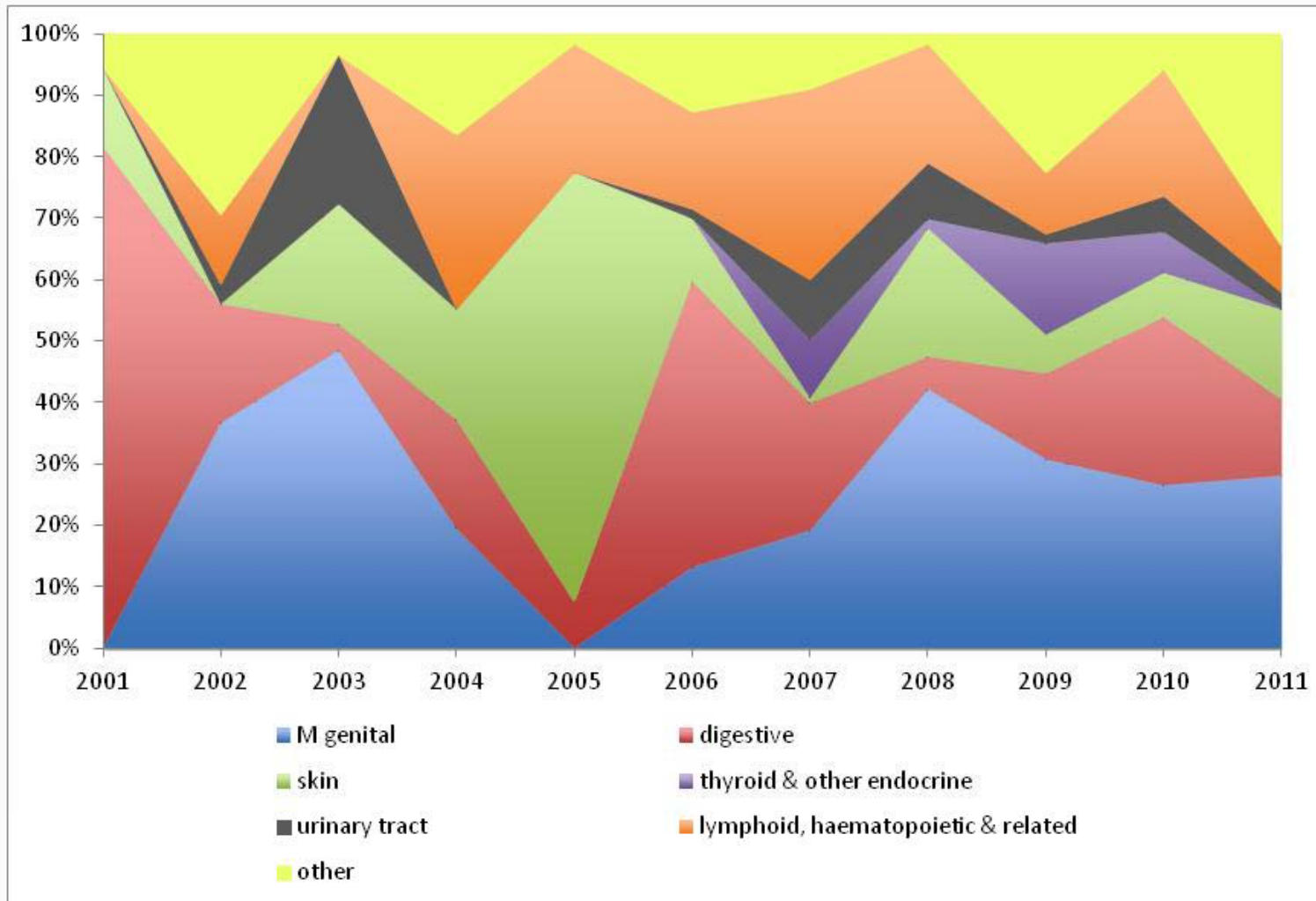
## Female cancer experience



# Challenges in Trauma Product Design – Making sense of trauma experience



## Male cancer experience



# Challenges in Trauma Product Design – Challenge with trauma definitions

## Heart Attack

- Current Australian definitions
  - ECG changes
  - specify Troponin I, T
  - alternative equivalent measures e.g. LVF
- Overseas comparison
  - Compared to the UK ABI definition, depends Troponin T or I
  - Generous compared to South Africa Level A, Level B



