

e-Protection Review

(incorporating HealthCare Insurance Report)
from Peter Le Beau MBE, Andy Couchman, Kevin Carr

A daily coffee is more important than life insurance cover to many

Research published by **Confused.com** in November claims that the majority of adults are more willing to pay for a daily cup of coffee or insurance for their mobile phone than for life insurance cover.

The research highlights that many people choose not to have life cover not because of its affordability, but because they do not see it as a priority. In its poll, 30% of people said that they did not have life insurance because they can't afford it, even though 35% had children and 69% were in a relationship.

Confused.com says that life cover is available from 17p a day, which is much less than many people pay for other goods and services that should be a lower priority. For example, its research found that:

- 55% of those polled bought new clothes every month.
- 27% spent money every month on music and DVD downloads.
- 11% paid for mobile phone insurance every month.
- 7% bought posh coffee or tea every day at work (by way of comparison, a **Starbucks** filter coffee costs £1.80).
- 16% bought lunch every day at work (a **Boots** meal deal costs £2.99).
- 17% paid a monthly gym membership fee (**Fitness First** membership fees start at £35.95 a month).
- 7% bought appliance insurance or an extended warranty.

Head of life insurance Matthew Lloyd said: "It's worrying that a third of people are blaming the cost for not having any life insurance when they spend so much money on other things which are arguably less important than life insurance. Any change in life circumstance, such as getting married or starting a family should be a trigger for reviewing life insurance needs, and it's a concern that so many people without insurance are in these groups. Life insurance isn't expensive and a small sacrifice, like giving up a posh coffee once a week, could make a big difference in the event that the worst happened."

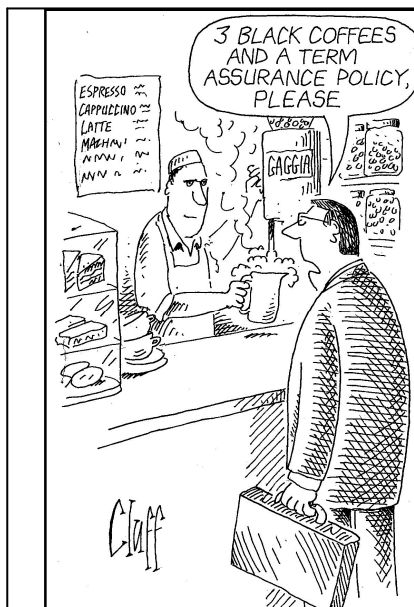
The survey is the latest in a long line of studies that illustrate (Continued on Page 2).

Quotes of the month:

"If the NHS was performing at the level of the best in Europe [for treating cancer], an extra 10,000 lives could be saved each year." Paul Burstow, Health Minister, 17 November 2010.

• "We know some of those people can't work and some of those could work if we give them support. We also know that there are a large number of people who can work and should work." Patrick Nolan, Chief Economist at Reform, on proposed changes to incapacity benefits, 23 November 2010.

• "We need to address the system failures that allow newly qualified doctors to be put in a position where they are working beyond their level of training." Dr Tom Dolphin, BMA Junior Doctors Committee, 4/11.



No 129 Dec/Jan 2011

ISSN 2045-5925

Inside this issue:

News	2-6
<i>Engage Mutual acquires PHSA; New PMI form; 6 in 10 have no protection; Put IP on the</i>	
Reviews	7-8
<i>Two new plans from Bupa and one from Cuna Mutual reviewed.</i>	
Health and medical	9-10
<i>Circle complains to OFT; Care fees less affordable; Hospitals</i>	
Political	11-12
<i>Universal Credit; WCA.</i>	
Features	13-15
<i>Crisp on PMI; Protection Review 2011; People; T&C; ESA stats.</i>	
Statistics	16
<i>Leading hospital and care home groups; Top 20 brokers by GWP; Deaths by cause.</i>	

Our next issue is published on 28 January. Have a great Christmas and New Year!

Key statistics:

- NHS RTT median wait England September 2010: 8.7 weeks (See Page 12)
- e-Protection Review Long Term Protection Sales Index: 109.6 (Quarter 2, 2010, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 107.344 (To end September, compared to January 2000, see Page 11).

(Continued from Page 1) that the issue with protection insurance (we would widen the argument out from just life cover) is not its affordability but its priority.

e-PR research, based on **ABI (Association of British Insurers)** data shows that average annualised premiums for the main protection insurances taken out in 2009 were (rounded to the nearest £10):

- Term (mortgage-related): £370.
- Term (non-mortgage): £410.
- Income protection: £460.
- Critical illness rider: £530.

