



Jurassic Coast in Dorset and East Devon is England's first natural World Heritage Site

## Time and Tide wait for no man

Our latest Underwriting and Claims Seminar, 'Time and Tide wait for no man', took place on 17 April in London. The Royal College of Physicians' Dorchester Library provided the perfect setting for a variety of engaging and informative presentations to support today's underwriters and claims assessors. The morning session focused on diseases of childhood and adolescence, with the afternoon session concentrating on Multiple Sclerosis.

Hannover Re UK Life Branch (HR UK) General Manager, Business Development, Stuart Paton Evans, opened the proceedings by welcoming delegates representing 22 of the UK's leading life offices and a distinguished panel of guest speakers. The day ended with a Q&A session which gave delegates a chance to participate by putting a wide range of topical questions to the speakers.

The following article shares a summary of the morning session which focused on exploring the interesting subject of childhood illnesses and also 'teen' lifestyles and how these factors affect mortality and morbidity in later life.

### Diseases of childhood and adolescence

#### Childhood in a changing world

HR UK Chief Underwriter and Head of Claims, Caroline Froude, offered a range of insights into the relationship between

lifestyle and childhood diseases in a changing world – looking in particular at the influence of alcohol consumption, smoking, diet and obesity.

The session began by considering how environmental and lifestyle factors have contributed to improvements in child health over the past 200 years. Infant mortality has fallen from around 20% in the early nineteenth century to 10% at the dawn of the twentieth century and to around 2% by 1950. During the last century, medical breakthroughs such as the discovery and use of Penicillin and vaccinations for diseases like Tuberculosis and Polio dramatically improved children's prospects of living a long and healthy life.

With fresh cases of Measles among unvaccinated children in South Wales hitting the media every day, however, it could be argued that some of the health gains young people have enjoyed recently might start to roll back. Ironically, the biggest threat to young people's future life expectancy today could be the consequences of the lifestyles they choose for themselves.

Children in the UK are more likely to drink alcohol than those in many other countries, with over 80% having done so by age 15 and half a million under 15 getting drunk at least once a month. Worryingly, around 8,000 young people are hospitalised each year with conditions linked to drinking. By 2009 both boys and girls were drinking more than twice as much as a decade before,

up from 5.7 to 16 units per week and from 4.7 to 13.1 respectively. Drinking before the age of 14 is known to be associated with increased health risk, while those who start early are more likely to develop alcohol problems later in life – with potential consequences for brain development, motivation, liver health, bone growth and endocrine development.

Tobacco use at younger ages, by contrast, continues to fall, but remains a concern, with clear evidence that the younger people start smoking, the greater the harm caused. Smoking at a young age is linked to increased dependency, elevated risk of heart and lung disease, respiratory health problems and impaired growth. Since the 2007 ban, children are less exposed to passive smoking in the home, with fewer cot deaths and asthma-related hospital admissions. The rising cost of cigarettes, could also be a factor in falling levels of smoking among young people.

While one threat to children’s health may be receding a little, another is very much on the rise. Almost one in three children aged between 2 and 15 is overweight or obese. Gastric band

and bypass surgery is increasingly required by children as young as 14. Among the many potential consequences are Type II Diabetes, high blood pressure and cholesterol, joint problems, breathing difficulties and psychological problems linked to low self-esteem.

Parents seem strangely unaware of this rising threat to their children’s future life expectancy, with half of those whose children are obese saying they thought their weight was ‘about right’. Diet and lack of exercise are major factors here, with lack of sleep also implicated. Nine out of ten toddlers regularly eat junk food, with children from less well off families worst affected.

Better education, for both children and parents, will probably hold the key to tackling obesity, with the same holding true of issues like drinking and smoking. However, large numbers of people who have been obese have smoked or used alcohol early in life will be entering the insured population over coming years, with significant implications for their future health and life expectancy.

The problem for protection product underwriters is that we may not know which ones! Adding questions such as ‘Were you overweight as a child?’ to application forms could prove problematic, but reading the available evidence carefully for indications of risk factors in early life will be increasingly important.

