e-Protection Review

(incorporating HealthCare Insurance Report)
from Peter Le Beau MBE, Andy Couchman, Kevin Carr

1 in 3 homebuyers hasn't thought about life cover: Protection Review

Almost one in three (31%) of people buying their home with a mortgage has not thought about the need for life cover. That is one of the major findings in the consumer survey in this year's *Protection Review* book, which is being launched in London on 15 July.

'I haven't thought about it' is now the biggest single reason why people say they have not taken out life cover according to 26% of over 1,000 people polled by **ICM** for the *Hannover Life Re/Protection Review Consumer Survey 2010*. This has taken over from 'Can't afford it' (21% of those polled) as the most common reason not to have life cover, but the real surprise is that even more people with a mortgage than without had not thought about it.

Almost a third of those polled (32%) said that affordability was the main reason they had not taken out private medical insurance (PMI) but this figure was down from 37% in last year's survey. The second most common reason was that 'The State will look after me', cited by 19% of those polled, while 18% admitted to not having thought about PMI.

The findings clearly illustrate the fact that many people are simply unaware that they have a need for protection, or that such cover is available and affordable.

Another worrying finding, according to survey sponsor **Hannover Life Re (UK)** was that more women than men cited affordability as an issue. 34% of women, compared to just 16% of men, said affordability of critical illness cover was an issue, for example.

This year's book—at a record 310 pages—includes both original research and a range of articles from the UK and internationally on health and protection insurance issues.

For example, **Aiico Insurance's** Samuel O A Lawal writes of the unique difficulties in the Nigerian life market, while Andrew Power, a partner at **Deloitte** argues that the impact of Solvency II could see a decrease in capital requirements in the protection market.

This year we have worked with **Cicero**, looking at a number of implications in the new world following the election in May, and introduced a new section covering this.

Supporting the consumer findings, the *PFS/Protection Review survey*, in association with **Fineos**, our third annual poll of the **Personal Finance Society's** members, found that over 78% of advisers ranked raising consumer awareness as the first or second top priority when it came to actions most likely to help increase levels of (*Continued on Page 2*)

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Inside this issue:

Quotes of the month:

"There are significant risks with direct-to-consumer tests. Many are unreliable and inaccurate. Patients may be falsely reassured, or undergo avoidable and sometimes invasive follow-up tests and treatments. Unnecessary procedures may have long-term or permanent complications which can place a burden on the NHS." Professor Sir Neil Douglas, chairman of the Academy of Medical Royal Colleges, 23 June 2010.

"This is a tax on protection [the rise in IPT]. The last thing people need in a financial crisis is a higher insurance bill." Eric Galbraith, BIBA Chief Executive, 22 June.

'We estimate that insurers have paid out £933.5m in CI claims for 2009 alone'. ABI CI consultation paper, June 2010.

Key statistics:

- NHS waiting lists England to 31 March 2010: 614,121 (See Page 11)
- e-Protection Review Long Term Protection Sales Index: 104.3 (Quarter 1, 2010, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 106.153 (To end May 2010, compared to January 2000, see Page 11).

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(*Continued from Page 1*) protection insurance. However, an only slightly lower figure (71.1%) ranked lower premiums in the first or second rank (respondents could tick a ranking between one and six, with one being most important and six least important) as the action most likely to increase demand (with 45.5% ranking it top).

To some extent that is a disappointing result and suggests that many advisers still sell on price and that pressure will remain on insurers to cut prices, perhaps even at the expense of adequacy of cover.

But that has to be put in context. This year we also asked about the importance of clients having greater trust in insurers to pay claims. 38.8% of those polled ranked that in the most important category, while 32.3% ranked it in the second category.

Faster and fewer underwriting decisions, better or wider cover, simpler products and asking supplementary underwriting questions online were popular with many respondents, but not as popular as the top three.

The message is that advisers want lower prices (nothing new there) but they also want their potential customers to have greater trust in insurers to pay claims and clients to have a better understanding of their needs too.

Whilst action is being taken by the industry in all these areas, it is clear that there is still some way to go.

This year's Protection Review events on 15 July start with a full day conference, which is being held at the **Marriott**, **Grosvenor Square**.

A number of keynote speeches—led by world expert on health and work, Professor Sir Mansel Aylward, talking on *Rethinking our attitudes to work and illness*, are followed by panel sessions featuring some of the best known names (and a few rising stars too) from across the industry.

The panel sessions are also a popular way for delegates to quiz leading industry lights on their views on a wide range of issues.

Over 100 people have already signed up to attend the conference, which costs £550 plus VAT per delegate. The full conference agenda is available on the *www.protectionreview.co.uk* website and places can be booked too. But hurry, as places are strictly limited.

ABI's Kerrie Kelly speaking at dinner

Following the conference, which is sponsored by **Medicals Direct** and **Pacific Life Re**, the Review's annual dinner takes place at the same venue in the evening. The guest speaker is the **ABI's** new director general, Kerrie Kelly, and the book's co-editors (Kevin Carr, Peter Le Beau and Andy Couchman) will be revealing some of the key findings in this year's book. The 2010 Protection Review award winners will also be announced at the dinner.

Some 400+ people will attend the dinner this year, making it the biggest since the event started in 2003.

The Review has also been successful in adding a record number of new partners this year (see the website for a list of all our sponsor partners).

Book can be ordered now

The Protection Review 2010 costs £300 and can be ordered through the website.

The website itself continues to be developed, with new blogs being added frequently and regular e-mailed bulletins being sent to subscribers (do let us know if you do not get the bulletin or have a colleague you would like us to add to the mailing list).

The website's forum is 'Chatham House rules' to allow subscribers to communicate with their peers in a part of the website where there is no public access.

If you haven't already done so, do please register on the website now.

All you need to do is to register your name. Please use firstname.surname as your username (to avoid our anti-spam filters!). If you have any problems registering, please contact Joanne Miller at *jolebeau65@hotmail.com*.

Co-chairman Peter Le Beau said of this year's events: "Protection Review's events now appeal to an even wider audience. We have an excellent line-up at the conference, record attendees there and at the dinner and this year's book is probably our best ever. This is a pivotal time for our industry and 15 July is set to be a key day in all protectioneers's diaries."

Fellow co-chairman Andy Couchman said: "As an industry we face tough challenges but unique opportunities too. Mostly, we tend to look at these individually within our own organisations. But Protection Review is all about getting together to discuss those issues that affect most or all of us. If you haven't been before, make this the year you do attend!"

CEO Kevin Carr added: "Since I joined the team in January, we have worked harder than ever to deliver what I know colleagues in the industry really value—a packed day's events that will stimulate, while giving great opportunities to meet with colleagues. And to have a really enjoyable day too. As someone who has attended previous dinners and conferences as an industry person, I know just what a great day it is. It really is the whole industry coming together at the top level."

We look forward to welcoming both new and old friends at the Marriott, Grosvenor Square, London, on 15 July. Don't miss it!

Can we succeed in an age of austerity?

George Osborne's emergency Budget (*see Page 13*) puts into place a programme of austerity that will affect us all for years to come.

So, should we be gloomy about the prospects for our industry?

The short answer is 'no'. In fact, in times of economic difficulty people are generally more likely to consider protection than at times when they do not feel under threat (Maslow's hierarchy of needs and all that). That said, we still have to make a strong case for why they should buy insurance, why they should do it now and how they should prioritise it compared to all their other lines of expenditure.

Some of the findings in this year's Protection Review book indicate that we have not been as successful in getting our messages across as we need to be. Moreover, the market's preoccupation with 'price' over 'value' means that insurers simply don't have the margins to embark on expensive 'feelgood' campaigns (as some saw CPIEC).

Instead, we have to go back to basics. What are the specific opportunities we should pursue and how should we pursue them? The latter is a debate for another day but in terms of the former, both the cuts in NHS spending and what it is likely to provide in future and also cutbacks in welfare benefits create huge opportunities for the industry.

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Consumers beginning to take more responsibility: Swiss Re

Consumers appear to be beginning to take more responsibility for their financial planning needs, according to **Swiss Re's** latest **Term & Health Watch** report, which was published on 8 June.

The report found that term assurance sales were up in 2009 by 4.1%, while whole of life (including small ticket funeral type plans) were up by 12.6% last year. Critical illness cover sales were up 3.8%, but income protection sales fell by 7.5%.

The report also recalculated the 'protection gaps', which at the end of 2009 were:

- Life Assurance Protection Gap: £2.4 trillion (up from £2.3 trillion, due to fewer plans in force).
- Income Protection Gap: £190m annual benefit (no change from 2008).

Co-author Ron Wheatcroft said that the findings: "...suggest that consumers are beginning to take more responsibility for financial planning by buying the basic life cover they need." For more see Page 16.

Comment: *Swiss Re's reports are always eagerly read here, and this one is no exception. They add to our understanding of the market and provide insights not available elsewhere.*

Our only worry is that both Swiss Re and the ABI (see Page 5) rely on data from insurers and, whilst most insurers provide such data diligently, that does not explain the wide variations that can appear between both sets of figures. Ideally, we believe that the ***FSA*** *(or the new* ***CPMA*** *when it is set up) should publish aggregated data that the industry can rely on.*

The danger with the present situation is that all-important trends can be missed, simply because the underlying data is not always reliable. This is no criticism of either Swiss Re or the ABI, both of whom invest a huge amount of resource and time into their work, but greater certainty about the underlying data can only help industry decision makers.

