e-Protection Review

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

Banks abandon the PPI fight—but where now for borrowers?

After years of deferring what many commentators saw as the inevitable, the UK's banks finally capitulated in May and accepted that they would have to pay out significant compensation to customers who had been missold payment protection insurance (PPI).

The actual event began with the announcement by **Lloyds Banking Group's** new CEO, Antonio Horta-Osorio, on 5 May, that the group would not be appealing against the High Court ruling on 20 April (*see e-PR 133, Page 5*) that the industry's regulators could, in effect, apply their Principles on top of their rulebook. The actions by the **FSA** (**Financial Services Authority**) and **FOS** (**Financial Ombudsman Service**) arguably applied retrospective selling standards to PPI sales, a move which some saw as unfair.

Once Lloyds (the largest of the High Street banks) had moved, it was inevitable that other banks would follow and that the judicial review started by the **BBA** (**British Bankers Association**) last year would have to be abandoned. In the event, **Barclays** followed Lloyds' move, announcing that it had set aside £1bn to pay for compensation claims. Lloyds itself has made provision of £3.2bn to settle claims.

The Times reported on 10 May that in addition, the **Royal Bank of Scotland** had set aside £850m and **HSBC** £268m to compensate customers. Some estimates put the total compensation bill at over £9bn and **Moneysavingexpert.com's** Martin Lewis has estimated that more than 5m people could now be eligible for compensation.

The BBA put out a press release at 7am on 9 May saying: 'The BBA on behalf of its members judicially reviewed the FSA and the FOS regarding the retrospective elements in the proposed FSA rules for handling PPI complaints. The judgement was handed down on 20 April 2011 and found in favour of FSA and the FOS. The BBA was given until 10 May 2011 to seek permission to appeal. In the interest of providing certainty for their customers, the banks and the BBA have decided that they do not intend to appeal.

We continue to believe that there are matters of important principle which we will be taking forward in other ways with the authorities.'

Since 1995, some 16.1m PPI policies have been sold, leading to over 1.5m complaints so far the paper reported. It added that the average compensation (*Continued on Page 2*).

Quotes of the month:

"...not the industry's finest hour." Stephen Hester, CEO, RBS, 6 May (talking about the banks' PPI crisis).

"PPI is a toxic name, a toxic brand and we definitely need a new name for this. Short term IP appears to be where this is going, but unfortunately that probably confuses and blurs the lines between short term IP and long term IP." Defaqto market analyst Ben Heffer speaking at a Protect conference on 13 May.

"We want to shine a spotlight on the quality of care provided to patients." Health Secretary Andrew Lansley, 19 May.

'Real leaders dream about something better.' Des Benjamin, Simplyhealth CEO, Management Today, May 2011.

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Inside this issue:

Key statistics:

- NHS RTT median wait England March 2011: 7.9 weeks (See Page 11)
- e-Protection Review Long Term Protection Sales Index: 109.97 (Quarter 4, 2010, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 107.532 (To end March, compared to January 2000, see Page 11).

(*Continued from Page 1*) payment customers are receiving is £2,750 but that, so far, banks and other lenders had rejected 60% of PPI misselling complaints. That figure is expected to fall dramatically as more complaints are upheld.

Where customers have appealed to the FOS, three out of four complaints have been upheld and banks will be steeling themselves to face both more claims and an expectation that fewer complaints can be rejected.

The big questions now are, what happens next and what will the effects on customers be?

What the banks will do now

The banks must now gear themselves up to handle many more complaints about PPI. Given the huge numbers, that will involve taking on or transferring more staff to handle complaints. Platforms are also now available to manage the workflows and can include decision making engines to ensure that only but all suitable claims are accepted.

Customer complaints management specialist Paul Elswood of **CDC Software** claims to be working with over 500 finance houses and management consultancies to help put in place customer remediation solutions for PPI.

He says the main issues banks now face are around the time and cost of administration, the impact on the rest of the business and the FSA implications of failing to meet compensation requirements. He adds that the main customer concerns will be around the volume of complaints delaying compensation payments and that banks will not be able to handle the administrative task.

He also warns that some small brokers could be driven out of business by the additional workloads involved.

Who will ultimately pay the compensation? The general expectation is that the customer will pay—probably in the form of higher bank charges and no more 'free banking'.

The Times' personal finance editor, Andrew Ellson, put it succinctly on 10 May: '...the banks simply can't help but exploit the asymmetry of financial knowledge that exists between them and their customers.'

One industry fear is that many customers who have not been missold PPI will want to claim a 'free' refund of the premiums they have paid, aided by the plethora of claims management companies that now exist. Generally, such companies charge a fee and imply that they can help customers obtain compensation. While some do a good job for consumers, the sector is almost wholly unregulated and abuses or at least complaints about the tactics adopted by some firms are growing, with calls for them to be regulated by the FSA as other financial advice firms are.

PPI—could it ever happen again?

One of the key questions to come out of the PPI debacle is whether such a widescale misselling scandal could ever take place again and if there are now sufficient disincentives to stop industry leaders allowing such things to happen again in future.

Go back a decade or more and imagine that you were a bank CEO and someone has just explained that the next wheeze will be selling PPI. It's a simple product, not without merit (for many if not all) and it's easy to sell. You can take 80p in every £1 of premium as commission and other forms of income not just in year one but every year and all the underwriting risk is taken on by external insurance companies.

The product will sell to tens or hundreds of thousands of your customers and can be sold at almost any price. The revenue gained will, for some of you, actually exceed your annual profits and so help support your share price and boost your pay package and bonuses for years.

Eventually, your bank may be hit by fines and, ultimately, you may have to pay back a lot of your PPI income as compensation. But you can put off that date, perhaps for years, by which time you may have moved on anyway. When the bills eventually come in, you can simply charge all your customers by increasing charges elsewhere. The question is—where's the disincentive not to do so again?

Regulators under attack

Both the FSA and the FOS are under attack by the industry too. The BBA's press statement talks of 'other ways' in which it will raise its concerns with (and presumably about) regulators. Such actions and lobbying could largely be unreported, but the banks' huge wealth and importance gives them a strong platform, especially if it is felt that the banks are under unfair attack.

To some extent, the FSA is already 'yesterday's news'. From the end of next year it is due to be replaced by the new **FCA** (**Financial Conduct Authority**) and senior executives are now complaining that the FSA has not had the political support it needs, while expectations are that the current rulebook will be 'torn up' and replaced by a much simpler system of regulation

The legal profession is also concerned that the FOS is 'an affront to the rule of law'. In two well-argued articles in *Money Marketing* in late May, barrister Peter Hamilton (not to be confused with **Zurich Financial's** marketing chief of the same name—although, coincidentally, the two did once both work for **Allied Dunbar**) argues that the FOS system is incompatible with the rule of law. That is important because the rule of law gives certainty. FOS decisions are not based on law but on the FOS's own interpretation of fairness and cannot themselves be appealed (although losing complainants can still go to law if the FOS does not find in their favour).

Mr Hamilton and Anthony Speaight QC have submitted a paper to **HM Treasury** arguing that the Ombudsman post should be scrapped and replaced with FOS decisions being made by adjudicators (as 93% already are). Both sides could however appeal decisions to a first-tier tribunal where the case would be heard orally (something also absent from FOS complaints procedure).

If a firm bringing an appeal lost, it would then have to pay the complainant's costs.

What will replace PPI?

Many commentators now believe that, as a solution, PPI is fatally flawed. As with mortgage endowments, the very name is now seen as a negative, despite, at its peak, around 100,000 claimants a year actually receiving payments from their mortgage PPI products for example.

While some providers are continuing to offer and to develop PPI/ASU (accident, sickness and unemployment) solutions, sales remain low. Indeed, neither the **ABI** (**Association of British Insurers**) nor **CML** (**Council of Mortgage Lenders**) now publishes MPPI sales data, as they once did. **Defaqto** (which has now dropped its star ratings for PPI plans) argues that the product will likely be replaced by short term income protection, where the number of products available has doubled to 40 since 2009, while MPPI products have fallen from 100 to 75.

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Uberrima fides goes in new Bill

The age old rule of uberrima fides (utmost good faith) as an integral part of all insurance contracts is set to be put aside as the Government introduced its new *Consumer Insurance (Disclosure and Representations) Bill* into the House of Lords on 17 May.

The new Bill stems from recommendations made by the **Law Commission** and the **Scottish Law Commission** and aims to give consumers greater confidence in the insurance industry.

Under the Bill's provisions insurers must, in future, ask for any information they may need to assess the risk being insured rather than expecting consumers to disclose information without being asked for it. But, if the applicant's answers are dishonest or reckless, the insurer can refuse all claims but still retain any premium. Where a consumer makes a careless mistake, the result will be based on what the insurer would have done had the full information been given.

Both the Law Commissions and the **ABI** (**Association of British Insurers**) are supporting the Bill. Long term protection plans already adopt similar rules (set by the ABI) on disclosure, as does the FOS, so the new rules should help consumers to have more confidence that insurers will pay and not seek to 'hide behind the small-print'. Current law is based on the *Marine Insurance Act 1906*, itself based on 18th and 19th century principles.

