e-Protection Review

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

From distribution and product to access and service: Conference

The seventh annual Protection Review Conference, held at The Landmark, London, on 11 July, highlighted how the life and health insurance (protection) industry is starting to move from an obsession with distribution and product to access and service as it focused on themes showing both the opportunities and threats facing the industry. Delegates and speakers examined both the past and the future of the industry.

The conference, which also marked ten years of Protection Review, started with two key note speeches. First, **NMG's** Tom Dunbar outlined four key strategic facets for the industry. Then, **?What if!'s** Matt Kingdon spoke on the change of mindset needed to achieve true innovation throughout an industry. Examples included a bank's main board sitting shoeless as they held a board meeting in a customer's council house, or **Super-drug's** board room, which features sets showing, among other things, a typical teenage girl's bedroom. The point of both was to get major decision makers to have a passion for their customer and their lives not just a paper based understanding.

Innovation and what we have often referred to as 'subrogation' (standing in the shoes of another—a general insurance principle that can also apply to trying to understand customers better) are passions of ours and to further encourage these each of the 200 conference delegates was given a copy of Matt's latest book *The Science of Serendipity*. Incidentally, we have a few copies of this book left so donate a tenner to our chosen charity, **Help the Hospices**, or a charity of your choice, and we will send you a copy (see contact details on Page 16, and let us know your name and address). The book retails for £14.99.

This was followed by the first panel session, which looked at the theme of *Protection—Past, Present, Future'*. Industry experts Peter Hamilton (**Zurich**), Graham Newman (**Fineos**), Ian McKenna (**F&TRC**) and James Tait (**Pacific Life Re**) gave their views on the industry and were then joined by panellists Helen White (**ABI**) and Stuart Paton Evans (**Hannover Re UK Life Branch**). The format for each of the three panel sessions was a ten minute talk by each speaker, followed by a wider panel debate where delegates could (and did!) ask any question they like of the panel.

The second panel session looked at a controversial theme (*Continued on Page 2*),

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Inside this issue:

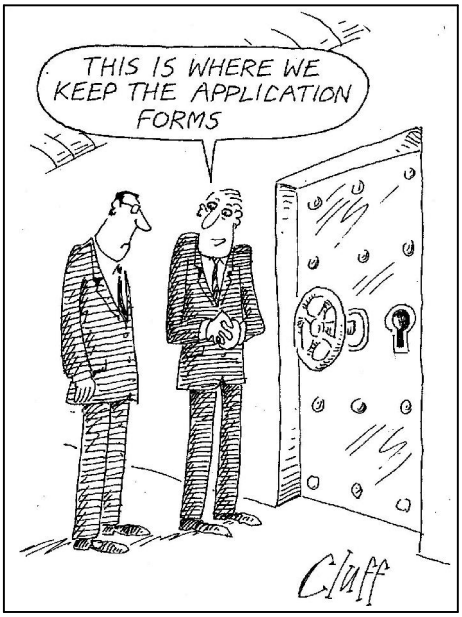
e-Protection Review has a short summer break now. The next issue is out on 28 September. Enjoy the summer!

Quotes of the month:

"Put simply, the better we get at treating and curing cancer patients, the more people we will have living with the long term effects of cancer and its treatment." Professor Jane Maher, chief medical officer, Macmillan Cancer Support, 19 July.

"Mike was a brilliant, driven and inspirational man. He created a dynamic company but still made it feel like a family—he will be missed more than we can say." Premier Choice Group finance director Ann Daniels, following the death of Mike Izzard on 7 July.

'We believe that everyone facing the end of their life deserves the best possible care and that no one should die in avoidable pain and suffering.' Help the Hospices, July 2013. See www.helpthehospices.org.uk.



Key statistics:

- NHS RTT median wait England May 2013: 8.7 weeks (See Page 11)
- e-Protection Review Long Term Protection Sales Index: 110.6 (Quarter 1, 2013, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 109.27 (To end May 2013, compared to January 2000, see Page 11).

(*Continued from Page 1*) *Mind the Gap: PMI vs. Protection*.

Here, **PruHealth's** Dave Priestley argued that short term health insurance and long term life-based protection insurance can and should be sold together. However, the industry remains largely grouped on traditional lines and Brian Walters (**Regency Health** and **AMII**), Russell Higginbotham (**Swiss Re**) and Emma Thomson (**LifeSearch**) all argued for specialism, probably reflecting the wider debate across the industry. Panellists Alan Lakey (**Highclere**) Marcia Reid (**Finchers Consulting**) and Stephen Haynes (**Navigator Health**) then joined the lively debate that followed.

After lunch 'And now for something completely different' saw Andy Chapman (**Exeter Family Friendly**), Roy McLoughlin (**Master Adviser**), Marilyn Cole (**Space01**) and Peter Chadborn (**Plan Money**) enact an amusing skit based on a *Monty Python* sketch before we returned to more serious matters…

Putting the Customer Third was our tongue in cheek title, based on how some customers probably feel if they don't get the service they want. **Which?'s** Martyn Saville, **Financial Inclusion Centre/FSUG's** Mick McAteer and **FITN's** Alan Newman all have a strong consumer pedigree, while **Intrinsic's** Andy Walton made the case for all financial advisers to look more closely at their clients' protection needs. This group was joined by **PruProtect's** Phil Jeynes and **iPipeline's** Mark Wilson for the debate.

Our final session saw **Beagle Street's** Antony Smith give his newcomer's view of the challenges and opportunities ahead.

One of the most positive conclusions coming out of the conference is that a better understanding of customers and a willingness to try out new ideas (not just around products—good innovation should never be focused on just the end product or service) was underlying the views of most speakers and panellists and indeed of delegates too.

However, while few would argue with that, how best to achieve it is still hotly debated. Indeed, what might be the right solution for one adviser or company might be the completely wrong solution for others—as we saw in the second session debate.

This year's conference saw a record 200 attendees and a record number of advisers and brokers attending. The conference now attracts many leaders from across the industry keen to join in the debates as well as to network and discuss the issues of the day.

Then, in the evening, our attention turned to our 11th annual dinner. Almost 400 attendees enjoyed excellent dining (and the odd glass of wine...) before Protection Review co-chairman Andy Couchman highlighted some of the new research findings from this year's **The Syndicate** research undertaken with Hannover Re UK Life Branch.

The Syndicate is expanding both its membership and its remit (with more developments in the pipeline) as it establishes itself as a research community that is already generating hugely valuable insights for its subscribing members and has now an established record on key trends too.

Our first ever dinner speaker back in 2003 was advertising guru Lucian Camp (**Lucian Camp Consulting**), who returned this year with his thoughts on the past decade and what the industry should stop doing and start doing to better meets its customers' demand and to better get its messages across.

Our chosen charity this year was again **Help the Hospices** and a table collection raised over £1,800 for the charity. To this, Protection Review added its own donation of 50% of that sum, taking the total collected to over £2,700 for the evening—a fantastic result showing the generosity of the industry for this great cause.

After the dinner, this year's award winners were announced. Based around nominations from leading industry names, the final choices are made by Peter, Andy and Kevin under the watchful eye of independent awards chairman Paul Bradshaw. This year's winners were:

- Innovation Award, in association with **Gen Re**. Winner: **LV=**. Highly commended: **Ageas Protect**; **PruProtect**.
- Individual Protection Adviser of the Year, in association with **PruProtect**. Winner: Sarah Fullaway (**Oviso**).
- Underwriter of the Year, in association with **PruProtect**. Winner: **Ageas Protect**.
- Health Insurance Adviser of the Year in association with **PruHealth**. Winner: **Regency Health**.
- Protection Journalist of the Year in association with **Ageas Protect**. Winner: Tessa Norman (**Health Insurance**). Highly commended: Nicola Culley (**Cover Magazine**).
- Protection Intermediary of the Year, in association with **PruProtect**. Winner: **LifeSearch**. Highly commended: **London & Country**; **Risk Assured**.
- Organisation of the Year. Winner: **LV=**. Highly commended: **PruProtect**.
- Outstanding Contribution to Protection Journalism, in conjunction with **Space01**. Winner: Ian Cowie.
- Personality of the Year, in conjunction with **Exeter Family Friendly**. Winner: Richard Verdin (**Aviva**).
- Lifetime Achievement Award, in association with **Legal & General**. Winner: Mike Izzard, **Premier Choice Group**. For only the second time since we began in 2003, this award was given posthumously (*see Page 5*).

Why we support Help the Hospices

Last year we took the decision to try to do more for charity. Individually, and through our businesses, we already supported various charities (not boasting; many people and businesses do a lot more than we do) but we felt the time was right to have an 'official' Protection Review charity.

We wanted to support a single organisation and for it to be something that was national, could affect many people and broadly linked in with the industry we work in. Death had affected all of us personally at some point—family members, friends and colleagues—and we knew that the hospice movement did fantastic work in helping people at the end of their lives. Most hospices are by their nature local, so we ideally wanted to support a lot of hospices rather than any one.

Help the Hospices is the leading charity supporting hospice care throughout the UK, supporting over 200 hospices. Its services support hospice staff and champion the voice of hospice care. It provides training and education programmes, informative and practical resources for hospice staff and campaign work to influence Government policy.

This year we committed to support Help the Hospices for five years (2012-2016) and to increase donations at our annual dinner by 50%, up to £2,000 a year. We hope you agree and thank you for your support for this fantastic cause. For more see www.helpthehospices.org.uk.

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To commemorate ten years of Protection Review, two special one-off awards were also made this year. These were based on a special vote by industry leaders.