ABI launches CI/TPD consultation

The **ABI** (**Association of British Insurers**) has launched a consultation paper on critical illness cover and, in particular, on total permanent disability (TPD).

The paper proposes replacing the term TPD with 'irreversible life-changing disability' and to have a range of possible definitions for that. All start with 'Unable [optionally: before age x] to...:

- ...do your own occupation ever again.
- ...do a suited occupation ever again.
- ...do any occupation at all ever again.
- ...do three specified work tasks ever again.
- ...look after yourself ever again.

The last two each include reference to six possible tasks. The 'work tasks' are: walking; climbing; lifting; bending; getting in and out of a car, and writing. The 'looking after yourself' tasks are: washing; getting dressed and undressed; feeding yourself; maintaining personal hygiene; getting between rooms, and getting in and out of bed. Insurers would adopt whichever definition they judge most appropriate for that particular risk.

Changes have also been proposed to the CI definitions for cancer, Parkinson's disease and terminal illness and also for the pre-existing conditions exclusion used for children's CI benefits.

A new Statement of Best Practice is expected to be published in the summer. The proposed changes were all guided by consumer research the ABI commissioned from **Strictly Financial** and which is published on its *www.abi.org.uk* website, along with the consultation paper.

Consultation closes on 30 June.

Comment: *The changes are a big improvement on the previous attempt to define TPD and each runs to just three short paragraphs or an introductory paragraph and a list of tasks. However, we are still not sure about the new name or the precise wording in the definitions.*

We think that someone with ME would still expect to be paid out for example while, using a phrase such as 'The disability must be expected to last throughout life with no prospect of improvement…' begs the question of whose expectation (we think they mean a suitably qualified NHS specialist) and exactly what 'improvement' means. If scientists are working on ways to help paraplegics walk again would that be sufficient to create 'some' (no matter how small) prospect of improvement? In practice, we know that insurers will interpret such things fairly and if they don't the FOS will force them to but, unless definitions are simple and clear and leave no scope for any ambiguity, then we fear that the industry will fail to completely allay fears that it is untrustworthy.

Over 50s underestimate LTC costs

The majority of over 50s believe that long term care (LTC) costs less than £30K a year, with a third believing it will cost less than £20K and 12% less than £10K a year, according to a poll of 567 adults over 50 carried out by **GfK NOP** for **Partnership** in March. Actual costs can be around £50K a year for many quality care homes.

More than half (53%) of those polled would sell their home to fund care costs, but most people (76%) were unaware of what financial products may be available to them. When prompted, only 12% had heard of LTC annuities. When it comes to getting advice, only 11% said they would contact their local authority and just 4% would contact an IFA and 3% a care home direct. Only 1% expected a relative to look after them and 25% had no idea who to contact for advice.

But when it came to life expectancy, respondents were quite clued up. Most, accurately, expected to live into their 80s and knew that roughly 40% of their age group would go into care. On average they expected to then be in care for five years before dying (although Partnership says the average is two years, or four years plus for self-funders, while 1 in 10 will survive eight years plus).

Partnership estimates that last year local authorities had to pay nearly £1bn to cover the care costs of people who had run out of money and had had to fall back on the State. And, out of 53,000 people who started paying their own residential care fees last year, only 7,000 secured proper financial advice.

In a separate move, **First Stop Advice**, whose CEO is LTC guru Philip Spiers, has launched a new finance advice service for advising older people and their families on the best ways to pay for care or invest their money. For details see *www.firststopadvice.org.uk*.

Osborne confirms FSA to go

Chancellor George Osborne, in his Mansion House speech on 16 June, confirmed the Government's intention to change the system of regulation for banks and insurance companies. He said:

"I can confirm that the Government will abolish the tripartite regime, and the **Financial Services Authority** will cease to exist in its current form.

We will create a new prudential regulator [the **Prudential Regulation Authority**], which will operate as a subsidiary of the **Bank of England**.

It will carry out the prudential regulation of financial firms, including banks, investment banks, building societies and insurance companies.

We will create an independent **Financial Policy Committee** at the Bank, which will have the tools and the responsibility to look across the economy at the macro issues that may threaten economic and financial stability and take effective action in response.

We will also establish a powerful new **Consumer Protection and Markets Authority**.

It will regulate the conduct of every authorised financial firm providing services to consumers.

It will also be responsible for ensuring the good conduct of business in the UK's retail and wholesale financial services, in order to preserve our reputation for transparency and efficiency as well as our position as one of the world's leading global financial centres."

Financial Secretary to the Treasury, Mark Hoban, then made a statement to the House on 17 June adding more detail to the Chancellor's announcement. He said that new primary legislation will be passed within two years and that one of the principles that will be applied during the transition will be 'Managing uncertainty and transitional costs for firms'.

Comment: *Although the names will change, many of the faces will remain. For intermediaries and insurer marketers, the key body will be the new CPMA (get used to those initials—they stand for Consumer Protection and Markets Authority).*

The key now will be both cost containment and persuading the new CPMA to adopt risk-based rules, with as much certainty as possible, so that every stakeholder can easily assess what is right and what is wrong. In the past, too much regulation has been lengthy and complex but not always clear.

The CPMA should not forget 'principles based regulation' but we need both principles and firm rules to ensure effective regulation that is understandable, affordable and proportionate and that every firm builds fully into its ethos.

WPA promotes IPT saver

Medical insurer **WPA** is promoting a clever, but very simple way for businesses to minimise their spend on Insurance Premium Tax (IPT).

WPA's idea is that employers know that, each year, a core level of payout is likely under their private medical insurance (PMI) scheme. For example, a firm may usually pay say £1m a year as its PMI premium, plus IPT (at 5%) of £50,000 (soon to be £60,000, see Page 13)).

Instead, a firm might say have an annual excess of £800,000 and only insure the balance. In this example, the IPT payable would be £10,000, so saving £40,000. In practice, WPA would charge an administration fee to manage the scheme in this way, but the firm should still achieve a worthwhile cost saving. WPA says it has systems in place to ensure a seamless service so far as the end consumer (the employee) and employer is concerned.

The level of excess and admin charge will vary from case to case. As well as benefiting employees, the lower overall cost will also mean a P11D saving for employees too (although the taxable benefit is the overall scheme cost divided by the number of employees, not just the insurance premium divided by the number of employees—the same as with a corporate healthcare trust).

Is it legal to save tax in this way? Perfectly. WPA's idea has been scrutinised by both **Pricewaterhouse Coopers** and **HM Revenue & Customs** and WPA has also taken counsel's opinion. In essence, the scheme is no different to a firm choosing to have a large excess anyway. The clever part is in making it work without imposing additional admin and risks on the employer or employee.

AXA life falls to Resolution

The majority of **AXA's** UK life assurance (protection, corporate benefits and annuities) business is being acquired by **Resolution** in a deal worth £2.75bn it was announced on 24 June.

The deal will create one of the UK's leading providers of protection insurance, as the company is brought together with Resolution's **Friends Provident** brand.

The new entity will be headed up by Friends' CEO Trevor Matthews as CEO. AXA's Evelyn Bourke will become executive director of strategy, capital and risk, Paul McMahon will be MD of corporate and Graham Harvey will be MD of individual. Around 2,200 AXA employees will transfer to Friends Provident Holdings (UK) Ltd.

Comment: *This looks to be a good fit, with the potential for the new entity to become one of the more dominant forces across the protection area.*

GPs overstretched: Aviva

Britain's GPs feel overstretched, with 57% saying they have less time to see their patients than five years ago according to **Aviva's** latest *Health of the Workplace 4* report, published on 3 June.

In addition, 43% of GPs say a lack of time with patients affects their ability to diagnose and 50% say a lack of time has affected their ability to do their job.

89% of GPs say they would ideally take up to 20 minutes to see a patient, although current practice is just ten minutes each. The survey also found that 96% of GPs now access the internet daily in connection with their work and 85% use the internet to aid diagnosis.

Other new research for Aviva has found that Brits have developed into a nation of 'want it all and want it now' consumers, with 81% admitting they get frustrated when they have to wait to use a product or service they have already paid for.

The research was commissioned in connection with a new motor insurance policy, but it illustrates one of the dangers of the long underwriting and claims processes that many life assurers adopt.

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Protection sales up in Q1 of 2010

Individual protection sales in the first quarter of 2010 rose relative to a year earlier and compared to the last quarter of 2009 according to figures released by the **ABI** (**Association of British Insurers**) at the end of May.

Sales were up 3.5% to 649,000 and new annual premiums (ABI no longer uses the annual premium equivalent formula, which applied a factor to single premium sales) rose by 3.2% to £253m, suggesting that there continues to be strong price competition in the market.

Relative to the fourth quarter of 2009, sales were also up. Sales volumes rose by 6.9% but annualised premiums fell by 2.7%. The figures are encouraging, given the continuing economic gloom and the uncertainties leading up to May's election.

Relative to Q1 of 2009, non-mortgage term sales were up 18.9% to 270,000, while critical illness rider sales were also up—by 16.7% to 112,000. However, mortgage term sales were down (as was the mortgage market, so that was not unexpected) but so too were income protection, whole life and standalone critical illness cover plans (which have now fallen considerably and are dwarfed by rider sales).