In wrapping up her presentation, Caroline stressed that sharing such insights on evolving market developments and industry practice reflects HR UK’s broader commitment to helping its clients respond through intelligent claims management and innovative product development.

### **Cancer in childhood and adolescence**

We were delighted to be joined by Dr Mary Taj, Consultant Oncologist at the Royal Marsden Hospital, who is a leading expert in childhood Cancer and Leukaemia. Dr Taj provided a fascinating overview of the treatment, morbidity and mortality of childhood cancer and of its late effects and ongoing drug trials.

Between 1,200 and 1,300 children under the age of 15 are diagnosed with Cancer in the UK each year, with twice as many

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We hope you enjoy infocus and we welcome your feedback, please forward comments to Kirsteen Grant at [uk.marketing@hannover-re.com](mailto:uk.marketing@hannover-re.com).

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boys as girls affected. Survival rates have improved dramatically in recent years, with the proportion successfully treated rising from between 30 and 40% in the 1980s to between 70 and 80% today. One consequence of this is that there are around two million people currently living in the UK who have survived childhood cancer – a number that can only be expected to rise over the coming decades.

Looking at the main treatment strategies available for children with cancer and their side effects, Dr Taj described how, for example, radiotherapy can lead to muscle wastage and to under growth – and how chemotherapy can result in ulcers, inflammations and cellulitis and to serious bacterial and fungal infections.

Cranial radiation, once routinely used for all patients with Leukaemia, can affect neurocognitive development and result in calcification or atrophy of the brain, with some evidence now emerging of links to dementia in later life where patients have received a combination of chemo and radiotherapy.

Certain treatments can also leave patients with a susceptibility to cardiac problems later in life. Long term consequences of certain drugs used in chemotherapy can include liver, kidney and heart toxicity and problems with fertility and lung function.

The biggest risk is of secondary cancers developing following treatment. Breast cancer is the biggest risk. At one point a third of those who received chest radiotherapy could expect to develop breast cancer by age 25, but this proportion has since fallen to around one in seven.

Undergoing treatment for cancer as a child or teenager can also have a profound psychological impact. Specialist teenager units have been created within a number of UK hospitals. These aim to minimise the psychological trauma experienced by teens, for whom the experience can be particularly stigmatising and destabilising. Teens also have a significantly lower chance of a successful treatment outcome than younger patients.

The focus in ongoing clinical trials is now on better risk stratification from the outset, using both clinical parameters as well as molecular and biological markers. This allows those children at the greatest risk of relapse to be given more intensive treatment. Conversely those with less severe disease can be

treated less intensively and so be less exposed to treatments with long term side effects.

Many of the newer drugs allow more of a targeted approach, which again helps to minimise long term side effects. Diagnostic equipment is also more sensitive, which supports a targeted approach to treatment. This underlines the importance to underwriters assessing survivors of childhood cancer of understanding both the precise nature of the cancer in question and of the type of treatment and doses received by the applicant – both for their initial treatment and for any subsequent relapses.

### **Caring for young adults with Cancer**

Dr Taj's colleague Louise Soanes, Teenage Cancer Trust Nurse Consultant for Adolescents and Young Adults at the Royal Marsden, went on to provide insights into her experience of nursing children with cancer. As one of the founders of the Teenagers and Young Adults service within the NHS Foundation Trust, she focused on issues around age-appropriate care and supporting young people through their cancer journey.

Reflecting on how the treatment of children and young adults had progressed since she began her career in nursing back in 1988, she noted that alongside significantly improving survival rates, dramatic progress had been made with aspects of treatment such as pain control – where lessons have been learned from the field of palliative care – and anti-emetics, which have gone to being non-existent or ineffective then – to highly effective today. Back in the 80s children were routinely sedated after receiving treatment to spare them the trauma of nausea and vomiting.

Although treatments today have become significantly less brutal and more sophisticated than they were a few decades back, childhood cancer remains a very stressful experience for children. It can sometimes prove even more stressful for young adults, who can feel themselves isolated, stigmatised, and both physically and psychologically undermined at a formative stage in their development.

