

# e-Protection Review

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

## Three quarters of families are left unprotected: Scottish Widows

Nearly three quarters (74%) of people are putting their family's financial security at risk by failing to protect their future through life insurance, critical illness cover or income protection according to **Scottish Widows** fourth *Protection Report*, published on 25 April.

A poll of 5,086 adults in January by **YouGov** found that protection was not a priority for many people. While 74% said that broadband access was 'essential' (up from 69% last year), only 44% ranked life insurance as essential (down from 53% last year) and 29% said it was a 'luxury' (down from 34%).

Even so, life cover ranked higher than other long term protection insurances. 'Financial security for dependents in case of illness' (critical illness or CI cover) was seen as essential by 29% of respondents, while 37% said it was a luxury (last year 39% and 45% respectively). 'Protecting income' was essential for 23% (down from 35%) and a luxury for 39% (down from 47%). The most essential item was having a car (75% of respondents), followed by broadband (74%), clearing debts (68%), owning a property (57%), and having a mobile phone (also 57%). The biggest single financial priority was household bills, with more than a quarter of respondents putting it top of their list.

If people had to cut back on their expenditure, eating out, nights out and trips to the cinema or theatre would be most curtailed. However, **Scottish Widows** noted that 'people are noticeably less willing to cut back on their outings than they were last year'.

The report also notes a mismatch between awareness of protection products and take-up. While at least 85% of people were aware of the three main protection plans (and income protection [IP] awareness was up from 78% three years ago to 86% now), only 51% of the key 35-49 age group had any life insurance and take-up for the other two was even lower, with just 5% saying they had any income protection.

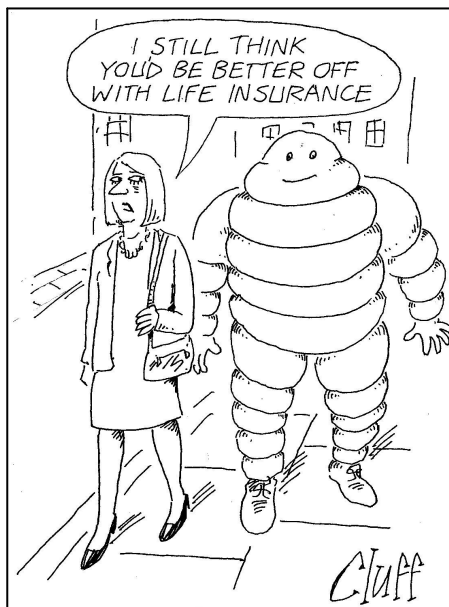
One worrying finding is that 54% of respondents said that Government spending cuts had not prompted them to think more about financial protection products. Those who thought most about protection were public service workers (who are subject to pay freezes and concerns over job security) and those struggling to clear debts.

The main trigger for buying protection remained house (Continued on Page 2).

### Quotes of the month:

'Day-to-day items such as broadband, car and phone ownership are all thought of as essential, yet there's a marked disconnect between these items and people's prevailing attitudes towards the security of the very income that helps ensure those essentials are provided.' *Scottish Widows UK Protection Report 2012*, April 2012.

As the NHS "...lurches towards the buffers of financial and operational melt-down, we find that instead of the clear thinking that the NHS desperately needs right now we have regulation, bullying micromanagement and dissipated effort." Dr Laurence Buckman, chairman of the BMA's GP Committee, speaking at the annual GPs' conference on 22 May 2012.



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Inside this issue:

<b>News</b>	3-6
<i>FOS complaints top 250,000; Only 1 in 5 workers offered a dental plan; STIP not the answer to PPI; UK lags on rehabilitation.</i>	
<b>Reviews</b>	7-8
<i>Launches from ALC Health, MetLife and Westfield Health.</i>	
<b>Medical and political</b>	9-11
<i>Prostate cancer hits 40K pa; Better outcomes at high volume stroke centres; Netherlands tops Euro health league; Slower health spending.</i>	
<b>Features</b>	12-15
<i>Three pages of blogs; People news.</i>	
<b>Top 10 in the press</b>	16
<i>Our Top 10 pick of the past month's news stories from around the life and health industry.</i>	
<b>Next month</b>	
<i>Preview of Protection Review 2012 book.</i>	

### Key statistics:

- NHS RTT median wait England March 2011: 8.1 weeks (See Page 11).
- e-Protection Review Long Term Protection Sales Index: 116.24 (Quarter 4, 2011, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 107.495 (To end March 2012, compared to January 2000, see Page 11).

(Continued from Page 1) purchase (including a third of IP sales and 27% of CI sales).

Cost was the main reason people cited for not having protection insurance. A fifth (22%) of people with no CI cover said they could not afford it, and 15% thought it a waste of money. 19% (down from 27% in 2011) said they could not afford IP but 20% (up from 15% in 2011) said that they do not need it. One reason could be people's focus on reducing their debts, suggesting that many are now conditioned to thinking that protection only needs to cover borrowings not all expenditure.

The survey also found that 52% of households rely on a single income and 43% on two or more, although only 10% of those in employment had IP cover.

Worryingly, a fifth of people say their savings would disappear within a month if they were unable to work (up 8% from last year).

Although people are more likely to be aware of IP than they were three years ago (although we suspect some of that could be related to short term ASU products, some of which are now referred to as 'short term income protection') IP sales have not materially risen since then and confusingly, more than 60% of households say they do pay some or a lot of attention to protecting their income.

### State benefits not known about

In another YouGov survey, this time for reinsurer **RGA**, 86% of 2,071 adults polled in March said that they were not aware that if someone died having paid National Insurance contributions, a spouse may be entitled to a one off tax free cash payment of £2,000 (Bereavement Payment) and 85% were not aware of Bereavement Allowance, which pays a taxable weekly benefit of up to £105.95 for 52 weeks. And 83% were not aware of Widowed Parent's Allowance, which pays the same amount.

State benefits are important not least because even if the deceased had life cover written in trust, it can still take some weeks for a claim to be checked (for non-disclosure) and for the necessary paperwork to be completed. If the policy is not written in trust, awaiting a Grant of Probate can take longer, while for those who die intestate, getting any policy monies to the right beneficiaries can take a considerable time too. For smaller life policies, a recent **ABI** initiative means that monies can often be paid out more quickly, but that is no excuse not to do the job properly (see sidebar).

A third survey, by **ICM Direct**, for **Foresters Friendly Society**, found that 61% of Britons have no will

(and 66% of parents with children under five), only falling to 50% for those aged 55-64.

Moreover 1 in 8 people last reviewed their will more than ten years ago and an estimated 10% of people have a 'hidden will' - that is a valid will that those left behind do not know about and are unlikely to find.

Around 25% of people have never thought about making a will, and 23% think they have too little money to need a will. Another big issue is that people assume that if they leave no will, their estate will automatically go to their loved ones. This is not true, and the laws of intestacy also do not recognise non-married partners (other than civil partners). Very often, it is only when someone dies early that the survivors become aware of how draconian the laws of intestacy can be.

One way to look at that is to see intestacy as 'the Government's automatic will that decides where your money will go to, with no reference to you or anyone else and regardless of your wishes or circumstances—is that what you want, as it's what you have now?'

### The role of employee benefits

Many employees will have life cover and perhaps other protection cover too, through their employer, either provided free or partly free or as part of a voluntary scheme. However, unless there is a continuation option (which

enables the employee to continue that level of cover in an individual policy, albeit usually at a higher premium), that cover only lasts as long as the job does.

For advisers, the weight or value to give to employee benefits can be complex given that, ultimately, it is the employer that controls that rather than the employee.

One option is for a financial adviser to adopt a two pronged approach:

- First, find out exactly what benefits the employee is entitled to and what they actually have. A specimen e-mail to the employer that can be used to find out if someone has group IP cover is now included on **the Income**

**Protection Taskforce's** website. First click on the website at [www.protectingmyincome.co.uk](http://www.protectingmyincome.co.uk), then click on 'Will my employer help?' That draft e-mail can be adapted to meet other needs too.

- Second, enquire whether there is a continuation option. If not, can that be added (probably not, but it's worth asking the question)?

All these surveys (and we could have looked at many more) indicate many people have, at best, a weak understanding of their protection needs and of the possible solutions available to them. But they also indicate the huge potential for advisers to ask the right questions to help ensure people can get the cover they need and can afford.

### Die tomorrow but plan today

It is estimated that more than half of us do not have a will. Of those that do, the will may be out of date or 'hidden'. But helping your family survive your death should go a long way beyond just having a will. Here's a short checklist of things to do NOW:

- Ensure you have a will, that it reflects your current wishes and that those who need to know, know where it is.
- If your estate is big enough, look at other tax efficient solutions such as family trusts.
- Look at writing all your life and CI policies in trust.
- Leave instructions as to how you would like your death managed. Burial or cremation? What music would you like played there and who should give the eulogy? Where would you like your ashes kept or scattered? Any preferred funeral director? Flowers or charity donation (and which one)? What type of wake? Any special requests?
- What should happen to your personal effects (clothes, shoes etc) and are there any special or small items you would like to go to particular people? Write a letter (codicil) and file it with your will.

Above all, not doing all the above is unfair on those you leave behind. So spend a little bit of time now and then relax—knowing that you have done the right thing for those you leave behind.

## FOS complaints top 250,000

Over a quarter of a million (264,375) formal complaints to the **Financial Ombudsman Service (FOS)** were made in 2011/12, the service reported in its latest *Annual Review*, which was published on 22 May. The FOS also handled over 1.2m frontline enquiries and complaints—more than 5,000 every working day.