Table 1. Long term protection sales Q1 2009 vs. Q1 2010

	Sales 000s		Premiums £m	
	2009	**2010**	**2009**	**2010**
Whole life	115	89	26	29
Term—non-mortgage	***227***	270	***94***	99
Term—mortgage	***151***	147	***56***	53
Income protection	**32**	27	***14***	12
Standalone crit ill	***6***	4	***4***	2
Crit ill rider	96	112	51	58
Totals	***627***	649	***245***	253

Note: Figures in bold italics are different to last year's figures in *HCIR* 115, reflecting changes, as the ABI updates figures where new information becomes available.

The ABI also reports that of the 115,000 whole life products sold, 26,000—representing £12m of new premiums—were guaranteed acceptance (funeral type) plans. It also notes that 170,000 sales were 'policies selected from a menu', with total new premiums of £48m. The way we show the stats actually overstates the number of policies sold, as we count CI rider sales twice (they are also counted within their core product type), but this means that menu plans effectively make up 31.5% of the 'net' 540,000 protection policies sold during the quarter.

Table 2. Long term protection sales Q4 2009 vs. Q1 2010

	Sales 000s		Premiums £m	
	2009	**2010**	**2009**	**2010**
Whole life	60	89	24	29
Term—non-mortgage	239	270	97	99
Term—mortgage	163	147	61	53
Income protection	24	27	11	12
Standalone crit ill	8	4	5	2
Crit ill rider	***113***	112	***62***	58
Totals	***607***	649	***260***	253

Table 3 compares sales in Q1 of 2010 with those in Q1 of 2000 and enables us to index sales since then. The overall *HealthCare Insurance Report Protection Sales Index* rose from 97.6 in Q4 of 2009 (our last published index was 97.3, but since then the ABI has revised the numbers for the fourth quarter of 2009) to 104.3 in Q1 of 2010.

However, this measures sales volumes rather than premiums. The index of premiums would now be 140.6 (based on new premiums of £180m in the first quarter of 2000). Both indices ignore sales of long term care insurance, although less than 2,000 such policies were sold in the first quarter of 2000 and very few plans in Q1 of 2009.

Table 3. Long term protection sales Q1 2000 vs. Q1 2010

	2000	**2010**	**Index**
Whole life	111	89	80.2
Term—non-mortgage	168	270	160.7
Term—mortgage	137	147	107.3
Income protection	41	27	65.9
Standalone crit ill	22	4	18.2
Crit ill rider	141	112	79.4
Totals	622	649	104.3

In terms of group business, ABI data shows:

Table 4. Long term group risk Q1 2009 vs. Q1 2010

	Sales 000s		Premiums £m	
	2009	**2010**	**2009**	**2010**
Group life	10	13	35	33
Group income protection	4	4	28	23
Group critical illness	1	12	2	4
Totals	15	29	65	60

Care is needed here. Based on the number of new contracts, the new business market has almost doubled, although new premiums actually fell by 8%. In reality, new business is only part of what is happening in group risks, so we would prefer to look at **Swiss Re's** annual group risk data before commenting with any certainty on trends.

No clear position emerging—yet

The start to 2010 has been one of mixed fortunes. In the individual market, sales were up strongly, although that was not reflected in new premiums, which actually fell compared to the last quarter of 2009. However, compared to the first quarter of 2009 (so avoiding seasonal variations), both sales volumes and new premiums were up. Neither figure was much above 3% however, so it is clear that there is no sea change in attitudes towards protection (from either intermediaries or potential customers) as yet.

The mortgage market remains flat. **Council of Mortgage Lenders** (**CML**) data shows that in Q1 of 2010, gross mortgage lending was £29,998m. This compares to £38,489m in Q4 of 2009 and to £32,423m in Q1 of 2009. Against that background, and including uncertainties in the run up to the election, the continuing economic position and even poor winter weather (which must have stopped at least some advisers and their clients from meeting each other) the overall picture is far from gloomy.

And we have been pleased to see more activity in the market of late (including a post-election rush of new and updated products across the health and protection sector), although overall there is still relatively little innovation going on. We'll know more, of course, once the second quarter's figures are published.

News briefs:

• Research commissioned by **Scottish Provident** has found that 65% of small business owners believe that the death of a key employee would have a severe impact on their business. But, only 18% have keyperson insurance. 57% of firms also believe that their business would be significantly affected if a key employee was off work ill for six months, and 48% believe that a key employee will suffer such an illness in future. A third (34%) of small business owners said they did not have keyperson cover because they had never thought about it, while 25% thought it would be too expensive.

• We regret to announce the deaths of PR guru Neil Mainland (54) and former president of the **Life Insurance Association**, Jonathan Battersby (57). Our condolences to their families and many friends.

• Nearly 4,000 IFAs have left the industry since 2008, according to **Matrix Data Solutions**. Numbers dropped from 32,000 advisers in 2008 to 28,714 now. Registered IFA firms have also fallen—from 12,143 in 2008 to 10,890 today. But, just 6% of IFAs say they will leave because of RDR, compared to 12% last year.

•The latest (40th) edition of the **ONS's** *Social Trends* is being published on 2 July. The report can be downloaded from *www.statistics.gov.uk/socialtrends*.

• The number of travel insurance policies available on the market rose by 9.5% from 930 to 1,018 in 2009, according to analysts **Defaqto**. This was despite a 16% fall in overseas travel by UK residents last year.

• **B&CE Benefit Schemes** has improved its employee healthcare plan to include cognitive behavioural therapy (CBT). The B&CE Employee Healthcare Plan is underwritten by **Westfield Health**. Construction employees take on average nearly six sick days a year, with the average cost of absence per employee per year in the construction industry being £582.

• **Saga** has launched its Guaranteed Acceptance 50+ Life Cover Plan, underwritten by **Prudential Assurance**. Those who have no health problems get up to 15% more cover, typically worth £685, and get full cover immediately. The plan offers whole life cover with no medical required and pays a guaranteed fixed sum on death. It is available to customers aged 50 to 85.

• **Friends Provident** has launched a new assistance programme under its group income protection plan. This includes up to six face-to-face or telephone counseling sessions, as well as a proactive debt management service.

• Friends has also launched an online seminar on its Pension Contribution Protection Benefit (PCPB), which pays pension contributions in the event of illness or disability. See *www.friendsprovident.co.uk/iptoolkit*.

• **WPA** is promoting its introducer arrangement, which pays IFAs one off introducer commission for referring clients to a WPA representative, who will then offer them advice on health insurance.

• **Fortis Life UK** has added the **BestDoctors** service to its protection portfolio. Its plans are now available to all IFAs it says.

• A third of UK adults either have or would contemplate taking out a funeral plan in the future, according to a **YouGov SixthSense** poll of 2,125 adults in March. 11% say they already have a policy to pay for a funeral for themselves or someone close to them, while 26% would consider taking out one.

• **Counsel and Care** has updated its 62 guides and factsheets for older people. These can be viewed or downloaded at *www.counselandcare.org.uk/helping-you/guides*.

• Figures from **Age UK Funeral Plans** show a 61% sales increase in 2009 with over 180,000 plans sold to date as more people recognise the need for funeral cover. In recent years funeral costs have risen faster than inflation due to factors including increased cremation fees, which many local councils no longer subsidise.

• In May the rate of business insolvencies fell to its lowest point since January according to **Experian**. The rate of insolvencies has now fallen from 0.24% in April to 0.13%, the lowest point since September 2007.

• State owned Irish health insurer **VHI** is to be privatised. The company has 1.2m members and has 65.5% of the private health market and insures 83% of over-60s and 94% of the over-80s. VHI is understood to have made a loss of €70m in 2009. The company has €300m in reserves, but it needs around €520m to pass strict tests set down by the Financial Regulator. VHI has been State owned since its establishment in 1957. Half the population of the Republic, or 2.2m people, are covered by health insurance. The government says it wants to keep cover voluntary.

• Insurance intermediary **Pure Options** has opened in Cardiff. It aims to focus on income protection insurance, and is backed by the Welsh assembly government's Single Investment Fund.

• **Centaur Media** has acquired Danby Bloch's specialist financial publishing firm **Taxbriefs** for £1.9m in cash.

• **BHSF** reports operating profit up 20% in 2009 and total pre-tax profit up from a loss of £1.5m to a profit of £3.8m. It insures 400,000 people and last year paid out 443,518 claims, most of those within two days of receipt.

• According to a white paper from **Google**, most financial advisors are not doing enough to be found online and are missing the opportunity to capture these leads. With daily internet usage in the UK increasing year on year by 22% there are strong adoption rates among older and more affluent consumers. According to the report, searches on financial related terms are growing consistently and increased 19% year on year in 2009.

• **Cirencester Friendly** increased net premiums by 11.2% last year to £11.4m and paid 94% of IP claims.

• **Aviva** reports that 56% of the UK's five million families do not have adequate protection.

• **AXA** subsidiary **Sun Life Direct** is now 200 years old. Happy birthday! As Sun Life, in 1838 it declined a life insurance application from 25 year old author Charles Dickens on the grounds that he 'worked too much'. He died in 1870, aged 58 (which was some years beyond the then normal life expectation). Good to see that underwriting standards were just as harsh then, even if the company is now best known for its guaranteed acceptance plans.

