

SCORviews

JANUARY 2018



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OUR NEW YEAR'S RESOLUTION

Helping You Grow and Improve Your Profitability

I want to thank each of our clients for choosing SCOR as a reinsurance partner and giving us the opportunity to serve you in 2017. Your business makes us the largest traditional life reinsurer in the US, a ranking we strive every day to earn and deserve.

Like our clients, SCOR is positioning for success in an industry that is undergoing rapid change. That means delivering value beyond reinsurance capacity.

Our end game, as always, is to help you grow your business and improve bottom-line profitability. Whether through individual or group life reinsurance, financial solutions, risk consultation, facultative underwriting or Velogica partnerships, our success depends on how much positive impact we have on your business.

In 2018, we will continue to focus research and development on underwriting innovations and mortality analytics. Our Velogica and R&D teams will be working to enhance underwriting algorithms and testing new data sources to reduce or replace dependency on traditional risk assessment methodologies. The R&D team will also continue with initiatives begun in 2017 to provide clients with high value mortality research.

Through *SCORviews*, we will share key learnings and activities with you. In this year's first issue, Tammy Kapeller, Head of US Life Markets, discusses the top themes we heard from our clients in 2017. The topics on her list are sure to be priorities in the year ahead.

Dr. Richard Braun, Chief Medical Director of SCOR in the Americas, looks at the role of medical innovation in mortality improvement. He advises us to think more broadly than blockbuster pharmaceutical or cutting edge surgical procedures. "Mortality," he says, "is a three-legged stool, and improved treatment of disease is only one of the legs. The other two legs, often overlooked, are disease prevention and early detection."

We're also announcing an alliance with data giant Lexis Nexis. This relationship, along with SCOR's investment in Plug & Play and the B3i Blockchain Initiative, demonstrates our commitment to new, technology inspired solutions.

On behalf of everyone at SCOR, let me express our best wishes for 2018. The new year promises to be packed full of change and the challenges and opportunities that come with it. We look forward to being with you along the way.

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Top Trends of 2017

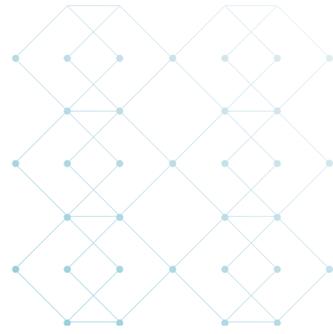
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I value every chance I have to listen to and interact with our clients. Whether during office visits, conference calls, industry meetings or other events, these opportunities always give me new insight into the things that really matter to our industry.

One of the themes my colleagues and I heard many times this past year is the importance of customer focus. This theme resonates with us at SCOR because we too believe understanding customer's needs is the competitive differentiator. Understanding what you, our clients, need and aligning our business operations to deliver the solutions which bring value to your customers is what keeps us relevant.

Several other themes surfaced in 2017 and, to a large extent, they reflect what we are focusing on at SCOR.



Customer Focus



In life insurance, this means giving customers a positive experience during and after the application and issue process. Companies are simplifying and accelerating the underwriting process and finding ways to expand and sustain customer engagement. For example, to connect – and stay connected – some insurers are beginning to promote and reward healthy choices. It's a win-win: Policyholders get healthier and life insurers get a better performing in-force population.

Predictive Analytics



Insurers are staffing up innovation departments with a focus on predictive and “test and learn” analytics. Advances in computer technology and the proliferation of third party data sources are driving this movement, which is reinventing the way actuaries assess mortality risk. Companies are looking beyond mortality experience data to non-traditional, real-time data from a variety of third party sources to analyze and predict mortality risk.

Accelerated / Automated Underwriting



Even companies with highly successful traditional lines of business expect to increase revenue through accelerated underwriting (AUW) programs. Several large carriers say that around 30% of new growth may come from this business. AUW programs take many forms: some companies are integrating electronic data (e.g., risk scores) into existing processes to support non-fluid underwriting at higher age/amount limits – up to \$1 million; others are investing in or expanding sophisticated underwriting algorithms for front-end triaging and point of sale decisions.

Product Development



Innovation and simplification best describe the trends in life insurance product development. Products that reward policyholders for healthy choices (captured on cell phones and wearable devices) offer a value proposition with an emphasis on the benefits of living healthy. So-called “combination products” continue to proliferate, addressing the health and income needs of seniors. Also, a number of carriers are reexamining the pros and cons of multiple underwriting classes and looking to simplify product designs and remove risk class labels that imply someone may not be “preferred”.

