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ReCent medical news
somewhat different

Today, up to 70% of all Nordic children have an insurance solution tailored to juveniles.

Protecting the most valuable in life

The prospect of any ill health affecting their child fills all parents with dread, yet sadly the incidence of illness and accidents among children remains high. This article describes an insurance solution, tailored to juveniles, that meets this need. Today, up to 70% of all Nordic children have this product and it is a good example of a success story for the alert and flexible insurer.

Insurances for children in the Nordics

History

The Swedish social security system with its tax-funded health care has been renowned for decades as providing 'cradle to grave' cover and so it may come as a surprise that private disability insurances for juveniles were initially designed in Sweden as far back as the 1960s. The concept was later exported to neighbouring Nordic countries with similar levels of social welfare benefits.

This was the era when numerous social reforms were implemented and children's rights were scrutinised and safeguarded in various ways. In 1955, the Swedish government launched a state benefit for children with severe disability, but it was barely above subsistence level.

To meet the need for additional cover above that provided by the state, the industry came up with insurance covers including lump-sum benefits paid out at a certain level of disability.

Later on, this product evolved with the addition of benefits for those parents who needed to give home care to their children (caregiver's benefit). Furthermore, the product also included smaller amounts to cover costs for hospital stays as well as paying out if the child suffered from a critical illness. Faced with a significant increase in sales and claims, Swedish insurance companies united to create a national guideline on how to set levels of disabilities. The 1990s saw coverage widened to include offering insurance for pregnant women.

Statistics

Almost all of the large insurance companies offer individual juvenile insurances and there are a handful of companies offering group covers. If only fully underwritten individual policies are considered, about 60-70% of all Swedish children are insured. In the other Nordic countries, where the product was introduced much later, the penetration rate is around 30-40%.

Although such high rates could indicate an almost saturated market, there remain good opportunities to increase sales.

Looking at parents' objections to buying comprehensive child cover[1], 45% believe the child is already covered through group insurances (via the school or the community), although these offer accidental cover only. 40% of these parents think that the child is somehow covered through their own insurance policies (such as their

[1] Enalyzer, Market Survey

life, income protection or even home insurance policies), which is not the case.

Curiously, affordability does not seem to be an overriding issue as only 17% cite cost grounds.

Comparison of benefits

Table 1 presents selected data from a recent comparison of three of the largest insurers in Sweden.

Table 1: Examples of benefits in EUR

	Company A	Company B	Company C
Premium (annual)	168	148	210
Sum insured, 100% disability	140,000	140,000	125,000
Sum insured, 100% loss of future income	350,000	140,000	125,000
Caregivers' benefit, 100% disability (monthly)	774	782	844
Benefit paid due to neuro-psychiatric disease?	No	14,000	12,600
Support from psychologist if child in a crisis	No	Yes	Yes, also if bullied

Definitions of the benefits

Medical disability: An evaluation is done when the impairment is considered to have reached a stable and permanent level, which many times require several year's follow-up. Most insurers do not pay for impairment levels lower than 10% while some only pay for more than 50%. Most insurers offer settlements not later than 5 years after the onset of impairment.

Loss of future income: A final evaluation is typically not done earlier than at the age of 18. There is a correlation to the degree of medical disability although the risks are different. The insurers many times look at the decision taken by the Social Insurance Agency.

Caregivers' benefit: The Social Insurance Agency recognises 0%, 25%, 50%, 75% or 100% disability and a proportionate benefit is paid by the state. A private insurance policy can then top-up to reach 150%-250% of what is paid by the state.

Daily benefit to caregiver when child is hospitalised: If a child is admitted to a hospital for more than 24 hours, 15-30 Euro/day is paid for the first 90 days.

