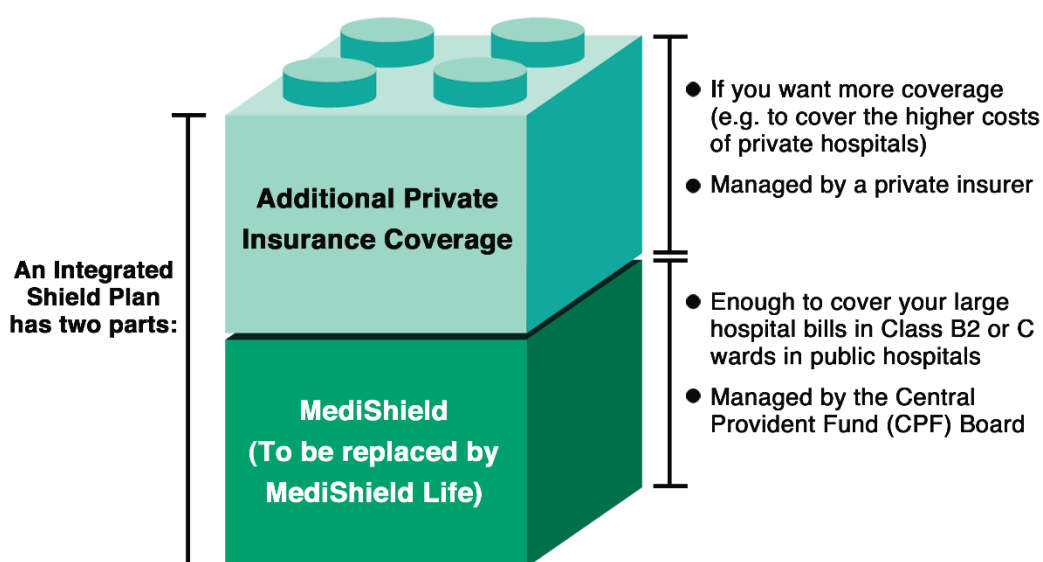


For immediate release

## **All five IP insurers commit not to increase premiums for the private insurance coverage portion of Integrated Shield Plans for 12 months**

**26 June 2015** - All five life insurers offering Integrated Shield Plans (IPs) commit not to increase premiums for the additional private insurance coverage portion (also known as the 'top up' portion) of all IPs for 12 months following the implementation of MediShield Life at the end of 2015.

This initiative reflects the life insurance industry's efforts to facilitate a smooth transition for IP policyholders during this period as the Ministry of Health (MOH) moves towards providing Singaporeans with healthcare coverage for life.



### **Impact of MediShield Life on IPs**

The increase in coverage from MediShield Life is expected to reduce claims payout from the top-up portion of IPs. However, the impact of this reduction will vary between IPs targeting public hospitals and IPs targeting private hospitals

For IPs targeting public hospital class A/B1 wards, the proportion of claims payout from the additional private insurance coverage portion is estimated to reduce by about 14 percentage points<sup>1</sup>. For IPs targeting private hospital wards, the proportion of claims payout from the additional private insurance coverage portion is estimated to be reduced by a smaller amount, of about 6 percentage points<sup>1</sup>.

In the long-term, the trend of rising healthcare costs, especially private healthcare costs, is expected to continue and, consequently, would require an upward adjustment of insurance premiums.

<sup>1</sup> Experience varies across insurers. A simple average across the five insurers has been taken to derive the estimates of these four percentages.

### **Claims Escalation for Integrated Shield Plans**

IP insurers monitor the impact of claims escalation and bill sizes on their own very closely and accordingly, review their benefits and premiums on a regular basis. The last review was conducted in early 2013.

Claims for Integrated Shield Plans have increased over time due to larger medical bills, greater healthcare consumption and the increased use of newer and costlier procedures which leverage medical technological advancements. For IPs targeting public hospital class A/B1 wards, claims have escalated by approximately 12 per cent<sup>1</sup> per annum in the past few years.

Based on IP insurers' experience, the average bill size from private hospitals is approximately two to three times of the average bill size from public hospitals. The average bill size from private hospitals is also increasing at a faster rate than those from the public hospitals. Overall, healthcare costs and claims payouts for private hospitals continue to increase more significantly in comparison to that of public hospitals. For IPs targeting private hospitals, claims have escalated by approximately 17 per cent<sup>1</sup> per annum in the past few years.

### **Riders which pay for deductible and co-insurance**

Premiums of riders<sup>2</sup>, which are complementary but not part of IPs, are expected to increase over time due to the claims experience being higher than expected. As such, IP insurers are unable to commit to not increasing premiums of rider plans.