• According to *Q magazine*, rocker Jon Bon Jovi gave up smoking because: "I tried to get life insurance and the price with smoking was so ridiculous it was enough to p**s you off and just throw them in the garbage. So it was cold f**king turkey." Could that explain his 1991 hit 'Never say die'?

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Pick of the month

The products reviewed this month all score high on innovation—not something that we can say every month....

National Friendly adopts a one pot approach to its new HCP, PatientChoice extends what its top hospital treatment plan covers, WPA offers very high excess PMI and even Rias's funeral plan has some innovative touches.

It was a difficult choice, but our product of the month is PruProtect's Health Cover Optimiser, which combines CI and PMI covers in a way that gives customers more choice and lower costs too.

National Friendly One Fund

National Friendly's new One Fund is a health cash plan (HCP) that adopts the concept of a single large annual pot of money rather than separate pots for each benefit type. The exceptions being optical and health screening, which each have lower annual limits.

The are six premium level options— £10, £12, £14, £16, £18 and £20 a month per person. They provide overall annual limits across all benefits of from £720 to £1,440.

Within that, there are six benefit categories, each of which is subject to an annual excess of £40. The six categories are (figures shown are for a £10 a month and a £20 a month plan respectively):

- Dental.
- Optical (annual limit £120—£300).
- POCAH (physiotherapy; osteopathy; chiropractic; acupuncture and homeopathy).
- Consultations.
- Health screening (annual limit £120—£300).
- Counselling.

So, a customer who needs say some dental crowns could decide to use all their £720 annual benefit (£10 a month plan) for that, even if they could also claim for say an eye test and a small amount of physiotherapy. That compares to a traditional HCP that might say offer total annual benefits of £1,000 but have an annual dental limit of perhaps £200. Dependant children are covered too, but any claims they make are effectively then deducted from the plan's overall limits.

The plan includes dental treatments such as implants (but not veneers, teeth whitening or treatments for gum disease, nor for children's dental braces). The excess does not apply to eye tests. Other exclusions are what you might expect to be excluded, but the plan does not cover treatment outside the UK or injuries sustained 'as a result of reckless endangerment' (which includes professional sports) and criminal activities and some benefits do not cover children (e.g. health screening and counselling).

Plus points: *Many people don't bother to claim all that they could under an HCP (they forget to ask for an invoice from their dentist or lose it etc), while others find that their claims do not spread across benefit types but instead they have large claims in particular areas every few years. This plan can help in both those situations. This product allows customers to make bigger claims in many areas, subject (in most cases) just to an overall annual plan limit.*

Not so plus points: *Each benefit category has its own annual excess so making claims for say glasses, dental work and a POCAH benefit could become expensive in terms of excesses. Some other cash plans may offer a wider range of benefits and be more suitable for those who expect to make frequent claims in various categories.*
Contact: 0800 195 9246 or *www.nationalfriendly.co.uk*.
Rating (max 5): Innovation: 4.5. Overall: 4.

PatientChoice Premier

PatientChoice has recently renamed its products as Hospital Treatment Plans and has now introduced a new top level plan, which is called Premier.

Essentially, PatientChoice plans provide a cash lump sum to pay for specific treatments rather than take the usual PMI (private medical insurance) approach of indemnifying hospital treatment costs. As such, customers can make a 'profit' by shopping around to find the best value treatment but may find that some treatments covered by conventional PMI are not covered.

Premier differs from PatientChoice's other plans by providing an additional annual £1,000 pot to cover diagnostic tests and specialist consultant fees. It also pays up to £1,500 a year for scans, up to £25,000 a year for operations and medical treatments and up to £15,000 a year for chemotherapy and radiotherapy.

Where the customer chooses to have NHS rather than private treatment, the plan's maximum cash payout is £5,000. A maximum of three procedures a year can be claimed for and there is also a lifetime plan benefit limit of £25,000. Plans are available from age 18 to 80. Children are covered up to age 21 or 25 if in full-time education.

Operations are grouped into 12 categories, with the lowest (e.g. removal of a skin lesion) paying out £850 (or £200 if NHS treatment is chosen) and the highest (e.g. for a quadruple heart bypass operation) £25,000 or £5,000 for NHS treatment. Over 1,500 operations and medical procedures are covered.

There is an annual excess of £100 for specialist consultations, diagnostics and scans. Moratorium underwriting is standard. The plan is underwritten by **Great Lakes Reinsurance (UK)**.

Single cover for someone aged 30-34 would cost £26.92 a month, compared to £24.27 under an Access plan or £17.65 under an Essential plan.

Plus points: *Covers the most common procedures and is likely to generate a cash sum on claiming (by shopping round for treatment, which Patient Choice can help with, through* ***Medical Care Direct*** *or by having NHS treatment). That can help cover incidental costs (travel, loss of income etc) or be used for a post-treatment holiday for example. This new plan also covers most out-patient costs too. Can be considerably cheaper than conventional PMI.*

Not so plus points: *Does not cover all treatments or out-patient care. There could be a shortfall, especially if complications occur (although that may be avoidable if a fixed cost treatment package is chosen). There are also treatment limits (three a year) and an overall lifetime limit. Customers must trust PatientChoice to have covered all the most likely treatments.*
Contact: 0800 012 2008 or *www.patientchoice.org*.
Rating (max 5): Innovation: 3. Overall: 3.5.

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PruProtect Health Cover

PruProtect has introduced two new plans—Health Cover and Health Cover Optimiser. Health Cover is effectively a simple PMI add-on from sister company **PruHealth** to PruProtect's Serious Illness Cover. By doing this, customers gain a useful 5% discount plus the convenience of one application form and a joined-up approach. Three levels of PMI cover are available on both plans—these are Comprehensive Cover, Primary Cover and Heart and Cancer Cover.

In this review however we focus on Health Cover Optimiser. This also looks to combine Serious Illness Cover with PMI but in an even more joined-up way.

It allows customers to choose how to receive their Serious Illness Cover benefit. They can either take the cash lump sum as normal, or can instead take a smaller cash sum and use the balance to pay for medical treatment. The choice is made at the point of claim, not before. For conditions not covered under the Serious Illness Plan, benefits are paid as with any other PMI plan.

The amount held back varies from £5,000 (e.g. for some types of minor surgery) up to £30,000 e.g. for treating advanced cancer. This is called the maximum contribution and does not vary if the actual cost of treatment is expected to be or turns out to be higher. Customers can however change their mind and receive a higher cash sum, when the PMI treatment for that condition would also stop. And, if the treatment costs less than the maximum contribution, the balance is payable back to the customer after one year.

The main benefit of this approach is savings of up to 25% on the cost of adding PMI cover. The maximum discount applies where the customer has £60,000 or more of serious illness cover.

There is a also a second major advantage—bringing PMI cover under the same umbrella as long term protection cover should help encourage more financial advisers to more actively promote PMI and to consider it as part of the advice process. At present, some see short term plans such as PMI and HCPs as culturally too far removed from the long term products they are used to, and struggle to effectively market such plans or, more simply, take the decision not to do so.

PruProtect gives the example of a male non-smoker aged 29 who could take out a PruHealth plan for £34.34 a month. If they instead add the same cover to a PruProtect Serious Illness plan, the cost drops to £32.62 a month (Health Cover) or to £25.75 for Health Cover Optimiser.

For a female of the same age, the premiums would be £37.60, £35.72 and £28.20 a month respectively.

Plus points: *The option to get significantly lower PMI costs while still maintaining the option to get full Serious Illness Cover benefits. Continues the PruProtect tradition of being highly innovative, with a focus on securing additional value for money for customers. Choice of two ways to add PMI and three PMI options with all the usual PruHealth benefits.*

Not so plus points: *Inevitably a more complex solution than buying a single product, but also a more complex sale for an adviser to make. Many IFAs are not (yet) comfortable advising on PMI, while the single high cost of this type of combined cover may put off some customers from buying any solution. However both potential issues can be overcome by advisers investing time in becoming familiar with the concept. Some advisers may prefer to keep health and long term protection cover separate. Potential problems at both underwriting and claims stages. Possibly lower benefits than other straight CI/PMI.*
Contact: 0845 6010072 or *www.pruprotect.co.uk.*
Rating (max 5): Innovation: 5. Overall: 4.5.

Rias Over 50s Life Plan

Part of the **Fortis** group, **Rias** was established in 1992 and is a specialist provider of insurance products for the over 50s age group. This plan is underwritten by sister company **Fortis Life UK**.

The plan provides UK resident customers aged 50-75 with a guaranteed acceptance whole of life plan with no medical questions. Premiums start at £5 a month and are available in £5 multiples up to £50 a month.

A male aged 60 would get £5,666 of cover for £25 a month or £11,983 for £50 a month. For a female of the same age the sums insured would be £7,348 and £15,507 respectively. Premiums can be index linked (a facility which drops away if not exercised three years running). The index used is the Retail Prices Index (RPI).

If the sum insured is used to fund a funeral provided by **Dignity**, it is increased by 10%. If death is due to an accident within the first two years, the sum insured is trebled. If death within the first two years is from any other cause, the customer's estate is paid 150% of premiums paid. Premiums stop at age 90, although cover continues.

Taking out a plan qualifies a customer to get one of three free gifts (one night's hotel stay, a £25 **M&S** voucher or a digital photo frame).