In other words, most long term protection insurance policies cost £30-50 a month. Widening that out to include health cash plans (HCPs) and private medical insurance (PMI), a typical HCP costs around half the protection norm, while an individual PMI plan costs around three times the £500 upper limit. In both cases however, the cover is likely to be for a couple or the whole family rather than being based on a single life (although many protection plans are written on a joint life first death basis).

Looking at these actual averages in more detail, the typical 30 something mortgage customer is probably paying just £1 a day for term cover and still less than £1.50 a day for CI or IP cover.

So, if absolute affordability is not the issue, what is?

There is no simple answer to that, but a combination of factors conspire to keep protection sales to individuals, couples and families significantly below their true potential. These include:

- Although financial planning is beginning to be taught in schools, most people have little understanding of what they need and how to get it. Instead they rely on being sold protection—often when they take out a mortgage and often not the right type of cover.

- Old school direct and home ser-

vice salesforces no longer exist, so many people buy from their bank or from a financial or mortgage adviser. Protection cover is available online, but few people have the expertise or desire to be able to buy effectively that way.

- Many IFAs in recent years have migrated to become wealth managers—which is perceived as being of higher status and more remunerative. However, the potential client base for that is ultimately quite limited.

- Financial advisers have access to some protection training but there is a dearth of truly independent low cost generic training. In the past, many of today's IFAs learned their trade by initially joining a direct salesforce—a path no longer widely available.

- Potential customers have no effective way of judging good value. A typical term insurance customer needs to know how much sum assured they need, for how long, which one or more of the many types of term cover is most suitable and the financial effects of choosing (or not) to write the policy in trust. Even then, should they go onto a portal and buy what's cheapest or are there other factors to consider too? The IFA model is ideally suited to being able to provide such expertise, but too few IFAs currently prioritise protection. Instead it is easier to claim that, for example, their customers are 'not interested' in IP or they think PMI is 'too expensive'. Various research studies have shown that, when asked, potential customers tend to significantly over-estimate the cost of cover.

- In recent years, long term providers in particular have made the barriers to buying protection insurance ever higher. 40 page application forms, more ratings and underwriting delays as the norm were almost tailor-made to discourage customers from buying or IFAs to want to sell. The move towards tele-underwriting, greater access to underwriters and initiatives such as the generic training currently being planned by **Protection Review** with the **PFS (Personal Finance Society)** should all help to change perceptions that writing protection policies is 'too difficult' and 'too frustrating'.

- Many people still believe that the State offers a viable 'safety net' through the Welfare State. Ever since

1948, the State has offered a comprehensive package of benefits, but at the expense of huge complexity. In addition, State benefits only look attractive to those on the lowest income levels who have large commitments. The average family would find having to survive on State benefits impossible if they want to retain much of their current lifestyle.

Recently announced spending cuts and other welfare reforms should help nail the myth that 'the State will provide', but there is still a disconnect between understanding the limitations of the State's safety net and

2011 here we come...

We asked our three principals what they expected to see happen in the health and life insurance markets in 2011. **Peter Le Beau** said:

- Consolidation in the reinsurance market.
- More budget private medical insurance.
- A renewed focus on long term care product variants.
- Bolder underwriting initiatives, especially for younger lives.
- Hopefully at least one new protection proposition coming to the market.
- Public demand for cancer-only policies.

Kevin Carr said:

- More CI companies to pay partial claims on early stage cancers.
- Several new product launches.
- Continuation of the price war (pending s2 i-e changes etc).
- I hope we see at least one new provider and less consolidation.

Andy Couchman said:

- A broader approach to being innovative and less silo thinking.
- New propositions on covering cancer and LTC funding.
- A greater focus on training and analysis as business tools.
- Some consolidation but a push for organic growth too.

being motivated to buy an effective alternative from an insurance provider.

Confused.com's research illustrates all too clearly that the industry has some way to go to persuade people that its solutions are affordable, offer good value for money, can be trusted to deliver what they promise and should be a higher priority than many goods and services that are bought, seemingly without ever questioning their real need or value.

But, a combination of highlighting poor State benefits and an industry seemingly moving to make its solutions easier to buy and sell (albeit still with some way to go) could help see a resurgence of the sector from 2011.

Engage Mutual engages PHSA

Engage Mutual has acquired **Provincial Hospital Services Association (PHSA)**, a not-for-profit healthcare provider specialising in health cash plans and private medical insurance, based in Bedford.

