

PROTECTION CLAIM STATS

Last updated: February 2013



Why revealing claims payment rates is a key issue for the Protection industry

The publication of paid claim statistics is close to our hearts. It has been called for, championed and supported by a range of intermediaries and media publications for many years in order to restore consumer trust to a market which has been criticised at times, sometimes fairly and sometimes not, for not paying genuine claims. These figures show beyond doubt that the vast majority of claims are paid, and typically without fuss, which is why the protection industry exists.

However, if you approached a member of the British public in High Street UK and asked them if they trusted the insurance industry we are pretty confident that you would be greeted with a common reaction: “I don’t trust insurers because they try to wriggle out of paying claims”. This is one of the great clichés that dog the industry but that it exists is partly our own fault.




Insurance contracts, particularly in the past, were large and opaque documents, full of definitions and legalese and when a claim was turned down the disappointed customer often takes the default position that “it is down to the fine print”. Normally as far as fine print goes they usually have a strong case in point. For many years the penny has not dropped that the more obscure a document is, and the more inaccessible it is for the person owning it, the less confidence they will have in the value of their policy.





Of course from time to time indefensible decisions are made by insurers to decline claims but unless there is a major technical problem (e.g. the definition of TPD/PTD in Critical Illness policies) this is really very rare and legitimate claims are paid. Disclosing paid claims percentages is a relatively new thing but it is now becoming de rigeur for companies to disclose their percentage of Critical Illness claims. This was the result of a campaign started by LifeSearch with strong media support which met much initial resistance from some parts of the industry but which has now borne spectacular fruit as it is now standard industry practice to disclose these figures—and would you believe it, that figure has crept up year on year as the oxygen of publicity has refreshed the attitudes of insurers. This is a triumph for consumerism but is also a triumph for commonsense.





Our industry does have reason to be defensive about some claims. Some media, particularly programmes like Watchdog have taken very entrenched stances in cases where the insurer does not feel a balanced position is taken. But ultimately as the CI example shows an industry that has little to hide has little to fear.


It is with this in mind that the IP Task Force has been attempting to get members to agree to public disclosure of their claims paid percentages. Just as happened in CI, the belief is that the need for transparency will breed greater openness and trust. It is starting to happen and an initiative between the ABI and the Health Claims Forum is setting up a standard template for the declaration of claims paid percentages. IP has a journey to make which is similar to CI’s but these are positive steps in that direction.

When it is possible to read every company’s statistics it won’t necessarily mean that Office A is better than Office B because of their different histories in the market, but it will mean that neither office have anything to hide. In fact turning some claims down is as much in the public interest as paying the majority of them. But the message has to be that our overriding motivation as an industry must be to cover as many people as we can and where they need to claim, pay as expeditiously as possible. If that message is imprinted on the minds of every claims department we will not be going far wrong.

Insurer	% of claims paid	Period (Date published)	Notes
	CI - 93% Life - 92%	2011 (March 2012)	<ul style="list-style-type: none"> • Of the CI claims declined, 81 per cent were due to the definition of the critical illness not being met and 19 per cent were due to non-disclosure of important information • In total, AEGON UK paid out £28 million in critical illness claims in 2011, a five per cent increase on what was paid in 2010, with an average payout of £82,567. The average age of a claimant was 46, and the average time a policy is in force before a claim is made is four years and nine months • Cancer remains the most common reason for making a claim accounting for 66 per cent of CI claims, up from 61 per cent in 2010
	CI - 94.1% IP - 91.2% Life - 99.7%	2011 (March 2012)	<ul style="list-style-type: none"> • The average sum paid to critical illness customers was £73,591 • The average age of critical illness customers was 44 years for women and 46 years for men • Cancer remains the most common cause of critical illness claims at 67%, followed by heart attack (10%), stroke (7%), multiple sclerosis (6%) and benign brain tumour (2%) • Over the last five years the same top five conditions have accounted for more than 92% of Aviva's critical illness claims paid overall • Aviva protection customers received £1.2m per day in 2011 • 1% of claims declined for non-disclosure • Paid out more than £439 million in claims (£320 million paid to those who lost loved ones or diagnosed with a terminal illness and over £133 million paid in critical illness claims)
	CI - 93% Life - 97%	2012 Last 6 months of 2011	<ul style="list-style-type: none"> • Bright Grey paid out 93% of critical illness claims during 2012 • 4% of claims were declined for non-disclosure • The average critical illness payout was £73,000 • Nearly two thirds of claims paid were for cancer (64%) followed by heart attack (14%) and multiple sclerosis (8%) • The youngest claimant was 19 years old

