

March 2011

Pick of the month

We review some interesting and innovative solutions this month. First, newly renamed Ageas Protect resuscitates the low cost concept and brings it to protection, while PruHealth launches a good range of new plans to take over from its and Standard Life Healthcare's old PMI plans.

We welcome a new provider too—at least to the intermediary market, though it has been in existence since 1887, so it's not really that new... Welcome, Wiltshire Friendly, with its flexible approach to GIP.

Our pick of the month though is Unum, for its Select plan, which combines marketing support, simplicity and good basic group risk benefits to help expand the market.

Ageas Protect Low Start

Ageas Protect is the new name for what, until the start of this year, was **Fortis Life**. Low Start is a new variant on Ageas' existing products.

The low start concept was popular back in the 1980s with mortgage endowment products and enables customers to buy the same cover at a lower initial monthly premium. Annually, that premium increases and will eventually be higher than that on a regular premium plan. Over time, it is a more expensive way to buy cover, but has the significant advantage of lower premiums at outset.

The low start route was popular as it helped customers' cashflow in the all-important early days of their mortgage. High inflation rates then meant that mortgage costs tended to remain broadly the same (unless interest rates changed), while income could be expected to rise rapidly. The idea fell out of favour, partly because many customers did not fully understand what they had bought.

Cover itself can be term assurance (which includes terminal illness benefit and optional waiver of premium) or that can be combined with critical illness cover.

The initial premium can be up to 30% cheaper than for a level premium plan, with the exact figure and rate of annual increase depending on age and policy term. A similar result could be achieved through an annually renewable policy, but that would not guarantee future premiums.

If the customer chooses not to increase their low start premium in future, the plan can continue, but with a lower sum insured. Ageas says its low start system is suitable for customers in their mid 30s and above but not for younger customers, where the price saving in the early years is likely to be too low to justify the low start route.

Plus points: *Most customers are used to household and motor insurance premiums rising every year, so low start life insurance that does the same can appeal to people on tight budgets. Built on a proven product at a lower initial cost, where premiums and premium increases are guaranteed and can fit with a customer's expectation of rising income in future. If future premium increases cannot be afforded, the sum assured can be cut accordingly.*

Not so plus points: *Ageas' low start route is not suitable for customers whose net spendable income is unlikely to rise in real terms in future. The plan cannot be used for younger clients (often, those who would most value having lower initial costs) and can end*

up costing considerably more overall than an equivalent level premium plan. One issue for Ageas will be whether intermediaries look to move clients to another provider once premiums start to rise in future years.

Contact: 0845 600 6829 or www.ageasprotect.co.uk.

Rating (max 5). Innovation: 4. Overall: 3.75.

PruHealth Business Healthcare

Since taking over **Standard Life Healthcare's** PMI book last year, **PruHealth** now has over 700,000 members and an 11% market share of the UK PMI sector.

From 1 March PruHealth is launching a new range of personal, business and corporate plans to take over from its existing PruHealth and Standard Life Healthcare products (new plans only, initially). Our review is based on the new age-rated Business Healthcare proposition, which is built around having Core Cover, which provides:

- Full cover for in-patient and day-patient hospital fees, specialist fees and diagnostic tests.
- Out-patient MRI, CT and PET scans.
- Core cancer cover.
- Added benefits. These are home nursing; NHS hospital cash benefit; childbirth cash benefit; parent accommodation, and private ambulance.

Customers can then choose:

- From four underwriting types.
- One of five excess levels (from £0 to £1,000) and whether per claim, per year or Vitality-linked.
- Premier, London, Countrywide or Local hospitals.
- To enhance out-patient cover (choice of six options up to full refund); out-patient diagnostics (up to full cover); therapies benefit (£350 a year or full refund); psychiatric cover (£15,000 or £29,000 a year, including a £1,500 out-patient limit); private GP helpline; personal health fund (health cash plan style benefits – optical; dental; health screens; physiotherapy; chronic prescriptions or enhanced gym discounts); employee assistance programme; emergency overseas cover; dental cover, and worldwide travel cover.

A linked Vitality programme rewards healthy lifestyles through awarding points. This reduces future premiums on Personal plans or gives discounts from reward partners on Business and Corporate plans. Discounts are available on spending e.g. health screens, gym membership, holidays and stop smoking sessions. Members also earn Vitality points through healthy eating at **Sainsbury's** and also have access to a range of health-related information and advice.

Plus points: *PruHealth has managed the tricky issue of bringing two providers' plans together in a proposition that links a menu/option approach with another variation on the Vitality concept. Adding a Personal Health Fund (giving HCP style benefits) should be useful in these straitened times too, meaning many employees can benefit every year rather than (on average) just every four years (on a typical PMI only plan). The Vitality approach has won many fans since 2004.*

Not so plus points: *Not a simple product, so it takes time to learn. Can be expensive if all options are chosen. Requires employees to take an active role (through Vitality) to get the best benefits out of the plan.*

Contact: 0800 328 3962 or www.pruhealth.co.uk.

