

Risk Advise

October 2010

Welcome to our Risk Underwriting Advise

In this Advise you will find out about:

1. An innovative, first in Ireland, underwriting concept called Once & Done
2. Development of our Freedom Plan, a unique Income Protection enhancement
3. Launch of our world-class claims management system, Saturn
4. Continuation Option Changes

Once and Done and Freedom Plan

We have listened to our customers

- They want a more streamlined, effective way to get full cover
- They have told us they do not like doing repeat underwriting
- They have said that recurring underwriting on a frequent basis is a particular hassle for productive business people actively at work

The result is:

- More than one-third of employees do not complete underwriting at all and miss out on significant benefits for themselves and their family in event of illness or death
- Employers may be exposed to any shortfalls between insured cover levels and contractually promised levels
- Employers have more difficulty introducing insured benefits where they have been self-insured (and subject to no underwriting to date)

Following in-depth analysis and international benchmarking, Irish Life Corporate Business (as the market leader in group risk) has now developed two major new initiatives to address these concerns:

- **Once and Done** underwriting, covering both Income Protection and life cover
- **The Freedom Plan**, an additional unique Income Protection underwriting concept





Once and Done - A giant leap forward in underwriting

Once and Done is an innovative method of underwriting, which is common in the UK, but has not existed in Ireland until now. It involves a person completing underwriting "once" and then they are "done" for life (up to very high limits). It applies to qualifying Corporate Business Group Life and Group Income Protection schemes. It's also known variously in the UK as "once only underwriting", "one time only" and "onederwriting" amongst others.

Detailed analysis of past claims and underwriting results show that this approach does not significantly increase claim rates. The potential for anti-selection is lower in larger organisations so we have set a qualifying scheme size. Healthy members are now more likely to complete underwriting meaning a positive effect on experience. Of course, this unique innovation is also something clients and consultants will value very highly.

What if salary increases are very big?

Regardless of the member's salary increases, the level of cover is automatically indexed in line with this. For example, a member may enjoy a big promotion and get a 50% salary rise. In the past, this may have been referred for medical questionnaires, specialists tests etc even if the initial basic medical information suggested perfectly good health. Under Once and Done this is not the case and benefits rise automatically in line with the increase.

What schemes does it apply to?

Any scheme with 50 or more members insured for either Life or Income Protection (IP). Once there are 50 or more members insured for either Life or IP, the scheme gets Once and Done for all benefits.

The new basis will apply for all schemes with a renewal date of 1st October 2010 or later. Any member then referred for underwriting will be on a Once and Done basis. Existing members within the "forward underwriting bar" (that is, have scope under the current approach for some limited further increases, before underwriting applies again) will remain within this until the next underwriting limit or trigger point and then be invited to Once and Done underwriting.

Is Once and Done underwriting tougher then?

No. The philosophy behind the approach is that the appropriate way to measure mortality and morbidity risks are independent of the sums at risk. There is no automatic escalation of medical tests simply because the sum assured is large. A medical interview with a trained nurse (from Morgan Ash, a specialist underwriting agent) over the phone will result in the majority of applications being granted cover at high levels with no further tests required.



Once and Done is cleverer underwriting, not tougher underwriting.

Can recent underwriting count towards this?

The basis for the underwriting is not comparable and recent traditional underwriting will **not** be suitable for Once and Done purposes. Once and Done involved more detailed background medical gathering during the tele-interview stage. Such members will be granted the current forward bars and be invited to Once and Done at the next underwriting trigger point.

Are there any exceptions?

The increases are linked to salary increases regardless of their level. Naturally, other rare areas where underwriting would be triggered, such as a benefit definition enhancement or optional working post NRA, will still be subject to underwriting to prevent selection. If a member passes through a very high threshold level (€6m) they will be subject to underwriting again with future underwriting on a case by case basis. Effectively, a member has a €6m free cover limit once they have passed once and done underwriting.

Freedom Plan



What is the Freedom Plan?

For Income Protection schemes with 250 or more members covered, we will grant full benefits to members with no requirement for normal underwriting. Effectively, the Free Cover Limit will be set to €460k per annum (our maximum benefit level, inclusive of maximum premium protection) and members will not have to complete any underwriting on joining a company or on a salary rise.

Why has Irish Life Corporate Business done this?

We introduced this policy a while back in respect of schemes with over 400 members. We have received very good feedback on this initiative (with no adverse claims increase) and are delighted to now widen the base of qualifying schemes.

We are now extending the Freedom Plan to schemes with 250 or more members based on the success of this policy. In larger companies, employees have very little ability to manipulate their own salary increases and claims rates for highly paid and motivated executives tend to be lower than for other staff. This reduction from 400 members down to 250 members results in a 50% increase in Freedom Plan coverage .