Plus points: *Simple, guaranteed cover with no medical questions. Pays three times the sum insured on death by accident within the first two years or 150% of premiums paid on other deaths within two years. 10% extra if the sum insured is paid to Dignity for the funeral. Premiums stop at age 90.*

Not so plus points: *A 60 year old would have paid in more than the sum insured by the time he reached age 80. By far the best value is death by accident within the first two years (why?). Could be a useful short-term savings plan for those expected to die within two years (but only if they do die).*
Contact: 0800 183 0743 or *www.rias.co.uk.*
Rating (max 5): Innovation: 2. Overall: 2.

WPA Active Health

WPA has introduced a new range of individual PMI plans. The first two are:

• Flexible Health. Available in Essentials, Premier and Elite forms, the plan in its Premier guise covers in-patient and limited out-patient cover with a choice of four co-payment levels and optional cancer, advanced cancer drugs and dental cover plus optional premium hospitals, higher out-patient limits and emergency cover abroad.

• XS Health. Aimed at non-smokers aged 25 and below. Has a £1,500 annual excess but costs just £59.70 a year, making it an ideal buy for parents for their adult children (who may not be covered by the family's PMI).

However, we are reviewing the third plan—Active Health. This is targeted at those aged 55 and over and pays up to £150,000 benefit a year. As such it will often appeal

to people coming out of a group PMI scheme. Often, such people are hit with such a big premium increase that they decide not to switch to individual cover at all and instead go without PMI altogether.

This plan offers a choice of two very high rolling annual excesses of £3,000 or £5,000. That results in premiums up to 80% less than for traditional full cover plans WPA says. The excess covers all claims within a 12 month period starting once costs exceed the excess limit. The excess then covers all claims for the next 12 month period.

Someone aged 60 would pay £50.32 with a £3,000 excess and just £25.38 a month with a £5,000 excess.

The plan includes most usual PMI benefits, including full out-patient cover (although most out-patient cover is likely to be within the annual excess in many cases), cancer care, nursing at home and a hospice donation per night of £70 (max ten nights). NHS hospital cash benefit is £100 a night up to 30 nights a year.

Plus points: *Very low cost compared to conventional PMI. Does not includes some benefits likely only to appeal to younger people, which would normally have to be paid for. WPA is offering a 15% discount on premiums in the first year, as part of its 25 years of putting customers first celebrations.*

Not so plus points: *Very high annual excesses. Whilst that might be acceptable to many people with savings, the risk is that if they need treatment every year, the cost can significantly escalate over time. Smokers pay 10% extra.*
Contact: 0800 783 0 784 or *www.wpa.org.uk.*
Rating (max 5): Innovation: 4. Overall: 4.

health and medical…

Benefits of statins outweigh risks

Data on more than 2m men and women from 368 general practices in England and Wales have provided information on the adverse effects of statins that clinical trials are not adequately powered to estimate, *BMJ* 2010; 340: c2240 reported on 20 May.

Hippisley-Cox and Coupland found no significant association between statin use and the risk of Parkinson's disease, rheumatoid arthritis, venous thromboembolism, dementia or osteoporotic fracture. The risk of a dose dependent rise in liver enzymes which tended to occur within the first year of treatment was increased for all statin users, although a sub group analysis showed a greater effect for specific statins.

Statin users were more likely than controls to experience muscle related adverse events such as myopathy, rhabdomyolysis and raised concentrations of creatine phosphokinase. The risk was highest in the first year, was dose dependent, consistent for all statins and seemed to persist for more than three years after stopping treatment.

The authors also found increased risk of cataract and acute renal failure among statin users but a lower risk of oesophageal cancer, possibly because statin users are discouraged from taking alcohol so as to reduce anticipated liver toxicity. However, when balancing the intended and unintended effects, statin use is not associated with cancer, severe muscle toxicity is rare and liver abnormalities seem to be reversible. The use of anti-inflammatory drugs by older users may have contributed to the risk of renal failure and statin users tended to be older with more comorbidity. The side effects may be considered an acceptable risk if the aim is to prevent irreversible myocardial infarction or stroke.

New early cancer blood tests

A simple blood test can accurately identify the signals sent out by a person's immune system up to five years before tumours are detected, *The Times* reported on 1 June. The new test was developed after 15 years of research by clinicians in Nottingham and Kansas and was initially devised to detect lung cancer, which has a poor record of early diagnosis and disease survival. The findings were released at the **American Society of Clinical Oncology's** annual conference in June.

Physical symptoms will often not appear until two-thirds of the way through a cancer's development and in the case of lung cancer the tumour may already be the size of a tennis ball. The technology works by detecting the immune system response to the first molecular signs of cancer. Irregular cancer cells produce antigens and the immune system reacts by producing large amounts of autoantibodies. Scientists can detect the presence of a particular cancer by identifying the combination of antigens.

Initially the test will be used to screen smokers at high risk of lung cancer and work is also underway on a breast cancer blood test. It is hoped that the test will significantly improve the detection of 90% of solid cancers.

More die from work related cancer than on the roads

Research from the **Society of Occupational Medicine**, reported in a press release dated 8 June, estimates that 8,000 people a year die from work related cancer, which compares to 3,000 who lose their lives in road traffic accidents or the 180 who die from accidents at work. Men in the construction industry (56% of those men diagnosed with work related cancer) and women undertaking shift work (54% of women diagnosed with work related cancer) were found to be most at risk.

Construction workers can be exposed to asbestos, silica and diesel exhaust fumes. Nurses and flight personnel are at greater risk of breast cancer as shift patterns disrupt the circadian rhythm.

The study has estimated that nearly 14,000 newly diagnosed cases of cancer that occur each year are related to occupational carcinogens and over a million people in the UK are exposed to cancer causing substances in their workplaces. Copies of the original research paper can be obtained from *Vanessa.Hebditch@som.org.uk*.

Heart and poor oral hygiene link

Scottish research using 11,869 men and women with a mean age of 50 shows that participants who reported poor oral hygiene (never/rarely brushed their teeth) had an increased risk of a cardiovascular disease event, *BMJ* 2010; 340: c2451 reported on 27 May.

Type 2 diabetes cancer risk

A study of more than 125,000 people in Sweden has found that those with type 2 diabetes have a greater risk of developing 24 types of cancer than other people.

Research published online in the journal *Oncologist* says those with the disease were six times more likely to develop pancreatic cancer and more than four times as likely to develop liver cell cancer than the rest of the population. However they had a significantly lower rate of prostate cancer than the rest of the population. See: *http://theoncologist.alphamedpress.org*.

Renal function predictor of cardiovascular and all cause death

Analysis of 21 cohorts including more than a million people from 14 countries found renal function is a powerful predictor of mortality and independent of other health indicators and significant for cardiovascular death and all causes of death, *BMJ* 2010; 340: c2740 reported on 26 May.

For adults in the general population, the risk of death rose steadily with increasing albumin to creatinine ratio (ACR). Even those with just a trace of protein on a urine dipstick were significantly more likely to die during around eight years of follow-up. Independently, glomerular filtration rate was associated with rising mortality below a threshold of 60 ml/min/1.73m².

Sugary drinks and blood pressure

A US study of more than 800 adults published in the journal *Circulation* found a significant drop in blood pressure in those who reduced their intake of sugar sweetened drinks over an 18 month period. Cutting out two servings of sugar sweetened drinks a day, say the authors of the study, could cut blood pressure enough to reduce the risk of death from stroke by 8% and death from coronary heart disease by 5%. See: http://circ.ahajournals.org.

New dads get baby blues too

Meta analysis of 43 studies (from 489 examined) suggests that 10.4% (95% CI 8.5% to 12.7%) of men are depressed during a partner's pregnancy or during the year after the birth, *BMJ* 2010; 340: c2740 reported on 26 May. Prevalence of depression peaked three to six months after delivery (25.6%, 17.3% to 36.1%) and seemed higher in the US than elsewhere. Interview-reported studies reported lower rates of male depression before and after birth than did self-reported studies.

Aortic aneurysm repair

Dutch research shows that endovascular repair of abdominal aortic aneurysms is safer than open repair in the short term, although the survival advantage generally lasted less than two years, *BMJ* 2010; 340: c2740 reported on 26 May. An overall survival rate of almost 70% was the same for the two techniques and extra deaths early after open repair were matched by extra deaths after discharge for endovascular repair. Endovascular repair seemed significantly less durable than open repair with researchers finding a cluster of problems for the less invasive procedure around five years including graft leaks, migrations and thromboses.

Medical briefs:

• Research in the *Lancet* in May found that stroke victims given a blood-thinning drug to restore blood flow to the brain within 90 minutes of a stroke were two-and-a half times more likely to have a good recovery than those not given the drug. Patients given alteplase after 90 minutes benefited, but to a lesser extent.

• According to **Cancer Research UK**, male malignant melanoma death rates have doubled over the last 30 years. The death rate is now more than 1,100 (3.1 per 100,000) compared to 400 (1.5 per 100,000) in the late 70s and for males over 65, 15.2 per 100,000, compared to 4.5 per 100,000 in the late 70s. See: *www.cancerresearchuk.org*.

• A German study of 50,000 children shows a Mediterranean diet, rich in fruit, vegetables and fish is likely to cut the risk of asthma whereas eating three or more burgers a week may increase a child's risk of experiencing asthma or wheeziness, *Nursing Times* reported on 8 June.