New Distribution



Technology and consumer preference continue to fuel changes in the way companies market and distribute life insurance. While producer distribution models are effective in higher wealth segments, companies increasingly see “direct to consumer” models as the path for growth in new markets (i.e., Millennials) and underserved segments of the market. They are investing in distribution channels that connect with consumers via multi-line channels, on-line stores and digital and social media such as Facebook, LinkedIn and other platforms.

Top 10 Trends of 2017

■■■ Cont.

InsurTech Start-ups



Tech companies from outside the industry are moving into the insurance space. Life insurers are partnering with these start-ups for support in executing innovation strategies. For example, in 2017 companies – including SCOR – invested in blockchain technology (B3i) and technology accelerators (Plug and Play) to have more influence in the shape of things to come. Much of this R&D investment is directed at consumer engagement and internal process improvements.

Financial Solutions



The use of customized financial solutions continues as insurers partner with reinsurers to structure efficient ways to address multiple needs including risk protection, capital management issues and support for sales growth.

Building New Skills and Expertise



Life insurers are acquiring new skills and expertise to leverage the technology that is needed to build the ideal customer experience, break into new markets and create new products. In addition to traditional insurance technicians – actuaries, underwriters and medical directors – life insurers need data scientists, technology specialists and behavior experts. Recruitment of these experts is underway but getting the right mix is one of the biggest challenges facing the industry today.

Regulatory Adjustments



With change in motion across multiple regimes and jurisdictions, it's hard to say which regulatory issue poses the greatest challenge for life insurers. PBR remains a top contender. With its significant impact on product mix and pricing strategies, PBR is an extremely important regulatory change for the US life insurance industry. And adjusting to the new regimen is increasingly urgent as we enter year two of a three-year phase-in period. Other key regulatory concerns include tax changes, closer scrutiny over use of captives, cyber liability and the Department of Labor's new fiduciary standards.

Strategic Adjustment to Low Interest Rates



Low interest rates have persisted longer than anyone expected. On a positive note, this environment has created incentives to make bold strategic bets about where to look for growth and earnings. As a result, we've seen innovations in product development, underwriting, distribution and risk and capital management. We've also seen investments in technology to drive cost efficiencies across functional areas. While the industry awaits more favorable interest rates, we can take pride in advances made in spite of these conditions.

While the themes listed here are in no particular order, each one is driving insurers to pick up the pace of change and invest in innovation. Our goal is to be your trusted reinsurance partner in these endeavors. We look forward to working with you in 2018, helping you achieve your growth and profitability objectives.

Look Beyond the Treatments

If mortality improvement is a three-legged stool, improved treatment of disease is only one leg; the other two legs are prevention and early detection.

Richard Braun
Vice President,
Chief Medical Officer
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When considering medical innovation and mortality most people think about new blockbuster pharmaceuticals or cutting edge surgical procedures. After all, we've seen numerous historical examples of therapeutics improving population mortality.

The introduction of penicillin in World War II is credited with saving many lives. The anti-retroviral drugs developed to combat infection with Human Immunodeficiency Virus (HIV) is a recent example of impressive treatment breakthroughs. Through treatment, we have moved a disorder where survival was measured in months to a chronic condition with good long-term survival.

Society has also benefited from surgical advances that have saved lives and improved mortality. Examples include repair of congenital heart defects, replacement of dysfunctional heart valves and organ transplants.

But, we need to think more broadly when considering medical innovation and mortality. Mortality improvement is a three-legged stool, and improved treatment of disease is only one of the legs. The other two legs, often overlooked, are disease prevention and early detection.

As science uncovers the root cause of a disease, efforts can be undertaken to prevent a disease from occurring. If these efforts fail, early detection may mitigate the complications from the disease, or in some cases prevent evolution into a more serious illness. A good example can be seen with Human Papilloma Virus (HPV) infection and cervical cancer.

■ ■ ■ Continued

Look Beyond the Treatments

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Prevention

In the case of HPV, early detection preceded prevention. Dr. George Papanicolaou developed the Pap smear in 1928, using the examination of cells from the cervix as an early detection system for cervical and uterine cancer. The procedure did not become widely recognized until the 1940s.

As a result of improved early detection there has been a dramatic decrease in the risk of dying from cervical cancer (up to 75%) over the past 50 years. Once it was recognized that the causative agent for cervical cancer is oncogenic HPV, a vaccine was developed for use as a preventative measure.

Other examples of preventing disease include...

- Use of sunblock or restricting the young from tanning bed use to prevent melanoma
- Vaccines for hepatitis B to prevent later cirrhosis and hepatoma from chronic hepatitis B infection.
- Low-dose aspirin for some adults for prevention of cardiovascular disease (CVD) and colorectal cancer
- Lowered blood pressure targets for diagnosing and treating high blood pressure as outlined recently by the American College of Cardiology and the American Heart Association.

