



Cancer protection: A tale of two markets

Cancer cover in both Korea and Hong Kong has taken more than a few paths over the past several decades. With experience trends evolving rapidly, **Mr Amit Punchhi**, **Mr Heng Yeow Lim** and **Ms Candice Yam** of **RGA**, take a timely look at this increasingly essential cover.

Cancer products have been sold in Korea since the 1980s, but for the first decade and a half or more, were only available as death benefit riders on life cover. With the implementation of nationwide cancer screening programmes in the early 2000s, cancer incidence rates skyrocketed, resulting in rising morbidity and a decision by most Korean carriers to stop writing new cancer business.

Interestingly, however, actuarial studies undertaken in Korea to examine the impact on mortality of the screening programmes found that cancer mortality rates remained largely unchanged. With some adjustments in product design, pricing and underwriting, Korea again began to write cancer business and is today a vibrant market for cancer protection. Korean insurers today offer a range of cancer-only living benefits products, ranging from senior products to scaled cover that can provide single lump sums as well as multiple payments.

Hong Kong insurers catering to Mainland customers

By contrast, although Hong Kong insurers have covered cancer risk for many years, cancer cover as a standalone living benefit product was not popular until 2013, when Hong Kong's first cancer reimbursement

Highlights

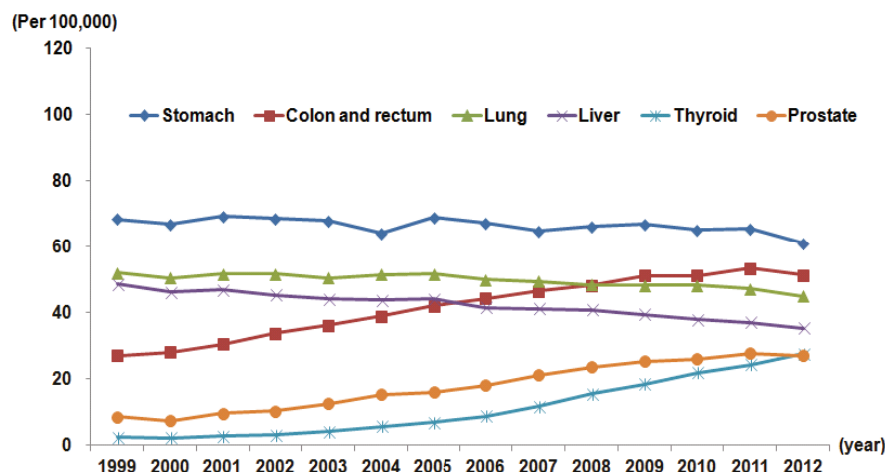
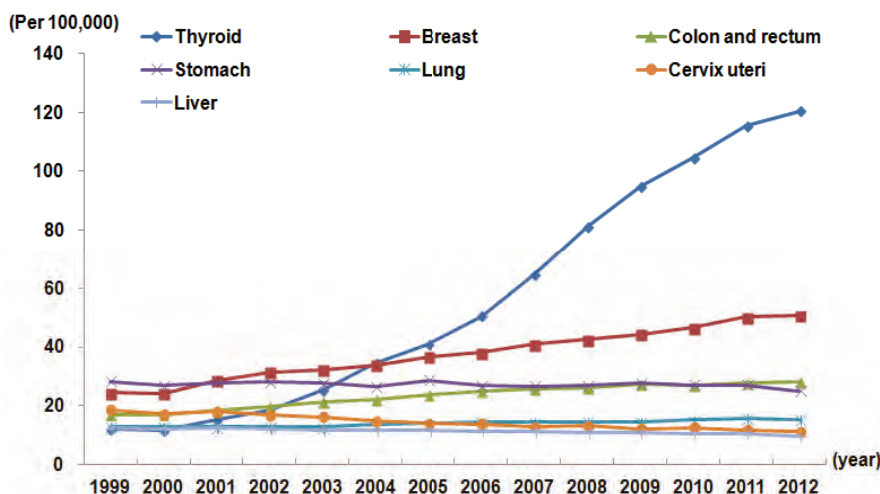
- In Korea, cancer product design may have been a contributor to some of the market's poor early 2000s experience;
- Hong Kong cancer products are more varied and flexible than those in Korea; and
- Both Korea and Hong Kong insurers as well as those in the rest of Asia, have demonstrated that cancer-only protection is an important product to offer.

product was introduced.

