



A Berkshire Hathaway Company

2010 Southeastern Actuaries Conference

NUMBERS 54 = 1

Barry Eagle
Vice President, Marketing

JUNE, 2010

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NUMBERS

- 8,000,000
- 43,000
- 21,863
- 19,700
- 19,000
- 12,767
- 8,526
- 522
- 100 +/-
- 1
- 2010, 2011, 2012 . . .



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 - 100 +/-
 - 1
 - 2010, 2011, 2012 . . .
- In 2006 – ww IAAIC
In 2005 - AAA
In 2008 - BofLS
In NA 2010 – Penn State
12/31/09 – SOA, FSAs
12/31/09 – SOA, ASAs
08/09 - SEAC



Recent Changes The Economy's Impact on Disability Insurance *

Period		Change
2008		+ 2%
Q1 2009 *	Premium	- 4%
	Policies	- 7%
* 70% of reporting companies stated business was down		
2009	Individual DI	- 9%

* Source: LIMRA Trends '09



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Recent Changes The Economy's Impact on LTC *

Period		Change
2008		Double Digit Decline
Q1 2009	Lives	- 32%
	Premium	- 34%
19 Carriers	Declined 10% or more	
	6 of top 10 declined 10% or more	
	9 of top 10 declined	
2009 Individual LTC		- 23%
2009 Group LTC		- 25%

* Source: LIMRA Trends '09



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Recent Changes The Economy's Impact on Life Insurance *

Change from previous period:

Period	Change	Not Since
Q4 2008	- 14%	1951
Q1 2009	- 26%	1943
2009	- 16%	1942

Q 1 2010 ---- 10% increase

* Source: LIMRA Trends '09



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Robert Kerzner, President & CEO LIMRA / LOMA / LLGlobal

“The environment will remain difficult – some companies will thrive while others struggle”

LOMA RESOURCE MAGAZINE 2010



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What About 2010?

- **“New sales volume for life will likely continue the 20 plus quarters of quarter on quarter downward trend”**

Steve M. Callahan Sr. Consultant - Robert E Nolan Co.

- **“Most companies are predicting 2010 sales to remain flat to down compared to 2009. Premium growth and profitability will likely follow the same trend”**

Peter A. Golato, SVP Individual Protection - Nationwide Financial Services

- **“While there will be improvements in 2010 in sales, premium, and profits, all these indicators will still be negative”**

Karen Pauli, research director TowerGroup

- **“I believe sales will be a challenge in 2010”**

Dayton H. Molendorp, Chairman, President, & CEO, One America Financial Partners

January 2010 Resource Rankin & Clark



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Carrier Response to the Current Economic Climate

After the Dust Settles – An executive View

Scott Kallenbach, LIMRA

Carrier Changes –

Introduce New Products

Most Important Issues –

Increase Sales

Markets Targeted -

Middle Market (Household Income \$35,000 to \$125,000)



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10



Looking to Differentiate & De-commoditize

- **New Products**
- **Stand Alone Products**
- **Co-Marketed Products**
- **Living Benefit Riders**
 - How will you know which one is right for you?
 - It must be embedded with sound risk management features
 - It must be suited to Life companies



Companies are Looking to Increase Their Value and Their Products' Value to Their Clients

- **Life Insurance with ADB**
- **Life Insurance and LTC**
- **Life Insurance and Disability**
- **Life Insurance and Annuities**
- **Life Insurance with Accelerated Death Benefits**
- **Life Insurance with Critical Illness Insurance**



Why Does CII Offer the Best Opportunity?

- Because more people are:
 - living longer;
 - being diagnosed with a critical illness;
 - surviving a critical illness(es); BUT
- Surviving has a price



Critical Illness Insurance: The Ultimate Gap Filler

Life Insurance

Chances of Death vs. Critical Illness

	Critical Illness Claim		Death Claim	
	Male	Female	Male	Female
Age 30	30%	25%	9%	7%
Age 35	29%	24%	9%	7%
Age 40	28%	23%	9%	7%
Age 45	25%	21%	7%	6%
Age 50	20%	16%	5%	4%
Age 55	13%	10%	4%	3%

Probability of a Claim for Critical Illness or Death Prior to Age 65



The NEED is There!

885,270 Cancer Survivors
Annually

700,000 Heart Attack Survivors
Annually

550,000 Stroke Survivors
Annually



What Needs Do Individuals Have?