Detection

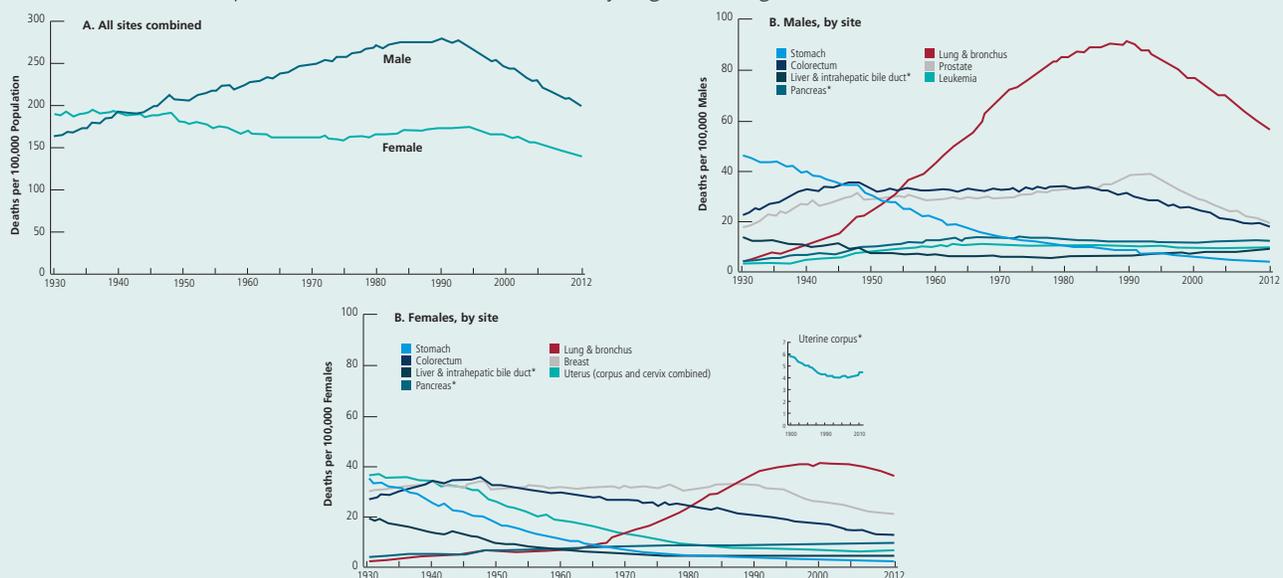
On the detection front, computed tomography for coronary calcium is recommended for adults at intermediate risk for cardiovascular disease and may be reasonable for those at low to intermediate risk. Studies have shown that elevated calcium scores have resulted in 3-fold or higher increase in the use of statin and aspirin in the subsequent years, which is the result needed to delay the disease and lessen severity.

Of course, it has been recognized that finding cancer early, when localized, has given patients the best chance of survival. And so, the early detection of cancer has been a priority for years. Mammography, screening colonoscopy, fecal occult blood testing, and prostate specific antigen are all examples of tests to find cancer at an early stage when removal and cure are more likely.

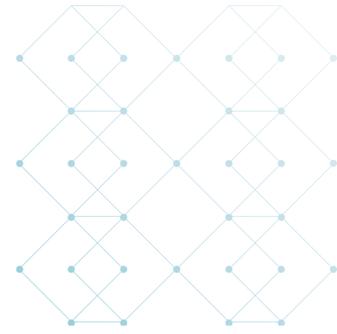
Lung Cancer is the number one cancer killer in the US. The reductions in smoking have made great strides in reducing lung cancer deaths, but more can be done (Figure 1).

Overall, lung cancer has a poor prognosis, but when caught early and removed surgically 5-year survivals range from 71-90%. Strides are being made in the treatment of advanced lung cancer, and especially immunotherapy has shown promising results. But, it is likely that early detection will play a large part in future improvements in lung cancer mortality.

Figure 1 – Trends in US Population Deaths due to Cancer and by Organ for Origin



CA: A Cancer Journal for Clinicians, Vol 66 Issue 1, pages 7-30, 7 JAN 2016 DOI: 10.3322/caac.21332



New areas of emphasis

Disease prevention also may be getting a boost from a consumer driven focus on healthy behaviour and choices. The phrase "Health is the new wealth" is entering our vocabulary. As noted in a recent global consumer study by ReMark, "Health has become the contemporary asset worth protecting."