• **University of Oxford** research published online in *The Lancet*, found the increased risk of breast cancer associated with genes is not affected by lifestyle factors such as heavy drinking, HRT or childbirth late in life. Both genetic and environmental factors increased the risk of breast cancer, but appeared to do so separately.

• In a US study of 300,000 adult survivors of childhood cancer, researchers report poor health in 24.3% of cases (10.9% for rest of population). Survivors also had more medical illness and limited daily functioning than other adults. See: *www.cancer.org*.

What is Cancer Research UK?

Cancer Research UK launched in February 2002 following the merger of **The Cancer Research Campaign** and **Imperial Cancer Research Fund**.

The charity supports research into all aspects of cancer through the work of more than 4,500 scientists, doctors and nurses and is the world's leading independent organisation dedicated to cancer research.

More than a million people donate regularly to the charity, although its single largest source of income (funding around a third of its work) is legacies. The charity also has a network of around 600 shops and 1,000 local fundraising groups and is almost entirely funded by donations from the public. Over a million women have walked, jogged or run in one of its Race for Life events. In its 2007/08 financial year, the charity's total scientific spend was £333m.

The organisation employs its own scientists but also supports grant funded researchers based in UK universities, hospitals and institutes. It supports research in more than 35 towns and cities across the UK.

CEO is Harpul Kumar and the organisation's website is *www.cancerresearchuk.org*.

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DH scraps monthly waiting stats

The **Department of Health** (**DH**) has decided to stop publishing each month's hospital waiting list totals in England. The last figures published were those to the end of March 2010 (*see EPR 124 and Page 1*).

Although the figure is a useful barometer of how the NHS is balancing demand with resources, it can be misleading to the extent that as the total number of admissions rises, so the waiting list is likely to grow. However, publishing median waits is a good measure of waiting.

It is not yet clear exactly what statistics will be published. We shall monitor this area with interest…

Unemployment below 2.5m

Unemployment fell in the rolling three month period February to April 2010 from 2.510m to 2.472m, according to the **ONS's** *Labour market statistics* Statistical Bulletin, which was published on 16 June. The inactivity rate was 21.5%, with 8.19m working age inactive people.

The number of Jobseeker's Allowance claimants also fell, in May, from 1.5169m to 1.4811m, a fall of over 30,000 compared to April.

The *Protection Review Employment Index* rose from 106.020 to 106.153. This index compares the latest employment level with the 27.192m figure recorded for the first quarter of 2000, and gives a proxy for the growth in size of the main health and protection insurance markets since then.

The report also showed that earnings (including bonuses) were 4.2% higher in the three months to end April than the year before. Excluding bonuses, the annual figure was lower, at 1.9%.

On 15 June the ONS's *Consumer price indices* Statistical Bulletin showed that in May, the Government's preferred Consumer Prices Index (CPI) was up by 3.4%, down from 3.7% the month before. The Retail Prices Index (RPI) was also down, at 5.1% compared to a year before.

Fund more of health service through insurance says Reform

Centre-right think-tank, **Reform**, has suggested charging patients £10 to see their GP which will save the NHS £1.4bn by 2014, and doctors and senior managers should have their pay reduced by 10% it says.

Reform also advocates cutting 32,000 hospital beds and, on the grounds that the NHS accounts for more than a quarter of all public sector jobs, suggests shedding more than 250,000 staff to save £20bn on the health budget. Operations on varicose veins, tonsils and plastic surgery should not be free on the NHS and mastectomies and coronary heart bypasses are seen as 'discretionary' surgery.

The report, *Budget 2010, Taking the Tough Choices*, (see *www.reform.co.uk*) calls for the UK to fund more of its health service through private insurance. It says that if levels of private health spending in the UK were increased from 1.5% of the total to 2% (the same as in Italy) that would generate an additional £7bn a year spending on health. And it points out that private health spending in the UK is much lower than in many other leading countries:

Table 1: Major countries, public and private health spend (share of GDP), 2009

	Public spend	Private spend
Canada	7.1	3.0
USA	7.3	8.7
France	8.7	2.3
Germany	8.0	2.4
UK	6.9	1.5
Italy	6.7	2.0
Japan	6.6	1.5
Spain	6.1	2.4
Average	7.2	3.0

Source: OECD (2009), OECD Health Data 2009

Higher spending in Scotland has failed to deliver better outcomes

Higher spending in Scotland, compared to the rest of the UK, has failed to deliver better outcomes according to *Spending on Health*, a report from the **Centre for Public Policy in the Regions** (**CPPR**) and **KPMG**.

In recent years, spending in Scotland per head has been 12-16% higher than in England. The report calls for the establishment of a healthcare regulator to compare data from across the UK. See *www.cppr.ac.uk*.

NHS survey gives mixed results

The *Survey of adult in-patients 2009* published by the **Care Quality Commission**, shows marked improvements in cleanliness and in reducing mixed sex accommodation, *BMJ* 2010; 340: c2729 reported on 21 May. The survey took into account the views of 69,000 in-patients in 162 hospital trusts in England between Sept 2009 and January 2010.

In 2009, 64% of patients rated their hospital room 'very clean' (60% in 2008, 56% in 2002). This improvement was reflected in questions related to infection control.

For emergency patients, 21% were initially in mixed sex accommodation (29% in 2008). The figure for those admitted from waiting lists to mixed sex accommodation was 8% (10% in 2008). However, the survey revealed that in 2009, 45% of patients had not been given enough information about potential side effects of their medication (44% in 2008 and in 2002). Also 18% of patients said they did not get enough help to eat their meals, if they wanted it, the same percentage as in 2002.

Overall, 44% rated their care as 'excellent', 35% 'very good', 13% 'good', 5% 'fair' and 2% 'poor'. Survey available at *www.cqc.org.uk/usingcareservices/healthcare/patientsurveys/hospitalcare/inpatientservice.cfm.*

UK living organ donations up 8%

A report from the **Human Tissue Authority** reveals that the number of living organ donations rose by 8% to 1,140 in 2009-10 (1,058 in 2008-9). There were 1,111 approvals for kidney donations with more people donating a kidney to someone they didn't know (10 in 2007-8, 15 in 2008-9 and 23 in 2009-10). There were also 26 liver donations and 78 bone marrow donations (up from 57). *Making a Difference: Human Tissue Authority Annual Review 2009-10* is at *www.hta.gov.uk/publications*.

Genetic tests framework agreed

A working group from the **Human Genetics Commission** has developed the *Common Framework of Principles for Direct to Consumer Genetic Testing Services*, *BMJ* 2010; 340: c2752 reported on 24 May.

The principles have been developed to protect consumers who purchase a genetic test without a prescription from a qualified medical professional and will help to plug a gap in regulation. Tests must have accurate and easy to understand information so that users understand the nature of the test and the potential implications of the results.

The recommendations cover all types of genetic tests including diagnostic tests for medical conditions, carrier testing, lifestyle tests i.e. information on cognitive ability and genetic relationship tests, including paternity tests. The framework will be available at *www.hgc.gov.uk* when it is published later this year.

New welfare reform programme

Secretary of State for Work and Pensions, Iain Duncan Smith, has called for an end to the culture of welfare dependency and the problem that for many people, work doesn't pay saying that some: "face losing more than 95 pence for every additional £1 they earn".

There are 1.4m people in the UK who have been on out-of-work benefit for nine or more of the past ten years and the scale of the challenge is set out in a report, *State of the Nation: Poverty, worklessness and welfare dependency in the UK* published on 27 May and available at *www.cabinetoffice.gov.uk/publications/state-of-the-nation-report.aspx.*

Biomarkers to detect early MS

Research from Israel shows a new way of detecting biomarkers in the blood could allow an earlier diagnosis of multiple sclerosis (MS), which will allow earlier medical intervention in the disease and may even lead to a cure.

The research published in the journal *Neurobiology of the Disease*, means that early treatment can help prevent further damage in the central nervous system, **health4media.com** reported on 15 June.

MS is thought to have a genetic component and has a tendency to be found in siblings, so they can be tested as well. The **National MS Society** estimates there are over 400,000 cases of MS in the US alone.

Political briefs:

• Research published in the *Journal of Political Economy* in May shows that a lack of experienced NHS nurses and a high turnover of staff in affluent areas could mean up to 400 lives lost. It was found that heart attack survival rates were lower in areas where there was a large difference between the wages of nurses and workers in private companies. Researchers concluded that staff were leaving to work in less affluent areas where their salary went further leading to greater reliance on less experienced staff.

• The Department of Health has asked the **Health Protection Agency** to publish weekly statistics for hospital infections which will be reported in 12 week batches.

• *Health Service Journal* reports the Government plans to phase out strategic health authorities by 2012 with most of their responsibilities being taken on by an independent NHS board, which will also take on some of the Department of Health's role in running the health service.

• A **BMA** survey of over 2,000 NHS consultants showed that on average they worked an additional four hours over the average 44 hours a week they were contracted to work, with a quarter (25.5%) reporting increased hours of work over the last year. Consultants now spend on average 12.1% of their working time out of hours (9.3% in 2008), but the time available to develop new services and for research, clinical governance and training junior doctors, has fallen. Of those consultants who reported changing their working patterns over the last year, 61.4% did so because of decreased availability of middle grade doctors and 48.5% said it was to improve the standard of patient care.