• Outstanding Contribution of the Decade, in association with **Swiss Re**. Winner: Tom Baigrie (**LifeSearch**). Others nominated in the Top 5 were Nick Kirwan (**ABI**); Alan Lakey (**Highclere Financial Services**); Jeff Prestridge (**Mail on Sunday**), and Ron Wheatcroft (**Swiss Re**).

• Outstanding Organisation of the Decade, in conjunction with **Swiss Re**. Winner: **Legal & General**. Others nominated in the Top 5 were: **Aviva**; **LifeSearch**; **PruProtect**, and **Money Marketing**.

Protection Review book launched

The Protection Review book was established in 2003 to provide the industry with an annual review—looking back at how well things had gone and looking forward to how things might develop in future.

All of us are swamped with news 24/7 and it can be difficult to take stock, to sort out what's really important for us and our organisations and to gain inspiration from others both close to us and further away.

That is the gap the book was designed to fill and it has proved to be invaluable to key decision makers across the industry—from leading brokers and advisers to insurers (both life and health), reinsurers and others whose businesses are tied up with the fortunes of this multi billion pound industry whose existence is to help people at the time when they most need help.

Our overall aim is to try to influence the industry to develop better solutions to individuals', families' and businesses' needs. That is not to say our views are always right—indeed, debate is an important part of much that we do. We also look to bring parties together, to influence policy decisions and to generally be an advocate for protection insurance.

The book consists of four main parts:

• Protection Review research. This is original research undertaken by us and by The Syndicate. We also research the views of Personal Finance Society members, journalists/editors, intermediaries (through a focus group) and industry leaders and those whose opinions we value.

• Thoughts. Thought leadership articles on key industry themes and topics. This year that includes articles on disability trends data from the US and how the UK's long term care insurance market compares to those in France and the US.

• International. We believe we can learn a lot from how other countries approach people's protection needs. This year experts (usually working in those markets) look at protection insurance in Brazil; China and Hong Kong; Japan; South Africa, and Sweden.

• Markets and products. Separate chapters on each major sector where we and leaders in those markets look at life cover; critical illness insurance; income protection; long term care insurance; reinsurance; private medical insurance; international PMI; health cash plans; dental benefits, and employee benefits. We also analyse new products launched in 2012/13 and sales across all individual and group markets.

The book runs to 264 A4 pages and is designed to be dipped into throughout the coming year. We know of many people who use it regularly for research or to stimulate ideas. We also know of some who can't be bothered to read it or who don't yet know about it! The nature of the book means that it should be on the essential reading list of say a PMI provider as much as it should a reinsurer or an income protection specialist. Advisers too will find it invaluable and easy to access the information they seek.

Each guest at this year's dinner was given a copy of the book on a memory stick, thanks to **Capita Financial Software**. As a special offer to e-Protection Review readers, if you know of a senior industry person who has not yet seen the book (or if you would like a copy or an additional yourself) please e-mail *info@andycouchman.com* and let us know your e-mail and postal address and we'll send you a memory stick (subject to availability).

Finally we must thank the growing list of partners who make the Protection Review events possible. So, big thanks to (in alphabetical order) Aegon; Ageas; AMII; Avelo Exchange; Beagle Street; Bright Grey; British Friendly; Capita Financial Software; Direct Life; Eames Consulting Group; Exeter Family Friendly; Fineos; Friends Life; GenRe; Hannover Re; iPipeline; Legal & General; LV=; Munich Re; NMG; Pacific Life Re; PartnerRe; The Personal Finance Society; PruHealth; PruProtect; RED ARC Assured; Scottish Provident; Scor Global Life; Skandia; Space01; Swiss Re; TCP Life Systems, and Zurich.

We are already planning next year's events (we always seek improvement and so are always interested in your ideas for how we can be of greater help to you). If you are interested in finding out how being a Protection Review partner could benefit you and your organisation do contact Peter, Andy, Kevin or Jo.

What else is Protection Review doing?

Training for intermediaries (and for the media) continues to grow. Our generic training has no product or provider bias and is ideal for advisers who need a protection 'top-up' as well as those planning to get more into the market.

Our training also features a top adviser and underwriter so that it can be of highest practical value. Feedback on the sessions has continually been excellent and, thanks to our partners, sessions are free to attend for PFS members and just £50 + VAT to others. By negotiation we can also offer sessions for larger firms for just their own people.

Our expertise continues to be in high demand, both in the UK and internationally. That expertise not only includes what we know (not a lot, some might say…) and our many years' experience across the industry but also as advisers and consultants, but also who we know.

The life and health insurance space faces many challenges and, as an industry, we are past masters at recognising problems, hurdles and barriers. But at Protection Review we are not just passionate about protection but also about how to overcome those barriers. We see a bright future ahead but only if key decision makers are prepared to embrace change and innovation.

That is never easy and it can sometimes feel like trying to roll a stone uphill. But perhaps that is what we're really good at. We never did believe all that stuff about how gravity works...

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PPI swamps ombudsman

Complaints about payment protection insurance (PPI) made up 74% of all complaints to the **Financial Ombudsman Service** (**FOS**) last year, its latest annual report has revealed. Total complaints received include:

Product	Complaints	Annual change
PPI	378,699	+140%
Pet insurance	830	+50%
Term assurance	3,572	+149%
Whole life/endowments	3,241	+18%
Travel insurance	2,742	+13%
Income protection	1,481	+53%
Critical illness insurance	1,370	+68%
Private medical insurance	949	+85%
Personal accident insurance	495	+54%
Total	508,881	+92%
Total (excluding PPI)	130,182	+22%

It is surprising that complaints about life and health products generally increased more than the average (excluding PPI, which distorts the total figure). The report says: 'many of the complaints we saw [about CI and IP] began with the consumer telling us that they had been mis-sold PPI'. This suggests the involvement of claims management companies. In fact, 45% of all complaints were made by claims management companies. The report notes however that its levels of upholding complaints have not changed dramatically, so one argument is that such organisations merely reveal the level of mis-selling, not create it.

The report adds: 'Given the significant number of consumers who have health and medical insurance policies in place, we see a relatively small number of complaints about them.' But it adds that such complaints are amongst the most difficult cases it deals with as 'many of the people who come to us are ill, distressed and are often experiencing financial difficulty'. It added that 'despite the disappointing rise in the number of health and medical insurance complaints… this is an area where we continue to have constructive dialogue with the insurers involved'.

Annual review 2012/13 can be downloaded from www.financial-ombudsman.org.uk.

Even non-Princes cost £154K

Following the arrival of the Prince George on 22 July, John Hyde, sales and marketing director at **Legal & General Life Insurance**, was first off the block to reveal that first time parents underestimate the cost of raising a child.

"Few new parents consider how much it is to raise a child beyond the initial costs of nappies, clothes and childcare. While on average new mums expect the cost of raising a child to be £5,400 a year, in reality it is 59% more, amounting to £8,580 a year*. The average cost of raising a child to the age of 18 is now £154,440; a 15% increase from 2011 and three times the amount of 2001*.

The fragile economy coupled with current levels of inflation mean that it's more and more expensive to raise children. Therefore it is vital that new parents are fully aware of the potential costs so they can make sure they have an adequate financial plan in place for their family.

Although unpalatable, it is also important for parents to plan for the worst by having a will and protection cover otherwise, loved ones may not be left as financially secure as their parents would like. Most parents say* that their top financial priority is to ensure their children are looked after if they are unable to take care of them because of illness or death. However, Legal & General said it found that only 31%* of parents surveyed currently had a will – even though 73%* said that they felt in control of their finances." *L&G *2013 Value of a Parent Report.*

Bright Grey's standalone RLP

Bright Grey, which introduced its Relevant Life Policy (RLP) back in 2008 (it was the first insurer to spot the tax relief opportunity and market a suitable plan), has now made the plan available on a standalone basis. The plan is now available with its own dedicated literature and outside its business protection menu, which makes applying for it easier, the company says.

All business protection applications can now be made online too which, as well as saving time, also results in a 10% Lautro commission enhancement.

Online payout tool from Drewberry

Drewberry Insurance has published an online payout tool, which shows the payout rates across 11 providers for income protection, critical illness insurance and life cover.

The tool can be accessed, along with a raft of other useful data from www.drewberryinsurance.co.uk. Latest stats shown 2011's figures also available) include:

Company	IP	CI	Life
Aegon	83%	91%	94%
Aviva	93.5%	92.5%	99%
Bright Grey	83%	91%	97%
British Friendly	97%	-	-
Cirencester Friendly	94%	-	-
Exeter Family Friendly	95%	-	-
Friends Life	87%	89%	-
Legal & General	91%	93%	-
LV=	88%	91%	99%
Scottish Provident	86%	93%	98%
Zurich	90%	90%	-

However, care needs to be taken when comparing results and the **ABI** is developing new definitions for what constitutes a paid and a declined claim to ensure consistency.

Correction… and bloggers wanted

Our product review of **Simplyhealth's** Simply Employee Health plan (see *ePR154*) made the assumption that the plan is always based on open referrals. In fact, two versions of the plan are available and, while one is based on open referrals, the other is not. Our apologies for the error.

If you're interested in becoming a blogger for Protection Review please contact jo@lebeauvisage.co.uk. As one of our bloggers we'll ask for a blog of between 400 and 500 words every six months or so. What you blog about is entirely up to you. Get your views heard in the protection community!

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Mike Izzard and Phil Veale

We regret to announce the recent deaths of industry stalwarts Mike Izzard and Phil Veale.