There was a growing recognition in the 90s of the importance of supporting young cancer patients' families and involving them constructively in the treatment process. The Institute of Family Centered Care (FCC) provides a model of care that recognises and formalises the family and patients as the unit of care rather

than the patient in isolation. The FCC focuses on more frequent, honest and informative communication with families and an approach that reinforces parent's ability to support children undergoing treatment. There is a greater awareness today of the importance of acquiring and institutionalising cross-cultural competences in communicating effectively with parents who may have limited proficiency in English, low levels of literacy, or disabilities of their own.

Age appropriate care took on a greater significance in the first decade of the current century. Its aim is to minimise the trauma experienced by teenagers and young adults going through cancer treatment. Age appropriate care encompasses not simply the development of specialist units for a group who once fell uncomfortably into the gap between children's and adult's facilities, but also on areas such as helping young people come to terms with the nature of their illness, their loss of independence and damaged self-image.

Louise concluded that interestingly young adults rate spending time with other cancer patients of their own age above support from family and friends.

## Navigating a route for protection

In the March issue of In Focus we looked at what the Syndicate research for 2013 can tell us about the consumer psyche and education. In the following article we consider further themes to emerge from this research, focusing in particular on the roles played by technology and employers – and how these influence protection sales.

### The role of the employer

Historically there has been a belief that – together with the Welfare State – employers play a paternalistic role in society. With the Welfare State now under severe demographic strain, it is only natural that employees would look to employers to provide the benefits they need.

This can often prove beneficial for employers. The way they design, communicate, and provide benefit packages can directly influence employees' attitudes towards, and engagement with, their company.

### Conclusion

In combination these presentations provided a fascinating insight into some of the key issues around childhood diseases and their treatment. Both the presentations themselves and some lively Q&A sessions after each talk highlighted some valuable lessons and some intriguing talking points for underwriters and claims people in today's protection market.

Further articles based on presentations from the Time and Tide wait for no man seminar will feature in forthcoming issues of In Focus. Please contact us at [uk.marketing@hannover-re.com](mailto:uk.marketing@hannover-re.com) or Caroline Froude, Chief Underwriter and Head of Claims, if you would like to find out more about any of the topics covered.

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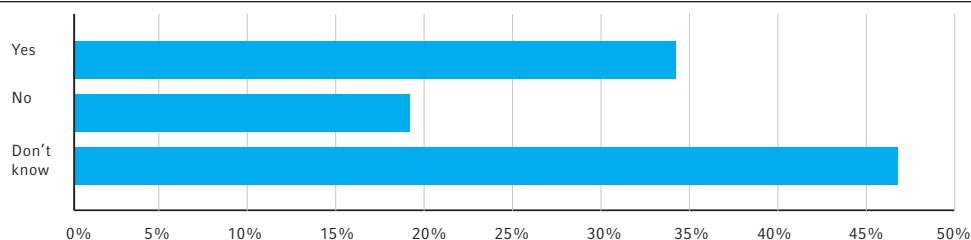
**Source: Health & Social Care Information Centre  
The European School Survey Projects on  
Alcohol & other drugs (ESPAD)  
BBC**

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Providing clear directions and trigger points for consumers to take an easy route to protection

**Graph 1: 'Do you know how long your employer would pay your full salary in times of long term sickness absence (illness or injury)?'**



In today's rapidly changing world, however, we felt it was important to investigate exactly how far employees are aware of the benefits they receive from their employer.

When asked whether they knew how long their employer would pay their full salary in the event of long term sickness absence (due to illness or injury), more than two-thirds did not know (see Graph 1, above).

This seemed a remarkable response. It is deeply worrying that so many people are unaware of something with such a huge influence on their basic financial planning. This underlines the need for an annual statement that provides employees with clarity. Only half of our respondents said they received a benefits summary. This suggests employers are missing an opportunity to communicate the value of the benefits they provide to their employees.