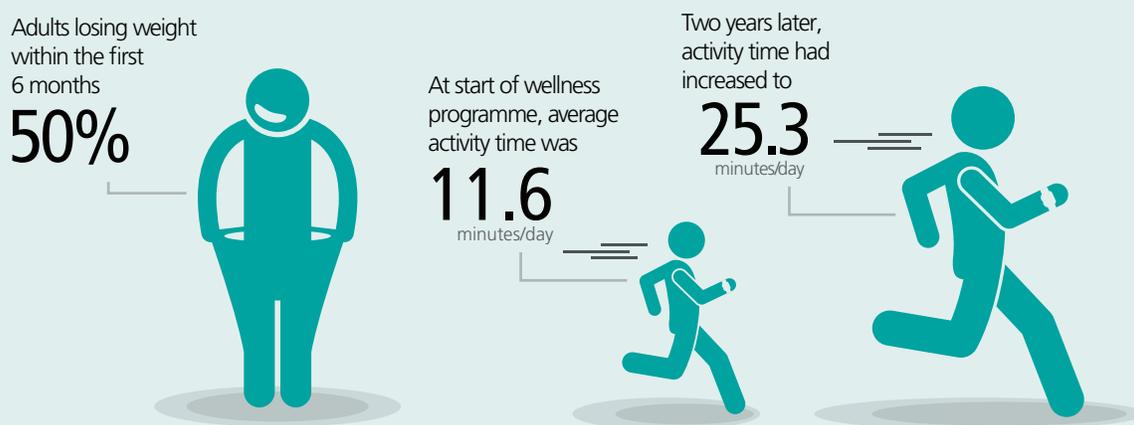
Some insurers are acting on the value – even status – that a growing number of consumers place on fitness and well-being. They are developing life insurance products with living benefits (gym memberships, etc.) that reward healthy activities. This is an exciting trend, and our industry has huge incentive to get behind it.

Efforts involving Electronic Health Records also hold promise for prevention and early detection of disease. For example, Screening Guidelines can be programmed in to remind physicians which procedures are needed in their individual patients. These important reminders should result in improved outcomes and better population mortality.

In summary, by all means, pay attention to advances in medical therapeutics when considering mortality trends. But, also pay attention to efforts at prevention and early detection, as those might just be the biggest contributors to improved mortality.

Health Is the New Wealth

ReMark, a SCOR affiliate, conducts consumer research for the life insurance industry. Its last two global consumer studies* find evidence that consumers would be interested in wellness programs offered as part of a life insurance policy. Additionally, their partnership with e-health platform Umanlife demonstrates the potential for health-based engagement to foster sustainable behavioural change amongst customers – and transform the insurer-customer relationship. ReMark's data scientists found a notable influence on weight, cholesterol level, blood pressure, and activity levels (figure below) among individuals using devices connected to the Umanlife platform.



Umanlife case study

*"You can't always get what you want" (2016) and "Life is a Rollercoaster" (2017).

Data Sources an Industry Priority

New data sources remain a top priority as the life insurance industry embraces an age of innovation driven by technology. The underwriting process, in particular, is one where insurers perpetually seek ways to leverage available data. Being a part of this movement is an important component of SCOR's mission.

The SCOR Americas R&D team recently joined the Insurance Alliance Data Delivery program as an Elite Partner with LexisNexis Risk Solutions, a leading provider of data, analytics and technology for the insurance industry. The program represents a robust ecosystem of organizations joining together to better enable the delivery of vast data assets from LexisNexis to clients through their own software and services.

"LexisNexis Risk Solutions is perhaps the biggest name in data aggregation and by continuing to work with them, we will further augment our focus on supporting advances in both accelerated and automated underwriting," states Rick Pretty, SVP, Deputy Life R&D. "This new alliance will give us a firsthand look at potential solutions to the everyday underwriting challenges our clients face."

Some of the data solutions the Life R&D team are looking at today include:

- Predictive models as a superior methodology to connect inputs available at the time of underwriting with outcomes (deaths) vs. mortality as an indicator that often requires proxies to supplement actual measured mortality

- Credit-based mortality risk scores to help define preferred and super preferred risk classes in the future vs. simply looking at risks traditionally assigned to preferred classes by biometric centric selection
- Electronic criminal history checks that match applicant information to national criminal records, including data from court sources and departments of corrections, closing the information gap common in the past

Drew Whitmore, Senior Director of Insurance Global Alliances for LexisNexis Risk Solutions, welcomes SCOR's involvement in the LexisNexis Insurance Alliance program and looks forward to the mutual benefits of an expanded partnership. "Both LexisNexis Risk Solutions and SCOR deeply believe in the power of data and analytics to manage risk and uncover opportunity. We have a long history together and the benefits of the Americas life organization now being a part of our new insurance alliance program is a key differentiator for the market."

For more information about SCOR's data source initiatives, please contact Rick Pretty, rpretty@scor.com.



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