	IP - 98%	2011 (Jan 2012)	<ul style="list-style-type: none"> • Average age of an IP Claimant 50.12 years • Most common reason for making an IP Claim : Musculoskeletal (ex back) 20% • Other claims were made in 2011 for (amongst other things) Anxiety/Depression/Stress, Digestive System Disorders, Lacerations/Burns • We paid 98% of claims in 2011 • Of the claims declined in 2011 the most common reason (23.5%) was due to non-disclosure of Drug & Alcohol addiction
	IP - 94.3%	2011 (March 2012)	<ul style="list-style-type: none"> • 926 applications for benefit were dealt with by the Society in 2011 • Following assessment 5.7% of considered claims were declined because they did not meet the requirements of claim as: proof of earnings could not be supplied, medical evidence could not be supplied, there was no loss of earnings, there was non-disclosure, the contract was in arrears • As a result 94.3% of claims were paid to the value of £3.2m in sick pay benefit • 30% of claims assessed were for accidents or injuries highlighting the need for protecting against the effect an accident can have on earnings
	IP - 95%	2011 (April 2012)	<ul style="list-style-type: none"> • The most common cause of claim was for muscular & skeletal problems, which accounted for a 22% proportion of claims, although this was a slight fall from the previous year • The Exeter based mutual also confirmed that 1.2% of claims received were declined as a result of non-disclosure
	CI - 90%	2011 (March 2012)	<ul style="list-style-type: none"> • The largest payout of £1.1m was for prostate cancer and the total amount of claims paid was in excess of £89.5million • 6% of claims were declined for not meeting the definition and 4% were turned down due to non disclosure • The average age of male claimants in 2011 was 45, with the average age for females being 43. Claims were received for conditions including Alzheimer's disease, major organ transplantation, insulin dependent diabetes (over age 40) and coma as well as cancer, heart attack, stroke and multiple sclerosis • Out of 1,733 total claims, 1,565 were admitted and processed by Friends Life during 2011

	<p>CI – 93.2% IP – 92%</p>	<p>2011 (April 2012)</p>	<ul style="list-style-type: none"> • Legal & General has paid more claims than ever before, a total of £441 million combined death and critical illness claims in 2011, up from £373 million in 2010 • The key critical illness figures for 2011 are as follows: £177 million paid in 2011, Total number of claims paid 2,784, £63,573 is the average amount paid per critical illness claim, Average age of claimant 43 years, Cancer remains the number one reason for a critical illness claim • 2.6% were declined for non-disclosure and 4.2% were declined where the claim did not meet the terms of the policy • We paid 92% of all Income Protection Benefit (IPB) claims made in 2010
	<p>CI - 88% IP - 91% Life - 100%</p>	<p>2011 (Feb 2012)</p>	<ul style="list-style-type: none"> • The average age of an IP claimant is 45 years old • The average age of a CI claimant is 47 years old • Mental disorders were the most common reason for an IP claim (31%) • Cancer was the most common reason for a CI claim (61%) • The average annual benefit for an IP claim is £16,568, paying out for an average of just over seven years • The average CI claim was £70,098 • Fewer than 2% of IP claims and 3% of CI claims were rejected as a result of non disclosure. In total, LV= paid out over £12 million in IP claims (up 3% on 2010), nearly £10 million in CI claims (up 7% on 2010), and more than £28 million was paid out in life assurance claims in 2011
	<p>IP – 98%</p>	<p>2010 (TBC)</p>	<ul style="list-style-type: none"> • Pharmaceutical & General Provident Society, which specialises in offering Income Protection cover to healthcare professionals, has revealed its figures for 2010 show that it paid over 98% of all claims received • Paul M. Brierley, PG's Chief Executive, commented: "As a member-focused Friendly Society, we are proud to have paid 98.46% of all the claims PG received in total last year
	<p>CI - 91% Life - 98%</p>	<p>2011</p>	<ul style="list-style-type: none"> • Over £1 million was paid out in children's critical illness cover • The largest critical illness payout was just over £945,000, the average was £82,000 • Cancer remained the top reason for making a critical illness claim accounting for over half of all claims • A total of 33 different types of cancer were claimed for and a third of cancer claims were for breast cancer

			<ul style="list-style-type: none"> • 2% of critical illness claims were declined for non-disclosure • In total during 2011, we paid out £41,863,503 in life cover claims • 50% of life cover payouts were made to policy holders under the age of 55 • The average age of a life claimant was just 56 years old • Nearly one in five life claims paid out were for policyholders aged just 44 or under
	CI – 92%	2011 (Feb 2012)	<ul style="list-style-type: none"> • Payments amount to £64.5m, totalling 92% of all claims • The number of critical illness claims paid out in the whole of 2011 was 796, compared with 787 in total for the full year to December 2010 • Of claims declined during this period, 6.8% were due to the definition of the condition not being met • Only 1.2% - 8 claims - were turned down as a result of non disclosure, a figure that has remained constant over the past three years • The largest single claim paid out was for £1.1million • Of the top four conditions covered, 58% of payments were made for cases of cancer, up from 50% in 2010 and 48% in 2009. The next three conditions for which claims were paid out were heart attack (9.1%), down from 11.9% in 2010 and 12.9% in 2009, stroke (5.9%) and multiple sclerosis (3.8%)

Supporting information

All information has been sourced from official life office press releases currently active in the IFA market. At present the list does not therefore include banks, direct providers and other product providers. If any information is missing it may be because the information required has not been published, or has not been made available to Protection Review, or providers may not offer certain product lines. Results are shown in alphabetical order as comparing claim statistics may not be accurate or beneficial. Figures are shown for information purposes only.