See *www.publications.parliament.uk/pa/bills/lbill/2010-2012/0068/2012068.pdf*.

FOS PPI complaints double

The number of complaints about payment protection insurance (PPI) handled by the **FOS** (**Financial Ombudsman Service**) more than doubled (up 113%), from 49,196 in 2009/10 to 104, 597 in 2010/11 the FOS's latest annual report has confirmed.

Overall, the number of complaints handled by the FOS was up by 26% to 206,121, meaning that PPI complaints made up a staggering 50.7% of the total and 83% of all insurance complaints.

Almost half (45%) of all complaints to the FOS came from claims management companies (and 83% of all PPI complaints), with seven companies accounting for 53% of such complaints (the others coming through over 200 claims management companies).

But, as our figures on Page 16 show, the number of complaints about health and protection insurance was largely down (overall, by 13%). Income protection complaints fell by 7%, critical illness insurance by 12% and medical insurance by 22%.

The report said: 'We are pleased that some health and protection insurers continue to learn from complaints—and are committed to resolving complaints at the earliest stages, so that they do not have to be referred to us.' However, the report points out that any complainants may be ill, bereaved or in other distressing circumstances, which is why the FOS has a specialist team handling them, who are trained to handle these sensitive situations.

43% of health insurance (including CI and IP) complaints were upheld, up from 35% in 2009/10 and 31% in 2008/09. That compares to 51% of all FOS complaints in 2010/11 and 50% in 2009/10. This trend compares to a falling (but still high) trend for PPI—66% in 2010/11 compared to 89% in the previous two years.

Although most (77%) PPI complaints were about banks, 17% were about insurance intermediaries and 2% about general insurers.

Following publication of the report, **Which?** executive director Richard Lloyd said: "Never before has the Ombudsman's role been so vital—the Government must resist any pressure from the industry to weaken it."

PruHealth changes commission

Medical insurer **PruHealth** has brought in what it says is a more sustainable and transparent commission model on its SME (small and medium enterprise) business. It will now pay initial and renewal commission of 10% a year.

Brokers can qualify for a quarterly new business commission uplift ('portfolio commission') of up to 20%, based on their portfolio retention. Sales director Dave Priestly told a **Laing & Buisson** conference on 26 May: "The current market focus on low new business premiums and high initial commissions is unsustainable and the industry needs to adapt in order to decrease churn and over-commoditising the group PMI market."

Comment: *The concept of aligning broker and provider interests through commission makes sense but has been tried before and failed. Some brokers need the cash flow of high initial commissions, but that also rewards brokers that churn most. But, is churning a bad thing if it genuinely benefits the customer? The key now will be who follows and how…*

Easier to find NHS dentist

It is now easier to find an NHS dentist, according to **Simplyhealth's** *Annual Dental Survey 2011*.

Only 29% (that's still more than 1 in 4) had struggled to find an NHS dentist for themselves (down from 39% last year) and 7% for their children (down from 24%).

While 37% of those polled said that private dentistry offered better quality than NHS dentistry, 42% said they would prefer to see an NHS dentist, indicating that cost rather than quality is a key factor for many.

The main advantages of private dentistry were seen to be improved treatment, more attention to their concerns and questions, a feeling of not being rushed and greater flexibility of appointments.

And, 43% of 18-24 year olds had put off visiting a dentist because of cost, compared to 34% of over 55s.

Two thirds (64%) of those polled had not had a dental bill of over £150 in the past year and of those who had, 16% had paid for that using a credit card to help them manage the cost.

The majority of people (59%) had visited a dentist in the past year plus 18% had done so within the past 18 months and 16% within the past five years. But almost 1 in 5 (18%) had not seen a dentist in the past five years.

Three quarters (73%) saw dental visits as everyday health needs, although 27% saw them as a luxury (and 32% of 18-24 year olds, and 34% of men compared to 23% of women). The research was carried out in March among 10,000 working adults by **OnePoll**.

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Generic training goes live

The first of **Protection Review's** new generic protection training programmes goes live in London this autumn, following successful piloting with selected intermediaries.

Aimed at both intermediaries looking more at life and health insurances and at their key support staff, the training focuses on what's important to know, including overcoming objections and how to market protection, rather than on specific products or providers and also qualifies for 15 CPD points.

Supported by many of the industry's leading players, sessions are free to **PFS** (**Personal Finance Society**) members and just £50 to non-members.

Protection Review CEO Kevin Carr said: "We're excited to get this initiative up and running and can't wait to see what the industry response will be. If we can get enough people to these sessions the format could continue to run for many years to come."

For more details see *www.protectionreview.co.uk*. The website itself has now been completely redesigned based on your feedback of what you wanted on the site and how we could improve it to most help you. Have a look and tell us what you think—the aim is for it to become one of your most used resources and it will be subject to a continual development programme.

To date, our unique blogs from some of the industry's leading practitioners and thinkers are proving especially popular and they illustrate our overall philosophy—helping you make sense of what's going on, presenting new angles on issues and giving informed opinions on the things that really matter to you and your business.

Sickness absence costs £17bn pa

Sickness absence now costs employers £17bn a year and 190m lost working days, according to the latest **CBI** *Absence and Workplace Health Survey*, conducted with **Pfizer**.

Despite the introduction of the Government's fit note in 2010, sickness absence rose from 6.4 to 6.5 days a year (*see Page 16*). However, over £2.7bn of the annual bill and 30.4m days is due to non-genuine sickness absence and that figure excludes indirect costs such as lost productivity.

Two thirds of firms (66%) said the fit note had not yet helped their rehabilitation policy and 71% were not confident GPs were using the fit note differently from the old sick note.

Long term sickness made up 32% of all time lost to sickness (47% in the public sector and 27% in the private). Public sector employees also took 8.1 days a year sick, compared to 5.9 in the private sector. The CBI estimates that if the public sector could achieve private sector levels of sickness, this would save the taxpayer £5bn by 2015/16.

See *www.cbi.org.uk* for more.

ALC health widens cover

International medical insurance provider **ALC Health** has introduced a number of cover improvements and options under its plans.

Individual and group members under its Prima Premier, Prima Ibérica and Prima Classic plans can now select routine pregnancy cover, with a limit of £5,000 (or equivalent in other currencies and doubled in the event of complications) or opt for a lower limit of £3,000. For corporates, a third option takes cover to £7,500/£15,000.

The firm has also increased the annual limits under the Premier plan to £2m (up from £1m), while the limits for the Classic and Ibérica plans are up from £750K to £1m. Emergency out of area treatment limits are also up from £30K to £50K and for organ transplants up from £150K to £200K.

And, MHD (medical history disregarded) terms now come into effect for groups of ten or more, both for switched and virgin business.

All changes come into effect from 1 June.

Just Retirement impaired annuity

Just Retirement is expected to enter the fixed term annuity market with an offering that could help fund long term care, *Money Marketing* revealed on 25 May.

The fixed term annuity would allow investors to switch out through an open market option into an impaired life annuity if their health suffered during the contract. It could therefore be used as a new form of long term care insurance, as the extra income released on exercising the option could help fund fees in future.

The new plan is expected to be launched in a few weeks time. Just Retirement joins **Living Time** and **LV=** in the fixed term annuity market, with **Aviva** and **MetLife** also expected to offer products. Fixed term annuities allow investors to take a small amount of investment risk, with a benefit at the end of the fixed term that can then be reinvested in another type of annuity—including an enhanced annuity if the annuitant is then in poor health.

Part of new medical director Dr Tim Crayford's remit will include heading up a small multi-disciplinary team of medical professionals, statisticians, and underwriters to develop this expertise and to further Just Retirement's research into extending its market offering in the impaired sector, the insurer said on 25 May.

ABI speeds up death payments

The **ABI** has issued new guidance to insurers aimed at reducing the time it takes to pay out a life insurance claim from an average of four months to just four weeks.

Working with the **Law Commission**, the ABI has developed a solution whereby the insurer will now ask the main beneficiary of a deceased's estate to complete a declaration agreeing to indemnify the insurer if the legal process decides they are not the rightful recipient.

The new procedure will only apply where there are no suspicious circumstances and where the deceased's estate is complicated. It applies to both new and existing life policies.

The ABI has produced a consumer Q&A sheet explaining the new guidance. This can be downloaded from: *www.abi.org.uk/Information/Consumers/Life/Speedier_Life_Insurance_Claims.aspx*.

Comment: *This is a great initiative from the ABI and should benefit many consumers while adding minimal risk for insurers. The only downside is that there is now less reason to write a policy in trust—still the best option for many.*

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BIBA runs into PMI trouble

The new private medical insurance (PMI) plan set up by **BIBA** (**British Insurance Brokers' Association**) for its members and launched on 6 May (*see review on Page 7*) has run into flak from some members, critical of its approach of effectively channelling members' PMI business through a single broker—**Jelf Employee Benefits**.