Engage Mutual entered the health cash plan market in 2008 in partnership with **Wakefield & District Hospitals Contributory Scheme**. The acquisition of PHSA is part of a strategy to consolidate its healthcare presence Engage says, and will enhance economies of scale within the mutual's health cash plan business, and add 13,000 new customers.

Both Engage Mutual and PHSA share ethical values and a commitment to customer service. PHSA was the first insurance company in the UK to receive the Ethics Mark in recognition of its fair business conduct.

Engage Mutual's chief executive, Andrew Haigh, commented: "We welcome PHSA customers and staff to an established and growing organisation which has a dedicated customer-centric approach they will no doubt be familiar with, and we look forward to continuing with the same high standards. The acquisition of PHSA is part of a larger long term strategy to offer a comprehensive range of simple, relevant products to assist families with their financial planning."

Engage Mutual provides life insurance, savings and investments, and health cash plans. Customer numbers have increased for each of the past 12 consecutive years and following the acquisition of PHSA total 457,000.

Comment: *In the short run we expect to see more consolidation, especially as firms determine their post-Solvency II strategies. Longer term, firms will need to use that as a springboard to grow organically, but should have the cost base to do that.*

Firms joining training initiative

Many of the leading long term protection insurers and reinsurers have already signed up to the **Protection Review** training initiative, in association with the **PFS (Personal Finance Society)**, announced last month.

Protection Review CEO Kevin Carr said that the initial response had been "fantastic" and that both providers and IFAs believed that generic training that aims to inform and motivate advisers to get more involved with protection met an important and growing need.

"The training will cover the whole protection field—including group risks and areas such as PMI and cash plans," he said, "with the concept being piloted early in 2011." He added: "The aim is to counter some of the myths around protection as well as to focus on ways advisers can get the best from the protection sector, whilst also avoiding some common pitfalls."

A key element of the training will be its independence. Product providers will not present at the workshops, although industry practitioners and underwriters will. Initially, the Protection Review team will lead the workshops, although ultimately professional training organisations could fulfil that role.

"Much will depend on the feedback from the pilot workshops, so this is an opportunity for IFAs to make their voices heard too," said Protection Review co-

chairman Peter Le Beau.

"Many IFAs have become rusty when it comes to protection and are simply missing out on some important opportunities," said fellow co-chairman Andy Couchman. "With RDR fast approaching, advisers need to ensure that they are ready for the coming opportunities to integrate protection fully into their business models."

Work is currently well underway in developing the detail of the format, booking the venues and putting together the infrastructure and logistics.

Results from the annual **CII (Chartered Insurance Institute)** membership skills survey show that 33% of firms said they would be targeting their training more effectively in future, although only 5% planned to increase their investment in training and 10% planned to reduce it. One major reason to cut back on training has been costs and perceived effectiveness—both areas where the new initiative plans to take effective action.

Further announcements will be made in the New Year and on the www.protectionreview.co.uk website.

New PMI authorisation form

The **British Insurance Brokers' Association (BIBA)** and the **Association of Medical Insurance Intermediaries (AMII)** have launched a new industry standard template for private medical insurance (PMI) authorisation forms, which include a new standard review period of 90 days. The initiative was launched at the AMII autumn conference in early November.

The new form is designed to address issues of market uncertainty. It clearly establishes the options a customer has in dealing with a new intermediary or broker and, where a customer only wishes a new intermediary or broker to review their existing policy, sets out a clear timescale for the review period.

The new form and industry standard is the first initiative to be launched by the AMII/BIBA Panel, a group established in 2009 to bring together insurers and intermediaries to discuss issues of common concern. The Panel includes representatives from nine of the UK's PMI insurers, who between them represent more than 95% of the UK's PMI market. The group is led by independent chairman Andy Couchman, **ePR's** editor.

Comment: *The new form aims to introduce clarity and especially to make clear customers' instructions regarding whether they want a new broker to carry out a review or to take over servicing rights. Some intermediaries have been accused of drafting letters that may not have been clear to the customer in an attempt to take over servicing rights and commission without the customer understanding the implications.*

New look for BHSF

Birmingham based employee benefits and health insurance provider **BHSF** launched a new brand identity on 1 November. The new logo features a stylised star design and the strapline 'Feel the benefits' - a reference to its not-for-profit ethos. BHSF has also added a 24/7 dial-up GP service for its customers.

The company covers over 400,000 people through 265,000 policies and has group turnover of £38m.