Mike was the longtime CEO at **Premier Choice Group** and a past chairman of health insurance group **AMII**. Mike had been ill with a benign brain tumour since 2012 and only the week before he died on 7 July, aged just 61, had completed an MBO of his business to its senior management in order to ensure its continued success.

Mike was a friend as well as a colleague and some months ago was voted Peter, Andy and Kevin's unanimous choice as this year's Protection Review Lifetime Achievement Award winner. Sadly, Mike died just a few days before he was due to receive it. In the event, a moving tribute was given at this year's dinner by colleagues Ann Daniels and Roy McLoughlin. Mike was always a gentleman, very successful, did a huge amount for the industry and was great fun to be with—and a lifelong motor racing fan (and amateur racing driver, racing a Toyota MR2 last year).

Phil was another good friend since his days at **Equity & Law** back in the 90s. Phil died of cancer on 5 June, age 58. A blogger for Protection Review, Phil ran **Chiltern Consulting** and was passionate about protection, where his expertise on long term care and equity release will be especially missed.

We have lost two good friends and our thoughts go to Mike and Phil's families, colleagues and many friends.

PMI up 1.1% in 2012: L&B

The number of private medical insurance (PMI) policies (including self-insured plans) rose by 1.1% in 2012 following a 0.1% fall in 2011 and a contraction of 8% during 2009 and 2010 according to analysts **Laing & Buisson** on 16 July.

Company paid policies rose by 58,500 in 2012 (up 2%). Of those, 35,700 were self insured (including trusts) and 22,800 insured.

However, individual policies continued their downward trend, with 15,500 fewer policies in 2012 (down 1.5%), although the decline does seem to be slowing as that market fell by 31,800 in 2011 and by 50,800 in 2010).

Overall UK population penetration of PMI type benefits remained at 10.8%. Spending on all types of cover rose by 0.3% in real terms to reach a record £4.4bn.

The average cost of PMI was £1,100 in 2012. Claims rose by 7.8% and insurer underwriting margins fell from 22% to 21.5%.

L&B also revealed that the number of contributors to health cash plans rose 0.1% in 2012 to 2.6m by year end. There was a strong demand for employer funded plans, which were up by 15.4% to 588,000. However, individual/employee paid contributors fell by 3.7% to 2.01m, an historic low. Spending on HCPs fell by 2.6% in real terms (after real term falls of 7.5% in 2010 and 2011). The average annual premium for an HCP was £180. Benefits paid fell by 3.9% in real terms, resulting in underwriting margins rising from 29% to 30%.

In the dental benefits market, subscribers to standalone plans fell 0.9% in 2012 to 3.24m by year end. Compared to a 0.6% rise in 2011. Dental capitation subscribers fell 1.7% to 2.56m but dental insurance subscribers rose 2.2% to 673,000 at the start of 2013.

Health Cover UK Market Report 2013 costs £920 for a hard copy and £1,280 if the additional PDF and Excel spreadsheets are required, from www.laingbuisson.co.uk.

Short term IP outnumbers long term IP: Defaqto

The number of short term income protection plans available in the market rose from 30 in 2009 to 66 in 2012, according to analysis by **Defaqto** released on 8 July.

This compares to long term income protection, where the number of plans available declined from 67 to 54 over the same period.

Defaqto has also announced that the number of critical illness insurance policies available in the market has declined from 59 in 2009 to 54 in 2013. However the number of CI policies offering severity-based cover rose from 8 to 34 over the same period. 59% of CI policies now include severity based cover, compared to 14% at the end of 2009.

UK immigrants to pay for NHS treatment?

The Government announced on 3 July that it is consulting on proposals to charge immigrants to the UK for NHS services. At present, the system for charging non-UK residents for treatment is cumbersome or non-existent.

Although no reliable figures exist for the cost of such 'health tourism', it is expected to run to some millions of pounds. Worldwide the trend is for countries to require immigrant workers to take out private medical insurance and that is an option the UK could consider too.

The main alternative would be an annual levy of perhaps £200. At present victims of road traffic collisions and other accidents are effectively charged for their treatment through charges levied by the NHS on their insurers. The maximum charge is now over £46,000 (*see ePR 152, Page 14*). A £200 annual levy would therefore result in migrants effectively paying less than UK nationals for some treatments, while the £200 levy is significantly below the average PMI premium, which is now £1,100 a year.

As well as hospital treatment, in future immigrants could also be charged for GP appointments.

Despite the possible appeal to some voters, the NHS is not well geared-up to making charges except in areas such as dentistry and prescriptions. The medical profession is also generally against charges and has a long track record of resisting financial accountability, arguing that their priority should be treating patients, not collecting money for the Government of the day.

To download the consultation document see: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/consultations/34-healthcare/consultation-health.pdf?view=Binary.

Aviva upgrades doctors' IP

Aviva has enhanced its income protection offering for doctors and surgeons. Medics can now choose a deferred period of 26 or 52 weeks or a dual deferred period, resulting in one payment level initially, followed by an increase six months later, to fit with NHS sick pay rules.

Briefs:

• **The Workplace Health & Wellbeing Movement** is a free to join knowledge and experience sharing movement for anyone involved in workplace health. It was set up by Stephen Haynes of **Navigator Health** and for more see *www.meetup.com/Health-wellbeing-at-work/*.

• **Friends Life** is offering free Fracture Cover on new Critical Illness and Critical Illness with Life Cover Protect+ policies for a limited period. Last year Friends paid out £123,000 to 125 customers on the cover—an average of £984 per claim.

• **Universal Provident** has announced that the main reason for declined PMI claims in 2012 was failure to complete or return claims forms (38% of declines). Other reasons included out-patient treatment on policies that did not cover out-patient claims (7.9% of declines), psychiatric conditions where that module had not been selected (6.3%) and conditions falling within the policy's moratorium (also 6.3%).

• The Government published a consultation document on 18 July about how the new care system from 2016 will operate. Reforms include a £72K on eligible care costs, a £118,000 upper assets threshold and (from 2015) a scheme to prevent anyone having to sell their home to fund their care costs. The cap will cost £335m in 2015/16. See *www.gov.uk/government/consultations/caring-for-our-future-implementing-funding-reform*).

• Adviser software form **Avelo** has been put up for sale by parent company **Lloyds Development Capital**, which bought it in 2009, *Money Marketing* reported on 25 July. Among the interested parties is Australian technology firm **Iress**, it claimed.

• The Government should encourage a greater take-up of income protection insurance, **Unum UK** and think tank **Demos** told the **All Party Parliamentary Group on Insurance and Financial Services** on 2 July, *Cover* reported on 3 July. Demos' Max Wind-Cowie said that increasing IP take-up from 10% to the US level of a third would save the Treasury £2.24bn a year in benefits that would no longer need to be paid out. "Within that £2.24bn there is surely scope for tax relief," he told MPs.

• The cost of health-related benefits rose by 8% in the UK last year according to **Mercer Marsh Benefits'** *EMEA Healthcare Survey*, published on 3 June. Improvements in sickness absence in recent years have now plateaued and the Fit Note is now failing to help people get back to work, according to the 2013 **EEF/Westfield Health** *Sickness Absence survey*, published on 17 June. Sickness absence fell from 3% in 2007 to 2.2% in 2011, rising to 2.3% in 2012. Only 26% of employers believe fit notes result in employees returning to work earlier, compared to 40% who say it has not. EEF has called for better training for medics and for the DWP to monitor data generated by fit notes. It also called for the Government to widen its proposed tax relief on health-related interventions.

• A quarter (27%) of adults who provide care for others may be missing out on vital help and support as they are flying under the radar of official figures, a new report from **Scottish Widows** think tank the **Centre for the Modern Family**. Of the UK's 6.5m unpaid carers, 1.75m are not identifying themselves as carers it says.

• **Red Arc Assured** says that its new Mental Health Programme has resulted in 74% of those enrolled in it recovering to normal mood levels and everyday coping capacity within 3-4 months. Over 13m working days are lost every year to stress, depression and anxiety. The programme includes self-help material, tailored counselling or therapy, follow up support and a personal nurse adviser.

• The **FCA** (**Financial Conduct Authority**) is consulting on changing its rules on consumer disclosure to bring them into line with the *Consumer Insurance (Disclosure and Representations) Act 2012*. Comments on paper CP13/3 are required by 6 August.

• The current Work Capability Assessment (WCA) discriminates against people with mental illness, autism and learning difficulties the **Upper Tribunal** ruled on 22 May. The **DWP** plans is appealing the ruling.

• Pension provider **Mattioli Woods** has launched a private medical insurance service called Your Choice. It claims to place choice over treatment in the customer's hands and pays a cash sum to cover treatment costs.

• **Allianz Worldwide Care** plans to overtake **Bupa** to become the leading international healthcare insurer by 2014, CEO Ron Buchan told SNL on 29 May.

• **Scottish Widows** has revealed it paid 83% of the 191 income protection claims received in 2012. 10% were rejected due to non-disclosure and 7% to the policy definition not being met.

• **PruProtect** has launched a new iPad app for financial advisers. It is also allowing customers to add Serious Illness Cover for their children to any personal protection plan, up to £100K free for three years. PruProtect and **Ageas** have also launched a business protection proposition for **First Complete** advisers' business clients.

• **Holloway Friendly** has launched a 24/7 advice and information service for its income protection customers. The service is provided by **Care First**.

• The **Personal Finance Society** is launching campaign to improve consumers' trust of financial advice.