On 16 May, *IFAonline* reported that clause three in intermediaries' contract to join the scheme stated: 'The introducer will transfer all their existing individual PMI business (excludes international policies) to Jelf. Jelf will deal directly with the Introducer's Customer and place the business through Jelf agencies and will therefore be responsible for the sales process and giving of advice.'

Clearly, such terms would not be acceptable to PMI specialists, although a general broker who placed little PMI business and had slight practical knowledge of what can be a complex offering, may find that more appealing. BIBA subsequently claimed that the clause had been included in error and that a new agreement would follow shortly.

Earlier (6 May), *IFAonline* had reported that the scheme, which is initially only open to individuals but may be extended to companies in future, had: 'Commission [which] is loaded towards the introducer at new business stage and for Jelf at renewal'.

Later, *IFAonline* reported on 23 May that the chairman (Glen Smith, MD of **Healthcare Partners**) and deputy chairman (Stuart Scullion of **PHP**) of BIBA's health insurance focus group had both resigned their posts and there was speculation in the market that both resignations were due to the implementation of the PMI scheme.

But BIBA's head of technical services, Peter Staddon, told *Cover* magazine: "The changes to the chairmanship and deputy chairmanship are not connected to the launch of the scheme". In fact, Smith's health and Scullion's changing job role had resulted in both planning to step down anyway. In recent times BIBA and PMI specialist trade body **AMII** (**Association of Medical Insurers**) have worked more closely together on industry issues (its PMI panel is chaired by *e-PR* editor Andy Couchman) and that is not expected to change as a result of the row.

BIBA offers a number of specially negotiated insurance contracts to its members, who are free to use them, or not, as they see fit.

Actuaries report on longevity

The Institute and Faculty of Actuaries has published the first in a series of bulletins on the actuarial perspective on population longevity. The updates will examine longevity in an international context, with a focus on the UK.

As well as including projections for longevity, the report also covers current research into longevity. This edition looks at how socio-economic status, early-life circumstances and walking speed, among other factors, affect length of life. The findings cover three themes:

1) Uncertainty about the future range of longevity. Most countries use a range of projections to illustrate this. Each variant projection is calculated using a different set of assumptions. The study examines the assumptions in detail.

2) There are large differences in projected lifespan across countries: The principal estimate for expected average lifespan for boys born in 2010 ranges from 82 years in the US to 89 years in the UK. The study looks at why these large variations exist.

3) Females are expected to continue to live longer than males: The gap is expected to be roughly around three to four years for complete lifespan and around 2.5 years for average remaining lifespan at age 65.

For more see *www.actuaries.org.uk*.

Lasting LTC settlement wanted

People understand that there are no easy answers on long term care (LTC) funding, but say that what's important is to have a lasting settlement, according to new qualitative research commissioned by the **Dilnot Commission**.

In March, the Commission appointed **TNS-BMRB** to carry out a research study looking into the views of the general public and specific groups of people around how care and support should be funded in the future.

Andrew Dilnot, chair of the Commission, said on 18 May: "This research demonstrates exactly why reform of funding for care and support is needed. Too many people are not able to plan for the kind of care and support they would want because of confusion over how the current system works. Certainly, the system we have at the moment isn't one to be proud of and it won't be able to cope with future demands.

But people weren't downcast about the future, they were enthusiastic about finding a workable solution to the funding challenge. Most people are happy to contribute towards the cost of their long-term care, but they want a simpler system which gives them greater certainty over what the State will provide and what their responsibilities will be."

Some of the issues raised by the study, which included workshops, group discussions and face-to-face interviews with almost 200 people, included:

- Significant variation in individuals' awareness of what care and support is and how it is currently funded.
- Strong support for maintaining a safety net for the poorest and those with the highest needs.
- No assumption for the family to take the burden of care but flexibility and support for those who wanted to care for relatives.
- The threshold at which people have to start paying for their care, which is currently £23,250 (in England—it varies from country to country across the UK), was considered to be too low.
- Support for some kind of limit on potential costs so people could protect housing and other assets.

People would like to be able to plan and prepare in different ways. The most favoured approaches in the research were via pensions and insurance.

See *www.dilnotcommission.dh.gov.uk*.

Comment: *Are insurers ready, willing and able to develop new LTC insurance solutions when the Commission reports in July? One concern is that people are not aware of the funding issue. Indeed, the Commission found that the 'knee jerk' reaction in consumer groups was that the State should pay all LTC costs. If the Commission succeeds in opening up the funding debate, more may be willing to fund an insurance solution.*

News briefs:

• **British Bankers Association** CEO Angela Knight is facing calls to stand down following its abortive PPI judicial review (*see Page 1*), the *Telegraph* reported on 10 May. Ms Knight's reputation is as a combative but intelligent CEO, who understands politics (she was Economic Secretary to the Treasury in 1995-97 and is credited with introducing the £2 coin). However, some bankers have (privately) expressed concern that banks are now seen too negatively, and she could become the industry's scapegoat.

• **Bupa** has closed its individual sales team, which sold mainly personal PMI plans to individuals and group leavers. The team consisted of self-employed salespeople, plus 19 employees, many of whom have been redeployed. Bupa's other sales teams are not affected by the move.

• **Lloyds** is preparing to sell its **Scottish Widows** subsidiary, *The Times* reported on 26 April.

• **Morgan Price International** has introduced a full medical underwriting (FMU) option on its GlobalHealth and ExpatHealth plans. Previously only moratorium underwriting was available.

• As we mention on Page 8, both **Bright Grey** and **Scottish Provident** (both being the UK protection market specialist in the **Royal London** group) have introduced similar condition updates to their critical illness plans. Will both brands continue (a case can be made for that) or is a merger more likely?

• **AXA PPP International** has added a medical case management service for existing individual and corporate subscribers to its International Health Plan through **Medix Medical Services**, which is an international company specialising in medical case management.

• **Unum** has withdrawn from the individual critical illness market to concentrate on income protection. It will continue to offer group cover however. Unum was one of the few insurers offering a severity-based product with its Elixia 123 policy. This paid varying amounts depending on whether an illness was classified as life threatening, disabling or traumatic.

• **Paycare** is offering its health cash plan product to 70,000 members of the **Foresters Friendly Society** in return for Foresters' offering its savings schemes to Paycare's members.

• **Simplyhealth** pays out over 16,000 cash plan claims every working day, most of those now paid by direct bank transfer with an optional text message to confirm. That's a lot of payments...

• The **FOS** has produced a consumer fact sheet which explains the importance of medical disclosure and also explains its role if an insurer refuses a claim due to non-disclosure. It can now also award up to £150,000 instead of a maximum of £100,000.

• The Government is 'enthusiastic' and 'engaged' with the protection insurance industry to support its plans to cut welfare spending **Aviva** head of protection Richard Verdin told the **Actuarial Profession's** *Health and Care Conference* on 25 May. But he opined that the industry had been dying bit by bit since 2006 and was overly focused on products not customers. But he saw light at the end of the tunnel and revealed that the **ABI** working group is aiming to involve outside organisations in supporting its goal to produce a consumer facing website.

• **BHSF** has reported gross premiums written down marginally in 2010 from £34.3 to £34.0m. However reserves were up almost 10% to over £25m and surplus after tax was £2.3m. Claims fell from £25.0m to £24.3m.

• Over half (59%) of middle income (£25-50K pa) households would be unable to provide for themselves and their families for more than six months, according to a **Friends Life** report *The Coping Classes*. 70% of this group uses price comparison websites, compared to 61% of other adults the report also found.

• 72% of **CISI** (**Chartered Institute for Securities & Investment**) members support the regulator having the power to ban new retail products, a poll of 530 of its members has found.

• The **ABI** is arguing that the **FSA** does not need to develop new rules and regulations or introduce further radical interventions which risk stifling the market and restricting consumer choice. Instead, DG Otto Thoresen has called for a balanced approach that reflects the diversity of retail financial services markets in the UK.

• **Zurich Financial** has reported a 20% increase in policies with a £1m or above sum insured over the past year. Other applications were also up—by 9%. Zurich has produced a *Guide to Financial Underwriting and Large Cases*. The company has a reputation for handling large cases well.

• **LV=** has launched a plain English guide to critical illness conditions.

• **Health Shield** has reported premiums up 6% in 2010 to just under £23m, with 43,909 new members joining the health cash plan. That took its membership up to 120,000 and it plans to hit 200,000 by 2013. Claims rose in 2010 by 9% from 322,000 to 352,000, with 90% paid within two working days. It now says it has 20% of the company paid HCP sector.

• Advisers are calling for more prominence to be given to protection insurance in qualification syllabuses, *Financial Adviser* reported on 28 April. The **CII** requires advisers studying to level four to acquire 140 points from modules. However, its RO5 financial protection module only awards ten points, leaving advisers to have to pick up points from exams that may be less relevant to them.

• Dental patients can understand how healthy their mouth is and their future risk of disease by completing a brief and simple **myDentalScore** questionnaire online at *http://bdhf.mydentalscore.com*. Risk and disease levels are quantified on a 1-5 scale and supported by a traffic light scoring system. The tool is supported by the clinically validated software **PreViser** (*www.previser.co.uk*).