The vast majority (60% or 157,716) of complaints were about payment protection insurance (PPI) and 69% of those came through claims companies (down from 76% last year). PPI has now become the most complained about financial product ever, making up 25% of all complaints received by the FOS since it was set up (mortgage endowments were second, on 21%).

Life and health insurance complaints were:

Product	1010/11	2011/12	% change
PPI	104,597	157,716	+50.8%
Income protection	720	965	+34.0%
Critical illness ins	528	817	+54.7%
Private medical ins	506	513	+1.4%
Personal accident ins	304	322	+5.9%
Travel insurance	2,536	2,431	-4.1%
Pet insurance	438	554	+26.5%
W/L and savings end*	3,328	4,186	+25.8%

\* The FOS has traditionally combined a protection and a savings plan in this group. This can hide underlying issues as they are very diverse products, and we hope the FOS will consider counting them separately in future, especially as we would expect there to be a rising number of complaints about guaranteed acceptance whole life plans.

The FOS reported that many IP complaints were about workplace stress, although 'harder economic times may also account for the growing number of complaints we saw during the year involving the sale of short term income protection policies offering unemployment cover'.

Travel insurance complaints fell as the last of the complaints around the fallout (sorry) from the volcanic eruption in Iceland in 2010 were handled. However, many of the complaints now relate to pre-existing medical conditions, the FOS said.

Many of the whole life complaints were about reviewable policies—where premiums can rise (often dramatically) after a five or ten year (or more frequently at older ages) review.

In total, 40% of all health insurance complaints were upheld by the FOS (down from 43% last year and half the 82% rate for PPI).

**Comment:** *Complaints are likely to go up in tough economic times, but the rises in IP and (especially) CI complaints are disappointing—and surprising. We suspect there may be some contagion from PPI claims and that IP complaints also include general insurance ASU complaints.*

## 40% of workers have had long term illness or job loss

Two in five people (40%) have experienced long term illness or redundancy yet only 15% have insurance against ill health, and only 7% have insurance through an employee benefit according to a poll for **MetLife**.

Twenty percent of workers had been made redundant at some time, while 21% had been off work for more than four weeks due to illness.

The insurance gap is widest for those aged 55 and over—only 12% had any cover for ill health, yet over half (51%) had been made redundant or experienced long term ill health.

Employee benefits director Stephanie Baillie said: "Understandably, people are being forced to make tough financial choices as their incomes are squeezed, but this only makes good quality health insurance more crucial as many consumers would be left unable to support themselves in the situation where they lost their livelihood through illness."

## Only 1 in 5 offered a dental plan

Less than one in five UK workers (18%) is offered access to a dental plan through their employer, according to research for **Cigna**. But, almost a third of people who are not offered the benefit would like to be.

The survey, carried out by **YouGov**, also found that 70% of people had visited their dentist in the previous 12 months.

Employees were motivated to have the benefit by getting value for money, making treatment costs more affordable and being able to use it regularly.

## IPTF launches draft charter

The Income Protection Task Force (IPTF) launched a draft charter on income protection (IP) at a summit it held in London on 18 April.

The charter recognises that IP is the most important protection product for many people, applicable to at least 20m people in the UK, but that buyers need a quality standard to reassure them that the policy they buy meets minimum standards.

The charter commits those who will sign up to it to try to make the product available to as many people as possible, to pay all claims expeditiously and to publish claims data annually. Policy wordings should be brief, an owner occupation definition offered where possible and the public and advisers should be educated about the need for the plan. Simple IP products and working with the **DWP (Department for Work and Pensions)** to develop an annual *Sick Pay Statement* (so that people know what their entitlements are) are also in the charter.

IPTF co-chairman Peter Le Beau (who is also co-chairman of Protection Review) said: "The delegates at the summit are feeding back their views on the points the charter raises. It is clear that the advent of simple products is widely seen as a potential opportunity to significantly increase the amount of income protection written and things like claims disclosure and plan English wordings will enable consumers to have much better understanding of what the product offers and why it is likely to pay all valid claims. What the industry must do is decide how big the available market is and how they can streamline their processes to take advantage of it."

See [www.protectingmyincome.co.uk](http://www.protectingmyincome.co.uk) to see the full draft charter and to comment on it.

## Less than half workers get time off for dentistry

Less than half (43%) of UK workers get paid time off work to visit a dentist, according to a report from the **British Dental Health Foundation** published on 25 May.

The situation is worse for parents who need to take a child to the dentist.

Few (only 7%) of workers received occupational health information through their employers about the importance of maintaining good oral health. 13% of workers had taken unpaid time off to visit a dentist, while 29% took holiday or made visits in their own time. Almost two thirds (62%) of parents said they either took unpaid leave or holiday to take children to the dentist.

The BDHF said that an estimated two million people had taken sick time off work due to poor oral health over the past five years.

According to *National Smile Month* (May 20-June 20), which is supported by **Bupa**, **Dencover** and **Denplan**:

- 88% of people have no dental insurance.
- 63% have delayed using an NHS dentist due to the cost and 19% have delayed having treatment for cost reasons. 26% say cost has an effect on the type of dental treatment they opt for.
- 84% of adults have at least one filling and people have, on average, seven fillings.
- 6% of adults have no natural teeth, 74% have had a tooth extracted and 19% have full or partial dentures.
- 31% of adults have tooth decay, 66% have visible plaque and 29% suffer from regular dental pain.
- 70% of people use the NHS for their dental care.
- 27% use a private dentist and 34% go private as they cannot find an NHS dentist.
- 50% of people visit their dentist every six months and 21% annually. Visiting regularly reduces the risk of tooth decay by 60%, but 1 in 10 people are not registered with a dentist.
- 27% of people only visit a dentist if they have a problem and 9% visit their dentist when they experience pain. 90% of dental visits are for a check-up.

**Comment:** *Can a case now be made to have a mobile dental service or for larger firms to have on-site dental facilities (the same case could be made for ophthalmologists too)?*

## SoGP on gender rating change

The **F&TRC Protection Forum** has launched a draft statement of good practice (SoGP) on how the industry should manage the requirement to stop rating by gender, which comes into effect on new individual policies from 21 December 2012.

The SoGP requires insurers to confirm their action plans to advisers no later than 21 June and to confirm how pipeline business will be handled, together with notifying all necessary dates and procedures.

The full draft—on which feedback is called for—is at [www.adviserforum.com](http://www.adviserforum.com). Feedback can be given through the site. Protection Forum members currently include **Aviva**; **Bright Grey**; **Direct Life & Pensions**; **Exeter Family Friendly**; **Friends Life**; **Legal & General**; **LifeSearch**; **London & Country**; **LV=**; **Master Adviser**;

**PruProtect**; **Royal Bank of Scotland**; **Simply Biz**; **True Potential**, and **Zurich**.

**Comment:** *The impact of the ECJ gender ruling has the potential to cause a degree of chaos unless it is managed well and this initiative is a good way for advisers and insurers to ensure that the changes are carried out with minimum adverse effects on advisers and, more importantly, consumers.*

## LTC costs to rise from £22bn to £38bn a year by 2025: LV=

The total cost of funding long term care for the elderly in the UK is expected to rise from £21.8bn now to £37.9bn by 2025, according to research by **LV=**. This is based on:

- The annual cost per person is expected to rise by 27% from £26,000 a year currently to £33,000 pa by 2025.
- Longer life expectancy will mean a 37% increase in the number of people needing care—from 840,184 today to 1,149,112 by 2025.
- The current split of 52% domiciliary care and 48% residential care is expected to remain the same.

LV= says average net wealth for those over 55 is just under £32,500, above the current £23,250 threshold (in England) beyond which people are expected to fund their own long term care.

The research also found that 17% of people expect to fund LTC costs for an elderly relative but half (46%) of those had not thought about how they would fund it. Of those that had, 22% would use savings and 19% would pay from their own salary. A quarter (23%) of people expect to use their property to fund their own care, 18% would use savings and 16% their pension income.

A poll of 1,023 consumers for **Partnership** has found that only 7% of people would expect to seek LTC help from a financial adviser, with 46% expecting to use **Citizens' Advice**, 44% their local council, 27% their GP and 24% their family. Partnership says 41% of people in residential care are currently self-funders. Partnership points out that it is often the children of those needing care who make the key financial decisions, and they are typically aged 45 plus. The opportunity therefore for IFAs is perhaps to target this group rather than older clients when it comes to LTC advice.

The Government's response to last year's *Dilnot Report* has not yet been published, but it is expected to delay any potential solution due to fears about the potential cost and also a growing feeling that any LTC funding solution could just highlight the likely shortfalls and so could become an expensive vote loser with little upside.

## Mandatory commission disclosure possible by 2019 warns BIBA

Mandatory commission disclosure on general insurance could be introduced by 2019 due to revision of the EU's *Insurance Mediation Directive* (IMD), which is due to be published in the coming weeks **BIBA** (**British Insurance Brokers' Association**) CEO Eric Galbraith told its annual conference in Manchester on 16 May.

75% of brokers say regulation is the main issue facing their business, followed by insurer service (49%).

## Protection Review news

With the **Protection Review** conference, dinner and book launch all taking place on 11 July at London's **Landmark Hotel** in Marylebone, we are in the final stages of planning for these major industry events.

The book is now virtually complete and will go off to the printers a few days after you read this. As always, it is packed with solid facts and information and informed opinion from many of those we know best and trust most in the business. The book has a full year's shelf life (while older editions are valuable as reminders of the issues and trends of the past) and is ideal to 'dip into' as and when you need information or to stimulate new thought. New this year for our dinner guests is a memory stick of the book (easier than carrying a 250 page hard copy book about after the dinner!).