Genworth warns of protection risk

Genworth Financial has warned that consumers risk leaving themselves exposed to debt problems and lowering their standards of living due to inadequate protection. With Government austerity measures, public sector cuts and the risk of a double dip recession, consumers are feeling more vulnerable than a year ago, and one in five UK households is now classified 'financially vulnerable'.

The *Financial Vulnerability Index*, a study of almost 14,000 households across 18 countries, ranks all countries in order of how vulnerable they are, according to how consumers feel about their financial situation and how this is likely to change over the next year.

In Great Britain, the 2010 survey showed that people under 30 and those with families have been increasingly vulnerable over the last four years. In addition, a regional split has emerged, with those in the south feeling worse off than in the north. The proportion of vulnerable households has increased on average every year, with 20% of respondents in 2010 falling into this category compared to just 8% in 2007. Analysis of the Index by **Oxford Economics** showed that reactions to this survey closely mirror unemployment rates over the four years it has been carried out.

Overall, levels of financial vulnerability in Great Britain are back up to 2008 levels, after temporarily falling in 2009. In effect Great Britain has swung back to the level of vulnerability seen during the recession. Levels are much higher than those observed in 2007 and look far from set to return to those levels.

BHSF launches GP helpline

A 24-hour GP helpline for its health cash plan customers is being launched by **BHSF**. From December 1 customers can contact a fully qualified GP by phone 24/7.

The service was trialled with employer-sponsored plans. CEO Peter Maskell said: "The Government's announcement that NHS Direct is to be terminated, made us step up our plans for such a service for our customers. We have had testimonials from employees who have used the service as many as four times in a year and are full of praise for it. Typical was one from an employee who said that unless he needed to see a GP in person he would use the facility every time."

Westfield adds CBT

Westfield Health has improved its Chamber Primary Health Plan to include cognitive behavioural therapy (CBT) as part of the package of benefits. CBT is recognised as an effective treatment for many mental health conditions, including depression and anxiety disorders. Other new benefits include an online personal health risk assessment, dental trauma and chiropody.

Dental benefits have more than doubled with the dental benefit being increased by an average of 18% on levels 1 and 2, and the introduction of a dental trauma benefit. As one of the most popular benefits, the optical benefit has also been increased by an average of 31% on levels 1, 2 and 3.

The plan now includes an employee assistance programme including CBT as a core benefit and, with a stand-

alone scanning service and consultation benefit, the plan offers a comprehensive diagnostic service. These improvements to the plan have been added without any increase in corporate premiums on levels 1 and 2. Level 3 corporate premiums have increased by 80p per employee, per week - the first increase since 2007. A new fourth level of cover has also been introduced in response to employer requests for a higher level of cover with increased benefits.

The plan is provided by Westfield Health as the **British Chambers of Commerce (BCC)** official health cash plan supplier and is available exclusively to BCC accredited and affiliated chambers.

The new online personal health risk assessment gives employees and their family the opportunity to complete an online assessment to show how their lifestyle impacts on their health and the risk of them developing major diseases such as cancer or coronary heart disease.

£318bn mortgages unprotected

Over £300bn of UK mortgages are currently unprotected by insurance, according to research by **Sainsbury's Finance**. That is a 47% increase compared to a similar survey in 2006. The numbers add up to 7.1m people failing to cover £318bn of mortgage debt.

Sainsbury's suggests the recession could be a factor, adding that 'many people may be inclined to put less importance on life insurance, worrying more about the here and now rather than the unthinkable'.

The average uninsured mortgage debt is over £44,000. A third (32%) of 35-44 year olds have no life insurance, rising to 34% of 45-54 year olds. But the figure is highest for 18-24 year olds (62%), followed by 25-34 year olds (44%). The research was carried out by **ICM** in September 2010.

US insurer pilots cycle payment

US health insurer **UnitedHealthcare**, which insures 25m Americans, is piloting payments for a whole cycle of treatment (including drugs) for breast, colon and lung cancer patients, rather than pay a traditional fee for service.

Some 40 cancer clinics expressed interest in participating, of which five were selected. The aim is to maintain oncologists' income, while encouraging more patient-centric, evidence based care. In the US, doctors pay for drugs and five years ago **Medicare**, which funds around half of all oncology, switched to paying doctors only up to 6% more than the average cost of a drug. Doctors traditionally charge a mark-up of 30-60%, adding to PMI costs.