• A new advice service focused on helping people with pre-existing medical conditions to obtain life insurance has been launched by **Life Cover for All**, which has been formed by Mike Weedon and Amanda Clancy.

• Broker trade bodies **BIBA** (**British Insurance Brokers' Association**) and **IIB** (**Institute of Insurance Brokers**) have confirmed that they are in merger discussions. Barbara Bradshaw and the IIB team are expected to join BIBA if the move goes ahead. BIBA membership includes 1,700 regulated firms and IIB has 1,000 members.

• Insurance price comparison sites took 'hidden' commissions totally £650m last year according to research by **YouGov** for **SaveItBuddy.com**.

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Pick of the month

We review some interesting new products this month—mostly aimed at specific markets.

Bright Grey has added a number of new and improved definitions to its critical illness cover (as indeed has its sister company Scottish Provident, whose plan we have not reviewed), while Simplyhealth has opened up its company Simply Cash Plan to SMEs with 3-9 members.

BIBA has got together with Jelf and AXA PPP to launch a portfolio of PMI solutions—mainly aimed at non-PMI specialist broker members.

But our Pick of the month is a very specialised product aimed at a market with its own special needs—ALC Health's Medmedia, which offers IPMI to those in the music industry, media and performing arts.

ALC Health Medmedia

ALC Health's new standalone international medical insurance plan is aimed at people working in the music industry, media and the performing arts. This plan is underwritten by **Allianz Worldwide Care**.

The plan has an overall annual limit of £2m and includes as standard hospital accommodation; specialist care; family doctor services and nursing; dental treatment; chronic illness care; health screening; optical care and emergency medical evacuation cover.

The plan is available to expats and local nationals (including those living in the UK) who want comprehensive cover at home and overseas ALC says.

Also included is free membership of the **Blood Care Foundation**, which provides screened blood for emergencies worldwide. There is also free membership of ALC World, ALC's online information and contact details resource for customers.

Most benefits are full refund, although psychiatric care is limited to 30 days a year and there are also limits on chronic care, organ transplants, and post-operative cover. Some out-patient treatments, such as physiotherapy and alternative therapies are also limited, as is dental treatment. However, HIV is covered as are hazardous pursuits and treatment necessary as a result of being a bystander.

Evacuation and repatriation is included but pregnancy/childbirth is an optional add-on.

Customers can be treated at any public or private hospital or clinic (and by any doctor) worldwide.

ALC says it has over a decade of experience looking after the health of VIPs and celebrities and that its prices are affordable.

Plus points: *Experienced IPMI provider offering a plan tailor-made to artistes' needs. Good level of cover and complete choice of where to be treated. The only add-on is pregnancy and childbirth, which many artistes and media types will not want anyway. The plan may appeal not just to expats and overseas nationals but also to UK based performers who may (or indeed may not) also work outside the UK too.*

Not so plus points: *Some benefit restrictions. May be more expensive than other IPMI cover, given the nature of the risk. Pregnancy/childbirth cover costs extra.*

Contact: 01903 817970 or *www.alcmedmedia.co.uk.*

Rating (max 5). Innovation: 4. Overall: 4.

BIBA MyWellbeing

This plan is provided by **Jelf Employee Benefits** to broking members of **BIBA** (**British Insurance Brokers' Association**) and is underwritten by **AXA PPP healthcare**. The launch of the plan has been controversial—but our review focuses on the plan itself.

Four versions of the plan are available—named MyWellbeing Plan One, Two, Three and Four respectively. In addition, each plan level is available in two cover levels, with cover level one giving more cover than level two. A Six Week Option also reduces costs, in return for excluding private treatment where the NHS can deliver that within six weeks.

Unusually, Plan Four offers the lowest level of cover—just in-patient treatment (excluding psychiatric), plus out-patient surgical procedures, radio/chemotherapy and scans. All plans include an NHS cash benefit of £50 a night/day (max £2,000 a year), parent accommodation with child (under 14), private ambulance and hospital-at-home.

Plan Three adds up to £500 a year for out-patient consultations, diagnostic tests and therapies. Plan Two increases that to £1,000 a year and also adds in-patient psychiatric treatment (if the psychiatric upgrade is chosen) and up to £1,500 a year for out-patient psychiatric treatment.

The top plan, Plan One, further adds up to 20 GP referred physio/alternative therapy sessions (ten on level two plans). It also covers out-patient management of specified chronic conditions.

Level one plans can also include experimental or unproven cancer treatment. Both levels also cover licensed chemotherapy drug treatments needed for a prolonged period of time (such as Herceptin) - up to 12 months for level one and 36 months for level two.

All plans have a mandatory £100 a year excess, which can be increased to £200 or £500 a year to reduce premiums further. There is also a no claims bonus. An initial level is set at outset and there are eight levels, from 0% to 50%. If a claim is made, the no claims discount falls by three levels.

Applicants can be fully underwritten, have continued medical exclusions or a 5/2/2 year rolling moratorium.

Applicants can also add travel insurance. A dedicated nurse is appointed for customers diagnosed with cancer and there is also a Health at Hand 24/7 phone based information service.

Plus points: *Three big names combine to offer a comprehensive PMI package that is presumably designed to appeal primarily to the non-PMI specialist broker. The plan includes various options to tailor cover to need and budget. The plan apparently took two years to develop. Jelf was selected by BIBA only after a tender process and provides all advice, including compliance issues, and back office administration. The plan has an 'aggressive pricing structure'.*

Not so plus points: *Some BIBA members will be concerned about having to effectively use a broker to place business rather than go direct to the insurer. The plan includes a lot of options which non-PMI specialists may struggle with. No claims discount schemes can be penal if regular claims are made (especially if the initial discount rate is high). As always, it pays to shop around.*

Contact: 01903 817970 or *www.alcmedmedia.co.uk.*

Rating (max 5). Innovation: 3. Overall: 3.5.

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Bright Grey Critical Illness

Bright Grey has introduced seven new conditions to its critical illness plans. Five pay the full sum insured on diagnosis. They are:

• Pulmonary artery graft surgery, with surgery to divide the breastbone.

• Encephalitis, resulting in permanent symptoms.

• Intensive care, where continuous mechanical ventilation is required for ten or more consecutive days.

• Multiple system atrophy, diagnosis resulting in permanent symptoms.

• Pneumonectomy—undergoing surgery to remove an entire lung.

In addition, two new definitions pay 20% of the plan's sum insured on earlier diagnoses (up to a maximum of £15,000). They are:

• Ductal carcinoma in situ (DCIS). This is the undergoing of a full or partial mastectomy, segmentectomy or lumpectomy operation for early forms of breast cancer.

• Low grade prostate cancer. Tumours classified as having a Gleason score of between two and six inclusive.

In addition, the definition of stroke has been upgraded to ABI+ (i.e. better than the ABI's standard). Bright Grey now has a total of 43 critical illness definitions, nine of which are ABI+.

The plan itself offers a choice of level, increasing or decreasing lump sum benefits or a level or increasing monthly income. £20,000 children's cover per child is included free too.

Plus points: *Bright Grey describes these changes as 'a massive leap'. 43 conditions are now covered, two providing a partial benefit for less serious conditions that could worsen (triggering full payment of the sum insured later). The changes are on top of a well-established CI proposition.*

Not so plus points: *The only significant changes made have been to the conditions covered. Similar changes to conditions covered have now been introduced by fellow* ***Royal London*** *subsidiary* ***Scottish Provident*** *too (is that a plus point or a not so plus point—you decide!).*

Contact: 0845 6094 500 or *www.brightgrey.com.*

Rating (max 5): Innovation: 3.75. Overall: 4.

Simplyhealth Simply Cash

Simplyhealth has extended the range of its existing Simply Cash plan, making its group version now available to SMEs, with just three to nine members.

The plan is available from just £1.25 a week (up from £1 a week for larger employers, reflecting the greater risk and smaller scale of such schemes). The basic plan covers 100% of dental (up to £60 a year); optical (also £60pa); selected therapies (£150); consultation fees and scans (£500); health screening (£100). Higher cover levels are also available.

In addition, clients may choose to add any one or more of four options:

• Choice 1—Employee Assistance Programme. This provides up to six face-to-face counselling sessions a year and a 24/7 legal helpline for employees and freephone HR/manager support helpline. This option costs 15p a week to add on.

• Choice 2— Hospital & Accident. Pays £20 a night/day if hospitalised (including parental stays). This costs 30p a week to add.

• Choice 3—New Child Payment. Pays £200 on the birth or adoption of a child and costs 20p a week to add.

• Choice 4—Managing Absence. This provides an absence management and pre-employment screening service and costs 50p a week.

Plus points: *Very low cost health cash plan, now available to all but the smallest SMEs too. Options to add on benefits, also at low cost. Valuable benefits that most employees will actually claim on regularly and which also help meet employers' duties of care towards their employees.*

Not so plus points: *The basic plan costs more than it would per employee on larger schemes (although the add-ons are priced the same). No substitute for (much more expensive) PMI. Not available to 1-2 employee SMEs.*

Contact: 0800 294 7303 or *www.simplyhealth.co.uk.*

Rating (max 5): Innovation: 3.75. Overall: 4.