Only a couple of tables remain available at the dinner, where around 400 guests will enjoy an evening of networking, good food, hearing about (don't worry, we keep it brief!) this year's book findings and listening to the excellent Ruairidh Roberts of **Google**, our dinner speaker.

The conference during the day is split into three main themes: *Customer journeys*, *Entering a new era of risk management and product design*, and *Distribution*. Keynote speakers include Baroness Greengross on the *Long Term Care Dilemma* and **Cicero's** Iain Anderson on *The political/regulatory issues affecting protection*. We also have an excellent team of speakers and panel members from across the industry and the focus is on making this an interactive event that will actually help your business, so come prepared to ask questions and get involved! We expect 150+ attendees at what has become one of the industry's leading annual conferences and part of what must be the most productive and enjoyable days in the calendar.

To find out more about these and other Protection Review events see [www.protectionreview.co.uk](http://www.protectionreview.co.uk). And finally a huge thank you to all the organisations that support and sponsor these events and enable us to maximise value to you, and value for money too.

## STIP not the answer to PPI:ABI

PPI (payment protection insurance) left a huge gap behind but the solution was not product specific, according to Awhina Fleming, policy adviser at the **ABI**, speaking at a **Protect** conference on 25 May. *Cover* magazine reported she said: "It should not be just about one product. How consumers' protection needs are met needs to be a focus. STIP is part of the picture but we have to think more holistically. It is not just about one product."

Fellow speaker Ben Heffer, insight analyst for life and protection at **Defaqto**, said there was a definite increase in STIP (short term income protection) products and it was a simple product that answered basic consumer needs. He added: "We have something now to offer customers, something which is different to PPI. It does not have to be linked to a particular mortgage and it needs to be bought rather than sold."

According to Defaqto, STIP products available in the market had risen from 20 to 66 between 2009 and 2012.

But there were no figures available to show numbers of policies sold, (although both the ABI and the **CML** regularly published PPI sales figures up to the credit crunch).

**Comment:** *The main difference between STIP and PPI is that the insurance is not linked to the loan but instead the customer can choose any benefit level up to the maximum the insurer will offer. The underlying product certainly has a value, especially if linked with long term income protection with a complementary deferred period, but we believe more innovation is needed to encourage the UK's millions of mortgage customers to have adequate protection for not just their loan but also their wider expenditure.*

## UK lags on rehabilitation

The UK lags behind other industrialised countries on helping sick and injured staff back to work and will continue to do so until it develops a more effective approach to rehabilitation, according to the **UK Rehabilitation Council**.

The UKRC has identified a number of factors that are holding the UK back, including:

- Short sighted management who see rehabilitation as an expense and a distraction from other priorities.
- Disjointed and often inadequate public provision of rehabilitation services.
- Lack of understanding of the subject and of how to go about buying rehabilitation services.
- Perverse financial incentives that discourage the use of rehabilitation.
- A lack of infrastructure to help SMEs have access to rehabilitation.

The UKRC is urging the Government to take a lead in encouraging employers to develop proactive return-to-work strategies for staff who become unwell.

UKRC's Mark Baylis said: "Our best employers are world class when it comes to rehabilitation, but there are not enough of them. The sickness absence review will only work if it addresses the question of how to make our rehabilitation outcomes as good as those of other modern economies. This will mean engaging the workplace and public in promoting the most effective rehabilitation and not just assuming the State will take care of it. Money invested in rehabilitation very quickly more than pays for itself through increased productivity and reduced reliance on benefits."

## Many insurers will miss Solvency II deadline, most expect delay

A survey of 60 UK-based insurers by **Deloitte** has found that 37% now expect not to be able to comply with Solvency II requirements, up from 24% last year. 73% say implementation setbacks have taken a toll on budgets and 42% that delays have increased programme costs by more than 5%.

A separate survey of 39 insurers by **Barnett Waddingham** found that 76% believe the Solvency II implementation date will now be extended beyond its intended start date of 1 January 2014.

55% were behind with their Own Risk Solvency Assessment (ORSA) but 87% were now focusing on that.

## Briefs:

- On 23 May, *Cover* reported that **Simplyhealth** was planning to introduce a corporate deductible style group private medical insurance arrangement. One benefit of getting employers to accept a large excess is that the premium to the insurer is reduced, as is the Insurance Premium Tax. Pioneered by **WPA**, **Aviva** also now offers such an arrangement.

- Both **Bright Grey** and **Scottish Provident** have made improvements to their protection plans. Scottish Provident has added more ABI+ critical illness definitions and reduced the majority of its life and CI rates. Bright Grey has made its MS definition ABI+, added 28 day hospitalisation and third degree burns as new conditions, increased its life cover limit to £10m and increased the maximum age for Guaranteed Life or Critical Illness Cover from age 54 to 59.

- Research for **Weber Shandwick** has found that protection customers are now thinking more short-term. Half (50%) of those polled for its *Innovation or Rebirth* report said many insurance policies do not fit their lifestyle or individual needs, while 46% feel that life insurance has become an expensive luxury. 29% disagreed with the suggestion that they would need more financial products, services and advice in the future. Half (48%) did not understand the jargon insurers use to promote their products.

- Apart from tobacco (recognised as a risk by 85% of those polled) most people are not aware of the risk factors for oral cancer, according to **Simplyhealth's Annual Dental Survey 2012**. Other risk factors include alcohol; poor diet/nutrition; sun exposure; HPV virus, and having had a previous cancer diagnosis.

- A poll of 650 expatriate policyholders of **William Russell** has found that 61.4% said they had no life or income protection and 5.7% were unsure. Only a third (32.9%) said they had any cover.

- There has been a 22% increase in the number of UK expatriates working in China and Singapore over the past five years according to research by **NatWest**. In China the number rose from 31,160 in 2006/07 to 38,000 in 2010/11, while in Singapore numbers were up from 40,180 to 49,000. Over the same period expat workers in the USA fell from 881,340 to 794,000 and in France from 285,750 in 2008/09 to 208,590 in 2011/12. Some 5.6% of the British population now lives abroad but that figures rises to 12.2% of the highly skilled proportion of the working population. More than 30% of expats earn salaries in excess of £100,000 a year.

- Over 60% of insurance brokers are confident about their overall business growth prospects for the next 12 months, despite the double dip recession, according to **Sterling Insurance's** annual broker survey, which took place between March and April 2012.

- **Aviva** has launched a new Facebook app called Aviva Health 100, which enables people to rate their health and then compare that with friends and family.

- Irish PMI insurer **Quinn Healthcare** has been rebranded as **Laya Healthcare**. Its policies are underwritten by a subsidiary of **Swiss Re** and it has 450,000 members, making it the second biggest PMI operator in Ireland, with a 20% market share.

- **CII (Chartered Insurance Institute)** membership rose from 96,617 in 2011 to 102,221 in 2011. Of those, 20,690 (up from 20,175) were chartered individuals and 468 (up from 372) chartered firms. **PFS (the Personal Finance Society)** membership hit 29,462 in 2011. One additional benefit of PFS membership is free attendance at Protection Review training sessions. For details of dates see [www.protectionreview.co.uk](http://www.protectionreview.co.uk).

- **Hargreaves Lansdown Corporate Solutions** has forged an alliance with employee benefits software co **Staffcare** to grow its corporate wrap proposition.

- Just 20% of people have set money aside for any care needs in retirement (and only 10% of those aged 65+) according to **Prudential's Class of 2012** report.

- **Groupama Healthcare** formally became part of **Simplyhealth** on 27 April. Along with **Denplan**, the group now serves nearly 4m people and 20,000 businesses and is the UK's fifth largest PMI provider.

- Mutual and cooperative insurers now have a 26% market share in Europe, according to **AMICE, the Association of Mutual Insurers and Insurance Cooperatives in Europe**.

- **International Health Insurance News** has reported that a new health insurer is poised to enter the Irish market in the summer. Headed by former **Aviva** boss Jim Dowdall, with the backing of **Irish Life** and **Munich Re**, it aims to undercut premiums charged by the established players. Irish PMI policyholders have seen premiums rise by around 50% in the past two years, the article claimed.

- **HSBC** is scrapping its tied advice service, with up to 650 advisers losing their position.

- **British Friendly** has reported that since launching **BFS Protect** in March 2011, it has received 2,295 applications from intermediaries, written annual premiums in excess of £650,000 and registered more than 800 advisers. Established in 1902, BFS paid out more than 98% of all its income protection claims in 2011.

- **Wesleyan Medical Sickness** has formed a corporate partnership with the **Royal Medical Benevolent Fund**, which aims to offer advice, support and financial help to doctors, medical students and their families.

- **LV=** reports protection business up 18% in 2011 from £23.7m to £28.0m APE.

- The **British Standards Institution (BSI)** has launched BS 8577 accreditation for IFA firms.

- Health cash plan provider **BHSF** has reported grow written premiums (GWP) up from £34.027m in 2010 to £34.562m in 2011. Claims were up 2.1% to £24.781m.

- **NHS Health and Social Care Bill—result or disaster?** Discuss. According to a very interesting piece by health journalist Nigel Hawkes in the *BMJ* (BMJ2012;344:e2429) 'Lansley has pulled off one of the profoundest reforms ever'. He cites Mike Birtwistle, head of health at consultants **MHP Communications** who argues '...the passage of this huge and complex Bill through a hung Parliament was a major political feat, and the attacks made on it were on such a narrow front that many other controversial features went through relatively unchallenged. The smoke of battle provided cover for changes that, if taken one by one, could not have passed'. He adds: 'Regardless of whether these changes are good or bad, they are substantial'. He concludes: 'The coalition lives to breathe again.' For now...

## Pick of the month

ALC Health has introduced changes to its range of international medical insurance plans. Westfield Health has revamped the old PatientChoice concept, positioning the plan plus an HCP as a lower cost alternative to conventional PMI. Our pick of the month is MetLife, which has also introduced a series of updates, in this case to its existing group life plan.

### ALC Health Prima

**ALC Health** has made a number of improvements to its Prima range of international medical insurance plans and increased overall annual limits on its Premier, Classic and Ibérica plans. Main changes are:

- Prima Premier's new annual policy limit has been increased to £2.5m.
- The Prima Classic and Ibérica plans' annual limits have been raised from £1m to £1.25m.
- Under all three plans newborn congenital cover is now included as standard with a lifetime limit of £100,000.
- Premature birth cover has been added to the Prima Classic and Ibérica plans (previously this has only been available under Prima Premier).
- Prima Premier now offers four routine maternity options (£3,000, £5,000, £7,500 and £10,000) with the other two plans offering two choices (£3,000 or £5,000).
- All Prima plans now include complications of pregnancy up to the full annual policy limit as a standard benefit, regardless of whether a routine pregnancy package has been selected.

All changes come into effect from 1 June and apply to all new or renewing policies on or after that date.

**Comment:** Last December, ALC Health switched underwriter to AXA PPP International and has since then reviewed the scope of its plans' benefits. These benefits won't affect all customers but are useful changes that should not attract significant additional cost.

**Product design points:** Including pregnancy covers on any health insurance policy is clearly of benefit if you are a woman who expects to have children at some point in the nearish future. But does it make sense to add the cost of providing this cover to the premiums of the majority of customers who could not benefit from it? In practice the issue is not so black and white and the emotional value of including the benefit may be judged to outweigh the purely financial arguments.

Similarly, offering a higher annual policy limit may attract more customers and so offset the additional cost of having that—especially if reinsurance is bought to cover the extra risk. As in all similar issues, the product designer has to weigh up all the options and a key factor for ALC has been feedback from brokers and end customers. Logic is therefore not always the sole arbiter—experience and judgement can be just as important, together with the ability to try different ideas if your first option does not work the way you hoped.

**Plus points:** Cover improvements will appeal, especially to some customer groups.

**Not so plus points:** Pregnancy benefits may appeal to one group but have to be paid for by others.

**Website:** [www.alchealth.com](http://www.alchealth.com).

**Rating (max 5):** Innovation: 3.5. Overall: 4.

### MetLife Group Life Protection

MetLife has relaunched this plan (which is underwritten by parent **Alico**) to now include the following enhancements:

- Registered and excepted policies are both available, giving tax advantages on contributions and benefits.
- Maximum age for cover has been extended from age 70 to age 75.
- Early retirement cover is available to retirees.
- Maximum temporary cover above the free cover limit has been raised from £1.25m to £3m and cover expanded to include all causes, not just accidental death.
- Activity at work requirements have been improved. Scheme members now only need to be at work on the day before the scheme starts.
- Terms for schemes transferring from other providers have been improved.

The plan covers schemes from three employees upwards and MetLife operates a one step underwriting system and simplified administration approach (there is no end of year adjustment if numbers in the scheme change within the year).

**Comment:** These are sensible and useful enhancements to MetLife's existing offering as part of its expansion in the group risk space. This is not a complicated product—it simply offers life cover until retirement age at a price that is usually much lower than equivalent individual term insurance.

**Product design points:** Group risk products tend to be simplified versions of individual market plans, with an emphasis on making such plans as easy as possible to go on risk and run and with lower premiums too (because of economies of scale and admin and especially if available tax benefits can be accessed).. The use of a scheme trust can also enable claims to be paid out often more quickly than its promised five day turnaround MetLife says.

**Plus points:** Simple life cover now improved in a number of ways. Invariably cheaper than equivalent individual cover. MetLife is a relatively new name to the UK, but the group has a market value of almost £40bn.

**Not so plus points:** Not available to businesses with less than three employees.

**Website:** [www.metlife.co.uk](http://www.metlife.co.uk).

**Rating (max 5):** Innovation: 3.5. Overall: 4.

### Westfield Health Hospital Treatment Insurance

**Westfield Health's** new plan is a company paid (with a voluntary scheme version to be launched soon), community rated major medical expenses (major medex) plan for employees and there is a minimum group size of five employees. The plan pays if the insured employee needs a specified hospital treatment, with a smaller cash lump sum payable if they have free NHS treatment instead.

In effect the plan builds on the products previously offered by **PatientChoice**, which became part of Westfield in 2011. The plan offers two cover options:

- Surgery Choices 1. This covers over 60 surgical procedures (and also includes a specified number of post-operative out-patient physiotherapy sessions for some procedures). When a claim is made, Westfield sources a fixed price private treatment package that includes all costs in-

-cluding for any complications arising within 30 days after the procedure has been carried out. The maximum benefit per treatment is £10,000 and operations are split into three bands, the lowest set at up to £3,000. The maximum lifetime benefit is £100,000. Premiums start at £5.37 per employee per month.

- **Surgery Choices 2.** This is a more comprehensive version, covering over 1,300 procedures (set out in a 25 page list). These are split into 12 bands, the lowest being up to £850. The maximum benefit per treatment is £25,000 and the maximum lifetime benefit is £250,000. Premiums start at £16.00 per employee per month.

Essentially, the plan is designed to pay for the most common non-urgent surgical or medical procedures. However, all surgical procedures relating to cancer or heart disease are excluded, as is emergency treatment, psychiatric treatment, pregnancy or childbirth and chronic conditions. As standard, pre-existing conditions are excluded under a two year rolling moratorium (or three years for Surgery Choices 2). Other underwriting options are also available. Pre-admission diagnostic tests and consultations are not covered, although an employer could cover these under a separate health cash plan, which will often include such cover up to pre-set limits.

At present, only employees may be covered under the plan, but Westfield says partner cover is 'coming soon'.

If the employee opts to have free NHS treatment or is assessed as unsuitable for a private health package, Westfield will pay a smaller cash lump sum either to the employer or to the employee (the employer decides which when the plan is taken out or at annual renewal).

**Comment:** Westfield is in essence offering an alternative to traditional PMI by listing what it will cover, rather than the PMI norm of listing what is not covered. In both cases the list can be quite long, so it is important to look at exactly what is and isn't covered.

The idea is not new—major medex was once the 'next big thing' - but few providers other than PatientChoice have been active in the sector in recent years.

One reason is that listing any operation or procedure is like listing the component names in your TV set—only of relevance if you are going to need that component. It is hard therefore for consumers (and employers and even intermediaries) to understand what they may be missing by having a major medex rather than conventional PMI style plan.

That can be resolved to some extent by including comprehensive examples of what is covered—for example, listing the most common types of procedures and saying whether they are covered by this plan. Westfield has not (yet) done that to any extent, so it is difficult for the non-expert to know the extent of the cover they are buying—they will only find that out if they need treatment for some condition in the future.

One area where this plan is better than conventional PMI is that it pays out a significant sum if the employee has free NHS treatment instead. That can help pay for the many extra costs often involved in being in hospital (such as transport, loss of income and close family visitor costs), and which are often overlooked until actually incurred.

The bottom line is, if a firm understands and is happy with the level of cover being provided and especially if employees have a good health cash plan too, this can be an option worth considering as a lower cost alternative to fully comprehen-

sive PMI cover. Especially as future price rises may be below those typical of PMI cover too.

**Product design points:** Is major medex a realistic alternative to conventional PMI? There are disadvantages, certainly but, in principle major medex or surgical cash or hospital treatment insurance does have advantages over its more popular competitor too. One is that it can generate a cash sum if free NHS treatment is chosen or if a fixed price package is not available or suitable. That can help cover expenses.

By excluding certain treatments, the insurer also has greater control over what might be termed 'nice to have' rather than 'essential' treatments. That can help the insurer offer lower prices today and, just as importantly, help keep them under control in future.

To succeed though, we believe that major medex needs to move on and to offer wider benefits. For example, the essential claims management ingredients could be used to source non-insurable treatments, such as cosmetic or dental procedures. Insurance? No, but an area where many people do have a health spend these days and they would value savings here to help offset the cost of their health insurance. Or partial payments could be offered for some treatments, so ensuring prices are kept low. The list goes on, but our fear is that unless the underlying design is developed further, there is not enough in current designs to grow the market much further.

**Plus points:** Lower cost than conventional PMI and may offer low future cost rises too. Pays all costs for listed procedures and offers a choice of two cover levels. Significant cash benefit if NHS treatment is chosen instead.

**Not so plus points:** Long list of exclusions, including cancer and heart treatment. Difficult for the layperson to know how extensive the cover is. Not as comprehensive as comprehensive PMI. Treatment options are chosen by Westfield and a fixed price deal may not always be available or appropriate.

**Website:** [www.westfieldhealth.com](http://www.westfieldhealth.com).

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

## Product design issues...

### Back to basics—consider the fundamentals

Insurance is a very technical subject, and life and health insurance is no exception to that. It is therefore easy for a product design team to get too engrossed in the detail and to ignore what the purpose of the policy actually is.

Researching consumers' and intermediaries' attitudes can be helpful, but that is no easy task. When it was first researched for example, critical illness insurance was widely written off as gimmicky. CI insurers succeeded by largely ignoring the research and 'betting' on their gut instinct that, once they understood the value of the product, people would buy it and intermediaries sell it.

Over time, more sophisticated techniques can help drive the way forward, but don't forget the fundamentals. For example, is the purpose of CI to have the most pages of definitions or most conditions covered? Or is it, fundamentally, to provide a significant cash sum if ANY critical illness affects someone's life, lifestyle or life expectancy?