In 2012 we described the phenomenon of 'Imaginary Cover' (where people believe they hold protection products but in reality they do not). This year's research suggests this is also a problem for the group market. The benefits most widely cited were flexible working and pensions. However, 25% claimed their employers provided critical illness cover and 11% income protection. These figures do not tally with industry statistics. A false impression of what employers provide – along with uncertainty over the benefits offered – suggests the need for greater clarity on what products are offered as benefits – and what value they offer. Only then will consumers begin to understand what they don't have in place.

**Which benefits are valued?**

To understand which benefits employees value most, we evaluated those currently held against benefits respondents would want to preserve if they changed employment.

The most appreciated benefit was a pension.

Frequent Government communications have made consumers more aware of exactly what a State pension will provide, making clear the need to save for retirement. The 25-34 age group put the highest value on pensions, suggesting that media coverage of the impact of demographics on this group is having an effect. The consistent messaging around the importance of long term financial planning appears to be working for pensions.

Life insurance was also valued, with a third of our respondents saying this was a benefit they would be keen to preserve if switching jobs. The group keenest to retain life insurance were those aged 25-34. This reflects greater responsibility at key life stages. One in five wanted to retain critical illness and income protection.

As previously mentioned, however, some of the benefits respondents said they wished to retain may exist purely in their imaginations. Only 35% said that they would not wish to replace the benefits they currently receive, suggesting the majority of people are reluctant to give up their benefits.

It seems both employers and employees need more communication on preparing for circumstances such as long term sickness, disability or redundancy.

The majority of consumers don't hold sufficient savings to last them more than three months without a regular income. With 70% looking to savings to provide financial security, this leaves many in a precarious and unsustainable position.

Price is often cited as the main reason for not buying protection insurance. It is also the main consideration when buying, suggesting either that many consumers have unrealistic

expectations or that they do not understand the value of the products we offer.

As an industry we are failing to communicate the financial security, benefits protection products offer. We need to find ways of extending consumers' appreciation of the value and desirability of savings into the field of protection insurance.

**It's not what you buy – it's how you buy it**

With the distribution landscape changing fast, our research also looked at the routes consumers are now taking to purchase protection.

Online shopping is becoming more widespread across all demographics. Over half of all consumers are confident buying general insurance, holidays, utility supplies, phones and everyday purchases like books, CDs and DVDs, groceries and clothing online. They appear less confident, however, purchasing more complex products such as protection insurance and cars.

Personal insurance is also less well established online. Despite the relative immaturity of this channel, however, 31% would be happy to purchase in this way. There is a range of online price comparison sites for general insurance and we wondered whether people would warm to the idea of, or even come to expect, buying protection insurance like life or critical illness this way?

While the young often prefer buying online, when we looked at respondents who said they were happy purchasing protection insurance online, the 18-24 age group were the second least confident. Only one in five of them felt comfortable buying through this channel, compared with over 40% for 25-44 year olds. This seems to be more about what they are buying than how they are buying it. Young people seem to lack enthusiasm for buying protection insurance and doubt their own ability to make the right purchase independently.

The area seemingly of most concern to respondents was the ability to view the range of policy benefits and exclusions clearly. There is a lot of discussion currently about transparency in policy wordings. These results underline people's concerns about this issue. Providing more information could meet this need and make buying online easier.

It is worth noting that 28% of those surveyed prioritised the

ability to purchase immediately. This underlines the appeal of Simple Products that can be fully purchased at point of sale. The fact that existing policy holders are more confident about buying suggest that an online facility would be particularly attractive to those with experience of purchasing protection.

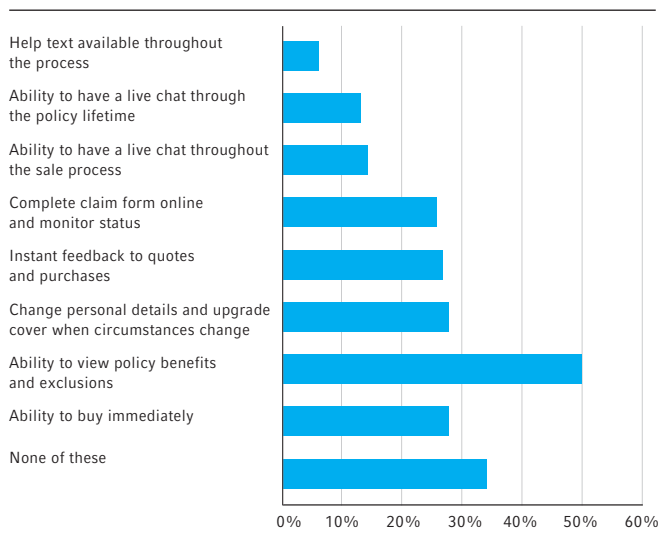
Graph 2 (below) shows the split of answers (combining first, second and third preferences) when identifying respondents' key requirements of an online protection insurance provider.