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

Unum Select

Unum's latest initiative in the group risks market, Unum Select, is an inclusive group risk plan that aims to expand the group risk market. It is available on Standard (traditional employer funded group risk) or Voluntary bases.

The plan enables employers to have life, income protection and critical illness cover within one group risk plan. The most significant factor is that the plan can be funded wholly or partly by the employer or by the employee. So, an employer that wants its workforce to have the benefit of group risk cover could set up a plan wholly funded by the employees themselves.

A core element is a worksite education programme. This provides a tailored approach to communicating with staff about the benefits being made available to them and can include group presentations, internet and phone and one to one meetings with 'Unum Select enrollers' - Unum staff who come into the workplace to educate the workforce on the need for financial protection and what is and what is not covered.

Unum points out that only 1 in 10 employees currently has income protection cover from its employer, while the Government is moving towards people taking more responsibility for their own welfare and protection.

Worksite marketing has been very successful in the US and, in the UK in areas such as health cash plans, but it remains an under-used distribution channel in the UK. Linking that with a choice of protection covers, ease of buying (including online quotes and administration) and a focus on employee benefits education will, Unum believes, help take group risks away from being largely limited to high earners to opening up benefits to all employees.

Within the plan, Select Life Cover on a voluntary (i.e. employee funded) basis requires 'active enrolment' of employees, and includes guaranteed insurability (GI, the equivalent of free cover limits on traditional group life). Up to £250,000 of cover is available (or up to twice that on standard employer funded plans, which must cover at least 75% of eligible employees). Employers can contribute a fixed monetary contribution or make a partial (up to 75%) contribution or allow employees to pay the whole amount.

Select Income Protection pays up to £36,000 a year on voluntary plans and offers a range of deferred periods, and benefit terms from as little as six months up to a maximum retirement age of 70.

Select Critical Illness Cover provides up to £100,000 on Standard plans. Spouse's and children's cover is also available.

Under voluntary schemes, Unum asks a 'handful' of health and lifestyle questions, then applies a simple accept or reject underwriting approach.

The plan is already being sold by selected IFAs, with a wider roll-out by April. The first employer to sign up to Select was **Incisive Media**, publisher of *Cover* magazine.

Plus points: *Aims to expand the group risk market to a much wider group of employees through a combination of ease of access, worksite marketing and simple group risks alone or in combination. Enrollers can help IFAs get to more people more effectively. Plans can be wholly employee funded but still benefit from guaranteed insurability. Simple yes/no underwriting based on minimal information.*

Not so plus points: *Not every IFA likes 'help' from insurers as this risks losing control.*

Minimum levels of participation apply. Some may see this as Unum trying to make US ideas work in the culturally different UK.

Contact: 01306 887766 or www.unum.co.uk.

Rating (max 5): Innovation: 4.5. Overall: 4.25.

Wiltshire Friendly Group Income Replacement

Although established as long ago as 1887, Trowbridge based **Wiltshire Friendly Society** is still largely unknown, at least in intermediary circles. But, that could change, as it has now decided to actively target the intermediary market. Membership is over 6,000 and the mutual organisation specialises in income protection products. In 2009, over 98% of claims received were paid.

The Group Income Replacement plan covers from five lives (although, as with many other features, such limits are not set in stone and may be negotiable, especially for good business) and covers up to 75% of income. That can include pension contributions, NICs and other non-pay benefits, and maximum benefit is £37,500 a year. A wide choice of deferred periods is available, from four weeks (even available to blue collar workers) to 52 weeks. Benefits can be paid to retirement age or for a limited benefit period of one or two years.

Accident Cover is a unique benefit that gives back to day one cover if an employee is injured by a non-work related accident and is off work for at least one week. An own occupation incapacity definition is used on all plans. Continuation of Cover is automatically included, allowing leavers to continue cover on a personal basis. Standard commission is 12% a year. And, employees can 'top-up' the cover provided by their employer.

One recent service introduction has been Big T tele-interviewing, with **Medicals Direct Group**.

Plus points: *Very flexible approach (although only for the right risks we would expect). Blue collar workers are welcomed. Built-in Accident Cover and Continuation of Cover, and Big T tele-underwriting is available too.*

Not so plus points: *Not an organisation that is yet well-known to the broking community (which can cause teething problems, especially as some intermediaries may have little understanding of the types of risk such providers want to attract). Relatively low maximum benefit and the plan lacks the third party add-ons now becoming increasingly popular.*

Contact: 01225 752120 or www.wiltshirefriendly.com.

Rating (max 5): Innovation: 3.5. Overall: 3.75.