

## July 2010

### **Pick of the month**

The products reviewed this month all score high on innovation—not something that we can say every month....

National Friendly adopts a one pot approach to its new HCP, PatientChoice extends what its top hospital treatment plan covers, WPA offers very high excess PMI and even Rias's funeral plan has some innovative touches.

It was a difficult choice, but our product of the month is PruProtect's Health Cover Optimiser, which combines CI and PMI covers in a way that gives customers more choice and lower costs too.

### **National Friendly One Fund**

**National Friendly's** new One Fund is a health cash plan (HCP) that adopts the concept of a single large annual pot of money rather than separate pots for each benefit type. The exceptions being optical and health screening, which each have lower annual limits.

There are six premium level options— £10, £12, £14, £16, £18 and £20 a month per person. They provide overall annual limits across all benefits of from £720 to £1,440.

Within that, there are six benefit categories, each of which is subject to an annual excess of £40. The six categories are (figures shown are for a £10 a month and a £20 a month plan respectively):

- Dental.
- Optical (annual limit £120—£300).
- POCAH (physiotherapy; osteopathy; chiropractic; acupuncture and homeopathy).
- Consultations.
- Health screening (annual limit £120—£300).
- Counselling.

So, a customer who needs say some dental crowns could decide to use all their £720 annual benefit (£10 a month plan) for that, even if they could also claim for say an eye test and a small amount of physiotherapy. That compares to a traditional HCP that might say offer total annual benefits of £1,000 but have an annual dental limit of perhaps £200. Dependant children are covered too, but any claims they make are effectively then deducted from the plan's overall limits.

The plan includes dental treatments such as implants (but not veneers, teeth whitening or treatments for gum disease, nor for children's dental braces). The excess does not apply to eye tests. Other exclusions are what you might expect to be excluded, but the plan does not cover treatment outside the UK or injuries sustained 'as a result of reckless endangerment' (which includes professional sports) and criminal activities and some benefits do not cover children (e.g. health screening and counselling).

**Plus points:** *Many people don't bother to claim all that they could under an HCP (they forget to ask for an invoice from their dentist or lose it etc), while others find that their claims do not spread across benefit types but instead they have large claims in particular areas every few years. This plan can help in both those situations. This product allows customers to make bigger claims in many areas, subject (in most cases) just to an overall annual plan limit.*

**Not so plus points:** *Each benefit category has its own annual excess so making claims for say glasses, dental work and a POCAH benefit could become expensive in terms of excesses. Some other cash plans may offer a wider range of benefits and be more suitable for those who expect to make frequent claims in various categories.*

**Contact:** 0800 195 9246 or [www.nationalfriendly.co.uk](http://www.nationalfriendly.co.uk).

**Rating (max 5):** Innovation: 4.5. Overall: 4.

## PatientChoice Premier

**PatientChoice** has recently renamed its products as Hospital Treatment Plans and has now introduced a new top level plan, which is called Premier.

Essentially, PatientChoice plans provide a cash lump sum to pay for specific treatments rather than take the usual PMI (private medical insurance) approach of indemnifying hospital treatment costs. As such, customers can make a 'profit' by shopping around to find the best value treatment but may find that some treatments covered by conventional PMI are not covered.

Premier differs from PatientChoice's other plans by providing an additional annual £1,000 pot to cover diagnostic tests and specialist consultant fees. It also pays up to £1,500 a year for scans, up to £25,000 a year for operations and medical treatments and up to £15,000 a year for chemotherapy and radiotherapy.

Where the customer chooses to have NHS rather than private treatment, the plan's maximum cash payout is £5,000. A maximum of three procedures a year can be claimed for and there is also a lifetime plan benefit limit of £25,000. Plans are available from age 18 to 80. Children are covered up to age 21 or 25 if in full-time education.

Operations are grouped into 12 categories, with the lowest (e.g. removal of a skin lesion) paying out £850 (or £200 if NHS treatment is chosen) and the highest (e.g. for a quadruple heart bypass operation) £25,000 or £5,000 for NHS treatment. Over 1,500 operations and medical procedures are covered.