• In light of a review by Professor Ian Gilmore published on 27 May that recommends an extension to the list of conditions that are exempt from prescription charges and a review of wider policy on prescription charging, Dr Hamish Meldrum, Chairman of Council at the BMA said: "Wales and Northern Ireland have abolished prescription charges, and Scotland is in the process of doing so. The BMA believes that England should follow suit". Professor Gilmore's review is at *http://dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@dh/@en/@ps/@sta/@perf/documents/digitalasset/dh_116367.pdf*.

• In the Queen's speech, the Government set out plans under the Health Bill to give health professionals and patients more say over decision making in the NHS. The bill will also create an independent NHS board that will allocate resources and provide guidance to allow GPs to commission services and strengthen the **Care Quality Commission**. Some health quangos will be axed as will some centrally set targets. There will be more focus on the problem of health inequalities. Health Secretary, Andrew Lansley has indicated that the current drive for £15-20bn efficiency savings in the NHS might have to increase.

• Cancer survival rates have improved across the UK and Ireland in the past decade but with variations between countries and regions according to an article in *Health Statistics Quarterly 46*, published by **ONS** on 25 May.

• A new care system that delivers quality care in both the independent and public sectors is needed, according to *Campaigning for Quality Care in Care Homes*, by Pamela Wells and published by **Counsel and Care** on 7 June. See *www.counselandcare.org.uk/influence/publications*.

• **Hrreview.co.uk** reported in a press release on 15 June that a website, *www.doctors_notestore.com*, will for a consideration of £10, supply a fake fit note. All the site requires, apparently, is a name, address, what you are suffering from and when the problem started. Claims departments might want to take note...

• A homeless man with more than 70 aliases who became expert at faking illnesses to gain an overnight hospital bed has been issued with a three year criminal ASBO by Bolton Crown Court, *Nursing Times* reported on 8 June. Hospital costs have long been divided into 'medical' and 'hotel' - it seems that some people can take the latter a little too literally...

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Emergency Budget 2010

Chancellor of the Exchequer George Osborne gave his first Budget speech on 22 June in what *The Times* later described as 'The axe-and-tax pact'.

The Budget was widely forecast to introduce a number of tax rises and spending cuts as part of the Government's plans to reduce the UK's record deficit. Among the key measures likely to affect the health and protection insurance sector were the following:

• The standard rate of Insurance Premium Tax (IPT) is to rise from 5% to 6% from 4 January 2011. The higher rate, paid on travel insurance mainly, will rise from 17.5% to 20%. Increasing standard IPT by a fifth (20%) will generate an estimated additional £450m a year. *Will this affect the general insurance sector? In the personal market, probably not, largely as consumers already expect their insurance costs to rise every year and a 1% increase looks relatively modest. Employers might be more inclined to look at how they can make savings on private medical insurance (PMI) and health cash plans (HCPs), but many are already doing this. We expect a continued drift away from PMI towards medical/healthcare trusts but, as many PMI insurers already offer such schemes, the net effect on them is likely to be small. Ironically, HM Treasury could be the loser if that trend continues. Perhaps the real threat though is that IPT could be increased again in future—especially if this change is too easily accepted by consumers and the industry.*

• The main rate of Corporation Tax will be cut from 28% to 27% from April 2011 and the small profits rate will be cut from 21% to 20% (instead of being increased to 22%) from the same date. *Clearly a benefit for business, this should help encourage new businesses to be set up too, which creates 'virgin' business opportunities for insurers and brokers. However, there is a time delay before the lower rates kick in.*

• Value Added Tax (VAT) will be increased from 17.5% to 20% from 4 January 2011. *Many insurers have relatively little VAT on their income to offset against their expenditure. That said, the rate change is not likely to have any great effect on the sector although some corporate customers could be adversely affected. When VAT rose from 15% to 17.5% in January, the effect was for some expenditure to be brought forward rather than for spending to slow down fundamentally. Interestingly, we have already had one enquiry from a Protection Review sponsor asking if they can be invoiced for their 2011 partnership package before January 2011. The answer is yes!*

• Abolition of the requirement to buy an annuity by age 75. The requirement will be scrapped from 2011/12 and the threshold age increased from 75 to 77 from 22 June 2010. *This proposal will mainly affect the pensions sector (and it is quite a significant change, with all sorts of negative as well as positive implications for financial planning).*

Will it result in a greater propensity to develop new insurance mechanisms to fund long term care fees? It should, but we have seen relatively little appetite for such solutions from either insurers or IFAs since the industry burnt its fingers in the mid 90s in this area. However, we remain optimistic that new LTC funding solutions will emerge eventually. We are just not sure what and when.

• The default retirement age is to be reviewed and will probably be scrapped. *If so, that would stop employers being able to compulsorily retire workers at age 65. That could have some effect on group risk insurers, especially in the income protection area. The danger is that such a move could discourage some firms from taking out (or continuing) a GIP as the cost is likely to rise. The industry will therefore need to redouble its efforts to prove the value of its proposition.*

• Large cuts in public spending. Some non-ring fenced departments could see their budgets cut by 25% (we will know more in the autumn Budget Statement). That could result in up to half a million public sector job losses. *As an industry we sell relatively little to the public sector in the group market, although public sector employees are traditionally 'insurance wise' and good customers. The challenge will be to help them keep their protection, even if they have to move from the public to the private sector. Help with job search and the ability to defer premiums or temporarily suspend cover could be useful initiatives for insurers to investigate. In any event, public service job cuts have a habit of turning out to be lower than forecast...*

• Indexing benefits in line with the CPI rather than the RPI. *If the RPI becomes accepted by the public as the inflation index of choice, insurers could consider switching links on their policies similarly. However, that could be expensive and resource-consuming to administer with relatively little benefit, except that the CPI is expected to grow slower than the RPI over the next few years. Lower increases for State benefits claimants in future should also make the alternative of insurance protection a more attractive proposition.*

• National Insurance contributions to rise by 1% from April 2011 but thresholds will rise. *We thought NIC rises was a 'jobs tax'? Perhaps only if you're the opposition...*

• Housing benefit cuts. The maximum limit will be £280 a week for a one room flat and £400 a week for a four room house. *Another reason for everyone to consider income protection, even if they rent their home (as an increasing proportion of even affluent under 30s do).*

• Income Support Mortgage Interest (ISMI). The maximum rate paid was 1.58% above Official Bank Rate but since late 2008 the figure has been set at 6.08% instead. From October 2010 that will be cut to the Bank of England's Average Mortgage Rate. *This will mean a real cut in help for anyone paying above that. This creates an opportunity to develop a better solution than the current discredited mortgage payment protection insurance product.*

• Disability Living Allowance. A new medical assessment will be introduced from 2013 for new and existing claimants. The cost of this benefit (which has a care and a mobility element and gives help to those under 65 who have a physical or mental disability) has quadruped over the past 18 months to £11bn a year, the Government says. *Again, a reason for people to look to have proper insurance income protection instead.*

See *www.hm-treasury.gv.uk* for more information on the Budget and to download all Budget documents.

Comment: *This was one of the toughest Budgets on record and its full effects will not be felt for some time but will affect every individual and business in the country. Many of the public service cuts to come are expected to be savage, while the tax rises will also affect everyone.*

Overall however, such a Budget always leads to opportunities too and the challenge now for health and protection insurers and intermediaries is to identify those and develop a strategy to take best advantage of them.

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Anything you can do I can help you do it better

Peter Le Beau makes the case for coaching and mentoring.

I know precisely when the penny dropped with me about coaching. It was July 1981 and I was taking pictures on the practice ground at the Open Championship at Sandwich. Onto the practice ground strode the then greatest golfer in the world, Tom Watson.

I had expected him to immediately start whacking balls out of sight but, for something like 40 minutes, he spent the time checking his grip, the position of his feet, his address and head movement.

He did this with his caddy who made minute changes to his grip and his stance. This fascinated me (I was a keen but very poor golfer then) and I was genuinely amazed not just that he took such trouble over tiny details but that he took advice from someone who was a manifestly poorer golfer than him. This was years before most of the top golfers employed coaches to sort out their swings. Coaching in most aspects of top-level sport is now universally accepted and no self-respecting tennis player or golfer would attempt the professional circuit without a coach in tow. Very few just rely on their caddies but maybe back in 1981 it was a very helpful process for Mr Watson.

Had I thought about it more I might have realised that his caddy watched him every day, knew his game intimately and was probably able to gauge the best way to give advice because he would know his client's temperament.

Never be too proud to ask

From that time on (it was just before I joined **Swiss Re**) I vowed that I would never be too proud to take advice and would from time to time actively seek it. Five years into self-employment I used an executive coach. I found the process helpful even if it was occasionally uncomfortable, sometimes a little too self-revelatory and intrusive and frankly quite expensive! Despite this it was money well-spent as far as I was concerned but I realised that this sort of session may not be possible for everyone.

A few weeks ago a colleague, Brendan Llewellyn, who will be known to many readers of this column suggested there might be a very feasible way of developing and reviewing skills with a mentor. He termed the idea 'Mutual Mentoring' and it is something that we will be outlining at a meeting of the **NetWork** in the near future.

Essentially the idea is that you pair with someone who you respect who knows your work style, has experience of the environment in which you work and who you would be prepared to take advice from! That job description could be hard to fill in one sense but maybe the secret is that you pick someone who will critique you and who you are prepared to critique with a fair degree of constructive honesty!