• **Zurich UK Life** says it has almost doubled its protection market share of the financial adviser channel to 13%. The change reflected 'the ambition and expertise of our underwriting and claims teams' David White, head of retail, UK life said.

• **Royal London** is planning a direct to consumer proposition offering simple savings and protection products, *Money Marketing* reported on 20 June.

• **LifeSearch** cut its losses to £296K (from £2.1m) in the 12 months to 31 August 2012, on turnover up from £12m to £16m, *Money Marketing* reported on 20 June.

• **Exeter Family Friendly** has created a lightly branded IP information and sales resource website for IFAs. See *www.protectionpath.co.uk.*

• **Bupa** stopped pre-authorisation at five hospitals over care quality concerns, *Health Insurance* reported on 30 May. The five are **Basildon University Hospital**, **Stoke Mandeville Hospital**, **Amersham Hospital**, **Broomfield Hospital**, and **Kettering General Hospital**. **BMI's Mount Alvernia Hospital** also had pre-authorisations stopped, but they had now resumed the report said. On 27 June, *Health Insurance* revealed Bupa would resume paying commission to advisers in the Autumn, under a new commission model.

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Pick of the month

We have a very interesting range of products this month. First, Aviva's GuideWell offers open referrals to large PMI groups, while AXA has re-entered the dental market with a new group scheme, administered by NDP.

FirstAssist offers a different option, as its Surgical Cash and Simple Critical Illness are white label products for affinity partners. Which takes us to LV=. Its three(!) new plans cover CI, an RLP and simple IP. But it's the CI plan, which has been extensively improved, that is our pick of the month this issue.

Aviva GuideWell

GuideWell is **Aviva's** new private medical insurance product for large employers. It uses an open referral pathway to manage claims costs and to deliver sustainable and competitive pricing. The plan also promises no shortfalls on hospital charges or specialist fees for employees.

After referral by their GP, employees get their treatment directed through Aviva and those with musculoskeletal problems will be managed through Aviva's BacktoBetter rehabilitation service. Aviva says all appointments will be close to either work or home at one of over 250 hospitals. Appointment will usually be within 20 miles of the given postcode (10 miles in London). Specialists are chosen using Aviva's 'comprehensive specialist finder database, which combines the insurer's extensive claims experience with independent external data'. Where multiple specialists could equally undertake the appointment, a choice of specialists is given. Specialists will usually have undertaken the same type of procedure at least three times for Aviva in the previous two years.

Aviva's existing large corporate plan, Optimum, continues to be offered and would appeal to those employers not wanting an open referral based plan.

Comment: *Aviva has recognised that open referral has the potential to better manage claims costs but, sensibly, its Optimum plan remains available to those not convinced by the open referral pathway arguments. The Competition Commission found that patient preference often favours local hospitals and all fees being covered, so Aviva has embraced both those criteria, which also goes some way to negating the potential downsides of open referral. It adds up to a choice that many employers will find attractive—and so will their employees.*

Product design points: *Good product designers take note of the findings of research they have commissioned. The best also take note of the findings of others. That is what Aviva has done here—taking note of what the Competition Commission has found and building key elements (around location of hospitals and fees guarantees) into its product design.*

Plus points: *Open referral offers the potential of sustainable cost saving long term; No shortfall promise; Quality and convenience, not just cost saving.*

Not so plus points: *Some still do not like the restrictions of open referral; Will all potential benefits be achieved in practice?; In practice a new specialist won't have carried out the same procedure in the previous three years for Aviva, although they will do in future.*

Website: *www.aviva.com*

Rating (max 5): Innovation: 7. Overall: 8. Gold.

AXA PPP healthcare Dental Care

AXA used to own **Denplan**, which is now part of **Simplyhealth**, but has now re-entered the dental benefits space with a company paid dental insurance plan which is administered by **NDP** (**National Dental Plan**).

The plan offers:

- A choice of dentist (and either private or NHS).
- No dental checks before joining, which helps make enrolment easy and quick.
- Up to £10,000 for mouth cancer treatment and medication.
- Pre-existing conditions are covered, with the exception of mouth cancer.
- Worldwide cover.
- Dental injury and accident cover is included.
- Dental helpline, manned by dental nurses.
- Online dental health centre.

There is a choice of six cover levels. Level 1 pays 100% of NHS charges and is designed for those with an NHS dentist. Level 6 pays up to £30 for a basic examination, up to £70 for fillings and up to £65 for a surgical extraction. Overall annual maxima vary from £550 on Level 1 Plans to £2,500 on Level 6 plans (plus any oral cancer treatment).

All cosmetic treatments are excluded but employers can choose a mix of cover levels. This means some employees could be offered a high level of cover, while all employees could get at least Level 1 cover. The plan can also be included as part of a flex package.

Comment: *Company paid dental plans has been a big growth area, that now seems back on track again, especially as it's highly valued by employees (even NHS dentistry costs money). So AXA's timing could be good. The plan offers a good range of options from NHS bare bones to more comprehensive offerings and can be included as part of a flex package too. Worldwide cover is useful too for those who go abroad without travel insurance (OK, they shouldn't, but many do). Employees need to remember though that this is not 100% an indemnity product, so shortfalls could still arise and there are no benefits if they are paying for cosmetic treatment.*

Product design points: *Dentistry these days for many people consists of maintenance and fixing problems plus any cosmetic treatment they want and can afford. Yet, few dental plans offer any help at all with the latter. That is a missed opportunity and, though it may be argued that is not 'insurance', we are sure many customers would really value anything that would help them buy such treatment too, even if they have to pay for it themselves.*

Plus points: *Comprehensive cover from a big brand insurer with a range of price points; Simple to buy and use; Cover levels can be mix 'n' matched; Can be used as part of a flex package.*

Not so plus points: *May not cover all dental costs; Critical illness cover would offer a better mouth cancer benefit (a lump sum to be spent as desired, rather than just paying for certain treatment); No cosmetic treatment benefits.*

Website: *www.axa-ppphealthcare.co.uk.*

Rating (max 10): Innovation: 7.5. Overall: 8. Gold.

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FirstAssist white label plans

FirstAssist, which became part of **Cigna** in November 2011, has updated its white label portfolio for affinity partners by launching two new products.

• Surgery Cash Plan pays up to £10,000 for 'any medically necessary in-patient or day surgery'. The maximum payout is £10,000 and customers are free to spend the money in any way they see fit. FirstAssist says this is one of the most extensive covers available of its type.

Three levels of cover are available—Silver, Gold and Platinum. The plan is available to those aged 18-69 and offers guaranteed acceptance. There is a 24 month underwriting moratorium period.

• Simple Critical Illness pays out on diagnosis of one of six critical illnesses (heart attack, stroke, coronary artery by-pass graft surgery, cancer, kidney failure and multiple sclerosis). There is a fast and simple application process, with no medicals or GP reports.

Four cover levels are available—£20K, £25K, £30K and £35K. Pre-existing and related conditions are excluded. Customers must be UK resident and registered with a GP for at least six months.

Comment: *There is some scope to tailor these products to meet the needs of affinity partners, so we have not given them a formal rating. However, on the plus side, both plans are simple to buy and understand.*

The downside is that cover is basic and therefore may not suit any particular customer's needs. Also, the financial benefits are lower than many customers would need too. Therefore both plans are not likely to top an IFA sourced solution, although people buying through affinity partners such as banks are unlikely to shop around for such cover anyway.

Product design points: *White label protection has been very successful in areas such as payment protection insurance and an off-the-shelf solution can minimise start-up time (and cost) and help maximise returns. The risk with such plans is miss-selling and partners becoming too greedy by trading low consumer cost for higher margins.*

In concept though, white label plans could appeal to networks and larger brokers to meet specific market needs, quickly and efficiently.

Website: *www.firstassistinsurance.co.uk*

Rating (max 10): Rating not given.

LV= Critical Illness Cover, RLP and Sick Pay Insurance

1) Critical Illness Cover

LV= has relaunched its critical illness (CI) plan, which now covers 59 conditions, up from 48 previously. Eighteen are ABI+ (up from 16), and the number of partial payments has been increased from 7 to 16. Minor heart attacks and strokes are now included.

Partial payments pay from 12.5% of the sum assured (for example for severe Crohn's disease or carcinoma in situ cervix) up to 25% (including coronary artery angioplasty and non-severe cardiomyopathy). Ten conditions have a 12.5% payout, one a 15% payout (accident hospitalisation cover) and five pay 25%.

On diagnosis of one of a number of neurological conditions before age 45, 150% of the sum assured is paid. That rises to 200% if the condition is as a direct result of an accident (e.g. loss of speech, paralysis of a limb or traumatic head injury).

The maximum age for taking out the plan has risen from 60 to 65. Children are covered for the same number of conditions as adults, although total permanent disability is excluded.

Double accident cover pays 200% of the sum insured up to £200,000 and enhanced payment for neurological conditions is also limited to £200,000. Accelerated stroke benefit means clients will receive 25% of their sum assured up to a maximum of £25,000 on receipt of confirmation that the claimant has had a stroke (obtaining proof of permanent neurological damage can take several months, so this gives claimants an immediate sum to help them until then).

Comment: *We review no less than three LV= plans this month, starting with its updated CI plan. The CI market is developing beyond just trying to cover more conditions or making them ABI+ to now offering more severity-based cover too. LV= has made significant improvements and widened the appeal of the plan. The next step for someone though must surely be to offer CI cover that tries to cover all critical illnesses not just those on (an increasingly long) list.*

Plus points: *More conditions covered; Improved definitions; More partial payments; Can start up to age 65: Turbocharged benefits now in particular situations.*

Not so plus points: *Harder to compare benefits between providers; Complexity of the consumer proposition; Benefits above and below 100% of the sum insured make it harder to calculate the 'right' level of cover.*

Website: *www.lv.com/adviser.*

Rating (max 10): Innovation: 8. Overall: 8.5.