Resolution identifies multi-routes

Resolution has said it has multiple routes to complete its UK life consolidation project, including further scale transactions, a series of smaller bolt-ons or a combination. Resolution plans to restructure and hold the combined businesses for 2-4 years from when it announced its acquisition of **Friends Provident** in November 2009. In 2010 it has added **AXA's** UK life business and **Bupa Health Assurance**. In the nine months to end September it reported sales (excluding AXA) up 35% to £683m.

Six in ten without protection

According to **Scottish Provident's** new *Financial Safety Net Report*, 58% of Britons do not have any form of protection in place and 31% would be forced to drastically cut back on living costs if they or the main breadwinner became unable to work for a prolonged period of time.

Scottish Provident has launched a Financial Safety Net campaign to encourage consumers to take action, seek independent financial advice and create their own 'financial safety net'. The campaign also aims to raise consumer awareness and understanding of the long term benefits of protection products. IFAs can pledge their support to the campaign by signing up at www.afinancialsafety.net.co.uk.

Currently 35% of people have life cover, but the levels of other protection products are drastically lower. Just 13% have critical illness cover, 9% have income protection and 5% have unemployment benefit.

Many consumers (39%) claim the number one reason for not having cover was due to it being too expensive. This suggests a widespread misunderstanding of the products available and their relative costs—especially as the figure rose to 47% for those with dependents. Worryingly, 17% claimed they did not know why they don't have any protection in place for themselves and their family.

Unlock homes to fund LTC

The UK's older citizens are sitting on £1 trillion of homes that could be unlocked to help fund the rising costs of long term care, a new **McKinsey & Co** report suggests.

The reports estimates that demand for long term care (LTC) is set to rise by 70% over the next two decades, on the back of the elderly population growing from 17% to 22% of the UK population by 2030.

In future, 'extensive sources of private funding will be required' and the greater use of equity release solutions is seen as a relatively painless way to achieve that (albeit at the expense of the next generation's inheritance). However, by the end of 2006 (before the recent falls in property prices and the credit crunch), only 122,000 such mortgages were outstanding, for a total value of £6.5bn.

From Austerity to Prosperity: Seven Priorities for the Long Term, is available from www.mckinsey.com.

Comment: *The concept of wealth cascading down between generations has been popular for more than a generation. However, for many people, if their parents survive into their 80s, they themselves are likely to be around retirement age anyway, and at a time when their own asset base is close to its peak, and so they have relatively less 'need' for capital.*

Few grandparents are comfortable with missing a generation and making their grandchildren their prime beneficiaries, so the idea of using the equity built up in the family home to fund LTC is, in principle, a sound one.

That said, there is still a huge reluctance for people to see it as desirable to pay an 'internal tax' in order to fund a need for long term care that may not apply to them anyway (only 1 in 3 will need LTC).

*The challenge for policymakers is to change that, and the challenge for the financial services sector is to develop better solutions that provide significant help when it is needed (not just financial help). The **Dilnot Commission** will, hopefully, suggest some ways to achieve these objectives.*

4 in 5 have no funeral plans

Four in five people (82%) in the UK have made no provision for their funeral costs, according to research by **YouGov** for **Cuna Mutual Group**.

That is despite 45% admitting that they are concerned about their own funerals, with the main worry being cost (18%). An average funeral now costs around £3,000, according to **Co-operative Funeralcare**.

Other key concerns were low attendance, family feuds and inappropriate funerals (all 16% of those polled).

40% had experience of arranging a funeral for someone else, a figure that rise to 67% for the over 55s. The main issues in arranging a funeral were cost and stress (both 13%).

When asked who they would choose as their favourite funny person to sum up their lives at their funeral, 13% chose Billy Connolly, 8% Dawn French, 6% Jack Dee, 6% Michael McIntyre and 5% Frankie Boyle.

Comment: *Comedy may already be the new rock and roll, but the idea of booking a comedian to speak at your funeral could be the next big growth area for comics.*

Knowing the fees now charged by top acts, this could create a whole new market for life insurance!

Put IP on the menu: Defaqto

Selling income protection (IP) as part of a menu plan is an effective way for IFAs to ensure their clients have adequate cover, according to a review from **Defaqto** launched on 29 October.

It found that of the 53 products currently on the market, 13 (25%) offer cover as part of a protection menu plan, alongside life and critical illness cover.

Defaqto's insight analyst for life and protection, Ben Heffer, said that while menu plans can be an effective way to meet client needs, much depended on the order in which those needs were explored. One problem with IP was that it was often seen as an alternative to CI, "when actually it should be considered as complementary."

The review can be downloaded from the firm's website at www.defaqto.com/adviser/ifa/guides.