All IP insurers will need to closely monitor and assess IPs and riders based on their own company's claims' experiences to ensure adequacy of premium rates and the overall financial soundness of offering these health policies.

### **Collective efforts to manage escalating healthcare costs in Singapore**

IPs provide Singapore residents with more choices for those who would like to increase their level of medical insurance coverage beyond MediShield Life.

IP insurers will continue working closely with the Government and relevant bodies to manage healthcare costs in Singapore. This includes seeking effective and innovative ways to improve price transparency and comparison of professional fees within the healthcare industry, as well as using in-depth data analytics to better scrutinise unusually high healthcare bills to better manage claims costs and keep premiums affordable for all.

Life Insurance Association Singapore (LIA Singapore) will continue to work closely with all relevant parties to further improve internal and external communications on how MediShield Life and IPs work, the complementary relationship of both, and benefits to policyholders.

Financial advisers and customer service teams of all IP insurers will continue to help clients and respond to queries on IPs with the implementation of MediShield Life based on training and information resources provided by MOH. This is part of LIA Singapore's proactive effort to increase awareness and improve education on health insurance to ensure that the community is well-served during this period of dynamic change.

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<sup>2</sup> Riders are not part of IPs as they are not approved by MOH for Medisave use thus are separate products paid by cash. They are complementary products introduced by private insurers to provide coverage for the co-insurance and/or deductible portions of the bill when claims were under the IP. Some riders may also provide additional benefits depending on the plan.

For queries relating to the IPs provided by each Insurer, please contact:

Insurance company	Hotline	Email address
AIA Singapore Private Limited	1800 248 8000	<a href="mailto:sg.eCare@aia.com">sg.eCare@aia.com</a>
Aviva Limited	6827 7788	<a href="mailto:cs_life@aviva-asia.com">cs_life@aviva-asia.com</a>
Great Eastern Life Assurance Company Limited	1800 248 2888	<a href="mailto:wecare-sg@greasternlife.com">wecare-sg@greasternlife.com</a>
NTUC INCOME Insurance Co-operative Limited	6332 1133	<a href="mailto:healthcare@income.com.sg">healthcare@income.com.sg</a>
Prudential Assurance Company Singapore (Private) Limited	1800 333 0333	<a href="mailto:customer.service@prudential.com.sg">customer.service@prudential.com.sg</a>

## Appendix 1

### Breakdown of IP Claims

Proportion of IP Claims Payout: MediShield/MediShield Life vs Additional Private Insurance Portion

Private IP Plan	MediShield / MediShield Life	Additional Private Insurance Portion
Actual Proportion of Claims Payout under MediShield *	14%	86%
Expected Proportion of Claims Payout with changes to MediShield Life	20%	80%
<i>Change in percentage points with changes to MediShield Life</i>	6%	-6%

Public Hospital A Ward Plan	MediShield / MediShield Life	Additional Private Insurance Portion
Actual Proportion of Claims Payout under MediShield *	36%	64%
Estimated Proportion of Claims Payout with changes to MediShield Life	50%	50%
<i>Change in percentage points with changes to MediShield Life</i>	14%	-14%

Public Hospital B1 Ward Plan	MediShield / MediShield Life	Additional Private Insurance Portion
Actual Proportion of Claims Payout under MediShield *	53%	47%
Estimated Proportion of Claims Payout with changes to MediShield Life	67%	33%
<i>Change in percentage points with changes to MediShield Life</i>	14%	-14%

\* Industry average based on 2013-2014 experience

Note: Experience varies across insurers. A simple average across the five insurers has been taken to derive the estimates of 14 per cent and of 6 per cent.

## Life Insurance Association, Singapore (LIA)

Established in 1962, the Life Insurance Association, Singapore (LIA) is the not-for-profit trade body of life insurance product providers and life reinsurance providers based in Singapore and licensed by the Monetary Authority of Singapore (MAS).

### Vision and Mission

The vision of member companies is *to provide individuals with peace of mind and to promote a society where every person is prepared for life's changing cycles and for those situations unforeseen.*

They are *committed to being a progressive life insurance industry by collectively enhancing consumer understanding, promoting industry best practices, and through the association fostering a spirit of collaboration and mutual respect with government and business leaders.*

### Values underpinning the association and its members

<b>Unified</b>	in our resolve to deliver innovative solutions where every individual's needs are best met.
<b>Professional</b>	in the way we conduct ourselves and in the counsel we give.
<b>Ethical</b>	in ensuring our policyholders' interests are managed with utmost integrity.
<b>Fair</b>	in how we strive to provide favourable outcomes to both our policyholders and shareholders.
<b>Open &amp; honest</b>	in all that we do to build an environment of trust and transparency.
<b>Proactive</b>	in the steps we take to give our people the skills and knowledge to provide sound solutions at all times.

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