2) Relevant Life Plan

LV='s second review this month is of its new Relevant Life Cover plan. Such plans started back in 2008 and in effect give the same tax relief on premiums that members of group pension schemes enjoy, but through an individual policy. The plan is based on LV='s standard Flexible Protection Plan and includes its terminal illness cover and guaranteed insurability options.

However, the plan must end before age 75 and the policy must be written in trust from the outset (not an issue, as most life cover should be written in trust anyway).

There is also a continuation option so that cover can continue if the employee moves employer. To support the plan, LV= has launched a calculator showing the maximum cover available and the savings that can be made because of the tax relief on premiums. Employees also get access to the LV= Executive Assistance Plan.

Comment: *RLPs are technically death in service plans but in practice they are a means of small businesses and any business with high earners getting pensions tax relief on life premiums, subject to certain strict criteria. A tax dodge? No—if it is, any death in service benefit is also a tax dodge (at least this is how we hope HM Treasury sees it...). Such plans have been around for five years so if they were controversial or worse, official action should have been taken to stop them—as happened with pensions term assurance.*

Plus points: *Why would you want to buy term insurance any other way; Tax relief on life premiums; Includes guaranteed insurability, continuation option and terminal illness cover plus the Executive Assistance Plan benefit.*

Not so plus points: *Lifetime and other pensions rule limitations apply (and the lifetime limit will be cut from £1.5m to £1.25m from next year); May be seen by some as a 'tax dodge'; Must be written in trust from outset; Cover must end by age 75.*

Website: *www.lv.com/adviser.*

Rating (max 10): Innovation: 8. Overall: 8. Gold.

3) Sick Pay Insurance

LV='s third policy claims to be the first of its kind. It is a simplified income protection plan designed for people aged 17 to 45. The plan pays a fixed benefit of £500-£1,000 a month and pays for up to 12 months. Multiple claims can be made under the plan and there is effectively no further financial underwriting at claims stage. Minimum premium is £10 a month.

Premiums are guaranteed for the first five years and all conditions covered, except any medical conditions the customer has suffered from in the last two years. Cover lasts to age 70. All but five occupations are covered (divers; miners; professional sportspeople; fishermen, and the armed forces) and an own occupation disability definition applies. Plans have a deferred period of four weeks. As this is a long term IP plan, LV= cannot cancel the policy or change any policy terms (as can happen on annually renewable policies for example).

Comment: *There is a lot to like about this plan. It is simple to understand and to buy, premiums and benefits are guaranteed and cover levels are reasonable (except for high earners). It is really targeted at those who do not have access to financial advice but that begs the question how it will be marketed. LV= has a lot of general insurance clients but any advertising to get customers would be expensive. The plan will not appeal to many IFAs and brokers (it is not initially being marketed through them anyway) but does break new ground in taking 'proper' long term IP to a new customer segment.*

Product design points: *LV='s product development team deserves a medal for launching three significant plans in close succession! Many insurers would still struggle to do that in a whole year. Assuming an insurer has the systems capacity however, multiple launches can be successful in ramping up its presence and of showing it is 'serious'. Not least because expertise can always be brought in on a project basis. If it is though, any consultants need to be up to speed on the brand and its values and to be prepared to negotiate the necessary compromises that are inevitable on any product development.*

Plus points: *Simple to understand and buy; A much better alternative to PPI; Guaranteed premiums and benefits (no financial underwriting at claims stage); No financial advice needed; Lasts to age 70; Own occupation; If it helps raise the profile of IP, advisers will benefit too.*

Not so plus points: *Relatively low benefits and no choice on deferred period or other usually variable criteria; Maximum benefit just 12 months; Some excluded occupations; No optional unemployment cover; No other traditional IP add-ons.*

Website: *www.lv.com/adviser.*

Rating (max 10): Innovation: 9. Overall: 8. Gold.

Medical

Data expose wide disparity in US hospital charges

US government data show a wide range of charges for the same procedure. A Californian hospital charged **Medicare** $223,373.07 for a major joint replacement whereas an Oklahoma hospital charged $5,303.60 for the same procedure. **Cedars-Sinai Medical Center** in California charged $184,662.49 for treatment of an acute myocardial infarction; a treatment that cost $49,233.75 just 14 miles away in East Los Angeles. In most cases Medicare's payments were far lower than the hospital bills and insurance companies, too, negotiated far lower charges from hospitals, but people with no health insurance could be charged the full rate. See: *BMJ* 2013; 346: f3072.

Self-pay pricing published

Patients can now access self-pay pricing information for a range of common procedures on the websites of **HCA International, BMI Healthcare, Aspen Healthcare, Nuffield Healthcare, Ramsay Health Care UK** and **Spire Healthcare.** The initiative has been backed by the **Association of Independent Healthcare Organisations (AIHO)** which says that the private sector is: 'taking seriously the drive for greater quality and transparency across all its services'. Chief Executive of AIHO, Fiona Booth, said that at some point in the future the organisation could potentially allow insurers to join as associate members. See: *www.healthinsurancedaily.com/health-insurance/product-area/pmi/article42388*.

Hernia surgery is cost effective

Contrary to recent guidelines that suggested hernia operations were of 'low clinical value', which could result in access restrictions, an analysis by the **King's Fund** and **Imperial College London** of patient reported outcome measures combined with the costs of the surgery has produced an estimate cost effectiveness of surgery.

The results, expressed as a cost per quality adjusted life year (QALY), suggest that hernia surgery is cost effective at £1,881 per QALY. The **National Institute for Health and Care Excellence (NICE)** normally recommends treatments costing up to £20,000 to £30,000 per QALY. See: *BMJ* 2013; 346: f3498.

Anti-depressant cut suicides

The increasing uptake of anti-depressants across Europe (20% a year on average between 1995 and 2009) has corresponded with a 0.8% annual reduction in the suicide rate, according to a press release from the **London School of Economics** on 5 July.

Anti-depressant usage in Sweden rose 1,000% between 1980-2009 but the heaviest users of anti-depressants were in Iceland, where 9% of the population take daily doses of medication. The UK had a 495% increase in the use of anti-depressants since 1991 and a 14% fall in suicide rates over the same period.

Medical briefs:

• **HCA International** is to open a new multi million pound private hospital in Wilmslow, Cheshire next year. It will be its first facility outside London that is not part of a joint venture for the world's largest private hospital group.

• **Care Home Connect** says it is partnering with care homes to deliver secure social media experience for their residents, enabling them to keep in touch with family and friends.

• The **National Institute for Health and Care Excellence** has issued guidance on stroke rehabilitation (*www.nice.org.uk/CG162*). All patients should receive targeted therapy immediately in a dedicated inpatient unit then at home receive help from a dedicated stroke team.

• Figures obtained under a freedom of information request by the BBC show 750 'never events' occurred in hospitals in the past four years. These include 322 cases of foreign objects left in patients, 214 cases of surgery on the wrong body part, 73 cases of food or medication tubes inserted into patients' lungs and 58 cases of wrong implants or prostheses. See: *BMJ* 2013; 346: f3096.

• **Macmillan Cancer Support** has released figures indicating that 10,000 of the estimated 170,000 patients with cancer admitted to hospital each year received the wrong drugs. See: *BMJ* 2013; 346: f3096.

• *BMJ* 2013; 346: f3607 reports that women with oestrogen positive breast cancer benefit from taking tamoxifen for more than five years, and the advantages increase over time. Tamoxifen reduced the recurrence of breast cancer after nine years (compared to those who stopped treatment after five years) and longer treatment reduced breast cancer mortality but more endometrial cancers occurred among women who took tamoxifen for longer periods of time.

• More than 200 Intensive Care Units (ICUs) in England which took part in a programme to match reductions in infection seen in an initiative from the US state of Michigan, has, over two years, seen infection rates cut by more than 60%. However, similar infection reductions have been seen in ICUs waiting to join the programme. See: *BMJ* Quality & Safety (2013) 22: 110-23; Implementation Science (2013) 8: 70.

• New guidelines from the **National Institute for Health and Care Excellence (NICE)** will offer preventative treatment with tamoxifen to women in England and Wales with a family history of breast cancer. This will give women with moderate to high risk of developing breast cancer an alternative to a double mastectomy. See: *BMJ* 2013; 346: f4116.

• The excess mortality associated with diabetes in adults in the UK over the past decade has fallen from 2.14 times (confidence interval 1.97 to 2.32) to 1.65 (confidence interval 1.57 to 1.72) in part due to better control and earlier detection. The prevalence of diabetes in the UK over the study period (1996 to 2009) rose considerably from 3.2% to 5.9% of the population, indicating better detection. See: *BMJ* 2013; 346: f4118.

• An audit of data from more than 50,000 bowel cancer patients in England and Wales shows survival rates at an all-time high, with four out of five who have had major bowel surgery surviving at least two years. Emergency hospital admission cases have changed little over four years (currently 21%). The risk of postoperative death after an emergency operation is much higher, with one in seven in 2011-12 not surviving 90 days after the operation. See: *BMJ* 2013; 346: f4266.

• Researchers from **Imperial College London** have found a higher risk of death from elective surgery carried out later in the week. The overall risk of 30-day death rose each day after Monday and was significantly higher for procedures carried out on Fridays. Reasons may include reduced staffing and fewer services being available. See: *www.tinyurl.com/qb7drcw*.