To support consumer confidence through the online journey, we need to provide them with:

- a clearer understanding of what the products do and don't cover
- easy-to-understand, jargon-free product and company information
- the ability to compare and receive quotes easily and instantly
- the ability to buy immediately

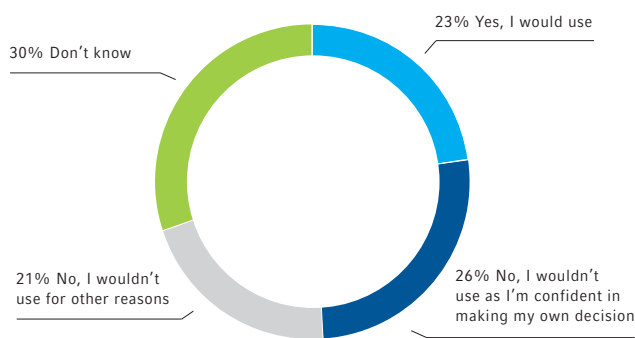
We also investigated the role of online advice. We found that 39% of people would be happy to purchase protection after receiving advice online. However, respondents stressed the importance of having a sense of trust towards the source of advice, with Money Advice Service scoring the highest among

**Graph 2: 'Most important features from an online personal insurance provider (Top 3 choices)'**



“Yes” options. Around one in five said they would prefer the option of face to face advice reflecting the need - of the role the traditional adviser provides. Whilst there is much work still to be done on developing online propositions in terms of products and advice, there is interest in, and potential for, investing in further work in these areas (see Chart 3, below).

**Chart 3: ‘Would you use a virtual adviser to support you when purchasing a protection product such as life insurance, critical illness or income protection? By virtual adviser we mean financial advice received remotely online rather than face to face.’**



Consumers are confident purchasing protection online when they have clear information to help them understand the products they are buying, the ability to compare products easily and a quick and simple journey to purchase. Over 41% said they would need to spend up to a week researching their protection options before purchasing. One in five, however, said they required only a few hours.

This highlights the need to ensure consumers have the confidence and ability to select products that are appropriate for their individual circumstances. They want us to indicate clearly the products that suit their current needs and to offer some assurance of financial security should they become ill or die.

The online journey must enable consumers to source products that work for them and to enter the information required to receive a quote within five minutes. Roughly four out of ten expected a quotation price within two to five minutes. This rises to 46% for 18 to 24 years olds and only 20% said they were happy to wait seven minutes or more. Maintaining interest and encouraging consumers through the journey is vital for online protection sales.

Half of all respondents said they were more likely to buy short term policies (one to five years). This is in line with consumers' natural instinct to focus on short-term rather than long-term goals. With the economic environment changing the way people live (renting instead of buying, starting families later, varying their working patterns, for example), consumers are not always in a position to plan 10 to 20 years ahead. The long term traditional model no longer applies to today's consumers. So if we want to practice what we preach, we need to do more.

People have a natural tendency to focus on the 'here and now' rather than the distant future. Behavioural economics provides a partial explanation for why consumers discount future eventualities: the 'enjoy it now, worry about it later' mind set. This is never more apparent than with the use of credit. Why save, they believe, when you can borrow immediately to secure instant fulfilment whilst avoiding short term sacrifices?

One response to this might be to communicate scenarios in the third person. Removing consumers personally from the scenarios described, could help to encourage more realistic perceptions of the future consequences of current actions. We need to stress the rewards protection products bring 'tomorrow not today'.

