

# August/September 2010

## **Pick of the month**

This month's products are again a diverse bunch. Saga offers guaranteed premiums with an incentive to be tele-underwritten, while Pulse's Harbour plan offers life cover to those with HIV, albeit at relatively low levels.

Partnership offers an interesting mortgage funding vehicle for its single premium Care Plan but our Pick of the Month is Westfield, for its new innovative direct to consumer Health365 brand.

It's not perfect, but deserves to succeed and includes some innovative touches, not least around its use of video as an online sales tool. The key question is now how more consumers can be encouraged to seek out such cover in the first place.

### **Health365**

**Health 365** is a new online direct to consumer health insurance product offering simple, quick and affordable health cover from £15 a month.

Health365 is a new sub-brand for leading health cash plan provider **Westfield Health** and is its venture into online insurance.

The plan itself has four modules and two premiums levels (min and max), which apply to the Core and Therapies benefits (the other two are fixed). Reimbursement is 100% up to the policy limit and customers must choose at least one module in addition to the Core module:

- Customers must choose Core Health Cover. This pays for or towards therapies (up to £300 or £600 a year—for min or max), optical (£100 or £200) and dental (£100 or £200) costs and pays a nightly rate up to £40 or £50 for up to five nights a year for hospitalisation.
- Scanning and screening. This pays up to £150 a year. Scans must be consultant referred.
- Consultation. Pays up to £150 or £600 a year.
- Surgery Choices. Covers 60 common surgical procedures and pays up to a lifetime limit of £100,000. These are listed and explained in the policy document. This element of the plan is underwritten by **Great Lakes Reinsurance (UK)**.

A key element of the proposition is the website. This not only includes text and PDFs of things like policy summaries and documents but also short videos explaining each element of the plan. These are available in both high and low definition and each lasts around 30-50 seconds and gives a simple overview. The videos each took around half a minute to load—but that is more a reflection of the very slow broadband rate in ePR's rural office location than a criticism of the website (although a factor for all providers to be aware of when considering complex websites).

The website allows the customer to build their own plan by deciding who should be covered (individual, couple or family) and how much of each level of cover they want.

An individual choosing maximum benefits would pay £39 a month, a couple £78 and a family £85 a month. Rates are not age dependant.

**Plus points:** *Simple to understand and buy. Well set out interactive website makes*

*buying easy. Videos are a useful bonus. Choice of cover options. No age or gender ratings. A cut price alternative to traditional PMI and HCPs.*

**Not so plus points:** *More limited cover and choices compared to many PMI and HCP plans. The internet is popular for buying such as motor insurance, but success to date in the protection and health insurance areas has been more limited. The videos can be slow to load and give little factual information about cover levels.*

**Contact:** 0845 2 100 365 or [www.health365.com](http://www.health365.com).

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

## **Partnership Care Plan Payment Option**

**Partnership's** Care Plan Payment Option (CPPO) is a fixed rate loan that enables people to fund their long term care, without having to sell their family home.

The loan has a fixed rate of 6.99% and is secured against the family home. The mortgage loan is then used to purchase a Partnership Care Plan, which is a single premium plan that provides a guaranteed income for life. If those payments are made direct to a registered care provider, the income is tax free. The CPPO can be for a lesser amount, e.g. if the customer wants to use some of their realisable capital to help fund their care.

All interest is rolled up during the customer's lifetime and the loan and interest is usually repayable on death or on the earlier sale of the home. However, the customer can repay part (minimum £5,000) or all of the CPPO at any time, without penalty.

Partnership offers a no negative equity guarantee so that the CPPO and accumulated compound interest will never be greater than the proceeds of selling the home.

If death occurs within six months of taking out the Care Plan, there is effectively a money back guarantee.

One benefit of the scheme is that, after the mortgage is completed (where there must be vacant possession), the customer can rent out their home or allow a relative to stay there (subject to Partnership's agreement). That also allows the customer to return home should they wish to do so later.

