



Product Development: Expanding Life Insurance for Diabetics

Underserved segment represents growth potential for innovative carriers

Progress isn't perfect, and that's especially true when it comes to human health. While our modern, more affluent societies have greatly reduced the mortality threat from deficiency diseases and viral infection, sedentary lifestyles and unhealthy diets have produced a spike in chronic disorders such as obesity, diabetes, and heart disease.

For life insurers, this ongoing population health shift is leading some to adjust product and service offerings. The growing market of people living with chronic conditions, who may have been deemed high-risk or even uninsurable in the past, demands cost-effective solutions. New treatments, new technologies, and new risk stratification techniques have produced remarkable advances in how chronic conditions are treated and population health is managed. This is especially true for serving people with diabetes – but life insurance has been somewhat slow to keep up.

According to the World Health Organization, the global prevalence of diabetes among adults over 18 years of age is 8.5% (400+ million people), up from 4.7% in 1980. In 2015, an estimated 1.6 million deaths were directly caused by diabetes, and diabetes remains a major cause of kidney failure, heart attacks, and stroke. The good news: Diabetes can be treated and its complications and consequences prevented or delayed with diet, physical activity, medication, and regular screenings.

In some markets, life insurers are already serving diabetics effectively, particularly well-controlled diabetics. Product inclusiveness has expanded so that a person with well-controlled diabetes can be approved for coverage. And while this progress is certainly noteworthy, the diabetic population continues to grow and the opportunity for additional inclusiveness becomes ever greater. So the key question is: Where does the life and health insurance industry go from here and how do we get there?

Cast a Wider Net

Perhaps the most logical place for an insurer to start expanding services for people with diabetes is adapting existing products to be more inclusive. However, even this seemingly simple path to embracing a wider group of applicants demands considerable knowledge, skill, and experience.

The process typically requires evaluating underwriting guidelines with the intent to cast a wider net. In the past, metrics such as application age, time since diagnosis, and co-morbidities would exclude applicants from coverage. Now insurers are taking a second look and leveraging enhanced insights.

The key is to do so intelligently – to be open-minded before immediately rejecting an applicant with diabetes, yet to make sure responsible risk thresholds are maintained. Devising effective mechanisms to measure that applicant's health – from simple quizzes to advanced risk metrics – can provide the necessary underwriting evidence. Once this process is established and proven sustainable, the next challenge is optimizing pricing accordingly.



Neill Muller
Chief Marketing Actuary
Asian Markets



Daniel Lyons
Vice President
Business Initiatives
Global Accounts

Target the Market

Adapting existing products is one thing, developing targeted, diabetes-specific products brings a new level of sophistication. What benefits would best serve the target consumer (e.g., including disability cover for diabetes-related complications such as stroke, kidney failure, amputations, and blindness)? What are the underwriting guidelines? How do you measure health status and minimize anti-selection? How do you price these products to balance insurer risk and customer affordability?

Of course, these questions are interrelated. The most effective approach is to build comprehensive strategies across all elements to align with the needs of the diabetic consumer and deliver value beyond what that consumer would receive with a traditional product. This includes improving the customer experience. Rather than simply defaulting to the slow, invasive procedures traditionally required to underwrite diabetic applicants, for example, a more simplified underwriting process targeted specifically to this segment could reduce friction and speed policy issue.

Deep knowledge of the target market and up-to-date analysis of diabetes is essential. Diabetes associations provide an ideal partner for both getting to know target consumers and designing products tailored specifically for them. Some insurers have successfully partnered with diabetic associations to help them achieve their mandate in a mutually symbiotic fashion.

Deepen the Relationship

Gone (or certainly going) are the days of an insurer's interaction with a consumer being limited to two touchpoints: reviewing an application and processing a claim. Today's tech-savvy consumers demand engagement and enjoyable consumer experiences (inside and outside of insurance) that add tangible value to their lives. For life and health carriers, this means going beyond insurance and serving as partners in health and wellness. The central challenge within this approach: determining how to add new services to products while keeping costs both attractive to consumers and profitable for insurers.

Since diabetes can be dramatically influenced by lifestyle and behavior, both good and bad, it readily lends itself to chronic condition management programs. This can include free online medical consultation plus a range of associated services, such as tracking personal medical histories, lifestyle planning, and diet and exercise intervention. In the most sophisticated models, policyholders can access virtual care teams. Insurers gain greater insight into how people are managing their health, and insureds gain access to a range of resources and support tools.

Technology adds another layer to this health ecosystem. For example, a digital logbook and diabetes communities app currently on the market can pair with other devices and automatically log insulin units, glucose levels, physical activity, diet and more. Another provider takes a more holistic approach and seeks to support for the whole person – physically, mentally and emotionally – through a range of tools and services. These are just two of many entries into an increasingly crowded field of digital solutions, many of which can be leveraged by insurers to augment offerings for people with diabetes.

Make Pricing Dynamic

Expanding services and lowering premiums for people who demonstrate healthy behaviors appears to be a win for all parties – but we must consider whether these incentives are enough to drive lasting changes in lifestyle. While diabetes wellness products seem to have been successful at attracting consumers, it remains unclear as to whether policyholders' behaviors have changed on a major scale. Reliance on self-reported data only adds to the uncertainty.

Pricing needs to adjust as wellness programs mature and more reliable and more current data becomes available. Scientific health scores generally do not change very rapidly, e.g., sustained reduction in blood glucose levels can take years, so carriers need to decide whether to create or adopt an additional engagement score that is more responsive and accumulates rewards for the policyholder.

These challenges are not insurmountable, of course, but a thoughtful approach to pricing needs to consider all people and all aspects of business – in terms of both short-term and long-term consequences – that could be affected. Dynamic pricing that can adjust to advances in treatment of diabetes and in insurers' ability to collect reliable data will be essential to a sustainable solution.

Embrace the Possibilities

Like any complex challenge, there is no single silver bullet to fit all carriers and consumers in all markets. One prudent strategy is to take stock of current in-market offerings for people with diabetes and look to adopt and adapt the best attributes of each. The examples above provide just a glimpse into the solutions already at work, and the possibilities for what we could see in the coming years are virtually limitless.

Yet the risk of insuring people with diabetes remains real. While our improved understanding of diabetes and how to treat it has extended lives and elevated the quality of life for millions around the globe, it remains a deadly, increasingly prevalent disease. As an industry, we have made great strides in expanding insurance to those previously denied coverage, but there remains significant room to grow if win-win partnerships can be struck between insurers and specific health sub-segments. This represents an opportunity to both grow our businesses and, more importantly, to advance our society.

As a global reinsurer, RGA has a thorough understanding of diabetes-related products and underwriting approaches currently available around the world and has helped insurers successfully and intelligently target impaired lives in a range of markets. Contact RGA to learn how we can help you.