PEACE OF MIND

Medical Tourism
Deductibles
Mortgage Payments
Travel Expenses
Co-Pays
Nontraditional
Eld
Home Health Care
Experimental
Out-of-network
Lost Income
U.S. Name Brand Pharmaceuticals
Day Care
Modifications
ications



August 6, 1983

First Critical Illness
Policy Issued

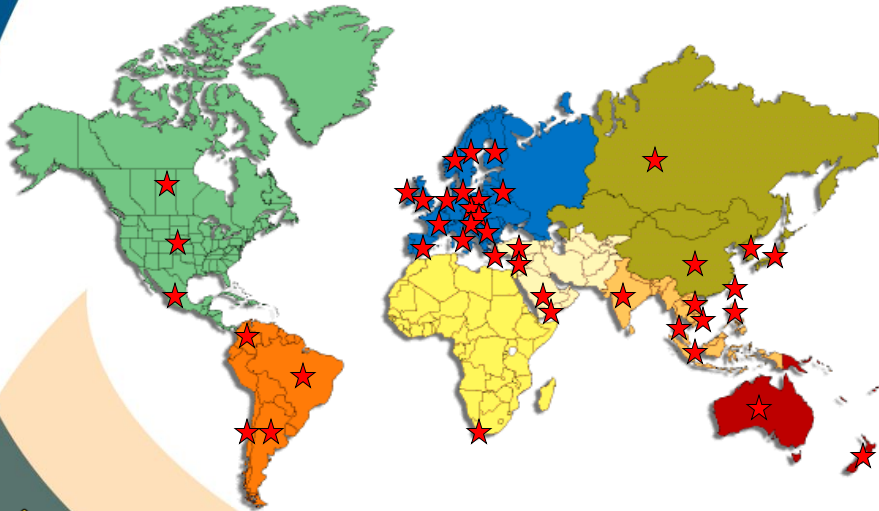
South
Africa



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1983 – Present ---- 54



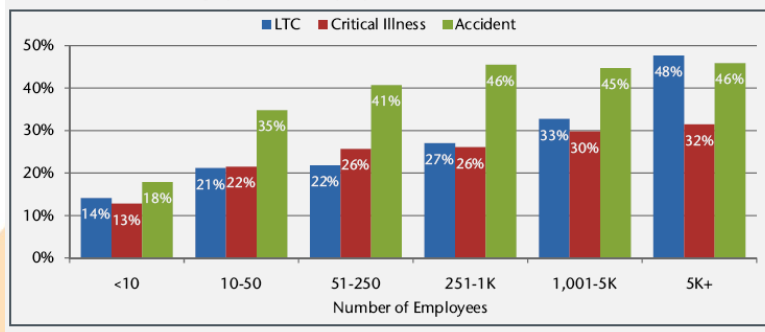
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Is the Timing Right to Enter this Market?

The Product Is Becoming Mainstream

Exhibit BB: 2010 Offering by Size of Company



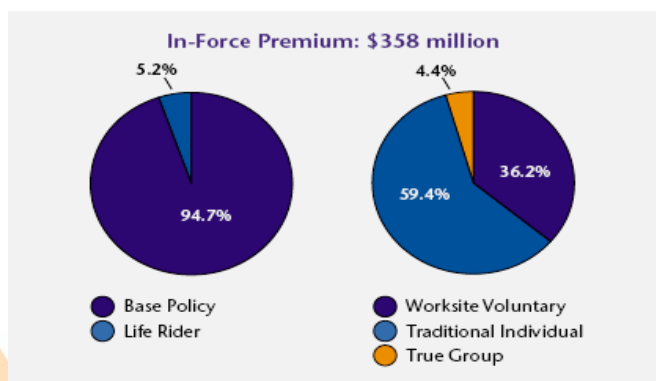
Source: JHA and EBN "2010 Employer Buying Intentions Survey" of more than 4500 employers



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CII Market



Source: Gen Re 2009 Critical Illness Market Survey

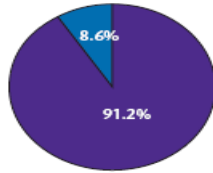


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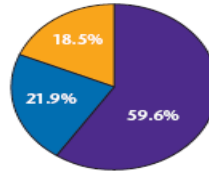


CII Market

New Business Premium Totaled \$66.6 million



● Base Policy
● Life Rider



● Worksite Voluntary
● Traditional Individual
● True Group

Source: Gen Re 2009 Critical Illness Market Survey



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21



Is CII Right for You?

Buyers

Target Market Demographics

Traditional Individual	Minimum Reported	Maximum Reported	Average
Age	40	50	43.2
Annual Income	\$40,000	\$300,000	\$95,700
Benefit	\$20,000	\$250,000	\$70,600
True Group	Minimum Reported	Maximum Reported	Average
Age	35	45	40.2
Annual Income	\$40,000	\$60,000	\$42,500
Benefit	\$5,000	\$30,000	\$16,100
Worksite	Minimum Reported	Maximum Reported	Average
Age	41	45	42.1
Annual Income	\$39,000	\$50,000	\$42,300
Benefit	\$18,000	\$27,000	\$21,625

Companies reported their average age of new business.