1 in 2 has no will says AA

Half (48%) of Britons have no will, and a third of them say it is because they are worried about the cost and complexity of doing so or have concerns about involving a lawyer, research from **AA Legal Services** has found.

An **AA/Populas** poll of 18,251 AA members found that only 46% of women and 53% of men claimed to have a will. Inertia was the main factor in not having one, with 56% admitting they had not got round to doing it. 16% were concerned about cost and 12% about having to involve a lawyer. 19% said they did not have much to leave.

Worryingly, 13% (16% of men and 8% of women) said they did not need a will because they wanted everything to go to their partner (intestacy law could stop that).

Separate research by **Unbiased.co.uk** found that 87% of people wanted to leave their inheritance to members of their family and 92% had a clear idea of who they wanted to benefit. 3% wanted their pets to inherit, 2% a church and 9% a charity.

News briefs:

- As we closed for press on 25 November, the **Competition Commission** published a draft order for consultation on how measures to introduce competition into payment protection insurance will be implemented. See www.competition-commission.org.uk for details. This includes a ban on point of sale sales and single premium plans plus new reporting and communications requirements.

- Claims is the 'Cinderella department' of the UK protection industry according to **Medicals Direct's Attitudes** survey, released on 10 November. It revealed 55% of those polled believed there was increased pressure to cut costs and 34% that failure to invest in claims systems was the biggest claims problem. 33% said the industry's relationship with the **Financial Ombudsman Service (FOS)** was worsening and, as last year, 75% of people had reservations about using GPRs (GP reports). For more see www.medicalsdirect.com.

- **Fortis Life UK** changes its name to **Ageas Protect Ltd** from January 2011.

- Nine out of ten advisers believe that a lack of clear and consistent Government information is the main obstacle to providing advice about the impact of equity release on State benefits, according to a survey by trade body **SHIP**.

- **Lorica** is launching a new fixed cost flexible benefits product aimed at SMEs in January.

- Online searches for 'group protection' have increased by 86% since the start of the year and 'protection' by 39% according to **Unbiased.co.uk**, the IFA and customer matching website.

- The **FSA** is threatening to block **Zurich's** plan to relocate its European HQ to Dublin, citing treating customers fairly rules, as Ireland has less consumer protection than the UK, the *Sunday Times* reported on 14 November.

- **Exeter Family Friendly** has reduced premiums on its Health Cover for Me private medical insurance by up to 12.5%. The premium reductions vary by age.

- **MetLife** has completed its acquisition of **American Life Insurance Company, Alico**, from **American International Group**. In the UK, the American Life and ALICO brand names will no longer be used.

- **Canada Life** has added bereavement counselling and a probate helpline to group life policies. Both are accessible to an insured person's dependants and close relatives, or for themselves if they suffer bereavement.

- **BIBA's** Healthcare Focus Group has set up a working party to review tax issues around PMI, including how withdrawing tax relief on senior PMI policies affected the market. The findings will then be shared with relevant industry and political stakeholders.

- **Legal & General** is offering pre-paid funeral plans provided by **Dignity**, through IFAs. Dignity launched the first funeral plan in the UK in 1985 and has remained the market leader. More than 350,000 people have taken out a funeral plan with Dignity. The product allows customers to pre pay their funeral at today's prices and guarantees to cover the cost of the funeral regardless of market prices. Three plans are available to customers over 50. All have a set price and include the arrangements for a cremation with a burial option. Acceptance is guaranteed

and there is no upper age limit or health restrictions.

- **Scottish Provident** has made pricing changes to its life and critical illness cover rates. Rates have been reduced by up to 3.4% for critical illness cover and 5.3% for life cover. The majority of rates have been reduced, although some have stayed the same or increased.

- The **European Court of Justice (ECJ)** ruled on 31 October against **Denplan**, and found that VAT should apply to its charges to dentists.

- 53% of Britons expect their household financial situation to be worse in 12 months time, according to November's **Bloomberg/YouGov Household Economic Activity Tracker (HEAT)**.

- Only the top 10% of earners in the UK earn more than £47,112 a year, according to *HR* magazine (November, based on **ONS** data). And, just 0.6% earn more than £150,000 a year. The average salary is £26,020 for all employment groups (£31,323 for those in full-time employment). The top 1% of earners own 10% of the UK's wealth.

- **Friends Provident's** latest online seminar covers customer life stages (www.friendsprovident.co.uk). It identifies these as starters; young couples; young families; mature couples; mature families; mid life, and over 50s.