Product design matters...

Bright Grey is to be commended for further extending the reach of critical illness (CI) cover and indeed, some people think that CI policies now already cover too many conditions. Their argument is that once the basic 'killers' have been covered, few people will actually benefit from the race to add more conditions (Bright Grey is now up to 43, while **PruProtect** has well over 100 definitions if you count all its severity based definitions).

The downside to the 'conditions race' is that it adds complexity and length (some companies' CI definitions now running to many pages of their terms and conditions).

Even a single condition can be complex. For example, Bright Grey's low grade prostate cancer definition refers to 'Gleason scores'. What's that? Well neither of *e-PR's* medical dictionaries (720 and 630 pages respectively) help us, although *Wikipedia* gives not just a good description but pictures too and tells us that prostate cancers can be graded 1-10, with 10 being the severest form.

Complexity aside, can CI ever have enough conditions? Imagine for example that are buying car insurance and are told that if an uninsured motorist damages your car, you won't lose your no claims bonus if they were driving one of 43 makes of car. Would it console you to know that that included all the top ten car models and that, statistically, this would cover you for 95% of all claims?

Or, would you buy term assurance if it paid out if you died but only from any one of over 100 or even over 1,000 causes of death? No? Even if told that, statistically, your loved ones would be paid in 99% of cases and that you were more likely to non-disclose than not to be paid? And that we had to do that to 'keep it simple'?

Therein lies the problem with CI cover. Good as it is (and I speak as a long-time fan and even have CI cover myself) it only covers selected conditions. Whose choice? Insurers. Would that be the people who sold us our mortgage endowment and PPI? Er yes, and, honest guv, we're completely trustworthy now. Bottom line is that until CI has an effective 'catch all' definition it will struggle to appeal to the millions who could actually benefit from it.

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Private infection rates are lower

Independent sector hospitals have reported extremely low rates of healthcare acquired infections according to the **Health Protection Agency**.

Its inspections carried out between April 2010 and September 2010 showed only six cases of MRSA (down from eight the year before) across 210 private hospitals covering a total of over a million bed days. Only 43 counts of Clostridium *difficile* (70 the year before) were reported across the same spectrum.

So far unpublished analysis of feedback from the NHS Choices website shows that of the top ten patient rated NHS hospitals for cleanliness, eight are run by the independent sector.

Surgery best for prostate cancer

A 1989 Scandinavian trial found at nine years follow-up that prostatectomy was associated with better survival rates than watchful waiting with men with early stage prostate cancer. A recent 15 year follow-up suggests it is still associated with significantly better survival rates, the *New England Journal of Medicine* 2011; 364: 1708-17 reported.

Those operated on were also less likely to develop distant metastases. The benefits of radical surgery looked greatest for men under 65. However, half of those given surgery were impotent afterwards and a third reported urinary incontinence.

Next generation telemedicine solution to be developed

UPMC, a Pittsburgh Pa-based global health enterprise and **Alcatel-Lucent**, a Paris-based communications technology firm, have signed an agreement to jointly develop a telemedicine platform and suite of applications that will allow patients to receive care even when they are far away from doctors and hospitals.

According to a press release on 4 May, the commercial launch will be in early 2013 and will offer secure, real-time clinical encounters in a virtual 'exam room'. The system will also generate, store and retrieve patient data in a clinically relevant way.

Mortality down over two decades of US hip replacements

Analysis of **Medicare** insurance data in the US shows that every year 280,000 American adults have a total hip operation, *BMJ* 2011; 342: d2593 reported on 27 April.

The research also shows that patients are now older, fatter, and more likely to have diabetes, heart failure and renal failure than they were in 1991.

Even so, mortality rates during hospital stay and in the month after surgery have still fallen and average length of stay after primary hip replacement is down from nine days in 1991 to 3.7 days in 2008. The number of patients going to rehabilitation centres or into nursing homes rather than going home has risen and there has been a sharp increase in the number of readmissions recently.

Brits now world's third fattest

A new report from the **World Health Organization** (**WHO**) has revealed that British men are the 3rd fattest in Europe and 21st fattest in the world.

The top three in Europe are:

1. Greece – 77.5% of over 15 year old males are now overweight or obese.
2. Malta – 73.3%.
3. Great Britain – 67.8%

Globally, out of 192 countries, British men were ranked 21st fattest. Women were slightly better – British females were 51st fattest in the world. The report also found that as a nation, Brits were the ninth least active. Two thirds (63.3%) of adults exercised less than the recommended half an hour five times a week.

The WHO's report into the rise of non-communicable diseases (such as heart and lung disease, cancer, stroke and diabetes) warned that so-called 'lifestyle diseases' accounted for 63% of all deaths in 2008, or 36m people. With the growing increase in obesity levels, that number is set to rise to 52m by 2030.

See: *www.who.int*.

Morning heart attacks are likely to be more serious

Researchers in Madrid, analysing data from 811 patients who had suffered a STEMI (ST segment elevation myocardial infarction) heart attack, which is caused by a prolonged period of blocked blood supply, have found that a morning heart attack is generally more serious.

The researchers found that heart attacks that occur between 6 a.m. and noon are more likely to leave a 20% larger area of dead tissue (infarct) than heart attacks at any other time of the day.

This time of day also had the greatest number of heart attack patients (269) in the study group. See: *http://press.psprings.co.uk/heart/april/heart212621.pdf*.

Bupa puts a price on giving up

Smokers who successfully quit will, on average be £1,555 a year better off according to new research from **Bupa**.

It also found that heavy drinkers who cut their consumption to the Government's recommended daily allowance would be, on average, £200 a year better off.

And, people suffering from obesity could reduce their future earning power by as much as £500 a year by their skills and knowledge becoming outdated during long-term absences from work caused by their condition.

By 2025, if people adopted healthier lifestyles, individuals across the UK could save £22bn a year, employers would save £3bn a year and the NHS would save £8.2bn a year. Earlier research by Bupa found that 70% of people wanted to make positive changes to improve their health, Bupa's assistant medical director Dr Peter Mace said.

The health and wellbeing provider has launched the *Bupa Health Pledge* calling on the public to achieve their health goals and launched a **Facebook** tool to help them achieve that. Bupa donates £1 to the **British Heart Foundation** for everyone who signs up.

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Breakthrough in understanding the causes of common cancers

Researchers from the **Science and Technology Facilities Council (STFC)** reported in a press release on 12 May that they have discovered a previously unknown molecular shape which is partly responsible for transmitting signals that instruct cells within the body to grow and divide. It is uncontrolled growth and division of cells that causes cancers.

Previously, not enough was known about how these molecules, called epidermal growth factor receptors (EGFRs), transmit messages in the development of cancer.

Drugs developed so far are designed to block every signal EGFRs transmit and give only temporary remission, as the body is good at compensating for loss of function and will find ways of bypassing blocked receptors, thus allowing cancerous cells to grow again.

This discovery could allow the pharmaceutical industry to develop drugs that target only the cancer-related functions of EGFRs but allow them to go on performing their other tasks, making it less likely that the body will try to compensate for total loss of function.

Medical briefs:

• A Cochrane review of 49 observational studies and six trials undertaken by Italian researchers has found that taking selenium supplements does not reduce cancer risk, *Nursing Times* reported on 17 May. The review found no protective effect against non-melanoma skin cancer or prostate cancer. They also warned that long term use of selenium could have toxic effects.

• **Bupa Cromwell Hospital** has launched a breast cancer screening service for women over 40, ten years before they are commonly available on the NHS. The service costs £200. One fifth of breast cancers occur in women aged 50 and under, but screening doesn't generally start until at least age 47.

• French researchers who assessed the effectiveness of treating acute appendicitis in 243 patients either with the antibiotic amoxicillin plus clavulanic acid or by emergency appendectomy found that peritonitis was significantly more frequent in the antibiotic group than in the appendectomy group. See: *The Lancet* (2011) 377: 1573-1579.

• Swedish research suggests that support and a caring attitude are important factors that help make a stay in ICU less stressful and can also help balance distressing memories. Of all patients interviewed for the study 71% described unpleasant memories of their ICU stay and 59% pleasant memories. See: *Intensive and Critical Care Nursing* (2011) 27: 76-84.

• Tai Chi is gaining ground as an exercise option for older adults with heart failure who may struggle with more vigorous forms of exercise, *BMJ* 2011; 342: d2755 reported on 4 May. A 12 week programme of classes improved quality of life significantly for adults with mild to moderate symptoms and also seemed to improve mood and confidence but had no effect on physical measures.

• Women who need a hysterectomy must decide, with their surgeon, whether to remove or conserve their ovaries. 14,254 women from *The Women's Health Initiative* study who had both ovaries removed during surgery were found to be no more likely than the rest of the study group of postmenopausal women (11,194) to develop coronary heart disease, other cardiovascular diseases or hip fracture and also no more likely to die during an average follow-up of eight years. They were, however, much less likely to develop ovarian cancer. See: *BMJ* 2011; 342: d2755.