• Canadian research suggests that working night shifts for 30 or more years doubles the risk of developing breast cancer. Increased risk has been put down to melatonin but sleep disturbances, upset body rhythms, vitamin D or lifestyle differences may also play a part. See: *www.tinyurl.com/ohdujva*.

• New guidance on improving nutrition and hydration, especially in older patients - *Preventing Malnutrition in Later Life: Best Practice Principles & Implementation Guide* – has been published as a resource for hospital staff. See: *www.tinyurl.com/c24937q*.

Political briefs:

• The number of breaches of the Government's guidance on mixed sex accommodation fell from 276 in April to 187 in May before rising to 198 breaches in May the ONS reported on 18 July.

• The NHS celebrated its 65th birthday on 5 July.

• A **Kings Fund** survey carried out after the Mid Staffordshire inquiry found that of 900 NHS professionals polled in England, 73% didn't think quality of care was given sufficient priority and only 14% thought quality of leadership in the NHS was 'good' or 'very good' (40% thought it 'poor' or 'very poor'). See: *BMJ*2013; 346: f3321.

• Foreign nationals that exploit the NHS as health tourists may well be costing the NHS billions, rather than the estimated range of between £20m to £200m. Government estimates are based on invoices that the NHS has a record of and cost implications are estimated from these, but many who obtain treatment remain unidentified and cannot be invoiced, according to a **Kings Court Chambers** press release dated 4 July.

• Newly formed **Clinical Commissioning Groups (CCGs)** have been accused of rushing families into returning care home funding questionnaires resulting in families being owed millions of pounds for mistakes over care home fees wrongly paid since April 2012, according to a press release from *rmspr.co.uk* on 5 July which adds that GP and care home medical records can rarely be secured and analysed within the 12 weeks allowed.

• A campaign has been set up by a group of nurses in London to lobby government to introduce a mandatory minimum staffing ratio of 4:1, *Nursing Times* reported on 12 June. The four patients to each nurse ratio is followed in California and the State of Victoria, Australia. So far the Government has rejected the idea, arguing that local flexibility is needed.

Consultant mortality data now on NHS Choices website

Consultant mortality data covering around 3,500 consultants will soon appear on the **NHS Choices** website, **NHS England** announced on 28 June. Seven specialities (cardiac surgery; vascular; bariatric; interventional cardiology; orthopaedics; endocrine and thyroid; urology) have already gone live on the website and three more (head and neck; bowel cancer; upper GI) will appear in the Autumn. The inclusion of data is voluntary and some consultants have not consented to their data being published, however, reporting of data this way will be mandatory from 2014/15.

A team from the **London School of Hygiene and Tropical Medicine** (*BMJ* 2013; 346: f4377) warns that in many specialities, surgeons do not do enough operations nor is death a common enough outcome for the data to have the statistical power from which to draw safe conclusions and the chances of identifying a poorly performing surgeon were low.

For example, for hip fracture surgery a surgeon would need to conduct 75 operations a year for there to be a 70% chance of detecting that their death rates were double the national average. The median number of hip fracture operations is 31 a year.

Care Bill will guarantee a minimum level of local council help

A new national eligibility criteria for access to care and support services will be introduced in 2015 which will set a minimum threshold for all local councils across England, Care and Support Minister, Norman Lamb announced on 28 June. The national threshold should be set at the equivalent of 'substantial' under the present system. Also this year's spending review settlement includes a £3.8bn merged health and social care budget that should ensure people don't have to worry if the service they receive is coming from the NHS or their local council.

BMJ2013; 346: f3973 reported on 19 June that an independent commission set up by the **Kings Fund** is expected to find that healthcare and social care; one free to all and the other means tested, need closer integration and a common purpose. The commission is expected to report its findings in time for the 2015 general election.

Hospital RTT waiting times up

The median Referral to Treatment (RTT) wait for NHS hospital admission in England rose from 8.2 weeks in March to 8.5 weeks in April then to 8.7 weeks in May according to **Department of Health** Statistical Press Notices released on 18 June and 18 July. For non-admitted patients the median wait rose from 3.9 weeks to 5.1 weeks before falling back to 4.8 weeks in May.

The 95th percentile time wait for patients entering an RTT pathway rose from 21.5 to 21.9 weeks then to 22.4 weeks for admitted patients and from 16.0 weeks to 16.1 weeks before falling to 15.9 weeks for non-admitted patients. The number of patients meeting the 18 week target fell from 92.1% to 91.6% then rose again to 92.1%.

Single blood pressure target set

New guidelines for preventing and treating hypertension published by the **European Society of Cardiology** in June say primary care should aim to get blood pressure to 140/90mmHg in virtually all patients, the exception being for those with diabetes where 140/85mmHg is recommended, *Nursing Times* reported on 26 June. Lifestyle changes to prevent hypertension include reducing salt and alcohol intake, maintaining a healthy body weight, not smoking and regular exercise.

NHS shortage of nurses within three years predicted

The **Centre for Workforce Intelligence** has predicted a chronic shortage of nurses within the next three years, with the NHS likely to have 47,500 less nurses than it needs by 2016 according to *Nursing Times*, 19 June. The predictions are described as 'early work' by Health Minister, Dr Dan Poulter, who added more needs to be done to check their accuracy. However he did concede that they highlighted that "the NHS will come under increasing pressure from the demands of an ageing population".

Unemployment falling slowly

Unemployment rose from 2.52m in January-March to 2.56m in February-April, then fell to 2.51m in March-May, according to the latest *Labour market statistics* bulletins, released by the **ONS** on 12 June and 17 July 2013.

During the same periods, employment fell from 29.71m to 29.698m then rose again to 29.714m. 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 109.26 to 109.27. 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 1.52m in April to 1.50m in May and then to 1.48m in May. Earnings in the three month period to end May (including bonuses) rose from 2.9% to 3.3% higher than a year before.

On 16 July the ONS announced that in June the Retail Prices Index (RPI) rose from April's figure of 2.9% to 3.3% compared to a year before, while the Government's preferred Consumer Prices Index (CPI) was up from 2.4% to 2.9%. The annual inflation target is 2.0%.

Private health sector slows

A report from the **Institute for Fiscal Studies** and the **Nuffield Trust** reveals growth in private health spending that had previously averaged 7.2% had slowed to 3.8% a year between 1997 and 2011, *BMJ*2013; 346: f3356 reported on 22 May. However, the volume of NHS care delivered by private providers between 2006 and 2012 went up by almost £3bn. Private spending on health began to fall in in 2008, decreasing by almost 6% in real terms up to 2011, but UK public spending on healthcare only began to fall in 2010 by 0.7% in real terms and by a further 1.2% in 2011.

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Blogs

In this section of e-Protection Review, we feature some of the blogs that were first published on the *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 do to.

This month we feature three blogs. First, on 13 June, Peter Barnet, policy advisor to Baroness Greengross, asks whether consumer protection is really a level playing field:

A Bill currently going through Parliament has significant implications for the way the financial services industry is regulated versus other potential providers of what could loosely be termed 'Financial Products'. Clause 34 of the new Care Bill (1) re-emphasises the role the Government sees for deferred payment (DP) agreements in funding care fees. A DP is an agreement for a local authority (LA) to pay an adult's care costs, secured by a charge against the adult's legal or beneficial interest over his or her home.

Some commentators claim that DPs are in reality unregulated financial products that will compete unfairly with existing comparable regulated equity release (ER) products, which by definition will have to carry associated FCA/PRA regulatory costs. Thus these schemes may have implications for financial services companies, the regulation of their products and consumer outcomes.

These schemes are not new and the low take up of DP schemes to date owes a lot to the relatively low property values of the majority of the people whose care is currently funded by LAs as, at present, wealthier self-funders of care, with much higher property values, will often have no or little contact with their LA. Under the Bill an LA will now have the duty to assess everyone's care needs, irrespective of their income or assets, and provide all service users, including self-funders, with relevant information and advice, including access to DP schemes. Accordingly, via these schemes, LAs could be funding many more people's care until the cost of that care can be recovered, after death, from their estate. Thus, the cash and capital flows, which LAs may have to manage over extended periods, could in future be very significant indeed.

The absence of a referral to specialist regulated independent financial advice in this process raises several important issues including; what will be the level of training of those LA staff, or their delegates, who are advising on the appropriateness of the individual entering a deferred payment scheme, versus other ways of funding care, including competency in issues such as charges, interest, conveyancing and estate matters; Who will set the charges and interest rate and, compared to a PRA regulated insurance provider, who will guarantee the prudentiality, capital resilience and long-term solvency of the LA?

The current Bill goes some way towards this, as it seeks to ensure that an LA must inform people 'how to access independent financial advice', but this does not mean that this advice should necessarily come from an FCA regulated 'Independent Financial Adviser', but rather the adviser should be independent from the LA. To some extent, it could be argued that this makes sense, as the majority of folk requiring to fund their care will have neither sufficient assets to warrant such full-blown financial advice, nor the funds to pay for it. Nevertheless, in some cases, this higher level of advice will be in order and, as part of the new financial adviser charging structure arising from RDR, such advice should come from a qualified financial adviser, such as an accredited member of the Society of Later Life Advisers (SOLLA). Clearly any advice to an individual considering entry entering into a DP scheme from LA appointed unregulated staff, would carry none of this associated security or protection – so how will this dilemma be resolved?