- **Counsel and Care** has published a guide for older people in hospital. *Hospital care in England: What you need to know before, during and after your stay* can be downloaded from www.counselandcare.org.uk.

- Network **Sesame Bankhall** has launched a new protection panel called Zenith. It includes **Aviva; Bright Grey; Friends Provident; L&G, LV=, and Zurich**.

- **UK Healthcare** has launched a new website and a new cash plan. See www.ukhealthcare.org.uk.

- **PruProtect** has introduced quotes on handheld devices, e-mailed phone quotes and pipeline tracking. The measures were developed with digital communications specialist **Space01**.

- The **ABI** has scrapped plans to remove current total and permanent disability definitions from critical illness cover, *Money Marketing* revealed on 16 November. Member feedback on its second round of proposals was divided almost 50/50 MM reported. More consultation is expected as the industry struggles to define an effective catchall CI definition.

- **Simplyhealth** has introduced a scheme matching employees savings for their first home. Takes us back to the days of subsidised mortgages for staff. Ah, those were the days (or were they?)...

- Dan Waters is the latest big name to leave the **FSA** (see Page 15). He follows Jon Pain, Mark Norris and Sally Dewar among others. Do you spot a trend?...

- A new report from **Ecclesiastical Investment Management** suggests that ageing populations and chronic illness make a strong case for investing in the healthcare sector. Manageable long term conditions accounts for 56% of recent growth. All of which suggests that an insurance sector that (mainly) doesn't help when it comes to chronic conditions, could be losing out...

- One in three people born in 2001, who reach age 85 in 2086, will then go on to live to at least 100, the **ONS** said on 13 October. Overall, it estimates that 22% of males and 27% of females born in 2001 will go on to become centenarians. That's a lot of telegrams, ma'am...

Pick of the month

Just two providers this month, although one of those has two updated plans (albeit one from a part of the organisation that is shortly to depart for pastures new).

Cuna markets its plans direct and through building societies and credit unions, and its guaranteed premium FuneralProtect+ plan sees it team up with the Co-operative to offer a one stop shop funeral package.

Of Bupa's two plans, its Cash Plan Fundamentals is another very low cost product—in this case offering employers the opportunity to give cash plan benefits to every employee. But our product of the month is the updated critical illness plan, especially for now offering a part payout for those awaiting certain serious NHS operations.

Bupa Cash Plan Fundamentals

Bupa's new Cash Plan Fundamentals plan, launched in late September, has three levels of cover, and gives employers the option to cover different employees at different cover levels. Employees can claim back up to a total of £2,295 a year towards the cost of their everyday healthcare expenses. The maximum annual benefits are up to:

Benefit	Level 1	2	3
Dental:	£50	£100	£200
Dental injury	£200	£300	£400
Optical	£50	£100	£200
Therapies (physiotherapy, osteopathy and chiropractic)	£150	£250	£350
Consultations, scans, diagn's	£200	£300	£400
Chiropody	£50	£100	£200
Medical appliances	£100	£200	£300
Health screening	£100	£150	£200
Prescription charges	£25	£35	£45

All three cover levels include access to a 24/7 helpline offering advice on medical, tax and welfare issues. There is no initial underwriting or upper age limit, and employees can start claiming on their cash plan immediately. Bupa says that its straightforward claims process means that claims are often completed within two working days.

Plans can be extended to provide cover for an employee's entire family, and this starts from an additional £1 per employee per week.

Plus points: Very low cost (usually from the monthly equivalent of just £1 a week) health cash plans are proving popular and are now offered by a number of providers. They are used both to help employers meet their 'duty of care' responsibilities and to provide at least a basic level of health insurance for every or just for key groups of employees. Bupa's entry to this growing sector is therefore welcome.

The insured benefits included in the plan are useful and likely to be used regularly by most employees. Adding a 24/7 helpline and a range of member discount offers means that for many employees the plan could pay for itself many times over.

The key to such plans is using the very low ticket price as a base to add on other benefits, often to firms that have not previously had any form of medical insurance cover.

Not so plus points: One notable absence from the benefits list is a per night or day hospital cash benefit. That said,

many other health cash plans also no longer include this benefit, not least because it is arguably less important, given today's generally lower average lengths of stay in hospitals.

Although the plan is relatively simple and was announced at the end of September, by 22 November we could find no details of the new plan's benefits on Bupa's websites (aside from the initial press release).

Contact: 0500 000 125 or www.bupa.com.

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

Bupa Critical Illness with Life Cover

Our second Bupa review this month is a very different animal and comes from **Bupa Individual Protection**, which is shortly to become part of the **Friends Provident** brand at **Resolution**.