Today, Hong Kong insurers offer both standalone and rider-based cancer products that protect from early to late stages, with lump sum payments upon diagnosis or reimbursement payments upon treatment/hospitalisation.

A good portion of the interest in and demand for cancer protection from Hong Kong insurers is coming from consumers in mainland China. To meet this need, insurers in Hong Kong are developing ever-newer versions of cancer protection products, incorporating savings and reimbursement features.

By exploring some of the similarities and differences between the cancer protection markets in Korea and Hong Kong, clearer light might be shed on the issues affecting insurance markets for these

Chart 1: Korea trends in age-standardised incidence of major cancers in men**Chart 2: Korea trends in age-standardised incidence of major cancers in women**

Source – Cancer Facts and Figures 2015 (National Cancer Centre – Korea)

Note: The age-standardized rate (ASR) was calculated based on Korea's mid-year population of 2000

products, and how insurers can help to protect individuals and families against the financial impact of one of Asia's most prevalent diseases.

Screening programmes

Korea's cancer experience was significantly affected by the government's cancer screening programme. The programme, first rolled out in 2002 and slated to run for 20 years, initially led to earlier detection of many cancers, resulting in immediate and significant deterioration in experience for thyroid, breast and colorectal cancers. Thyroid cancer incidence saw an enormous upsurge among both women and men but especially among women, which contributed materially to Korea's experience deterioration.

Chart 1 shows the increase in incidence rates for colorectal, prostate and thyroid cancers (for males), and Chart 2, the increases in breast and thyroid cancers (for females) from 1999 to 2012.

While Chart 3 and 4, for comparison, show Hong Kong's age-standardised cancer incidence rates for the same 1999-2012 time frame. Rates have been fundamentally flat for most of the cancers, with only breast cancer and prostate cancer seeing appreciable (though not drastic) increases. (These tables do not incorporate mainland Chinese experience.)

Until recently, Hong Kong did not have a nationwide cancer screening programme, although recommendations to launch such a programme

had been in the works for more than 10 years.

The September 2016 launch of the government's pilot cancer screening programme, which is targeting colorectal cancer, aims to screen approximately 300,000 individuals between the ages of 61 and 70. The programme hopes to identify at least 300 presymptomatic individuals with existing biomarkers for colorectal cancer, or those who might be likely to develop the condition, so that treatment can start earlier and ultimately improve morbidity and mortality trends.

Given that this colorectal screening programme has only been in force for a few months, it would be premature to state with any definitiveness how it might impact Hong Kong's future colorectal cancer incidence and mortality as well as morbidity experience.

As cancer product development is in part being driven by the enormous China market, insurers in Hong Kong would be advised to track and monitor their experience carefully, going forward.

Risk management and product design

In Korea, cancer product design may have been a contributor to some of the market's poor early 2000s experience. Many products that were available in Korea offered the same face amounts for every type of cancer, and certain cancer products had very high face amount limits.

Until recently, anti-selection was also an issue, as Korea's insurance information-sharing systems were not integrated, and individuals were buying multiple policies from different insurers for the same cover. Korea has recently integrated its two information-sharing systems – Korea Life Information Check System (KLICS) and Insurance Claims Pooling System (ICPS) – into a single system, so that all life, non-life and associated companies can access and share data. This, it is hoped, will mitigate some of the anti-selection.

Differences in product design in Korea and Hong Kong

While face amounts are the same for all cancer sites for products offered in Hong Kong, cancer definitions are not yet standardised. (Cancer definitions are standardised in Korea.)