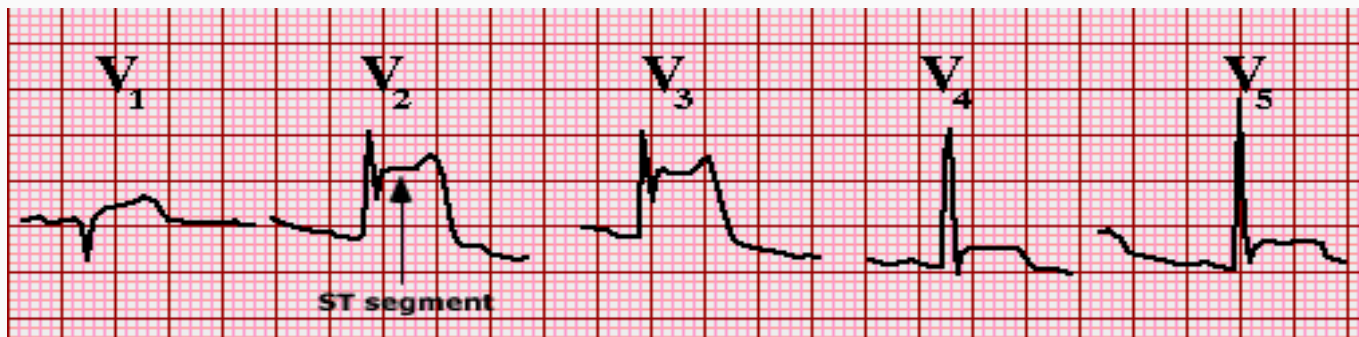
Triple bypass burger with flat-liner fries

Heart Attack Grill, Arizona

# Challenges in Trauma Product Design – Challenge with trauma definitions

## Universal Definition of Myocardial Infarction (MI)

- Type 1 – Spontaneous MI related to ischaemia caused by a primary coronary event, such as plaque fissuring or rupture
- Type 2 – MI secondary to ischaemia resulting from an imbalance between oxygen demand and supply, such as coronary spasm
- Type 3 – Sudden death from cardiac disease with symptoms of myocardial ischaemia, accompanied by new ST elevation or left bundle branch block, or verified coronary thrombosis by angiography.
- Type 4 – MI associated with primary percutaneous coronary intervention
- Type 5 – MI associated with CABG



‘tomb  
stoning’

# Challenges in Trauma Product Design – Challenge with trauma definitions

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- Implications for Heart Attack Definition in Trauma products
    - Typical definitions cover most of Type 1 and some of Type 2
    - Heart Attack covers a broader range of heart conditions than previously
    - Assays that measure Troponins more sensitive
    - .....so more people will be told they have had a heart attack but they won't meet the insurance definition of heart attack
      - ◆ ↑ declined claims, complaints
      - ◆ ↑ heart attack claims paid for some
    - Are we misleading consumers?
    - Closer alignment with medical practice?

# Challenges in Trauma Product Design – Challenge with trauma definitions

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## Severe Rheumatoid Arthritis

- Current definition
  - Based on 1987 American College of Rheumatology Classification Criteria for Rheumatoid Arthritis
  - Major medical advances in diagnosis and treatment
  - Difficult to meet
    - ◆ ↓ claims
    - ◆ ↓ relevance in medical practice
    - ◆ ↑ declined claims, complaints



# Challenges in Trauma Product Design – Challenge with trauma definitions

- What can we do?
  - Revise the definition to reflect current medical practice
  - 2010 American College of Rheumatology Classification Criteria for Rheumatoid Arthritis
  - Take treatments into account
  - Revise partials
  - Liaise with Rheumatologists – definitions, pricing



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## In Summary.....

- Examine purpose and need for CI cover – wider agreement in industry on need will help (e.g. Standard Industry need)
- Medical landscape has changed – to ensure continued trust in industry – address consumer needs & perception
  - appropriate payouts at appropriate times (e.g. 3 level structure discussed)
  - provide flexibility but do not overcomplicate
- Experience broadly matching movement in trauma definitions (e.g. partial benefits) but not necessarily medical advances (e.g. declination rate)