An existing product, Bupa has introduced two main changes to this and the equivalent standalone CI plan:

1. Severe Crohn's disease and benign brain tumour have been added to the conditions covered. The full list is now: Alzheimer's disease; aorta graft surgery; aplastic anaemia; bacterial meningitis; benign brain tumour; benign spinal cord tumour; blindness; cancer; cardiomyopathy; chronic rheumatoid arthritis; coma; coronary artery by-pass graft; Creutzfeldt-Jakob disease (which, incidentally, is spelt incorrectly in the Policy Summary key facts document); deafness; dementia; heart attack; heart valve replacement; HIV infection; kidney failure; liver failure; loss of hands or feet; loss of independence; loss of speech; major organ transplant; motor neurone disease; multiple sclerosis; open heart surgery; paralysis of limbs; Parkinson's disease; progressive supra-nuclear palsy; respiratory failure; severe Crohn's disease; stroke; systemic lupus erythematosus; third degree burns; traumatic head injury; type 1 insulin dependent diabetes mellitus. In addition, the plan also pays out on death or diagnosis of terminal illness. Eleven of the conditions covered now exceed the ABI model definition for that condition.

2. Where the life insured is waiting for an operation on the NHS for aorta graft surgery, coronary artery by-pass graft, heart valve replacement or repair or open heart surgery, the plan pays out the lesser of 25% of the sum insured or £25,000 directly into their bank account. Bupa says it is the first CI provider to offer this benefit.

Other features of the plan remain the same. Options include fracture cover, indexation and a reinstatement option (on the second life). The plan also includes access to a Healthline and the **Best Doctors** facility.

Plus points: We especially like the idea of pre-releasing part of the benefit if the life insured is awaiting one of the NHS operations specified. Limiting that to 25% of the sum insured looks to be a reasonable compromise and should help customers meet the additional costs they may incur at such a time. Overall, this is a strong plan and the enhancements simply add to that.

Not so plus points: The more we look at CI plans, the more we become convinced that over-complexity and lack of an overall 'catch all' definition are holding back the product. This is not a criticism of this or any other provider, but we do think that these are issues (along with the ongoing saga about what total and permanent disability—TPD—should cover). The

one thing missing looks to be what customers would actually want their plans to cover. More on that later...

Contact: 0845 600 3122 or www.bupa.co.uk.

Rating (max 5): Innovation: 4.25. Overall: 4.

Cuna Mutual FuneralProtect+

Cuna Mutual has launched a new life insurance product in conjunction with **The Co-operative Life Planning**.

The plan is available direct, and also through building societies and credit unions across the UK.

FuneralProtect+ offers a choice of guaranteed sum assured of between £2,000 and £6,000 per insured person and can cover up to 12 family members. Premiums start at just £2 a month. Someone aged 50-59 would pay £7.00 a month for £2,000 of cover, while someone aged 30-39 would pay £3.00 a month and someone aged 60-69 would pay £13.00 a month. Premiums are pro rata for higher sums insured. Under 18s are covered free.

Premiums and sums insured are set at outset and guaranteed for life. Acceptance is guaranteed up to age 70, with no medical or health questions and full benefits payable after six months.

Applicants must be aged under 70 and be resident in the UK (older applicants may be accepted, at Cuna Mutual's discretion).

During the first six months of the policy (or any subsequent increase to an existing plan) no benefit is payable, except in the case of accidental death. Thereafter the full sum insured is paid.

Benefit is paid automatically (using a charge in their favour) to Co-operative Funeralcare to pay for the life insured's funeral, with any positive balance being paid to their estate. Or, if other lives insured remain alive, to the policyholder (if alive) or their spouse (or significant other), parents or children, in that order.

Under the same policy, a spouse or significant other, parents and children can also be covered (up to 12 lives in total). The policy is written as a whole life policy, and can run until the last person insured dies.

Plus points: *Guaranteed payment policies are simple, offering whole of life cover at low cost and so are marketed as being able to pay for a funeral (the average cost of which is now around £3,000 according to Cuna).*

Linking the benefit directly to the Co-op makes the process of organising a funeral even easier (and customers can choose later on not to use the Co-op if they wish).

Cuna is unusual in that it allows up to 12 family members to be covered under the same policy, so a family couple could insure their parents as well as their children and themselves all under the same policy. Full benefits after six months.

Not so plus points: *Someone in their 60s would have paid in more than the plan's sum insured after 153 months (less than 13 years), although the period is much longer at younger ages. