

# Private medical insurance – a matter of trust

## Nick Jones

Despite the never-ending stream of stories in the press with the next health scare or killer disease, the fact is - we're living longer and needing more medical treatment in the twilight years of our lives. The implications of this trend for society as a whole are huge but are perhaps even greater for the health insurance market.

As consumers of goods and services we expect more and more of the organisations we choose to buy from, but often we aren't prepared to part with more of our hard earned cash. Often, this is a perfectly rational expectation, multinational retailers and service providers are able to use their scale and power to keep prices low and delivery high, you only have to go as far as Amazon to think just how much is possible for how little in terms of price.

However, this model doesn't apply everywhere, private medical insurance being a prime example. Ongoing advances in medical treatment have put massive strain on the claims budgets of insurers. Innovative new treatments, diagnosis and drugs don't come cheap, but that doesn't stop PMI customers demanding them as part of their cover. So is this a reasonable expectation? Well it all depends on your point of view I guess.

### **PMI is about choice**

Fundamentally, buying PMI is about buying choice. In the UK, we are lucky enough to have access to a free, inclusive healthcare system, which, at the very least, does its best to keep the health of the nation ticking over.

So those people who decide that they need a healthcare upgrade are making a choice – they are stating they want more than access to the NHS, they want the convenience of access to diagnosis and treatment at a venue of their choice and at a time of their choice.

But it's about more than just convenience, for many people having PMI is as much about not compromising on their health by having access to those costly treatments that simply aren't or are no longer available on the NHS.

The challenge for both PMI policyholders and insurers is that this choice in itself creates cost – for insurers increasing medical inflation has had the affect of increasing premiums in recent years.

## **A question of control**

So for many people choice is important, but their budget is often limited. As this is the case, insurers give options to limit the scope of cover to ensure that premiums remain affordable. Benefit limits aren't always popular with consumers or advisers, we all demand simplicity these days, so to wade through a range of financial limits and time limits across a range of benefit categories can be frustrating to say the least.

Excesses are a method of managing premium costs that put the policyholder in control; it allows them to flex their premium according to what they want from their cover – but excesses can be unpopular too. What's the point of insurance if you have to meet the first cost of a claim? Sure, they're widely applied across many different forms of cover, but excesses aren't for everyone.

## **No claims discounts**

Perhaps the most divisive of all methods used by insurers to help manage claims are no claims discounts - a form of discount which is again common across different forms of insurance such as home and motor, but again isn't universally popular.

No claims discounts can offer huge initial discounts on premiums, sometimes up to 75%, so what's not to like? It must be true that the presence of no claims discounts allows some people access to buying PMI that they wouldn't otherwise be able to afford.

But with no claims discounts the devil is in the detail.

If PMI is as much about choice, as it is about convenience and speed, then no claims discounts can run policyholders into a bit of trouble.

The heavily discounted premiums offered to applicants when taking out cover certainly attract the attention and often play a deciding factor for many when choosing their cover. But how many of these people will go on to suffer frustration, increasing premiums or even some difficult decisions about whether to use their cover for the purpose it was designed?

## **A question of trust**

As insurers within the protection market have often stated, consumer trust is both crucial and not something insurers enjoy a huge amount of. When you stop and think, it's not hard to fathom why this may be the case; PR disasters such as the PPI scandal have implications for all kinds of insurance; consumers are unlikely to draw barriers between different types of insurers as we do.

So, are NCD's the next disaster waiting to happen? Their use is certainly beginning to attract attention – in a recent article for the Daily Mail, leading financial journalist Jeff Prestridge said: "...what is the point of insurance if you are unfairly penalised for claiming? None at all."

It's difficult not to agree, at least to an extent. Insurers finding ways to help manage and control growing PMI premiums is only positive if it doesn't undermine the core purpose of

cover in the first place. But NCD's are perhaps doing just that, preventing policyholders from accessing the choice and convenience and ultimately compromising on their health.

I can't offer a definitive solution, but in my eyes we should be striving to build useable, sustainable cover – not a new generation of unhappy customers with limited trust in insurers.

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