**Plus points:** *Helps pay for a single premium care plan, without selling the family home. That may be attractive where say a spouse still lives there or where the elderly person does not want to relinquish their home when they have to go into care. In practice, few will then return home, but the psychological benefit of that option may be important to them. Or, they may choose to rent out the home (or allow a relative to stay there), so generating additional income.*

**Not so plus points:** *6.99% may look expensive for a fixed rate loan in the current market, but most 'general' fixed rate mortgages are for fixed terms (1-5 years is common), may have early redemption penalties and require interest to be paid monthly. That said, one downside of this arrangement is that interest can quickly build up—the capital sum borrowed will almost double over ten years (although many people going into residential care will not live that long). This is a specialised and complex area and few IFAs specialise in it. Customers should always take independent legal advice before embarking on such arrangements. There may be better options available. Not every property is suitable for this arrangement (or for renting at an attractive rate and renting also gives rise to other costs).*

**Contact:** 0845 108 7240 or [www.partnership.co.uk](http://www.partnership.co.uk).

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

## Saga Guaranteed Life Insurance

**Saga's** new plan is underwritten by **PruProtect** and is a guaranteed life insurance policy for those aged between 50 and 85 living in the UK.

Premiums are fixed for life at outset, as is the sum assured. On death within the first year, all premiums are returned but the full sum assured is payable after one year (compared to two years on many similar plans) or on accidental death at any time.

Acceptance is guaranteed regardless of health and, on acceptance, customers also get a £20 **Marks & Spencer** voucher. If the sum assured is used to pay for a funeral with **Co-operative Funeralcare**, it will pay an additional £250 towards the costs i.e. customers effectively get a £250 discount on their funeral.

Premiums cease at the policy anniversary after the customer's 90th birthday but benefits are whole life. The literature also says: 'We're currently able to offer you and your family access to a free and confidential service offering practical and emotional support at a time of need'. However, we could not find reference to that in the policy provisions and assume that this is simply an additional extra contractual service. Whatever it is, we think it's probably a good thing!

Customers can also choose to 'take the Saga Challenge'. This means phoning the freephone number (below) and answering four simple questions regarding their health. If those answers are satisfactory, the sum assured is automatically increased by 15% and the plan also offers full payout from day one, rather than having a one year accidental death only full sum assured.

**Plus points:** *Simple product with fixed rates and guaranteed acceptance and just a one year rather than two year initial 'waiting period' before full cover kicks in. The Saga Challenge offers the prospect of better cover for answering just four questions with no downside too—if the customer is not accepted for this, they still get the basic plan benefits. Additional £250 if the funeral is arranged through the Co-op and a £20 M&S incentive also encourages take-up of the plan.*

**Not so plus points:** *We have criticised the value for money element of such plans before and this plan is no different—a long living customer could find that they pay in rather more than their family gets out. Many customers would be better off consulting an IFA who could then choose the most appropriate cover for them, although the risk is then that they may be rated or rejected by the insurer.*

**Contact:** 0800 015 1903 or [www.saga.co.uk](http://www.saga.co.uk).

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

## Pulse Insurance Harbour

**Pulse** specialises in 'helping people that have been turned down by other insurance providers'.

This policy, which is underwritten at **Lloyd's**, is a ten year term assurance policy and is available to UK citizens.

The plan is targeted at people with HIV and offers up to £200,000 of accidental death cover (other options are £10K, £50K, £100K and £150K) and either £10,000 or £25,000 of life cover. Pulse says that, crucially, it does not require a doctor's report or for the applicant to undergo a medical examination and adds that there are currently around 83,000 people living with HIV in the UK.

A male aged 30-34 could pay £15 a month for £10K of accidental death benefit and

£10K of life cover. Increasing the life cover to £25K would take the monthly premium up to £40. For £200K of accidental death benefit the monthly premium would be £55 or £80 for £10K or £25K of full life cover too.

There is a seven page application form to complete, which includes a range of medical and other questions.

**Plus points:** *Medical developments have meant that many people with HIV can now go on to lead long lives, but they may still find it difficult or impossible to obtain any life cover. This plan offers them that life cover (albeit only relatively small sums), complete with accidental death benefit too, which can be for a much larger amount (up to £200K).*

**Not so plus points:** *Expensive compared to normal rates term assurance—although such cover is very unlikely to be available. Not available if the customer has AIDS. We are not fans of accidental death benefit—if the need is for money on death the cause of death is largely irrelevant. However, for those with HIV, ‘normal’ life cover may be unavailable. And not everyone with HIV will die from non-accidental causes.*

**Contact:** 01280 841430 or [www.pulse-insurance.co.uk](http://www.pulse-insurance.co.uk).

**Rating (max 5):** Innovation: 4. Overall: 3.