Going back to that fundamental truth may still mean adding more and better definitions but it could also take the product in a different direction. Fundamentally, what's best for the customer should be the development driver.



## Prostate cancer hits 40K pa

The number of men diagnosed with prostate cancer in the UK now tops 40,000 a year **Cancer Research UK** reported on 4 May.

In 2009, around 40,800 men were diagnosed with the disease, up from around 14,000 in 1989. Much of the increase is due to the greater use of PSA (prostate specific antigen) testing, which measures the chemical produced by the prostate that may be raised when a man has prostate cancer. The test is not part of the national screening programme, as up to two thirds of men with high PSA levels do not have prostate cancer.

Prostate cancer incidence has risen from 47.4 to 102.0 per 100,000 since 1989, although the death rate from prostate cancer has fallen from 26.8 to 23.8 per 100,000 since then.

The cancer charity also reported (15 May) that the number of people dying prematurely from any cancer in the UK has fallen below 14,000 for the first time in 40 years. Cancer deaths for 50-59 year olds fell from over 21,300 in 1971 to under 14,000 in 2010, a drop of 40%.

The death rate from cancer for this age group fell from 310 deaths per 100,000 population in 1971 to 185 per 100,000 in 2010.

The charity's chief clinician, Professor Peter Johnson, said: "The reduction in people smoking has been a big help, and we are also better at diagnosing cancers early and better at treating them, whether by surgery, radiotherapy or chemotherapy."

## Better outcomes at high volume stroke centres

Treatment is faster and outcomes are better at stroke centres dealing with a high volume of patients, a study in the *Journal of Neurointerventional Surgery* in May concludes.

US researchers looked at 442 patients treated with endovascular therapy—clot busting treatment provided inside the brain via a catheter without the need for surgery—at nine specialist tertiary stroke centres between September 2009 and July 2011.

Four fifths (80%) of patients whose treatment (from insertion of a catheter in the groin to completion of the procedure) were treated faster than the average time of 95 minutes in high volume facilities. High volume was defined as carrying out more than 50 such procedures a year.

Worryingly, only 20 of the 122 patients treated in a low volume centre (and 40 of 100 patients treated at high volume centres) would have met the recommended 120 minute door to needle time, which is considered essential for boosting the chances of survival. The research also found that patients were 86% more likely to survive and 82% more likely to have blood flow successfully restored in the affected artery if referred to a high volume centre.

**Comment:** *It is well-established that facilities and surgeons who undertake procedures more often will generally have better outcomes.*

*But patients rarely have control over which facility and surgeon will be used in emergencies (such as having a stroke), while even for elective treatment, throughput data may not be fully considered by the patient or their referring doctor.*

## Simple drawing test can predict stroke death in older men

A simple drawing test can predict the long term risk of dying after a first stroke among older men, according to research published in *BMJ Open* on 9 May.

The Trail Making Test (TMT) involves drawing lines with a pencil between numbers and/or letters in ascending order, as quickly as possible. Based on data from the Swedish *Uppsala Longitudinal Study of Adult Men* (which monitors 2,322 men since the age of 50), a 15 year study (1991 to 2006) found that men whose scores were in the bottom 30% were around three times as likely to die after a stroke as those whose scores were in the highest 30%.

TMT is likely to pick up latent cognitive impairments caused by silent cerebrovascular disease that has not yet produced overt symptoms, the report's authors suggest. The test can therefore be used both to identify stroke risk and to be an important predictor of post-stroke mortality.

## Suicide rate continues to fall but narrative verdicts cloud data

In 2010 there were 5,608 suicides in the UK in people aged 15 and over, down from 5,675 in 2009 the **Office for National Statistics (ONS)** reported on 26 January.

Although suicides rose by 329 in 2008, the long term trend has been downward and the male rate per 100,000 population fell in the UK from 17.4 in 2006 to 17.0 in 2010. Male suicides continue to exceed female—with the female suicide rate per 100,000 population being 5.3 per 100,000 in both 2006 and 2010.

In recent years, around 30,000 coroner's inquests a year held in England and Wales report a narrative verdict. In addition to recorded suicides, 16.0 male deaths per 100,000 in 2010 (up from 15.7 in 2006) had a 'hard to code narrative and the underlying cause of death was accidental hanging or accidental poisoning'. The rate for females in England in 2010 was 5.1 per 100,000 (up from 5.0 in 2006).

The data illustrates coroners' reluctance to declare suicide unless there is clear evidence to support that. Health insurers generally exclude self-harm, while life policies will usually pay out on suicide, except in the first 12 months (and that condition may be waived where a life policy is assigned—although that itself is rare these days).

Source: *Suicide rates in the United Kingdom, 2006 to 2010*, ONS, 26 January 2012.

## Nuffield in talks to merge with King Edward VII's Hospital

On 1 May, **Nuffield Health** announced that it was in discussions to merge with the **King Edward VII's Hospital** in London. Nuffield currently has 31 hospitals, six medical centres and 65 fitness and wellbeing centres in the UK.

The move would give Nuffield a flagship hospital in the capital and both organisations are registered charities (Nuffield is the UK's largest health charity) with broadly similar objectives. A merger would also allow the hospital to fund major capital projects more easily. It is expected that the talks will continue for some months.

## Medical briefs:

- Patients preparing for surgery should eat and drink like marathon runners, **NHS** medical director Sir Bruce Keogh told a conference on 30 April, the *Daily Mail* reported that day. Most patients can eat up to six hours before surgery and have sugary drinks up to two hours before, the article reported. Sir Bruce said: "For years the accepted wisdom has been to starve patients before surgery. But, much like runners preparing for a marathon, patients who load up with carbohydrates beforehand can better cope with trauma of surgery."
- The conference was also told that improvements in care before and after surgery had led to 70,000 fewer days in bed for patients in 2010/11, compared with 2008/09.
- Damaged PREX2 genes were found in 44% of 25 melanoma patients in a study published in the journal *Nature* in May. Two other genes—BRAF and NRAS—were also found to be linked to melanoma.
- GPs spot two thirds of cancers at first presentation, according to a *BMJ* article on 2 May.
- Adverse affects of alternative therapies are under-reported according to a systematic review of 60 randomised trials by Edzard Ernst, professor of complementary medicine at the **University of Exeter**, the *BMJ* has reported (*BMJ* 2012;344:e3432). He found that 29 of the studies on chiropractic failed to cite side effects of the therapy. "Alternative therapies might be safe, but we simply cannot be sure that this assumption is correct," he said.
- The **US Food and Drug Administration** has warned against experimental 'liberation therapy'—balloon angioplasty to widen narrowed veins in the neck and chest to treat cerebrospinal venous insufficiency, a condition that may be associated with multiple sclerosis—as it can result in death, stroke, bleeding and clots after the treatment.
- Regular jogging increases life expectancy by 6.2 years in men and by 5.6 years in women, according to a Danish study presented at a **European Association for Cardiovascular Prevention and Rehabilitation** conference, *Nursing Times* reported on 15 May. Between one and two and a half hours of 'slow or average' jogging was most beneficial the study claims.
- Cases of malaria among people visiting the Indian subcontinent have risen by 22%, from 274 to 334 cases, between 2010 and 2011 the **Health Protection Agency** has reported.
- Dying and end of life wishes remain a taboo subject for patients and GPs, a survey for the **Dying Matters Coalition**, a group led by the **National Council for Palliative Care**, claims. **ComRes** polled 2,028 adults and 1,000 GPs and found that only 27% of people had asked a family member about their end of life wishes and only 31% had talked to someone about their own wishes. Just 37% had written a will, 31% had registered to be an organ donor and only 8% had written down their end of life wishes. A third (35%) of GPs had not initiated a discussion with a patient or 33% a family member about end of life wishes. Only 56% of GPs had a will and only 7% had written down their own end of life preferences. 71% of the public and 79% of GPs agreed that people in Britain are uncomfortable discussing dying, death and bereavement.

## Political briefs:

- There were 599 breaches of the Government's Mixed-Sex Accommodation (MSA) guidelines in England in April, the **Department of Health (DH)** reported on 17 May. This was up from 461 in March. Three quarters (75%) of the 163 trusts reported zero sleeping breaches.
- In March, 282 urgent NHS operations were cancelled at the last minute in England—down from 353 in February, but up from 237 in March 2011, the **DH** reported on 27 April. In the same month there were 3,738 adult critical care beds available, with 3,193 occupied (an occupancy rate of 85.4%).
- In the quarter ended 31 March, 16,719 operations were cancelled at the last minute for non-clinical reasons (up from 15,287 in the same quarter of 2011) the **DH** reported on 11 May. That represented 0.9% of all elective activity. Of those operations cancelled, 1,052 (6.3%) were not treated within 28 days of a cancellation, up from 844 (5.5%) for the same period of 2011.
- An extra 1.2m people now have access to an NHS dentist compared to May 2010, the **DH** claimed on 17 May. Pilots of a new dental contract are now being run in 70 practices across the country, based on results achieved rather than treatment provided, the press release added.
- Dental fraud cost the NHS £73.2m in 2009/10 according to a report by **NHS Protect** on 9 May. 50% of frauds were for patients receiving a different level of treatment to that specified, 27% involved dentists splitting up single courses of treatment into separate claims to earn more UDAs (units of dental activity—the system that determines what NHS dentists are paid), 12% were for patients who had not visited the dentist, 19% for patients who did not exist and 1% for exempt patients who paid.
- **Circle** will keep the first £2m of any yearly surplus the **Hinchingbrooke Hospital** (which it now runs for the NHS) generates, a quarter of any surplus between £2m and £6m and a third of any surplus from £6m to £10m the *BMJ* reported on 8 May. All surplus over £10m a year would go towards paying the hospital's debts. The disclosure sparked controversy, but much depends on how successful Circle is in turning round the hospital's financials and how good overall patient service and outcomes are.
- The number of deaths that occurred at home rose from 18.3% in 2004 to 20.8% in 2010, while hospital deaths fell from 58.3% in 2005 to 53.3% in 2010 the **NHS National End of Life Care Intelligence Network** reported. 5% died in a hospice. The *BMJ* reported on 9 May that this contrasted with a 2010 survey which found that 63% of people would prefer to die at home, 29% in a hospice and only 3% in a hospital.
- Less than 50% of people diagnosed with diabetes enjoy even the minimum level of care, according to **Diabetes UK's State of the Nation 2012** report.
- Better training is needed for the NHS to deal with increasing patient multimorbidity a Scottish study published in *The Lancet* (*Lancet* 2012, doi:10.1016/S0140-6736(12)) claims. Most healthcare research and education focuses on single diseases while many patients have several it says.
- The ageing population is not a drain on the economy or NHS, according to a report from the **School of Pharmacy at University College**, London, in April.

## Netherlands tops Euro health

For the third time in a row, the Netherlands has topped the Swedish think tank **Health Consumer Powerhouse's** table on European healthcare. The UK was placed equal 12th with Ireland and Austria.

The study takes into account 42 indicators, including residents' satisfaction levels, outcomes and access to healthcare and drugs.

The *BMJ* reported on 15 May that the index points to continuous improvement in European healthcare, with better outcomes and conditions.

The leading countries (in order) were 1) Netherlands; 2) Denmark; 3) Iceland; 4) Luxembourg; 5) Belgium; 6) Sweden; 7) Switzerland; 8) France; 9) Norway, and 10) Finland. The UK ranked ahead of Germany (14th) and Spain (24th) and was two places higher than in the last index, in 2009.

## Health spending slowed in 2010

The UK had its lowest increase in health expenditure in 13 years in 2010, according to figures from the **Office for National Statistics** reported in the *BMJ* on 8 May and provided for the **OECD**.

Expenditure on health rose from 2009 to 2010 by 3.1%, compared to an average of 7.5% a year between 1997 and 2010 and by 8.8% between 2008 and 2009.

Healthcare capital spending rose from £6.9bn in 2009 to £7.4bn in 2010, and made up 5.3% of all healthcare expenditure. As a percentage of GDP, capital spending rose from 0.3% in 1997 to 0.5% in 2010. In 2010 total health spending rose from 9.6% to 9.7% of gross domestic product (GDP). In 1997, total health expenditure was £55bn and healthcare expenditure was 6.6% of GDP.

Expenditure on private healthcare rose by £1bn or 4.3% in 2010 to £23.6bn. As a proportion of GDP it rose from 1.3% in 1997 to 1.6% in 2010.

**King's Fund** chief economist John Appleby told the *BMJ*: "I think we'll expect figures for 2011, 2012, 2013 and 2014 to show a downward trend. We know there isn't any more money for health."

## Unemployment continues slow downward trend

Unemployment continued its recent downward trend by falling from 2.65m in December 2011-February 2012 to 2.63m in January-March, according to the latest *Labour market statistics* bulletin, released by the **ONS** on 16 May.

During the same period, employment rose again, from 29.17m to 29.23m, although the number of part-time workers hit a record (since recording started in 1992) of 7.99m. 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 107.274 to 107.495. 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 (JSA) claimants fell from 1.61m in March to 1.59m in April. The latest unemployment rate is now 8.2%. Earnings in the three

month period to end March (including bonuses) fell further, from 1.1% to just 0.6% higher than a year before.

On 22 May the ONS announced that in April the Retail Prices Index (RPI) fell to 3.5% (down from 3.6%) higher than a year before, while the Government's preferred Consumer Prices Index (CPI) was down from 3.5% to 3.0% in March. This compares to an annual inflation target of 2.0% but means that this month the Governor of the **Bank of England** did not have to write a letter to the Chancellor, explaining why inflation was outside the 1-3% target band and what the bank was doing about that.

**Comment:** *Many of the trends are positive, but public sector jobs are falling, part time working rising and the economy remains vulnerable, as average earnings show.*

## Hospital RTT waiting times up

The median Referral to Treatment (RTT) wait for NHS hospital admission in England fell from 8.7 weeks in February to 8.1 weeks in March according to a **Department of Health** Statistical Press Notice released on 17 May. For non-admitted patients the median wait remained at 3.6 weeks. The 95th percentile time wait for patients entering an RTT pathway rose from 21.9 weeks to 22.1 weeks 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 remained at 90.2%. At the end of March, there were 49,359 fewer patients waiting longer than 18 weeks for treatment compared to the number waiting in May 2010.

However an audit carried out by the **Patients Association** found that waiting times for eight common elective operations in England rose for the second year running in 2011, when there were 18,628 fewer procedures carried out than in 2010, the *BMJ* reported on 20 April.

The biggest increase in waiting was for knee operations, where patients waited, on average, 10.3 days longer than they did in 2010. Waits for hernia operations increased by seven days and hip procedures by six days.

## 131m days lost to sickness

Around 131m days were lost to sickness in 2011, but this was down by 26% since 1993, when 178m days were lost, despite an increase in the employed population from 25m to 29m, the **ONS** reported on 15 May.

Total hours lost fell from 2.8% in 1993 to 1.8% in 2011. Minor illness was responsible for most absence (and 27.5m days lost) in 2011, but the greatest number of days lost was 34.4m, for musculoskeletal conditions.

Since 1993 male sickness absence fell from 2.5% of hours in 1993 to 1.5% in 2011. For women the fall was from 3.3% to 2.3%. Self-employed people lost 1.2% of hours in 2011, compared to 1.9% for employees.

Workers in London lost least hours (1.3%), while those in the North East and Wales lost most (2.5%).

For workers aged 16-34, average hours lost to sickness was 1.5%, rising to 2.5% for workers aged 50-64. However, workers aged 65 and over lost fewer hours, as those with health problems were likely to have left the labour market, the ONS said. Public sector workers lost 2.6% of hours, compared to 1.6% for the private sector.

## Blogs

In this section of e-Protection Review we feature some of the blogs that were first published on the [www.protectionreview.co.uk](http://www.protectionreview.co.uk) website. You'll find blogs covering a very wide range of issues, products and markets. That's the aim. We want every blog to challenge and question, to inform and to stimulate. Our bloggers are a mixed bunch (we mean that nicely) but they are all people we like listening to and learning from. We hope you will too.

They are also independent—these are their views, not ours, and they can and do say what they like. That's why we feature them!

This month we feature three blogs. First, advertising guru Lucian Camp shared his thoughts on the proposed National Protection Awareness Day with us on 1 May.

I think the moment may have slightly passed, but this is my first Protection Review blog since we all first heard about the idea of an annual National Protection Awareness Day – so this is my first opportunity to share my feelings on the subject.

They are, in a word, mixed. It's difficult to be against an idea intended to raise the profile of protection – and in a strong, successful consumer market it might make good sense as the icing on the consumer awareness cake. But in the continuing absence of anything much in the way of cake, I'm not convinced that icing is the first thing that's needed.

I'm doubtful partly because I can't help questioning the impact that a National Protection Awareness Day would achieve as a standalone initiative in real life. Are you aware, for example, of the already-existing National Data Protection Day? Or National Horse Protection Day? Or National Immigrant Protection Day? Or even National Groundwater Protection Day (12 September this year, all groundwater lovers will want to know)? According to Google, all of these exist. But I can't say that any of them generate huge drama or excitement among the general public, and I don't think our National Protection Awareness Day would do much better.

But what really bugs me is the way that once again, when a bunch of people in the industry who could start investing in some proper, branded marketing trying to persuade consumers to engage with the specifics of what they have to offer are offered, as an alternative, the opportunity to take part in a cheaper, more gimmicky generic stunt which probably won't happen and won't achieve anything much even if it does, they turn unhesitatingly and enthusiastically towards the wrong option.

I simply do not understand why firms in the protection industry are so eternally reluctant to get out there and compete for business in the consumer marketplace. We hear talk of generic advertising campaigns. We hear calls for Government-funded public information campaigns. Now we're introduced to the concept of National Protection Awareness Day. To me, all these things are red herrings – distractions from the kinds of activity that might really make a difference.

If I could wave a magic wand and get one message across to the industry, it would be that as far as consumers are concerned, there's nothing exceptional, extraordinary or superior about protection. It's just another product (or service, depending on your point of view), competing for a share of their disposable incomes.

As products (or services) competing for business, protection is – or at least could be – compelling. It has good stories to tell. It has powerful emotional and rational benefits to offer. It costs less than many people expect. Some providers have interesting USPs to communicate, and no doubt more could develop some if they chose to.

But with the exceptions of Aviva (whose excellent Paul Whitehouse commercial was in fact part of their over-all corporate brand promotion and not specifically designed to support their protection business) and Unum with its oddly-executed Back-Up Plan campaign, none of the players in the market seems to show any interest in playing the rather strong selection of cards in their hand.

All the evidence from other parts of the consumer economy shows that people start getting interested, engaged and even a bit excited when they perceive the existence of a vibrant, lively and diverse market populated by organisations with relevant and engaging propositions for them. That's as true in huge national chunks of the consumer economy like mobile phones and financial price comparison sites as it is in small local chunks like my neighbourhood Swiss Cottage farmers' market.

The conclusion is obvious. If protection providers really want to engage consumers with their propositions, what they need to do is get out there and promote them. And the more of them that do so, the more attention consumers are likely to pay to them. Once we reach that point, we'll have, so to speak, a cake. And who knows – it might then even be worth thinking about the icing of a National Protection Awareness Day.

*Lucian Camp is principal at Lucian Camp, Consulting.*

**Next, PMI intermediary and past chairman of AMII Steve Walker asked on 8 May: PMI premium inflation – are we getting the whole picture?**

A recent industry media article addressed the problem the PMI (private medical insurance) industry has with maintaining affordable and sustainable premiums, placing the blame firmly on the doorstep of medical inflation, which is running at a rate of 9% to 10% - much higher than general inflation. Medical inflation has always been a problem for the industry, but I believe there is another major factor involved, to which insurers seem to turn a blind eye.

Many large broker firms and networks are using the 'holy grail' of the internet to generate leads in volume and are paying a fee (up to £20+?) 'per click' to the likes of Google. And I'm constantly getting spam emails (at least one a day - and very annoying), telling me that NHS waiting times are soaring and that I should be buying PMI in order to avoid the queues. Of course these large brokers have the financial capability to harness the full potential of the internet and are consequently 'hoovering' up business, leaving the crumbs for the small intermediary firms - the people who generally provide good quality, long-term busi-

-ness but at much lower rates of commission.

With an enquiry to sale rate of probably no more than about 10%, the cost per internet-generated sale can be very high; consequently these large brokers and networks demand very high commission rates (60%+?), which many insurers are prepared to pay for high-volume sales. Logic would suggest that this can only increase the cost of a policy to the consumer, making PMI too expensive to consider for many people. But insurers continue to follow the same old path of paying high commissions to gain market share.

Unfortunately there tends to be a lack of continuity within many insurance companies, particularly in the larger organisations. The turnover of people involved in upper management can be quite high, with appointees coming and going every couple of years or so. It would seem that the individuals concerned are often using the post as a career stepping stone and high volume sales look good on a CV, irrespective of how they are achieved. So these people move on (and up), and a new manager/director moves in – quite often bringing their own management team with them; lessons are not learnt and the same old costly mistakes are repeated time and time again.

I suspect that a substantial percentage of internet-generated sales are poor quality and result in a high drop-off rate; it's a bit like trying to fill a bath with the plug out – high volume being pumped in at the top end, but constantly leaking out at the bottom end.

Of course, the drop-off rate does not feature on CVs; the actual long term effect of producing these sales figures is ignored and the PMI industry continues to stagnate, struggling to find good quality, sustainable business. The only real winners out of all this are the likes of Google, while insurers struggle to keep premiums to an affordable level and the smaller intermediary firms that provide sustainable, quality business, are gradually gobbled up and acquired by the big boys.

**Steve Walker is Director, Medical Insurance Services.**

**Our final blogger, Alan Newman, hit us on 21 May with a challenging blog on whether, in this digital age, we need a fresh look at segmentation:**

We may need to take a fresh look at the way we think about customer behaviour and segmentation. It's important to do this anyway, but it's arguably essential to do so now for three reasons:

1. The digital world in general, and social media in particular, are already having a big impact on how consumers source information and make decisions.
2. The economic realities and perceptions for the baby boomers, Generation X and Generation Y are markedly different.
3. A quotation attributed to Mark Twain says, "It ain't what you don't know that gets you in trouble; it's what you know for sure that just ain't so." Today, the conventional wisdom in the senior ranks of banks and insurance companies may simply be conventional.

Each organisation has what business guru Peter Drucker

called, *The Theory of the Business*. These are the organisation's assumptions about markets, new types of competition, customers, non-customers, new technologies and their impact. They are the assumptions about the organisation's strengths and weaknesses and what it gets paid for. An organisation gets in trouble when these assumptions no longer fit reality. How can an organisation know that its assumptions are no longer valid? A good lead indicator could be its approach to segmentation.

'Buyers differ. In needs, resources, buying attitudes and buying practices. Via <b>segmentation</b> sellers can reach similar types of buyers more efficiently.' Principles of Marketing, Kotler et al.
' <b>Segmentation</b> is a process whereby a provider of goods or services chooses to group (prospective) customers together on the basis of a set of common characteristics that have significant implications for its marketing activity.' Financial Services Marketing, Ennew & Waite.

These definitions of segmentation may seem obvious, but segmentation invariably reflects our perceptions rather than an objective reality. Furthermore, just because two consumers share a common characteristic (e.g. age, gender, income level, or religion) it does not necessarily mean that the characteristic is relevant.

Engaged	<b>PRES- SURED PRO- VIDER S 35%</b>	<b>CONFI- DENT INVE- STOR S 25%</b>	I have seen this 2x2 presented at a number of seminars and conferences by those working in retail banking or insurance. Do you identify yourself as belonging to one of the quadrants?
Cust	omer	is	
Indif- ferent	<b>AP- PREHE NSIVE TRA- DITIO NALIS T 17%</b>	<b>FREE- THINK ING INDE- PENDE NTS 23%</b>	The categories seem plausible and the percentages suggest a comforting degree of robustness. But as consumers are we really conservative-or-not? Are we simply risk-takers-or-not?
	Conser- vative	Risk taking	
	<b>Customer is</b>		

'How many types of people are there?' is not a new question. The ancient Greeks, for example, talked about the four core temperaments or 'humors', *choleric* (aggressive, energetic, moody), *melancholic* (anxious, considerate, introverted), *phlegmatic* (conscientious, observant, quiet) and *sanguine* (impulsive, pleasure-seeking, sociable).

How much more insightful are we today? Consider these different perspectives:

1. The Myers Briggs Type Indicator (MBTI).
2. A 2006 IPPR report on *Rethinking Financial Capability*.
3. CACI's ACORN System.
4. Experian's MOSAIC System.
5. BBC Big Money Test.
6. Social media segmentation by Forester.
7. Social media segmentation by ICM Research.
8. Social media segmentation by Ofcom.
9. Consumer Segmentation by Vocatus.

1. The **Myers Briggs Type Indicator**, widely used by HR departments in the US and Europe, talks about 16 types based on where an individual gets her energy (E, **externally** or I, **internally**); whether her preference is for what is (S, **sensing**) or what could be (N, **intuiting**); whether she processes information objectively (T, **thinking**) or subjectively (F, **feeling**); and whether her preference is for making decisions (J, **judging**) or generating options (P, **perceiving**). An ENFP, for example, is described as '*warm, enthusiastic, high spirited, imaginative, quick with a solution and to help with a problem*' whereas an ISTJ is described as, '*serious, quiet, thorough, practical, orderly, matter-of-fact, logical, realistic and dependable. Takes responsibility.*'

2. In a 2006 **IPPR** report, *Rethinking Financial Capability*, the author referred to a system that categorises us as belonging to one of **eleven distinctive financial-capability groups**: A1, B1, B2, C1, C2, D1, D2, D3, E1, E2 and F1. (Do you know which of these you belong to?) An A1, for example, is '*Well off and good at making ends meet, planning ahead, staying informed and choosing products.*' A D1, on the other hand, '*has average income, no children, is likely to own his/her home, is good at keeping track, staying informed and choosing products – but poor at making ends meet and planning ahead.*' Many would probably view this approach as plausible, even though it makes no specific reference to a consumer's credit rating or his/her (in)ability to manage debt well.

3. **ACORN**, from **CACI**, is a geo-demographic system which segments the UK's population into five categories, 17 groups and 56 types on the basis of small neighbourhoods, postcodes, or consumer households. The main five categories comprise Wealthy Achievers, Urban Prosperity, Comfortably Off, Moderate Means, and Hard Pressed.

4. Experian say that its **Mosaic** UK consumer classification provides '*an accurate understanding of the demographics, lifestyles and behaviour of all individuals and households in the UK*' and its Financial Strategy Segments classify all adults in the United Kingdom into 14 household level groups (A–N: such as Careers and kids, Terraced melting-pot, or Liberal opinions) and 50 household level types. The household level types are further split into 93 person level types.

5. In a research project, **The Big Money Test**, with finance guru Martin Lewis, **UCL** and **The Open University**, the **BBC** identified five archetypes: misers who fear becoming penniless; spenders who tend to over-shop and subsequently suffer from guilt; tycoons for whom money is about status and power; bargain hunters who love a discount; and gamblers for whom a win is a 'fix'.

**Just as geo-demographics dominated market segmentation in the second half of the 20th century, researchers are now turning their attention to**

**the impact and importance of social media.**

6. A 2008 **Ofcom** report referred to five types of social media user. Alpha socialisers used sites in short bursts to flirt, meet new people and be entertained. Attention seekers 'demanded' interaction with others and most regularly post photos. Followers join sites to keep in touch. Faithfuls used social networking sites to rekindle old friendships. Functionals tended to be single-minded and used social networking to specific objectives. A sixth group, non-users, comprised those who were not tech-confident and rejecters – those who saw social networking sites as a waste of time.

7. A 2008 **Forrester Research** report and the business bestseller, *Groundswell*, referred to creators, conversationalists, critics, collectors, joiners, spectators, and inactives.

8. A recently reported study conducted by **ICM Research/Brand Republic** identified Originators, those who produced content; Curators, people who post links and who introduce new information to their social networks; Sharers do a similar job to Curators but only share, re-tweet or re-post things they have already seen within their social network. Participants and Spectators are more passive. They respond to what they see, or read what is going on but they don't start or spread conversations.

9. In an award-winning article, *Pricing Beyond 'Homo Oeconomicus'*, Florian Bauer of the German company **Vocatus** noted that one of the shortcomings of traditional market research is its over-reliance on the notion that we're rational decision makers. Vocatus applies insights from the discipline of Behavioural Economics to its research and talks about the trinity of Emotion, Cognition and Behaviour in understanding consumers. This is the starting point for a consumer's 'pricing profile'. Under different circumstances we behave as discount hunters; comparison-avoiding loyalists where we buy what we know and trust, dynamic price accepters when we're looking for something new or different; or price-indifferents when other decision factors are dominant.

**The bottom line(s).**

- To sell the right things, in the right way, at the right time and at the right price what does a company really need to know about its customers?
- To what extent do you identify yourself as one or more of the many 'types' that have been referred to in this article?
- How quickly could your organisation adapt to new insights regarding consumer behaviour?

**Alan Newman is chairman of the Finance IT Network.**

*e-Protection Review aims always to be not just a source of information, but also a forum for industry views. So, do tell us what you like about the newsletter and what you think we could do better, what is missing or what is superfluous or even wrong.*

*Tell us too about any issues (technical or otherwise) you would like us and/or our bloggers to cover and perhaps suggest people whose blogs you would most like to read.*

*We can't promise to always agree—but we do promise always to listen!*

## People news

- **Ageas Protect.** Julie Henderson has been appointed senior marketing communications manager. Previously a freelance journalist, she also launched and developed **IFAonline** in 2001.
- **Aviva.** Andrew Moss has resigned as chief executive. Chairman designate John McFarlane has been appointed executive deputy chairman and will become executive chairman from 1 July until a new CEO is appointed.
- **AXA PPP International.** Derry Andrews has been appointed regional manager for Spain. He is a past MD of **Clinicare**, and was regional director at **Aetna**. Ed Daniels has been appointed regional director for Africa. He was previously at **Bupa International** and **InterGlobal**.
- **British Friendly.** Alan Waddington has been appointed national account manager. He was previously head of life and health insurance at **Staysure**.
- **Bupa.** Dr Paul Zollinger-Read has been appointed group medical director. He was previously director of commissioning development at **NHS Midlands and East Strategic Health Authority**.
- **Bupa Health and Wellbeing.** Patrick Watt has been appointed director of corporate. He was previously an executive director with **Goldman Sachs**.
- **Chase Templeton.** Emma Grogan has joined as group risk manager. She was previously employee benefits consultant at **Premier Healthcare**.
- **Deloitte.** Alex Poracchia has been appointed partner in its general insurance actuarial team. He was previously with **Zurich Insurance Group**.
- **Health Education England.** Sir Keith Pearson has been appointed chair of the new body that starts in June. He is currently chair of the **NHS Confederation**.
- **Institute of Customer Service (ICS).** **Simplyhealth** CEO Des Benjamin has been elected president.
- **Institute of Financial Planning (IFP).** Janet Walford OBE, formerly editor of *Money Management* magazine and winner of the 2011 *Protection Review outstanding contribution to protection journalism* award, has been appointed an independent director.
- **Jelf Employee Benefits.** Ronjit Bose, previously

head of healthcare at **Standard Life Healthcare**, has joined as commercial director. Doug Rice has joined as director of healthcare. He was previously commercial director of **Cigna HealthCare**.

- **Jubilee.** David O'Sullivan has joined the **Lloyd's** insurer as head of life. He was previously head of global life and health underwriting at **Swiss Re**.
- **Legal & General.** Group CFO Dr Nigel Wilson succeeds Tim Breedon as group CEO from 30 June.
- **Mercer International Consulting Group.** Stephen James has been appointed principal, having previously been at **Towers Watson**. Tia Brett has joined from **Unilever** as a senior associate.
- **MetLife.** Wojciech Dochan has joined as employee benefits head of proposition. He was previously head of commercial marketing at **Unum**.
- **Mondial Assistance UK.** Phil Carr has been appointed head of health services, joining from parent company **Allianz Insurance**.
- **Nuffield Health.** Russell Hardy has been appointed chairman, taking over from Mike Smith in June.
- **Premier Choice Group.** Les Schroeter has joined as head of individual protection. He was previously national accounts manager at **Friends Life**.
- **PruProtect.** Naomi Greatorex has joined as national account manager from **AXA**, where she was business development manager.
- **Safe Home Income Plans (SHIP).** Chris Pond has been appointed chairman of its standards board. He was head of consumer affairs at the **FSA**.
- **Simplyhealth.** Alistair Sclare, who was health-care director at **Groupama Healthcare** before its acquisition by Simplyhealth, is leaving the organisation.
- **Skandia UK.** Ian Jefferies (ex **Ageas Protect** and **Friends Provident**) has been appointed head of protection, as the insurer is expected to re-energise its protection proposition, having left the critical illness insurance market in 2010.
- **Zurich UK Life.** Gary Shaughnessy has been appointed CEO with effect from June. He was previously MD of **Fidelity Worldwide Investment's** UK defined contribution and retail business.

## About e-Protection Review

e-Protection Review is a free to user PDF publication and is published ten times a year, usually on the 28th day of the month prior to that issue's date, every month except at the end of August and December. It is free to download from [www.protectionreview.co.uk](http://www.protectionreview.co.uk).

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Our ten chosen stories this month are from across the industry and featured in both the national and trade press. As always, these are the stories that most grabbed our attention, rather than the biggest stories.

1. *Protection victory makes chauffeur owner people's champion.* Jeff Prestridge is a top national newspaper guy but this piece for *FT Adviser* on 9 May illustrates how stories can migrate between media, and create new opportunities to get the same story across to different readerships.

Here, he reports on how Chris Hargreaves took on **Scottish Provident** (they're mentioned again below, in a rather more positive light) and after four years, and an **FOS** ruling, got his IP claim paid. After that as 'angry policyholder' he started a campaign to get ADL/ADW incapacity definitions changed. A wholly negative story? No, Jeff writes: 'He has stood up to the might of the insurance industry and as a result is prompting change that is likely to transform income protection into the essential protection benefit it should be'. How about that, a journalist creating a good news story out of a PR disaster...

<http://www.ftadviser.com/2012/05/09/opinion/jeff-prestridge/protection-victory-makes-chauffeur-owner-people-s-champion-6i3ZD90XclUuCmliljOCBM/article.html>.

2. *A year of unprecedented change.* Writing for the online *Lifeinsurance.co.uk* website on 14 May, Lana Clements, picks up on **Scottish Provident/Bright Grey's** views on why premium rates will rise next year. The hook is how that is already benefiting these insurers, so creating a positive story for them and a new angle on the story.

<http://www.lifeinsurance.co.uk/news/2012/May/a-yea-of-unprecedented-change.html>.

3. *Protection preparing for pricing volatility in 2013.* Writing in *Cover* on 17 May, Paul Robertson reports **Zurich's** Phil Brown's view that pricing could get volatile next year. It's not a new story, but Phil is well-respected and gives a new slant on it.

<http://www.covermagazine.co.uk/cover/news/2175493/protection-preparing-pricing-volatility-2013>.

4. *PPI: don't bet your life cover as compensation culture goes mad.* Writing in the *Daily Telegraph* on 23 May, Ian Cowie reports that over 6,000 people claimed PPI compensation last year, despite not even having a policy (isn't that fraud?). Worse, **LifeSearch's** Tom Baigrie says some people are

cancelling life cover as they think it includes PPI and so Tom adds another angle to the story.

<http://blogs.telegraph.co.uk/finance/ianmcowie/100017349/ppi-dont-bet-your-life-cover-as-compensation-culture-goes-mad/>.

5. *FOS receives over 5,600 false PPI complaints.* Natalie Holt's *Money Marketing* piece in 22 May also highlights this story.

<http://www.moneymarketing.co.uk/regulation/fos-receives-over-5600-false-ppi-complaints/1051791.article>.

6. *The insurance gap is widest for aged 55 and over, MetLife has said.* Nicola Culley's piece in *Cover* on 17 May highlights that two fifths of people have experienced redundancy or long term ill-health, yet only 12% of over 55s had any protection insurance. Another good research-led story.

<http://www.covermagazine.co.uk/cover/news/2175654/insurance-gap-widest-55s>.

7. *40% of workers have suffered long-term illness or redundancy.* Tessa Norman's piece in *Health Insurance* on 17 May covers this story in greater depth than Nicola Culley's piece, illustrating how one press release can get a variety of treatments.

<http://www.hi-mag.com/health-insurance/product-area/income-protection/article398546.ece>.

8. *Online GP booking promised by 2015.* Tessa Norman's *Health Insurance* piece on 21 May reports **DH** plans to let patients book GP appointments and see their medical records online by 2015. Will that be an alternative to GPRs?

<http://www.hi-mag.com/health-insurance/product-area/pmi/article398696.ece>.

9. *ABI urged to support cover statements.* Ex-**Ageas Protect** CEO Martin Werth's campaign for annual benefit statements is again picked up, this time by Paul Thomas, writing in *Money Marketing* on 11 May.

<http://www.moneymarketing.co.uk/protection/abi-urged-to-support-cover-statements/1051131.article>.

10. *Too few know about bereavement benefits.* Writing in *FT Adviser* on 16 May, Iona Bains reports RGA's findings that too few people know about State bereavement benefits or that they can help even people with lots of life cover.

<http://www.ftadviser.com/2012/05/16/insurance/health-and-protection/too-few-know-about-bereavement-benefits-rga-W1JGYvL52gvnvlBx363MI/article.html>.

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We're passionate about protection and provide bespoke marketing and strategic consultancy and communications services to firms across health and protection insurance, led by three of the best-known names in the industry. Our expertise, knowledge and contacts enable us to help clients maximise their potential in a fast and cost-effective way.

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