With consumers now familiar with purchasing general insurance easily online, the protection industry needs to provide a quick and easy online option for those willing to use it - in a language they relate to. The challenge remains how we offer a solution to someone who doesn't recognise that problem. The industry must find new and more effective ways to get protection on consumers' radar.



**Kirsteen Grant**  
Marketing Manager

**Source:**  
**The Syndicate Report 2013**

# Hannover Re Group Results

Hannover Re has posted the best result in the company's history, with net income of EUR 858.3 million. Key to this success were solid growth, a good underwriting result in non-life reinsurance, and exceptionally healthy investment income.

## 2012 financial year

Gross written premium increased by a healthy 13.9% to EUR 13.8 billion (compared with EUR 12.1 billion in the 2011 financial year). At constant exchange rates – against the US dollar in particular – the increase would have been 9.5%. Growth thus exceeded the forecast range of 7% to 8%, a forecast which had itself been revised upwards during the year. The level of retained premium decreased slightly to 89.8% from 91.2%. Net premium earned climbed 14.2% to EUR 12.3 billion (EUR 10.8 billion).

## Life & Health Reinsurance

Life and health reinsurance continued to grow. Gross premium in the 2012 financial year grew to EUR 6.1 billion (EUR 5.3 billion), a healthy increase of 14.9%. Adjusted for exchange rate effects, growth would have been 9.8%, surpassing the target range of 5% to 7%. Net premium also rose sharply, by 13.3% to EUR 5.4 billion (EUR 4.8 billion).

Life and health reinsurance is a strategic growth segment for Hannover Re and within this operation the life and health reinsurance section has advanced to become a leading provider of reinsurance concepts and solutions. Hannover Re transacts all lines of life, health, annuity and personal accident business written by life insurance companies and holds a consistently strong position among the top three internationally operating life reinsurers.

As a customer-oriented life and health reinsurer, Hannover Re works with customers on a long-term partnership basis to open up profit potentials for both parties.

## Outlook for 2013

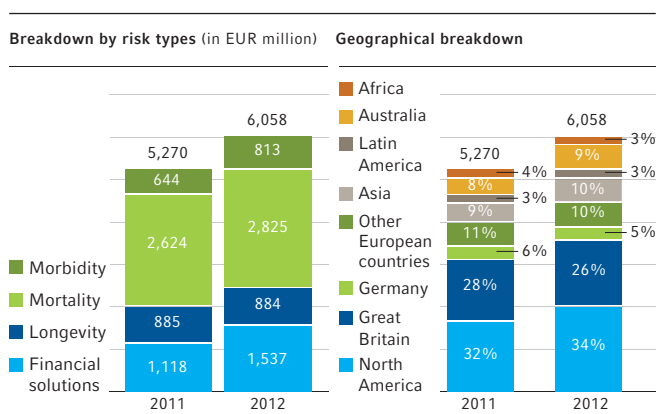
Hannover Re looks to the current financial year with optimism.

Hannover Re expects to be able to increase its gross premium volume for the 2013 financial year by around 5% based on constant exchange rates. Premium growth in life and health

reinsurance is expected to be in the region of 5% to 7%. The company is targeting a return on investment of 3.4%.

Assuming major loss expenditure does not significantly exceed the anticipated level of EUR 625 million, and provided there are no unexpectedly adverse movements on capital markets, it remains Hannover Re's assumption that Group net income for the 2013 financial year will be in the order of EUR 800 million.

Chart 1: Life and health reinsurance: gross written premium



Source: Hannover Re

## Hannover Re UK Life Branch

Hannover Re UK Life Branch continues to contribute to the profits of Hannover Re Group, building an enviable position as one of the UK's leading life and health reassurers.

As part of the Hannover Group, Hannover Re UK Life Branch has the backing of a highly secure and stable parent who is amongst the world's top three reinsurers. The Hannover Re Group is highly rated by both Standard & Poor's and A.M. Best, who have awarded Hannover Re very strong insurer financial strength ratings:

- Standard & Poor's AA- 'Very Strong'
- A.M. Best A+ 'Superior'

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