Once the final amended Bill emerges, it may contain some reference to independent financial advice and it will be interesting to see how successfully the ensuing regulations strike the correct balance between consumer access and protection, ensuring people get the 'best' advice, make the right financial decisions at the correct time and access the appropriate financial products and services. In the wider older consumer market landscape, as financial product providers seek to develop relevant products, in context with service offerings from the State sector, getting the right regulatory balance between consumer access and protection will be key to success. Thus, in order that there is a level playing field for providers, advisers and consumers, it is important that, as the State's plans for pensions, health and care reform unfold over the next five or ten years, with more of the associated risks being taken, perhaps unwittingly, by the consumer, the FCA and the Ombudsman engage with the debate, are at the table from the beginning, and remain there throughout.

1.*Care Bill 2013-14*. HL Bill 1 (55/3) published by authority of the House of Lords, London – The Stationery Office Limited, May 2013.

Next, on 18 June, behavioural economics guru and psychologist Alan Newman makes three observations and a request about the FCA's paper on behavioural economics:

In April this year the topic that the FCA chose for its first occasional paper was behavioural economics. The paper has much to commend it, but there are a number of shortcomings which, if left unchallenged, could undermine the potential for consumer and industry benefit. For the purposes of this brief article I offer three observations but first we need a bit of scene setting.

Our ancestors were governed by three imperatives: finding food; making sure they didn't end up as food for something else; and sex. Pretty much the same imperatives that apply today in Canary Wharf or Croydon.

Brains that made decisions quickly, based on incomplete and complex information, helped their owners survive and mate. This speed of processing was achieved by the brain developing specialised areas – e.g. face recognition, memory, language, planning, or speech – and by making 95% of our decision-making intuitive and subconscious rather than analytical and conscious.

Our brains have also evolved to contextualise infor-

-mation and decision making: what we now call 'common sense'. Let me illustrate this by drawing your attention to a complaint commonly heard from fans of almost any sport: "That [adjective] referee wasn't consistent and didn't use any common sense." Think about this. We can't have both.

If he is consistent a referee will give the same yellow card regarding a foul, for example, if it occurs in the fifth minute of a game or the fifty-fifth minute; if the game is on the local park or at Wembley. If he uses 'common sense' the referee will be inconsistent because he will (often subconsciously) make a judgment about how bad or dirty a foul was based on what's gone before, and whether the game is being played in a good spirit or not. The former is a rules-based view of the world; the latter a context based view of the world.

Scene-setting over. Let us now turn our attention to the FCA paper and three of its statements:

1. Sir Humphrey seeks to have his cake and eat it. The title page of the paper sports the FCA logo and there are two references to The Financial Conduct Authority. But at the top of the next page we see this: 'Disclaimer. The views in this paper are solely the responsibility of the authors and should not be interpreted as reflecting the views of the Financial Conduct Authority (FCA). They do not. All errors or omissions are the authors' sole responsibility.' What does this tell us about the culture and mindset at the FCA? Does this paper have the weight of the FCA behind it or not? How might the FCA respond if an insurance company behaved in this manner?

2. It's a mistake to focus on errors; an error to focus on mistakes. The 60 page paper makes more than a hundred references to consumer-error and consumer mistakes and this reflects the paper's authors' (four economists), rules-based position. They have ignored an important fact from BE research that we referred to earlier: for the brain, everything is relative, and they do not acknowledge that biases can, in fact, be beneficial. Brains are context-driven: regulators are rules-driven.

3. How precise can we be in our understanding of human behaviour? We see this statement in the Executive Summary: '. . . behavioural economics takes us beyond intuition and helps us be precise in detecting, understanding, and remedying problems that arise from consumer mistakes'. Precise? When talking about human behaviour? I don't think so.

Bottom line. It's good that the FCA has put Behavioural Economics high on the management agenda, but don't abrogate your responsibility. Don't accept the FCA position at face value. Acquire behavioural economics expertise yourself and understand what the implications are for your business, and work with the FCA not as teacher-pupil or parent-child but on an adult, peer-to-peer basis.

For a fuller paper by Alan on this subject, please contact Jo at Protection Review on jo@lebeauvisage.co.uk.

Our next blog, on 2 July, comes from new blogger Karen Gamble, head of client relations at Health Claims Bureau. Karen asks about tax relief…

Well, here we go again: beat up the sick for getting sick, hit on the disabled – how dare they! But, and here is an interesting thing, if an employer puts his hand in his pocket to pay privately for treatment for his employee then that employee will pay tax on the whole amount. Isn't this crazy!

So, as an employer, I can be paying a salary to a [non-working] employee whilst they are waiting to be treated by the NHS. The only ways around this are for an employer to put in a full medical insurance scheme or for the injury or illness to be deemed directly attributable to the workplace. Small employers can't afford to pay for a medical insurance scheme and, even if they could, it is likely that pre-existing medical conditions—you know, those niggling back pains, that old football injury—won't be covered.

There are of course some things an employer can do. He can allow himself to be sued so that the employee gets compensation and rehabilitation provided by the insurer of his employers' liability policy. He could provide a health cash plan, costing perhaps £3 a week per employee, which will at least provide cover for consultations and some cover for physiotherapy, but the premium will be taxed as a benefit in kind, and that involves administration hassles.

It is understood that the Chancellor plans to introduce 'targeted' tax relief of up to £500 paid by employers for the treatment of workers who have fallen ill or become injured through non-work related activity. However, they are still 'consulting' and the amount of £500 seems pathetically small.

One of the problems is that a lot of absence just won't qualify for intervention by income protection providers. Absence due to sickness or injury rather than psychosocial factors (that's for another day) is caused by waiting for a diagnosis, waiting to receive treatment and proper workplace sickness and disability management. Employers don't necessarily want tax relief, although it would be nice, but they do not want to be taxed when they try to help their employees.

Finally, on 3 July, consultant Neil Sharp talks about NBAs. Wassat? Read on…

I have been working in Ireland for the past few weeks. I have not worked there since the late 90s and a lot has happened since I was last there. The net result of those 'happenings' will take time to sort out. However a couple of points struck me this week:

- Some economies are in a far worse state than ours is.
- The Irish are a very resilient bunch.
- Guinness is definitely still nicer when served within spitting distance of the Liffey (I don't care what anyone says, it is).

As we have seen in the UK, tough times often drive innovative and interesting solutions to problems. A number of FS companies in Ireland are having to completely reinvent themselves and, in common with many FS companies globally, as part of the reinvention process several are building the capability to do something which has been on the whole elusive to most life companies—sell more than one product to its customers.

As Lucian Camp's recent *Protection Review Blog* highlighted, this is not something that the industry (in Ireland,

the UK or most other markets) as a whole gets an 'A+' for, but with all the change and pressure being bought to bear there seems a realisation that unless companies embrace basic customer-centric marketing principles then they will face an uncertain future.

So the door is open to new ideas and techniques and one concept rapidly gaining credibility is Next Best Action (or NBA).

NBA is 'a customer-centric approach that considers the potential different actions that can be offered to a specific customer at any point in time through their channel of choice and decides on the "most relevant action" to communicate to them'. The NBA is determined by the customer's existing product holding, financial position and needs on the one hand, and the organisation's business objectives, policies, and regulations on the other. It used to be called cross-selling back in the day!

The NBA approach can also be applied in the service domain where you can use it to avoid the customer having to make future transactions by predicting what else they might need whilst they are doing something, but the real interest is centred on retention and selling more to the same people. The difference is that the technology and data harvesting techniques available now really do enable an holistic view of the customer and the ability to understand patterns of behaviours at very detailed levels of segmentation.

This is in sharp contrast to traditional approaches that first create a proposition for a product or service and then attempt to find interested and eligible punters for that proposition.

Now, it strikes me that if there is a FS product type that is going to fit a wide variety of NBA scenarios it is protection insurance. The lifestyle and life stage profiling to find suitable candidates for a bit of critical illness insurance, term insurance or even some form of basic income protection for various purposes isn't terribly complex.

Based on the levels of coverage that folks have in the general population, it's very hard not to argue the need for a bit more of these, or if you don't have any, to get at least some protection.

Couple the NBA systems that are being developed with a bit-of-a-think about making some of these covers easy to buy and we could be onto something here.

So what? Is your company looking at NBA? Find out. If it is, any self-respecting protection product marketing person would surely want to be in on the action and be one of the initial candidates for testing out whether NBA actually works in practice.

What about other companies looking at NBA that don't have protection manufacturing in-house? Surely this way of thinking and the investments being made will open up the possibility of some new conversations with FS and non-FS companies who might want to partner with a forward-thinking provider of protection products?

Your Next Best Action may be to research the possibilities and start talking to a few folks. Unless the mortgage market starts to rocket again, I don't see too many drivers of significant short term growth in protection and, if pitched correctly, surely offering the undeniable benefits and affordability of protection to folks that really look like they need it must go beyond the sentiments that drive old fashioned cross selling?

People news

• **Aegon**. John Wilkinson has been appointed protection director. He was previously head of protection and investments at **Nationwide Building Society**.

• **Ageas Protect**. John Downes has been appointed head of underwriting and claims. He starts his role in October and was previously head of underwriting strategy at **Scottish Widows**.

• **Aviva**. Managing director of protection, Richard Verdin, has announced that he is to leave the organisation by the end of the year.

• **Beagle Street**. Antony Smith has been appointed associate director, commercial and distribution. He was previously head of CRM and e-commerce at the **Gala Coral Group**.

• **Best Doctors**. Andrea Ryan has been appointed a client manager, joining from **Royal London**, where she was an account manager.