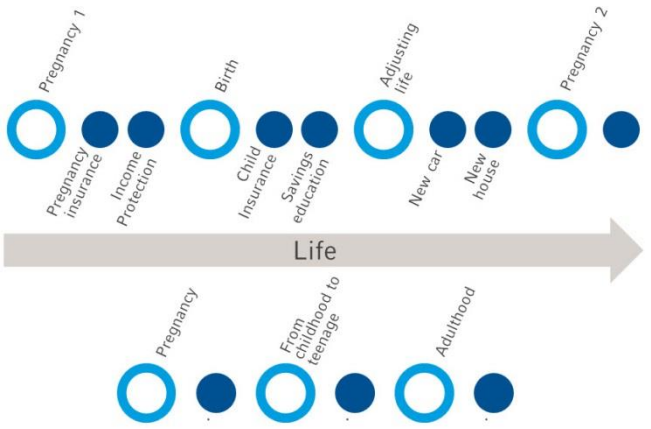
Critical illness insurance: Lump sum paid for e.g. malignant tumors, benign brain tumors, kidney- and heart failures.

Other: e.g. funeral expenses, psychiatric support, parental guidance.

Capturing the "newest" consumers

Figure 1 presents the strong marketing appeal of pregnancy and child insurance products as they may be able to bundle the entire family's insurance and savings needs.

Figure 1



Underwriting and claims handling

As with any protection application, the administration and underwriting assessment can be time-consuming, but - as is true of all related insurance products - thorough underwriting ultimately helps with any subsequent claims handling. In recent years, various simplified underwriting strategies have been implemented to address this, but no official evaluation is available. Today, about 50-60% of all applications are offered at standard rates and up to 10% are declined. Swedish legislators are currently investigating

whether to push the industry to start using substandard rates with the aim of reducing the number of cases that are currently either declined or offered an exclusion clause. Up to now, insurers have only worked with exclusion clauses and they frequently postpone a case whenever there is an unclear situation.

Hannover Re has a great deal of expertise in this area and has created underwriting rules for point-of-sale systems as well as an expert manual tailored for the juvenile market. Claims handling in the Nordic countries has been fairly standardised as Insurance Sweden (owned by the biggest local insurers) regularly updates a guideline on how to assess disability. Some Norwegian insurers add some challenges by the use of adult tables created for occupational health assessment.

Challenges

Policy conditions – a dynamic document

Policy wordings and exclusions, particularly those related to specific disease definitions, remain a constant point of emphasis as medicine advances and additions and changes are continuously made to the world's lexicon of paediatric diagnoses. New genetic tests and improved treatments and technical equipment may have important impacts on both underwriting and claims handling. One specific challenge is to define congenital diseases and decide whether to include them in the cover.

Psychiatric & neuropsychiatric diseases

These classes of diseases pose a particular problem. For example, the Nordic countries have seen a dramatic increase in the incidences of conditions such as autism and ADHD that frequently do not present symptoms until school age.[2] This is in part due to increasing public acceptance of the use of the stimulant methylphenidate (Ritalin ©). In Norway, there is also an increase in instances of chronic fatigue syndrome (myalgic encephalopathy) that co-exists with irritable bowel syndrome, interstitial cystitis, Raynaud's, depression, anxieties and migraine.

The high disability levels seen for neuropsychiatric conditions (varies between markets: 35-70%) also trigger payments for the caregiver's benefit and loss of future income.

[2] Sylvan

Political conditions

In a population with the same culture and history, some diseases are well known, socially accepted and are not considered to carry a high risk for disability. However, some diseases that are less known, socially disturbing and/or carry a fairly high risk of negative outcomes often cause political challenges for insurers.

As an example, many preterm children who in previous generations would have died are now surviving (even if born earlier than pregnancy week 28 and having a birth weight of below 1000 grams). While the risk of death is well established, the impact of delayed detection of neuro-psychiatric conditions downstream in life is less known and accepted. Other conditions, such as diabetes and obesity, have strong lobby organisations and media back-up that also require extra attention from the insurers.

