

Social Role and Future directions of Cancer Insurance

ABSTRACT

Financial burden of cancer is substantial in terms of medical costs and income losses, and the cancer insurance coverage has played an important role in reducing financial burden. Cancer insurance products have a long coverage period, thereby posing risks of changes in claim payment standards due to changing cancer incident rate and medical environment. Insurers should develop not only non-renewable product but also renewable or reviewable product for stable products operation, while financial authority should review whether to authorize insurers to adjust expected risk rate and the terms and conditions when they renew the contract.

1. Social Role of Cancer Insurance

The age-standardized cancer incidence rate per 100,000 people was 282.8 in 2017, down 6.6 people (2.3%) year-over-year(YoY). The incidence rate of cancer had increased at an annual average of 3.7% from 1999 to 2011, and has declined afterwards at an annual average of 2.6%.

However, financial burden of cancer is still substantial for patients and their family in terms of additional medical costs and income losses. Households with cancer patients are financially burdened by medical costs. Apart from medical costs, the patients also faces difficulties of living, since about 50% of patients tend to withdraw from the labour market and subsequently experience an income reduction. In 2017, on average, about 10 million won was paid per cancer patient for a year, and the cancer patient's out-of-pocket spending (cost sharing system+non-statutory medical coverage) was about 2.55 million won.

The private insurers have provided coverage about 27 trillion won for cancer insurance (death, hospitalization, surgery, and diagnosis) over the past 5 years (2014-2018) and

paid about 6 trillion won in 2018 alone to minimize economic difficulties of insured cancer patients. Cancer insurance has covered cancer treatment costs and supplemented patients' income. By the policy, as of 2018, total amount of hospitalization, surgery, and diagnosis was 17.55 million won for life insurance and 12.95 million for non-life insurance, respectively.

In Korea, cancer insurance products have been constantly evolving from cancer death-oriented products to cancer diagnosis products. In the mid-2000s, there was a halt or a reduction in sales of cancer insurance due to losses from a continuous increase in cancer incidence. However, a variety of cancer insurance products began to be developed as the cancer incidence rate stabilized since 2010. The product, which has been on sale since 2018, is developed for the purpose of extending the subscription amount, coverage period, as well as the coverage amount for small type cancers(thyroid cancer and other skin cancers, etc.).

2. Conclusion and Future directions

Cancer insurance policy that offers long-term coverage is exposed to risks such as changes in claim payment standards because of changing social environment that influences cancer incidence rate and medical technology. In the past, there has been a halt in sales of cancer insurance due to soaring thyroid cancer and colorectal cancer occurrence. Furthermore, there was a problematic situation in which the insurance payment standards differs from those at the time of product development due to the development of medical technology and changes in medical environment.

Therefore, insurers are confronted with a dilemma of choosing between risk management and consumer benefits. On one hand, renewable products enable insurer to manage risk, but higher premiums can provoke dissatisfaction from the consumer. On the other hand, non-renewable products offer consumer benefits with fixed premiums, but it could cause problems if unexpectedly large amount of claims occur.

Insurers will need to develop cancer insurance products that can protect consumers and can be operated in a stable manner. Designing the product requires to set a clear terms and conditions so that consumers should not be disadvantaged. Therefore,

insurers have to choose between non-renewable, renewable, or reviewable products in consideration of technology development and consumer demand.

Proper supervision from financial authorities is essential to support sustainable product development of cancer insurance and protect consumers. Financial authority needs to create a sound product development environment to avoid the possibility that insurers companies do not stop selling cancer insurance product due to excessive losses. Furthermore, the authority will need to examine whether to authorize insurers to adjust expected risk rate and the terms and conditions when they renew the contract. Last but not least, the authority should devise the terms and conditions corresponding to the changing claim payment environment in cooperation with various stakeholders, including insurers and consumers.

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