Issue age changed very little from previous years, and they were remarkably consistent across all distributions. The average issue age for Individual Health Policies and for Riders to Individual Life policies is 43.5; for True Group Health policies, 43; and for Worksite Voluntary Individual Health policies, is 42.3.

Source: Gen Re 2009 Critical Illness Market Survey



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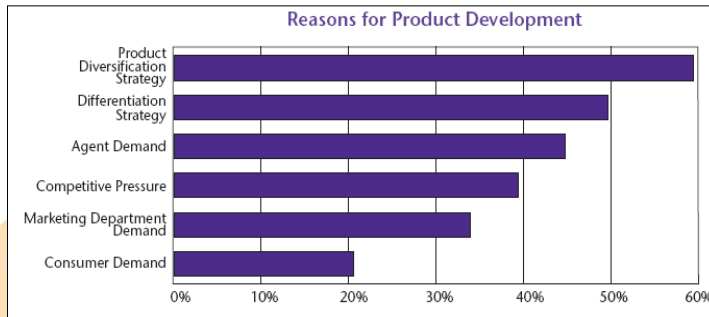
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22



Is CII Right for You?

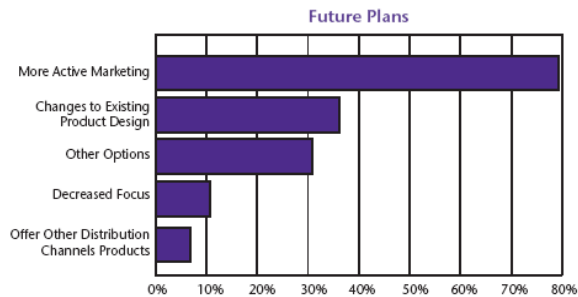
Insurers



Source: Gen Re 2009 Critical Illness Market Survey



Companies' Reaction



Source: Gen Re 2009 Critical Illness Market Survey



Insurance Characteristics

- Life Insurance policies average size -- \$272,159
- Worksite average Life Policy -- \$25,317
- Critical Illness Insurance Policy size
 - \$70,600 – Individual
 - \$16,100 – Group
 - \$21,600 – Worksite

LMRA 2009



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Approaches

- Individual
- Group
- Worksite
- Stand Alone
- Riders to Life or Health Products
- Riders that Advance Proceeds or Increase Value



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Design Features

- Triggers
- Payout Options
- Policy Design
- Policy Language
- Waiting Periods, Reduction, Termination
- Underwriting



In Review

- Life Sales Need a Boost and Life Companies Need Differentiation
- All forms of insurance have “gaps” in the protection that they provide
- Those gaps are most apparent when catastrophic events occur
- Critical Illness insurance is the ideal product to help guard against the devastating financial consequences of those gaps
- Health Care Reform is Coming
- The timing is right



Critical Illness Insurance – The Perfect Storm

- Grows Your Business
- Lowers Acquisition Costs
- Offers Your Clients Something New, Unique & Valuable
- Fills Needs and Gaps in Existing Insurance
- Provides a Fit with Your Current Product Portfolio
- Provides Desirable Cash Benefit
- It's an Underpenetrated Market
- Sets You Apart From Others



Seize the Day

This product, Critical Illness Insurance, may be the best opportunity our generation will have in the insurance business

It's Simple Math -- not Actuarial Science

54

$54 - 1 = 53$

$53 + 1 = 54$



Are You Ready to Address Your Clients' Needs?

YOU NEED TO BE !



Resources

- **Another Direct Writer – Fronting Company**
- **Your Staff**
- **Qualified Consultants**
- **NACII**
- **AACII**
- **US**



Questions?



Gen Re LifeHealth Can Help

by Providing You With the Support You Need

Our “Critical Illness Product Development Guide”



Comprehensive online underwriting manual



A fully-developed “Sample Policy”



First of its kind “Critical Illness Claim Guide”



A fully-customizable product brochure



This presentation for field training



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Critical Illness: The Ultimate Gap Filler

Whatever the Health Plan

- HMO's and other “Present” Insured Health Programs
- Whatever the 2074 pages of Bill H.R. 3962 Brings
- HDHP's IRS guidelines state that, for calendar year 2010, a “high deductible health plan” is one that has:
 - An maximum deductible of \$1,200/\$2,400 and OoP \$5,960/\$11,900
- HAS's IRS Guidelines, Maximum contribution \$3,050/\$6,150
- MiniMed's
- Hospital Indemnity
- Supplemental Accident
- Cancer



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