Whether you work in a large firm with colleagues who could fulfill this function or run your own business and would need to run ideas past members of your personal network I think there is a real need to get an honest external perspective on how you are performing, what you could do better and what are your most obvious strengths and weaknesses. Perhaps before you begin you should set three or four major objectives that you want to achieve with this style of mentoring.

Try using a coach—at least once

I would encourage people to use the services of a professional coach at least once if they can afford it. Training budgets are being cut drastically as companies are forced to find major economies in their operations, but I know many CEOs and other senior executives who have a monthly coaching session which they derive real benefit from. Similarly many members of the NetWork have experimented in this direction with generally helpful results.

Sometimes the chemistry between coach and client does not work and a change is necessary, but don't do this too early. Like any relationship, adjustments must be made and it can take time to understand and to appreciate each other.

But if employing a professional coach is out of the question think about mutual mentoring. Find a colleague and arrange to meet on a regular basis to discuss issues in your work life and the things that work is impinging on. It can be a little bit like undressing psychologically but it can also be a liberating process too. Be willing to see yourself as others might see you. Often it can be better to do this with someone who is unlikely to have a formal impact on your career (i.e. your boss!) and someone who might receive informal feedback on you from other people as well- in a networked world there are usually plenty of these.

Finally I would say if you have a honest relationship with your PA or secretary they can often spot the biggest problems. My PA often makes me realise how fixated I am about a problem, how unwisely I sometimes spend my time and how I really should react to a particular client request. It's not a flattering image for a glamourous lady, but she is very much akin to Tom Watson's caddy standing on the soggy practice ground at Royal St George's in 1981! If only her boss had been as talented as Tom Watson!

Kevin Carr comments:

A good PA will know you very well indeed. Someone I worked with for some time once said the building around me could burn down and I'd still be there typing on my laptop, oblivious to my surroundings. And they were right.

While managing a busy workload and being highly dedicated are skills many cherish, ignoring those around you, or even unsettling them by your presence/ actions, can be counter-productive.

Previous employers I've worked with have used external coaches, on occasions, in various ways: stress management, lifestyle management, performance management and more. In my experience it is one of those things in life where you get out of what you put in.

Or at least, if you start with a closed mind, you'll think it was a waste of time…

Andy Couchman comments:

Mentoring has long been recognised as of value to students. But aren't we all students—in the sense that we are always learning? It's all about getting impartial, external and, above all, trusted feedback and getting it not just at 'appraisal time', but regularly.

People news

• **ABI** (**Association of British Insurers**). Tim Breedon, group chief executive of **Legal & General**, takes over from Archie Kane as chairman at the ABI's AGM in July.

• **AIFA**. Director general Chris Cummings is leaving in August to become CEO of **TheCityUK**, the City of London's new promotional body.

• **Bupa**. Rita Clifton, chairman of **Interbrand**, has been appointed a non-executive director.

• **FSA** (**Financial Services Authority**)**.** Chief executive officer Hector Sants, who was appointed to the role at the regulator in July 2007, has announced that he will not now be stepping down as expected, this summer. Instead, he will take up the role as the first chief executive of the new **Prudential Regulation Authority (PRA)** when it is introduced in 2012 and will lead the FSA until then. The FSA has also appointed Tom Boardman as life insurance senior adviser. He was previously director of retirement strategy and innovation at **Prudential**.

• **Groupama Insurances**. Niraj Shah has been appointed chief actuary.

• **FSSC** (**Financial Services Skills Council**). Liz Field has been appointed chief executive, having been interim CEO since last October.

• **Jubilee Managing Agency**. Brian Jackson, active underwriter of its **Life Syndicate 779**, is stepping down from the role and will be replaced by Jon Clarke, MD of **Lutine Assurance Services**. That role will be taken over on an interim basis by Jane Nicholson.

• **Royal London**. Simon Cocker has been appointed head of new markets, with responsibility to extend the group's brands beyond the intermediary market. He was previously head of business development at **Dunfermline Building Society**.

• **Unum**. Peter O' Donnell has been appointed chief financial officer, having joined from **Aviva**.

People news? We aim to tell you about key people movements in the business in each issue of EPR, so please e-mail your organisation's people news to us at *info@andycouchman.com*.

Whose funeral?

Funerals and funeral plans have come to our attention quite a bit over the past few weeks. More brands are offering guaranteed acceptance funeral plans, a third of people have or would take one out, according to **YouGov**, and **Age UK** says sales of its funeral plans have gone up by 61%.

All of which suggests that underlying demand for protection is rising. Yet, too few IFAs and too few insurers are focusing on the protection market.

The implementation of the **FSA's** RDR (Retail Distribution Review) from the end of 2012 will help, but are we wasting an opportunity? If people want to buy a product and that product is not readily available to them, someone else is sure to step in eventually and clean up.

One irony is that conventional term and whole life cover is now very cheap and offers better value, while underwriting is becoming more user-friendly too.

e-Protection Review T&C

Our regular training and competence (T&C) section consists of five questions that test your knowledge of what is happening in the health and protection insurance world. Each question is covered somewhere in this issue of *e-PR*.

All you have to do is answer the questions, check your answers against the newsletter (or log on to and see the Forum section at *www.protectionreview.co.uk*) and then record your answers. Over time you build up additional evidence of your training and competence. This issue's questions are:

1. What proportion of people with mortgages have not thought about the need for life cover, according to Protection Review consumer research? a) 10%, b) a third or c) more than half?

2. What is the average annualised premium for a new income protection policy according to Swiss Re? a) just under £300, b) just over £400 or c) more than £500?

3. What is the CPMA?

4. Did the industry sell more long term protection insurance policies in 2000 or in 2009?

5. At what rate will IPT be from 4 January 2011?

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Swiss Re Term & Health Watch

Table 1. Term assurance sales 2005-09

Year	Standalone	With ACCI	Total
2005	1,023,953	560,255	1,584,208
2006	1,123,031	519,853	1,642,884
2007	1,059,827	482,103	1,541,930
2008	985,144	462,751	1,447,895
2009	1,031,625	476,060	1,507,685

Table 2 Types of term sold 2008 vs. 2009

Product type	2008	2009	Change
LTA without CI	612,114	676,762	+10.6%
LTA with CI	188,014	208,451	+10.9%
DTA without CI	343,251	322,564	-6.0%
DTA with CI	271,578	261,854	-3.6%
Other term without CI	29,779	32,298	+8.5%
Other term with CI	3,159	5,756	+82.2%
Total	1,447,895	1,507,685	+4.1%

Key: LTA: level term assurance. DTA: decreasing term assurance. CI: Critical illness cover. ACCI: accelerated critical illness cover (where the sum insured is paid on death or earlier critical illness diagnosis).

Table 3. Income protection sales 2005-2009

Year	Sales
2005	147,285
2006	130,365
2007	111,780
2008	126,825
2009	117,288

Table 4. Whole life sales 2005-09

Year	U/L	Non U/L	Total
2005	26,702	178,830	205,532
2006	17,923	177,218	195,141
2007	10,731	208,631	219,362
2008	10,459	271,979	282,438
2009	4,074	314,004	318,078

Table 5. Average new sums insured/annual benefit

Year	Term	IP (annual)	WL*
2005	£102,668	£11,085pa	N/A
2006	£118,572	£11,751pa	N/A
2007	£125,578	£12,428pa	£277,588
2008	£126,360	£12,504pa	£244,558
2009	£123,485	£12,675pa	£250,061

* Unit linked (U/L) plans only

Table 6. Average new premiums

Year	Term	IP	W/L**
2005	£406	£383	N/A
2006	£403	£388	N/A
2007	£397	£391	£245
2008	£396	£399	£235
2009	£373	£421	£214

** Non unit-linked (non U/L) plans only

Table 7. Top 5 term insurers (by sales)

Insurer	2009	2008	2007
1. Legal & General	324,201	1	1
2. Aviva	193,412	2	2
3. RBS (including Nat West)	119,413	4	5
4. Scottish Widows	111,202	3	4
5. AXA	82,604	-	-

The top 5 sold 55.1% of all new term sales in 2009

Table 8. Top 5 CI insurers (by sales)

Insurer	2009	2008	2007
1. Legal & General	75,141	1	1
2. Scottish Widows	56,292	2	2
3. HBOS	51,076	4	-
4. Scottish Provident	45,567	5	4
5. Aviva	42,952	3	3

The top 5 sold 51.1% of all new term sales in 2009

Table 9. Top 5 IP insurers (by sales)

Insurer	2009	2008	2007
1. HSBC	25,183	1	-
2. Friends Provident	17,154	2	1
3. LV=	9,957	5	5
4. Aviva	9,757	3	2
5. Scottish Provident	7,327	4	3

The top 5 sold 59.2% of all new term sales in 2009

Table 10. Top 5 whole life insurers (by sales)

Insurer	2009	2008	2007
1. AXA	145,918	1	1
2. Scottish Widows	59,397	2	2
3. Aviva	23,339	-	-
4. LV=	18,887	5	4
5. RBS	14,860	-	-

All stats from *Term & Health Watch 2010*, authored by Maxine Smith and Ron Wheatcroft and published by Swiss Re, 8 June 2010.

See Page 3 for more.

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