How does this interact with Once and Done?

- All schemes with 250+ members covered for Income Protection will get the Freedom Plan on Income Protection and Once and Done on life benefits.
- Schemes between 50 and 250 members will get Once and Done for both benefits.
- Schemes under 50 members will get our current traditional underwriting (with forward underwriting bars) for both.

The below table shows how this works:

Life Underwriting

Number of members	
50+	Once and Done
<50	Traditional underwriting

Income Protection

Number of members	
250+	Freedom Plan
50-249	Once and Done
<50	Traditional underwriting

The Freedom Plan is a uniquely income protection initiative, based upon the different claim factors at play compared to life assurance. Note that related schemes (for example, separate staff and executives policy numbers) can be joined for the purposes of assessing member numbers. The new basis will apply to all schemes with a renewal date of 1st October 2010 or later.

In summary

This is one of a number of steps we have taken recently to have the best possible product offering, which now includes:

- The highest maximum IP benefits levels in the market
- Uniquely in Ireland, Once and Done and the Freedom Plan
- Of course, our continued investment in rehabilitation and claims management, including the new Saturn development explained on the next page



The above describes our underwriting practice as they currently stand. These are subject to review from time to time and no guarantee can be given in relation to future standards which depend upon reinsurance availability, best underwriting practice worldwide and overall experience trends.



Launch September 2010

Income Protection Claims Management in Corporate Business is already the market leader in Ireland with over 2,000 claims paying out over €45 million per annum*. We offer the most comprehensive and complete claims management service available.

The service includes:

- Employer visits with our three technical managers
- Home claimant visits with our four health claim advisors
- Rehabilitation programmes run nationwide
- Over 35 experienced staff dedicated to income protection claims management
- New objective medical assessments designed for examining subjective illnesses

To further improve our services we are launching a new, world-class income protection claims management solution called Saturn. This €6m+ system has been developed over the past two years in partnership with Claim Vantage and Version 1.



Saturn will allow us to continue to look at claims as opportunities and to build relationships with our clients. Our goal is to make speedy and positive decisions.

What does this mean to you:



Automation

- Will improve time taken to admit claims
- Makes it easier and quicker to respond to queries



Accuracy

- Claim Benefits will be fully calculated by system
- Tighter controls reduce risk of administration errors



Innovation

- Morgan Ash Tele Claims will reduce time taken to assess claims and in some cases reduce the amount of medical evidence required
- Fully structured data makes it easier to identify suitable rehabilitation cases for various illnesses all over Ireland



Technology

- Our Health Claim Advisers will have full and secure access to Saturn outside the office
- Fully integrated with our imaging, workflow, payroll and member administration systems

If you require further information please contact our Project Leader on Saturn development, Paula Martin on 01-704 2758, Paula.Martin@irishlife.ie

* Source: IP claims data, September 2010.



Continuation Option changes

The current poor funding levels of pension schemes may be causing problems in a way not anticipated by the current rules. Due to severe funding problems, early retirements (including ill-health) are no longer allowed by most trustees. So members in poorer health, who would have ill health retired, may now be simply resigning and taking transfer values and retiring shortly afterwards. However, they are then entitled to continuation options, on the basis they are not strictly a retirement but a leaver from the scheme.

We are making the following changes:

- The continuation option will only be available to members under 50 years of age at the time scheme cover ceases. This targets more genuine job movers and not early retirees.
- The maximum value on the continuation option will be equal to the employee's current lump sum life cover, to a maximum of 4 times salary, with the current maximum of €1.5m also then applying. For clarity, there will be no continuation option in respect of spouse's cover or, indeed, any other type of cover such as Income Protection or Specified Illness.
- The new policy will be a Term Assurance to a maximum term of the scheme NRA rather than a Whole of Life policy. This is something that has been requested for some time and we will now facilitate as part of this update. The current option is a Whole of Life policy only. The Term Assurance can run to the scheme NRA (and not beyond) so is a more natural continuation of cover. Whole of Life will no longer be available.
- As before, the new policy will be on standard book rates without the need for underwriting. It must be applied for within one month of leaving service. Then it must be taken up within one further month of issuing the quote.

Amendments to our policy documents notifying trustees of these changes will go out in the near future.

We are happy to facilitate the Term Assurance change for all policies with immediate effect.

The above changes apply immediately for all new business quotes and on existing business as renewal dates pass, from 1st January 2011 renewals onwards.

If you have any queries on any of this content, please contact your usual Corporate Business Account manager or our Risk Product Manager, **Shane O'Farrell** at 01 704 2869 or shane.ofarrell@irishlife.ie



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