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Chart 3: Hong Kong males – age-standardised major cancer incidence rate trends

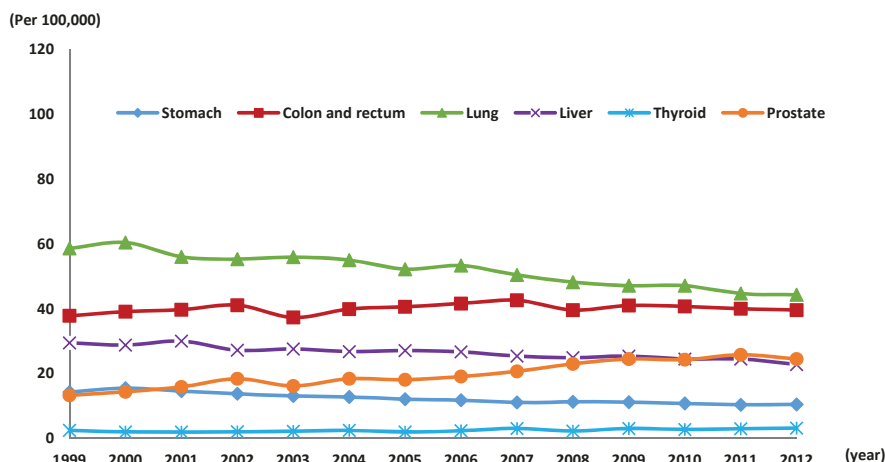
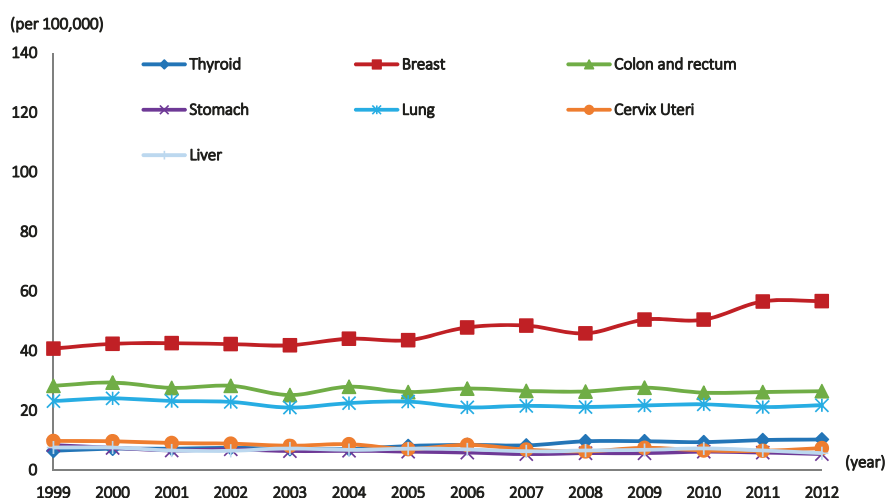


Chart 4: Hong Kong females – age-standardised major cancer incidence rate trends



Source: Hong Kong Cancer Registry, Hospital Authority

In addition, availability of specific cancer covers can differ from policy to policy. Some insurers, for example, offer early-stage thyroid cancer cover while others do not. Also, similar to Korea's past practice, Hong Kong does not currently have a centralised system which shares information between insurers.

Cancer products issued in Korea today are primarily pure production products with coverage for whole of

life. They may also cover recurring and subsequent cancers where a fixed amount is payable (not on reimbursement basis). Premium rates are either guaranteed for whole of life, or for as few as 10 to 15 years (although the product is guaranteed to renew for whole of life).

From a risk management perspective, it may appear that Hong Kong might be in a better position than Korea

to mitigate the risk from any potential deteriorating cancer experience trends.

For Hong Kong, the non-guaranteed savings benefits of the lump sum product can be reduced to offset any adverse morbidity experience, whereas Korea continues to offer primarily pure protection cancer products with guaranteed premium.

The premium of Hong Kong's cancer reimbursement products can be adjusted yearly upon renewal with the actual experience priced in. Having said that, these mitigation measures may pose some reputation risks to the insurers, and so shall be implemented with caution if the circumstances arise.

Cancer-only protection is needed

If Hong Kong's new screening programme yields higher detection rates, this may prompt its government to expand the programme to other cancer types and sites, which could ultimately alter Hong Kong's relatively stable cancer incidence rates of the past 15 years.

Both Korea and Hong Kong insurers (not to mention those in the rest of Asia) have amply demonstrated that cancer-only protection is an important product to offer.

As long as insurers keep careful track of experience, especially in light of screening programmes in their respective countries, and incorporate changes in experience into their product designs, pricing and underwriting, offerings can be developed that provide real value to insureds as well as profitable performance for insurers. 

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