• A *BMJ* editorial suggests reducing the number of heart transplant units in the UK as too few transplants are being performed and it is difficult for surgeons to maintain expertise. Despite record high numbers of donors, heart transplant rates have fallen 46% over the past ten years. This appears to be a UK issue as European and US rates are steady or only marginally declining. One consequence of this decline is the need for more left ventricular assist devices (mechanical pumps), an alternative treatment for end stage heart failure newer generations of which have survival rates comparable to transplant at one to two years. See: *http://www.bmj.com/cgi/doi/10.1136/bmj.d2483*.

• Exercise is good for adults with type 2 diabetes and, according to a meta-analysis of 47 randomised trials, a structured supervised programme works best (*JAMA* 2011; 305: 1790-9). Aerobic exercise or resistance training alone or in combination were associated with significant reductions in glycated haemoglobin concentration compared with control interventions without exercise.

• *BMJ* 2011; 342: d2755 reported on 4 May that leprosy in people in southern US states may have come from the disease leaping the species gap from the wild armadillo population in which leprosy is prevalent. A brand new genotype was found in the genome sequence of 25 of the 39 US patients living within the known range of infected animals and 28 of the 33 wild armadillos studied. The armadillos may just be handing back the disease they must have caught from early European settlers.

What is Protect?

Protect is subtitled 'The Association of Companies and Individuals Working in the UK Protection Markets'.

It was formed in September 1999 by the major UK creditor insurers to take a leading role in collecting the views and opinions of creditor insurance industry practitioners, their customers and clients and making those known to the relevant trade associations, regulators and media. In January 2010, members voted in a new constitution which effectively widened membership to all companies and individuals involved in the UK protection markets (which includes PPI, income protection and life assurance along with guaranteed asset protection, extended warranty and debt waiver/suspension/cancellation).

Membership costs £375 a year for companies and £125 a year for individuals, with events (of which there are six in 2011, all held in central London) costing £75 per person to attend and including lunch or dinner.

Membership enables all members to keep up-to-date with developments in the market, as well as connecting with regulators, trade associations and industry experts across the market.

Current chairman is Steve Devine and the website is *www.protect-aci.org.uk*.

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Waiting times at three year high

NHS hospital waiting times are at a three year high, according to a new quarterly report from the independent **King's Fund**, released on 20 April.

The report claims that in February 2011, nearly 15% of hospital in-patients waited over 18 weeks for treatment, the highest level since April 2008. The previous Government set a target that 90% of patients should be treated within 18 weeks of referral to hospital from their GP, a target now enshrined in the NHS Constitution.

The new regular report will provide a snapshot of the state of the NHS, combining analysis of key performance data with the views of a panel of NHS finance directors (26 in this report).

The King's Fund's chief economist, Professor John Appleby, said: "This report will provide a regular health check on the state of the NHS as it comes to terms with the new financial climate and implements the Government's reforms. It highlights significant concern among NHS finance directors—who are well placed to report on the stresses in the system—about the prospects for the year ahead. With hospital waiting times rising, the NHS faces a considerable challenge in maintaining performance as the financial squeeze begins to bite."

How is the NHS performing? is available to view or download from *www.kingsfund.org.uk*.

Hospital RTT waiting times down

The median Referral to Treatment (RTT) wait for NHS hospital admission in England fell from 9.0 weeks in February to 7.9 weeks in March 2011 according to a **Department of Health** Statistical Press Notice released on 19 May 2011. For non-admitted patients the median wait rose from 3.5 weeks in February to 3.7 weeks in March.

The 95th percentile time wait for patients entering an RTT pathway rose from 22.8 weeks to 23.4 for admitted patients but fell from 16.1 weeks to 15.8 weeks for non-admitted patients.

The number of patients meeting the 18 week target fell from 89.8% to 89.6% for admitted patients but rose from 97.2% to 97.3% for non-admitted patients.

Unemployment rising again?

Unemployment in the three month period January to March fell from 2.480m to 2.455m, according to the latest *Labour market statistics*, released by the **ONS** on 18 May.

During the same period, employment rose from 29.233m to 29.240m. This means that the *e-Protection Review Employment Index*, which is a proxy for the growth in size of the main health and protection insurance markets since 2000, rose from 107.469 to 107.532. This index compares the latest employment figure with the 27.192m figure recorded for the first quarter of 2000.

The number of Jobseeker's Allowance claimants rose from 1.4505m in March to 1.4686m in April. As the JSA figures are effectively a month newer than the three monthly unemployment figures, the data suggests that unemployment could be starting to rise again.

The latest unemployment rate is now 7.7%, or 4.6% for JSA claimants. Earnings in the three month period to end March (including bonuses) rose from 2.0% to 2.3% higher than a year before.

On 17 May the ONS announced that in April the Retail Prices Index (RPI) was down from 5.3% to 5.2% compared to a year before, while the Government's preferred Consumer Prices Index (CPI) was up from 4.0% to 4.5%. This compares to an annual inflation target of 2.0%.

Later life expectations revealed

Two thirds of people hold ambitions for their later life according to *Aspirations for Later Life*, a new research report from the **Department for Work and Pensions**.

But, 41% said they didn't tend to plan their life in advance, and only 32% had started to save for their old age. Only 1 in 3 (35%) had estimated their likely future pension income.

Three quarters (73%) expected to care for someone in their later life and only 6% had planned for long term care for themselves. See *www.dwp.gov.uk*.

First analysis of those on long-term sickness benefit

The *Times* reported on 21 April the first breakdown of the medical assessments published by Chris Grayling, the Employment Minister of more than 2m people on long-term sickness benefit that show that:

- 42,360 claimants are alcoholics.
- 37,000 are drug abusers
- 1,830 are too obese to hold down a job.

Many had been on Incapacity Benefit (IB) for more than ten years, including 12,000 alcoholics and 9,200 drug addicts, although the majority on IB were mentally ill.

Medical assessments for all new claimants for Employment Support Allowance (ESA), which replaced IB, started two years ago. Last October, a pilot scheme to test all existing claimants started and is now being introduced nationally. Pilot studies of existing IB claimants in Burnley and Aberdeen show more than a third of those assessed were found to be fit for work.

Liam Byrne, Shadow Work and Pensions Secretary claimed that the Government is cutting too far, too fast, which will push up by more than 200,000 the number of unemployed and raise the benefits bill up by £12bn. Mr Grayling responded that it was unfair on anyone for this situation to continue and what should have been a safety net has trapped people in a cycle of addiction and dependency, "with no prospect of getting back to work".

Latest figures show that for all new ESA claims from 27th October 2008 to 31st August 2010, the result of the initial WCA (Work Capability Assessment) is as follows (figures do not sum exactly to 100% due to rounding):

- Support Group – 6%.
- Work Related Activity Group – 16%.
- Fit for Work – 39%.
- Claim closed before assessment complete – 36%.
- Assessment still in progress – 2%.

DWP press release 27 April and *http://research.dwp.gov.uk/-asd/workingage/esa_wca/index.php?page=esa_wca_arc.*

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Political briefs:

• The number of private sector businesses in the UK at the beginning of 2010 was, at 4.5m, some 48,000 (1.1%) up on the number at the start of 2009, the **Department for Business Innovation and Skills** announced on 25 May. In total those businesses employed 22.5m people and had turnover of £3,200bn. Of the 4.5m, 64.2% were sole proprietorships, 27.6% were companies and 8.2% partnerships. New methodology means that these estimates should be more accurate and can be produced more quickly than before. See *http://stats.bis.gov.uk/ed/bpe.*

• The number of breaches of mixed-sex accommodation rules in NHS hospitals in English NHS hospitals fell from 5,446 in March to 2,660 in April, the **Department of Health** revealed on 19 May. The number has now fallen by 77% since December 2010, largely as a result of hospitals now being fined £250 for each patient affected and each day that they stay in mixed sex accommodation.

• The average occupancy rate for all NHS hospital beds in England open overnight was 86.2% in quarter 4 2010/11 (88.2% for all general and acute beds), compared with 85.7% in Quarter 3 (87.6%), the **Department of Health** announced on 19 May. The average daily number of all beds open overnight was 141,019 in Q4 (down from 140,347 in Q3) or 107,670 for general and acute beds (up from 106,829). The average number of day only beds was up from 10,799 to 11,060.

• In the quarter ended March 2011, there were 89.1m UDAs (units of dental activity) commissioned by the NHS, down 0.4m on the previous quarter the **Department of Health** announced on 12 May. The fall could suggest that some people are now looking to avoid extra expenditure where possible.

• **Reform** has published *An NHS for patients*, in response to the **Department of Health's** listening exercise. It argues in favour of competition and points out that any protection of the 'front line' would in effect amount to a veto of any substantive change as front line staff make up 1.2m of the NHS's 1.5m employees. See *www.reform.co.uk*.