There is an annual excess of £100 for specialist consultations, diagnostics and scans. Moratorium underwriting is standard. The plan is underwritten by **Great Lakes Reinsurance (UK)**.

Single cover for someone aged 30-34 would cost £26.92 a month, compared to £24.27 under an Access plan or £17.65 under an Essential plan.

**Plus points:** *Covers the most common procedures and is likely to generate a cash sum on claiming (by shopping round for treatment, which Patient Choice can help with, through **Medical Care Direct** or by having NHS treatment). That can help cover incidental costs (travel, loss of income etc) or be used for a post-treatment holiday for example. This new plan also covers most out-patient costs too. Can be considerably cheaper than conventional PMI.*

**Not so plus points:** *Does not cover all treatments or out-patient care. There could be a shortfall, especially if complications occur (although that may be avoidable if a fixed cost treatment package is chosen). There are also treatment limits (three a year) and an overall lifetime limit. Customers must trust PatientChoice to have covered all the most likely treatments.*

**Contact:** 0800 012 2008 or [www.patientchoice.org](http://www.patientchoice.org).

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

## PruProtect Health Cover

**PruProtect** has introduced two new plans—Health Cover and Health Cover Optimiser. Health Cover is effectively a simple PMI add-on from sister company **PruHealth** to PruProtect's Serious Illness Cover. By doing this, customers gain a useful 5% discount plus the convenience of one application form and a joined-up approach. Three levels of PMI cover are available on both plans—these are Comprehensive Cover, Primary Cover and Heart and Cancer Cover.

In this review however we focus on Health Cover Optimiser. This also looks to combine Serious Illness Cover with PMI but in an even more joined-up way.

It allows customers to choose how to receive their Serious Illness Cover benefit. They can either take the cash lump sum as normal, or can instead take a smaller cash sum and use the balance to pay for medical treatment. The choice is made at the point of claim, not before. For conditions not covered under the Serious Illness Plan, benefits are paid as with any other PMI plan.

The amount held back varies from £5,000 (e.g. for some types of minor surgery) up to £30,000 e.g. for treating advanced cancer. This is called the maximum contribution and does not vary if the actual cost of treatment is expected to be or turns out to be higher. Customers can however change their mind and receive a higher cash sum, when the PMI treatment for that condition would also stop. And, if the treatment costs less than the maximum contribution, the balance is payable back to the customer after one year.

The main benefit of this approach is savings of up to 25% on the cost of adding PMI cover. The maximum discount applies where the customer has £60,000 or more of serious illness cover.

There is also a second major advantage—bringing PMI cover under the same umbrella as long term protection cover should help encourage more financial advisers to more actively promote PMI and to consider it as part of the advice process. At present, some see short term plans such as PMI and HCPs as culturally too far removed from the long term products they are used to, and struggle to effectively market such plans or, more simply, take the decision not to do so.

PruProtect gives the example of a male non-smoker aged 29 who could take out a PruHealth plan for £34.34 a month. If they instead add the same cover to a PruProtect Serious Illness plan, the cost drops to £32.62 a month (Health Cover) or to £25.75 for Health Cover Optimiser.

For a female of the same age, the premiums would be £37.60, £35.72 and £28.20 a month respectively.

**Plus points:** *The option to get significantly lower PMI costs while still maintaining the option to get full Serious Illness Cover benefits. Continues the PruProtect tradition of being highly innovative, with a focus on securing additional value for money for customers. Choice of two ways to add PMI and three PMI options with all the usual PruHealth benefits.*

**Not so plus points:** *Inevitably a more complex solution than buying a single product, but also a more complex sale for an adviser to make. Many IFAs are not (yet) comfortable advising on PMI, while the single high cost of this type of combined cover may put off some customers from buying any solution. However both potential issues can be overcome by advisers investing time in becoming familiar with the concept. Some advisers may prefer to keep health and long term protection cover separate. Potential problems at both underwriting and claims stages. Possibly lower benefits than other straight CI/PMI.*

**Contact:** 0845 6010072 or [www.pruprotect.co.uk](http://www.pruprotect.co.uk).

**Rating (max 5):** Innovation: 5. Overall: 4.5.

## Rias Over 50s Life Plan

Part of the **Fortis** group, **Rias** was established in 1992 and is a specialist provider of insurance products for the over 50s age group. This plan is underwritten by sister company **Fortis Life UK**.