• **Bupa**. The Rt Hon Patricia Hewitt, who was Health Secretary from 2005-07, has been appointed a non-executive director.

• **Financial Services Consumer Panel**. Sue Lewis has been appointed chair of the panel that advises the **FCA** on the interests and concerns of consumers.

• **Freedom Health**. Alistair Sclare, who was previously healthcare director at **Groupama Healthcare**, has been appointed managing director.

• **Income Protection Task Force**. Founding co-chairman Clive Waller is stepping down from his role at the end of the year, reflecting the increasing investment focus of his **CWC** business, although he remains committed to the goals and objectives of the IPTF.

• **Jelf Employee Benefits**. Victoria Barrowman has been appointed international account manager, joining from **AXA PPP healthcare**.

• **LV=**. Victoria Wentworth has been appointed as brand and life marketing director. She was previously at **Aviva**, where she was international customer strategy director.

• **Towers Watson**. Michael Murphy has been appointed managing director of its risk consulting and software business in Europe, the Middle East and Africa. He was previously MD of **Aviva Insurance Europe SE**.

Statistics

Cancer mortality trends: 1992-2020

Figures from **Macmillan Cancer Support** show:

• In 1992, 32% of people who died that year had been diagnosed with cancer at some point in their life. By 2010 that had risen to 44% and is expected to rise to 47% by 2020.

• In 1992, 21% of people who had had cancer ultimately died from another cause. By 2010 that had risen to 35% and is expected to rise to 38% by 2020.

• From 1992 to 2010 the number of people dying from cancer has remained steady at 150,000-160,000 a year despite the increased incidence of cancer.

Source: *Cancer mortality trends: 1992-2020*, Macmillan Cancer Support, May 2013.

Protection hangover in 2013 first quarter after 2012's party

Individual protection sales in the first quarter of 2013 fell by 18.1% in terms of new annualised premiums and by 15.5% in terms of numbers of policies sold, according to figures from the **ABI** (**Association of British Insurers**) on 19 June. The quarter followed a strong final quarter of 2012, as advisers sought to get business written before premiums increased. That happened due to gender equalisation in December 2012, followed by price rises in 2013 due to change to I-E taxation and insurers' repositioning their pricing post RDR.

In effect, business was pulled forward into Q4 of 2012. But many advisers also expected price rises to have an adverse affect on their sales and, psychologically, that affected new business. Evidence of that is that mortgage term sales fell by 31% from Q4 of 2012 to Q1 of 2013. However, gross mortgage lending, as recorded by the CML (Council of Mortgage Lenders) revealed lending down (from £37,395m to £33,864m) by just 9.4%. As gross mortgage lending then rose by 23.7% from Q1 to Q2 of 2013 (to £41,903m), mortgage term sales should be expected to rise by over 20% in Q2. If they do not, that will be further evidence of the psychological hangover being suffered by advisers (and by some insurers too, we would argue).

Mortgage term sales are a good barometer, as premium rises are unlikely to affect protection demand from new mortgage buyers—most will not be aware anyway of how much protection costs and their need is to protect their mortgage— a few pounds difference in cost is likely to be inconsequential compared to the effect of any change in interest rate.

Table 1. Long term protection sales Q1 2012 v Q1 2013

	Sales 000s		Prems £m	
	2012	**2013**	**2012**	**2013**
Whole life	152	134	***30***	29
Term—non-mortgage	279	247	93	73
Term—mortgage	136	109	***53***	41
Income protection	46	37	13	11
Standalone crit ill	6	3	3	2
Total	619	530	***192***	156
Of which… CI rider	169	134	68	51
...menu plans	225	233	68	66
...gtd acceptance WL	125	43	18	6

Note: Figures in bold italics are different to last year's figures in *HCIR* 135, reflecting changes, as the ABI updates figures where new information becomes available.

Table 2. Long term protection sales Q4 2012 v. Q1 2013

	Sales 000s		Premiums £m	
	2012	**2013**	**2012**	**2013**
Whole life	***143***	134	***32***	29
Term—non-mortgage	***293***	247	***98***	73
Term—mortgage	159	109	61	41
Income protection	52	37	14	11
Standalone crit ill	8	3	3	2
Total	***655***	530	***208***	156
Of which CI rider	172	134	68	51
...menu plans	255	233	70	66

Table 3 compares sales in Q1 of 2013 with those in Q1 of 2000 and enables us to index sales since then. The overall *e-Protection Review Protection Sales Index* rose from a revised 118.58 in Q4 of 2011 to 129.23 in Q1 of 2012.

Table 3. Long term protection sales Q1 2000 v. Q1 2013

000s	**2000**	**2013**	**Index**
Whole life	111	134	120.7
Term—non-mortgage	168	247	147.0
Term—mortgage	137	109	79.6
Income protection	41	37	90.2
Standalone crit ill	22	3	13.6
Total	479	530	110.6
Crit ill rider	141	134	95.0
Totals	622	664	106.8

Overall, the first quarter of 2013 is one to forget. However, there is now evidence of many insurers aggressively developing new products and propositions and, while some financial advisers have been lost to the industry, the percentage actively marketing protection will have increased post-RDR. The signs augur well for protection new business to build over the rest of 2013.

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Each issue we choose ten stories from across the industry that have appeared in the trade monthlies, weeklies, online or in the national press. They are not necessarily the biggest stories, just those that most grabbed our attention.

It's worth noting just how many of this month's pieces are good news stories.

1. *Long-term health implications of cancer revealed*. This unattributed *Health Insurance* article on 19 July reports on **Macmillan Cancer Support's** call for the NHS to provide a 'recovery package' for cancer survivors, offering ongoing support. 47% of people are expected to get cancer during their lifetime by 2020 and sufferers are often left with residual issues (e.g. pain) or a greater risk of having other serious conditions.
http://www.healthinsurancedaily.com/health-insurance/product-area/life-critical-illness/article426433.ece.

2. *Plan your strategy in case of emergency*. This also unattributed article ran in *The Express* on 10 July. It picks up on **Bright Grey** research that found half of people had no idea how they would cope if the worst happened and **L&G's** finding that, on average, people could only survive 19 days if their income stopped. Saving more and taking out protection insurance is the answer the article says.
http://www.express.co.uk/finance/personalfinance/413755/Plan-your-strategy-in-case-of-emergency.

3. *Headaches cost dying cancer patient insurance cash*. The dangers of non-disclosure are illustrated by Aidan Radnedge's *Metro* article on 2 July. It reports **Aviva** customer Carol Neil, whose undisclosed headaches led to brain surgery a week before her CI policy was accepted. She now has ovarian cancer and has had her policy cancelled.
http://metro.co.uk/2013/07/02/headaches-cost-dying-cancer-patient-insurance-cash-3866509/.

4. *Could Angelina Jolie have claimed on critical illness?* Adviser Sarah Fullaway's article in *Every Investor* on 24 June looked at partial payments on CI plans and how they can help women who have DCIS (ductal carcinoma in situ). As Ms Jolie's mastectomy was preventative, she could not claim.
http://www.everyinvestor.co.uk/analysis/2013/06/24/could-angelina-jolie-have-claimed-on-critical-illness-4567/.

5. *Aegon UK relaxes financial and non-medical underwriting limits for protection*. Paul Robertson's 19 July news item for *Cover* reports higher underwriting limits, which means less hassle on more cases for advisers. Always good news!
http://www.covermagazine.co.uk/cover/news/2283566/aegon-uk-relaxes-financial-and-nonmedical-underwriting-limits-for-protection.

6. *CIExpert welcomes Beagle Street CI upgrade.* Fiona Murphy's 18 July *Cover* article lists the change made to 11 of the provider's CI conditions and includes comment from CI guru and adviser Alan Lakey.
http://www.covermagazine.co.uk/cover/news/2283312/ciexpert-welcomes-beagle-street-ci-upgrade.

7. *Defaqto: more policies offer severity-based CI*. Iona Bain's July 10 article in FT Adviser reported **Defaqto's** finding that the market now offers up to 34 severity based CI definitions, up from eight in May 2012.
http://www.ftadviser.com/2013/07/10/insurance/health-and-protection/defaqto-more-policies-offer-severity-based-ci-EOqiyNZk7plNdudhxZ0cdK/article.html.

8. '*Revolutionary' new protection underwriting firm to launch*. Paul Thomas' piece for *Money Marketing* on 10 July outlines Martin Werth's new company, **UnderwriteMe**, which will enable advisers to input client information once to get an underwriting decision from a number of providers. A JV with **Pacific Life Re**, it is due to launch next year.
http://www.moneymarketing.co.uk/protection/revolutionary-new-protection-underwriting-firm-to-launch/1074093.article.

9. *Protection providers accused of complicating process*. We made the news too this month, and on 18 July Iona Bain's piece in *FT Adviser* picked up on **Pacific Life Re's** James Tait's view that some advisers were leaving protection insurance to the experts for fear of its complexity—a reason **LifeSearch** left the PMI market alone, Emma Thomson later told the conference.
http://www.ftadviser.com/2013/07/18/insurance/health-and-protection/protection-providers-accused-of-complicating-process-itMnyLSTWykegRDzrjpWXO/article.html.

10. *Insurers must get with tech: McKenna.* Iona Bain's *FT Adviser* article on 11 July reported **F&TRC's** Ian McKenna's conference warning that protection was facing a similar issue to that the music industry faced with **iTunes**.
http://www.ftadviser.com/2013/07/11/insurance/health-and-protection/insurers-must-get-with-tech-mckenna-4YYTpfpIgn3gh8zGP5SRzH/article.html.

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