• Meantime, the **BMA** continues to argue against more competition in the NHS – an argument the Government looks increasingly likely to accept. Expect a watering down of the new NHS Bill's provisions in due course…

• The **National Audit Office** has said that the Government has 'lost sight of the vision' of creating a national database of NHS patients, despite £2.7bn having been spent on it so far. The NAO had failed to find any benefits to patients from the £11.4bn scheme.

• Spending on long-term care for seniors is set to double or even triple by 2050, driven by ageing populations, according to *Help Wanted? Providing and paying for long-term care*, published by the **OECD** on 18 May. See *www.oecd.org/health/longtermcare/helpwanted*.

• NHS dental patients are routinely being encouraged to pay more than they should, according to research for **Channel 4's** *Dispatches* programme, aired on 23 May.

• MPs at an enquiry into NHS complaints and litigation were told by Anne-Marie Ledson, team leader at the **Independent Complaints Advisory Service** in Yorkshire and Humberside, that patients "often" said they were "frightened to make a complaint because they still need treatment", *Nursing Times* reported on 3 May.

• A study by **Barts** and the **London Hospital** says a person's age should be used to screen for heart attacks and strokes and that people over 55 should be offered statins to reduce their risk, a **Department of Health** press release reported on 5 May.

• *Pulse* magazine has released a survey suggesting that one in three GPs plan to leave the NHS in the next five years. Modernisation, the survey claims, is one of the reasons for this decision, a **Department of Health** press release reported on 5 May.

• According to a study in the *American Journal of Respiratory and Critical Care Medicine*, patients admitted to intensive care units (ICUs) in the UK between 2002-2004 were sicker, had been in hospital longer and many more had been mechanically ventilated than counterparts in the US. The study excluded surgical admissions, patients under 16 and readmissions to ICU during the same hospital stay. See: *http://tiny.cc/nxozg*.

• The **National Institute for Health and Clinical Excellence (NICE)** has launched a new online tool that brings together all its guidance on a specific condition or subject. Eighteen pathways have been initially launched and NICE plans to have 60 in place by the end of March 2012. See: *http://pathways.nice.org.uk*.

• Total private patient income of NHS Trusts in the UK fell from £439m in 2008/2009 to £430m in 2009/2010 – a fall of 2%. Recessionary pressures and the private patient cap which is set at 2003/2004 levels are blamed. *NHS Trusts & Primary Care Trusts Financial Information 2011* (Electronic Version) Price: £630 including VAT is available from *www.laingbuisson.co.uk*.

• The **Law Commission** has recommended a unified social care statute where eligibility for social care entitlement could be set nationally and the use of personal care budgets could be extended to cover residential care bills. England and Wales would be given powers to set their own legislative approach, with statutes covering three levels; local social services, the Secretary of State for Health (or Welsh equivalent) and lastly a joint Code of Practice. See *www.lawcom.gov.uk*.

• Researchers from the **Personal Social Services Research Unit (PSSRU)** at the **University of Kent** and the **London School of Economics (LSE)** found that at age 65, both men and women face care and accommodation costs averaging £50,300. The data comes from more than 11,000 people supported in **Bupa Care Home** facilities. Based on an average length care home stay (832 days) at an average weekly fee of £550 this amounts to a spend of £65,400 but with people living longer, up to 10% of residents could have a final bill of £166,000 and in one case the bill was £800,000.

• The first major overhaul of the justice system in 15 years was announced by Justice Secretary, Kenneth Clarke, on 29 March. The Government will axe legal aid for clinical negligence claims and also abolish recoverability of success fees in 'no win no fee' cases, instead allowing lawyers to take a proportion of claimant's damages in fees, and increasing general damages by 10%. The small claims limit would also rise to £15K. *Solving disputes in the county courts; creating a simpler, quicker and more proportionate system* can be downloaded from *www.justice.gov.uk*.

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The Benefits Research 2011:
Employee Benefits with Alexander Forbes

Life assurance is the most popular core employee benefit, while shopping discounts and gym membership are the most popular voluntary benefits, according to *The Benefits Research 2011* from **Employee Benefits** magazine, in association with **Alexander Forbes**.

The research was carried out in March 2011 among readers of the magazine and there were 439 responses. Of those, 63% represented employers with more than 500 staff and 28% had over 5,000 staff. 15% of respondents were from the public sector, 57% privately owned firms and 25% publicly quoted.

Tables 1 and 2 show the most offered core and voluntary benefits for selected benefits only (primarily those with a health or protection interest):

Table 1. Proportion of employers offering particular benefits as core.

Benefit	All Staff %	Some staff %
Life assurance/death in service	75	13
Training and development	71	8
EAP/counselling	70	4
Optical care vouchers (above stat min)	30	6
Subscriptions to professional bodies	27	41
Income protection	27	29
Private medical insurance	26	42
Personal accident insurance	21	7
Group IP (salary sacrifice)	17	14
Financial education	17	5
Financial advice	15	8
Health screening	13	31
Health cash plan	12	5
PMI for partners/dependants	9	35
Dental insurance	7	6
Travel insurance	6	10
HCP for partners/dependants	6	3

Table 2. Employers offering voluntary benefits

Benefit	%
Retail/leisure discounts	33
Gym membership	27
Health cash plan	19
HCP for partners/dependants	18
Dental insurance	17
PMI for partners/dependants	15
CI for partners/dependants	12
Travel insurance	12
Pet insurance	10
Critical illness insurance	10
Health screening	7
Optical care vouchers (above statutory min)	7
Life assurance for partners/dependants	6
PA insurance for partners/dependants	6
Financial advice	6
Personal accident insurance	5
Will writing	4
Private medical insurance	4
Income protection	4
Life assurance	2

The tables show that life and health related services are popular, both as core benefits and/or as a voluntary benefit. The research also found that value and cost were employers top considerations in 2011. Some 61% said improving the perceived value of their benefits package was important, while 59% said there was a drive to control costs across the organisation. 57% aimed to make their benefits expenditure more effective. 53% wanted to match their benefits to employees' needs and the same percentage to ensure their benefits package was competitive.

43% wanted to improve the effectiveness of their benefits package and 37% to harmonise benefits across their organisation.

In terms of key priorities going forward, employers were focusing on improving staff appreciation of the benefits package (66%) and improving their perception of the value of benefits (65%).

The key decision makers and influencers on employee benefits in firms were:

Table 3. Job roles with primary responsibility for benefits and those that influence benefits decisions.

Job role	Decision	Influence
MD/CEO or equivalent	67%	19%
HR director	51%	30%
Director/trustee or equivalent	51%	22%
Compensation/benefits/reward dir	32%	32%
Finance director	27%	45%
HR manager	13%	56%
Pensions manager	11%	30%
Comp/bens/reward officer	6%	42%
Company secretary	6%	16%
HR officer	3%	36%
Financial manager	3%	26%
Union/employee committee	2%	29%

Table 3 is particularly useful for advisers/ employee benefits consultants, as it shows who to target as sales prospects and whether any existing contact is likely to be the decision maker or influential in any decisions.

On flexible benefits schemes, life and health insurances were again popular, with 22% of firms offering dental insurance on their flex schemes (just behind the top benefit, buying/selling holiday time off, at 24%; followed by PMI for partners/dependants (20%); CI (17%), CI for partners or dependants (16%); travel insurance (15%); health screening (14%); life cover for partners/dependants (14%); HCPs for employees and partners/dependants (both 13%); PMI (12%) and gym membership (11%). IP was some way behind, at 6%, with life cover for employees at 5%

GIP was however the only life/health benefit offered through salary sacrifice, by 9% of employers.

Only half (45%) of firms had introduced any new benefits in the past 12 months. Most popular among those included gym membership (11% of respondents), life cover, HCPs and dental insurance (all 8%), with IP, PMI, CI and health screening, all at 4%.

The main reasons to have an employee benefits package were to aid recruitment (60% of respondents), aiding retention (53%) and good value for money (50%).

Overall, the two clear findings in the research were the importance of communicating value and of achieving value for employers. See *www.employeebenefits.co.uk*.

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World Health Statistics 2011

The **World Health Organization** (**WHO**) has now published the latest edition of its *World Health Statistics* report. The report includes some useful international comparisons for the UK and we feature some of those likely to be of most interest to life and health insurers below.

Table 1. Life expectancy at birth. Males

Country	1990	2000	2010
France	73	75	78
Germany	72	75	78
Japan	76	78	80
Malawi (lowest)	46	41	44
San Marino (highest)	76	78	82
UK	73	75	78
USA	72	74	76

Table 2. Life expectancy at birth. Females

Country	1990	2000	2010
Chad (joint lowest)	53	50	48
France	81	83	85
Germany	78	81	83
Japan (highest)	82	85	86
UK	78	80	82
USA	79	80	81

Tables 1 and 2 show the significant increases in life expectancy even over the previous 20 years. But it is sobering to look at the very low life expectancies in countries such as Chad and Malawi and compare those to the best (Japan and San Marino).

Table 3. Probability of dying between age 15 and 60, per 1,000 population, 2010

Country	Males	Females	All
France	117	54	85
Germany	99	53	76
Japan	86	42	64
San Marino (lowest)	57	48	53
Swaziland (highest)	674	560	613
UK	95	58	77
USA	134	78	106

Table 3 shows the relative risk of dying as an adult. In the UK, just 1 in 11 men and 1 in 17 women will die before 60.

Table 4. Doctors (physicians) dentists and hospital beds per 10,000 population, 2000-2010

Country	Drs	Dentists	Beds
Australia	29.9	6.9	38
China	14.2	0.4	41
France	35.0	6.8	71
Germany	35.3	7.7	82
India	6.0	0.7	9
Japan	20.6	7.4	138
Russian Federation	43.1	3.2	97
UK	27.4	5.2	34
USA	26.7	16.3	31
Global average	14.0	3.0	29

Note: China had the largest numbers of doctors (physicians), at 1,905,436, followed by the USA (793,648), India (660,801) and Russia (614,183). The UK had 165,317.

Table 4 shows the relative numbers of doctors, dentists and hospital beds per 10,000 population. It is hard to correlate these figures with life expectancy but it does show the UK is significantly above the world average. Just look at the relative number of US dentists though (there are 463,663 of them compared to 31,145 in the UK)!

Table 5. Total health spending as % of GDP, private expenditure as a % of all health expenditure and per capita (PC) total expenditure on health *2000* at average exchange rate (shown in US$)

Country	%GDP	% private	PC$
Australia	8.0	33.2	1,728
China	4.5	61.7	44
France	10.1	20.6	2,184
Germany	10.3	20.2	2,366
India	4.6	72.5	21
Japan	7.7	18.7	2,827
Russian Federation	5.4	40.1	96
UK	7.0	20.7	1,767
USA	13.4	56.8	4,703
Global average	8.3	43.5	484
European region average	8.0	25.7	931

Table 6. Total health spending as % of GDP, private expenditure as a % of all health expenditure and per capita (PC) total expenditure on health *2008* at average exchange rate (shown in US$)

Country	%GDP	% private	PC$
Australia	8.5	29.1	4,180
China	4.3	52.7	146
France	11.2	21.4	4,966
Germany	10.5	22.0	4,720
India	4.2	67.6	45
Japan	8.3	18.0	3,190
Russian Federation	4.8	35.7	568
UK	8.7	17.4	3,771
USA	15.2	52.2	7,164
Global average	8.5	38.4	854
European region average	8.5	23.6	2,283

Tables 5 and 6 show primarily the big increase in spending on health in just eight years of some counties (especially the UK and USA), although the fast growing Chinese and Indian economies have both seen health spending fall as a percentage of GDP (gross domestic product), albeit spending per head has more than doubled (India) or almost quadrupled (China), with the Russian Federation seeing a fivefold increase in spending per head.

A less clear trend is in the ratio of private health spending to total health spending, which has generally fallen (except in France and Germany). However, a large part of that is because public health spending has increased ahead of the growth in GDP. That suggests that many consumers (individuals and employers) may have taken action to minimise their health spending or even to cut it as a percentage of their income.

Despite that, the UK still spends less as a percentage of total health spending privately than many other countries and in fact is lowest (in percentage terms) of any of the countries highlighted. The challenge for UK PMI insurers is to try to change that. *World Health Statistics 2011* can be viewed or downloaded from *www.who.int*.

Protection Review news n views

As well as producing our ten times a year newsletter *e-Protection Review*, and the annual book, *Protection Review*, we also produce regular *Protection Review e-bulletins*, which keep you informed about what's new from us.

To receive e-bulletins, just register with us, and the easiest way to do that is through the homepage of our new *www.protectionreview.co.uk* website. Do it now!!

We're quite excited about the new website, which has been some months in development and takes account of all your feedback and suggestions (but do continue your feedback—it's how we improve what we do for you).

But back to the bulletin. The latest (No 17, May 2011) includes the full conference programme, which now includes new **ABI** director general Otto Thoresen and top analyst Ned Cazalet. Conference numbers are now close to 150, so it's proving to be one of the key events in 2011. Places are still available, but they are limited so please book your place now. See the website for how to book.

Also new on the website are latest blogs from LTC guru Peter Barnett, Helen Tilley of **Kennedys Law** and a quick five question interview with **Aviva's** Louise Colley.

People news

• **Aviva**. David Barrall (previously COO) has been appointed CEO of Aviva UK Life. He replaces Toby Strauss, who is leaving to take up a new role with **Lloyds Banking Group**. In addition, Phil Willcock will add the role of propositions director to his existing role as MD of UK Health and he and Hugh Hessing (who becomes customer experience director) both join Aviva's life executive team, splitting David Barrall's previous role between them.

• **Capita**. Martyn Pritchard has been appointed business development director of its health business.

• **Europ Assistance**. Peter Dingle has been appointed commercial director. He was previously at **Hays plc** where he led its e-commerce strategy.

• **Friends Life.** Andy Briggs joins as CEO on 1 June. He was previously CEO of general insurance at **Lloyds**. From 1 June, current CEO Trevor Matthews becomes deputy chairman.

• **HCA**. Keith Biddlestone has been appointed group commercial director. He was previously senior vice president at **Cigna** and before that MD of **Bupa International**. Charlotte Espie has been appointed CEO at its HCA's **The Princess Grace Hospital**. She was previously northern regional director at **BMI**.

• **Hospital Saturday Fund**. Following Stephen Duff's promotion to CEO of **HSF Health Plan**, Paul Jackson, previously finance director, has been appointed CEO of the parent Hospital Saturday Fund.

• **InHealth Group**. Richard Bradford has been appointed CEO of the diagnostic and imaging provider.

• **Just Retirement**. Dr Tim Crayford has been appointed medical director.

• **Simplyhealth**. Chris Moore has been promoted from key account manager to head of major accounts.

• **Spire Healthcare**. Garry Watts has been appointed executive chairman and Rob Roger CEO. Mr Watts was previously CEO of **SSL International**, while Rob Roger was CFO at Spire.

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. Most households have how many persons in them?
2. The average number of sickness days lost in a year per employee is a) 4.5, b) 6.5 or c) 8.5?
3. When's the worst time to have a heart attack?
4. What does the acronym RTT mean?
5. Between 1990 and 2010 life expectancy at birth for a) men and b) women increased by how many years?

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FOS annual report 2010/11

Product complaints	2010/11	2009/10
Payment protection insurance	104,597	49,196
Pet insurance	438	462
Business protection insurance	204	222
Whole life and sav endowments	3,328	4,199
Mortgage endowments	3,048	5,400
Travel insurance	2,536	2,003
Income protection	720	776
Critical illness insurance	528	598
Private medical insurance	506	652
Personal accident insurance	304	274
All new complaints	206,121	163,012

Source: *Annual Review financial year 2010/11*, FOS, 2011

Households and families, UK, 2001 and 2010. Thousands (000s)

No in household	2001	2010
One person	7,027	7,536
Two people	8,587	9,140
Three people	3,835	4,200
Four people	3,470	3,522
Five people	1,156	1,137
Six or more people	458	488
All households	24,535	26,024
Average size of household (people)	2.38	2.36

Families by type 2010

Family type	WC	NC	Total
Married couple family	4,628	7,551	12,179
Civil partner couples	2	43	45
Opposite sex co-habiting	1,071	1,667	2,737
Same sex co-habiting	2	48	51
Lone parent families	1,953	945	2,898
All families	7,657	10,253	17,911

Key: WC: With dependent children. NC: Without dependent children. Source: *Families and households in the UK, 2001 to 2010*, ONS Statistical Bulletin, 14 April 2011.

NHS cancelled operations

• In the quarter ending 31 March 2011, some 16,012 elective operations were cancelled at the last minute for non-clinical reasons. In the same period of 2010 there were 19,026 cancelled elective operations.

• Of those, 857 (5.4%) of patients were not treated within 28 days of cancellation. In the same period of 2010, 855 patients were not treated within 28 days.

• Cancelled elective operations made up 0.9% of all elective activity (down from 1.1% in 2010).

Source: *NHS cancelled elective operations, quarter ending 31 March 2011*, Department of Health, 13 May 2011.

Local authority support thresholds and personal allowances 2011/12

England	Upper limit £23,250
	Lower limit £14,250
	Personal allowance £22.60
Wales	Single limit £22,500
	Personal allowance £23.00
Scotland	Upper limit £23,500
	Lower limit £14,500
	Personal allowance £22.60
Northern Ireland	Upper limit £23,250
	Lower limit £14,250
	Personal allowance £22.60

Source: *www.careaware.co.uk*, May 2011. Note: Local authority help between the upper and lower thresholds is cut by £1 a week per £250 of capital above the lower limit. Care home residents are allowed to keep the weekly personal allowance for their personal expenditure.

Annual sickness absence pa

Year	Average days lost pa
2010	6.5
2009	6.4
2008	Not published
2007	6.7
2006	7.0
2005	6.6
2004	6.8
2003	7.2
2002	6.8
2001	7.1
2000	7.9
1999	7.8
1998	8.5
1997	8.4
1996	8.2

Source: CBI/Pfizer *Absence and workplace health survey 2011*

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