Other

Evidence-based ratings: It can be challenging to find long-term studies on preterm births and numerous congenital syndromes. There are several reasons for this, but funding for this type of research and a lack of effective collaboration between neonatology and paediatric researchers over long-term follow-up are influential factors. Nevertheless, insurers in some countries, such as Sweden, can now benefit from reports coming out from national quality registers (e.g. the Swedish paediatric diabetes quality registry, SWEDIABKIDS).

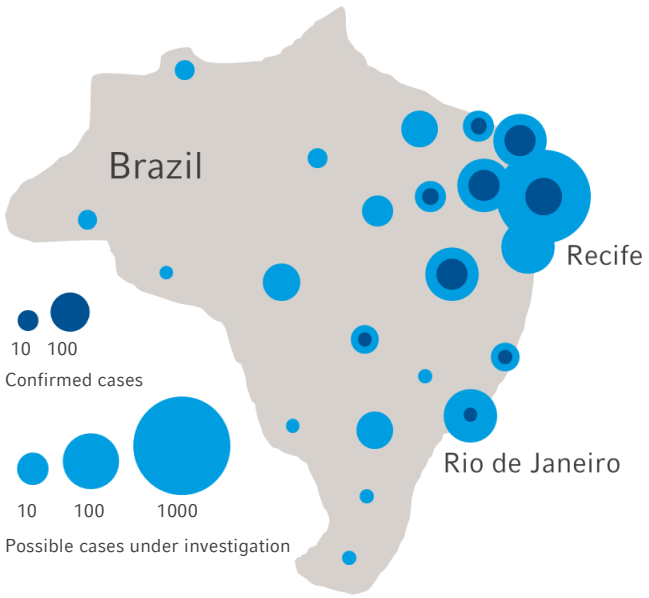
Epidemics & Pandemics: Throughout history pandemics have killed disproportionately more children than adults, and those of the 20th and 21st century (particularly the 1918 Spanish Flu) have been no different. For the juvenile cover which includes disability, pandemic is of no major concern.

However, there are some viruses which may cause concern in the future. An example is the Zika virus, which impairs mental development of the foetus. We have little knowledge as yet about the mechanisms, but we can conclude that closely related viruses, (e.g. yellow fever, dengue and West Nile) do not normally have this effect while other infections may carry an increased risk for impaired development of the foetus (e.g. rubella and cytomegalovirus). Some of these conditions may be detected at the point of underwriting or may be captured by general policy exclusions, but some impairment may not be detected until the child has reached a certain stage in life.

Looking at the Zika virus specifically, there are many questions to which we do not have the answers because

long-term follow-up has only just started. Some gross anatomical aberrations, e.g. microcephalus, are detectable by ultrasound at 18-20 weeks into pregnancy, but smaller structural impairments are not detectable at all at any stage of pregnancy. It is also unclear why some children remain unaffected despite exposure (around 15%), while others show overt signs soon after or at birth and others still have dysfunctions that will not be diagnosed until ages 5-8. Another complication of pandemics is illustrated by the vaccine given for the N1H1 flu in 2009 that caused narcolepsy in children.[3]

Figure 2: Microcephaly cases in Brazil caused by Zika virus infection[4]



Conclusion

- Up to 70% of all children in the Nordic countries have comprehensive insurance cover designed to protect against a variety of risks specific to juveniles
- Children are at higher risk of suffering permanent impairment caused by a medical condition than caused by an accident
- The products remain very popular with both consumers and insurance companies
- The inclusion of disability and loss of future income, due to both medical and accidental causes, has been a particular success
- This product presents both opportunities and challenges, and requires a detailed understanding of both the product and the unique nature of the market
- Policy wordings as well as guidelines for underwriting and claims handling need to be reviewed annually
- There is a strong marketing appeal associated with offering insurance products to both pregnant women and new-born children as insurers may then propose financial solutions to meet families' changing needs throughout life

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[3] Medical Products Agency in Sweden
[4] Source: Brazil Ministry of Health by state, as of Feb. 13th 2016