The plan provides UK resident customers aged 50-75 with a guaranteed acceptance whole of life plan with no medical questions. Premiums start at £5 a month and are available in £5 multiples up to £50 a month.

A male aged 60 would get £5,666 of cover for £25 a month or £11,983 for £50 a month. For a female of the same age the sums insured would be £7,348 and £15,507 respectively. Premiums can be index linked (a facility which drops away if not exercised three years running). The index used is the Retail Prices Index (RPI).

If the sum insured is used to fund a funeral provided by **Dignity**, it is increased by 10%. If death is due to an accident within the first two years, the sum insured is trebled. If death within the first two years is from any other cause, the customer's estate is paid 150% of premiums paid. Premiums stop at age 90, although cover continues.

Taking out a plan qualifies a customer to get one of three free gifts (one night's hotel stay, a £25 **M&S** voucher or a digital photo frame).

**Plus points:** *Simple, guaranteed cover with no medical questions. Pays three times the sum insured on death by accident within the first two years or 150% of premiums paid on other deaths within two years. 10% extra if the sum insured is paid to Dignity for the funeral. Premiums stop at age 90.*

**Not so plus points:** *A 60 year old would have paid in more than the sum insured by the time he reached age 80. By far the best value is death by accident within the first two years (why?). Could be a useful short-term savings plan for those expected to die within two years (but only if they do die).*

**Contact:** 0800 183 0743 or [www.rias.co.uk](http://www.rias.co.uk).

**Rating (max 5):** Innovation: 2. Overall: 2.

## WPA Active Health

**WPA** has introduced a new range of individual PMI plans. The first two are:

**Flexible Health.** Available in Essentials, Premier and Elite forms, the plan in its Premier guise covers in-patient and limited out-patient cover with a choice of four co-payment levels and optional cancer, advanced cancer drugs and dental cover plus optional premium hospitals, higher out-patient limits and emergency cover abroad.

**XS Health.** Aimed at non-smokers aged 25 and below. Has a £1,500 annual excess but costs just £59.70 a year, making it an ideal buy for parents for their adult children (who may not be covered by the family's PMI).

However, we are reviewing the third plan—Active Health. This is targeted at those aged 55 and over and pays up to £150,000 benefit a year. As such it will often appeal to people coming out of a group PMI scheme. Often, such people are hit with such a big premium increase that they decide not to switch to individual cover at all and instead go without PMI altogether.

This plan offers a choice of two very high rolling annual excesses of £3,000 or £5,000.

That results in premiums up to 80% less than for traditional full cover plans WPA says. The excess covers all claims within a 12 month period starting once costs exceed the excess limit. The excess then covers all claims for the next 12 month period.

Someone aged 60 would pay £50.32 with a £3,000 excess and just £25.38 a month with a £5,000 excess.

The plan includes most usual PMI benefits, including full out-patient cover (although most out-patient cover is likely to be within the annual excess in many cases), cancer care, nursing at home and a hospice donation per night of £70 (max ten nights). NHS hospital cash benefit is £100 a night up to 30 nights a year.

**Plus points:** *Very low cost compared to conventional PMI. Does not include some benefits likely only to appeal to younger people, which would normally have to be paid for. WPA is offering a 15% discount on premiums in the first year, as part of its 25 years of putting customers first celebrations.*

**Not so plus points:** *Very high annual excesses. Whilst that might be acceptable to many people with savings, the risk is that if they need treatment every year, the cost can significantly escalate over time. Smokers pay 10% extra.*

**Contact:** 0800 783 0 784 or [www.wpa.org.uk](http://www.wpa.org.uk).

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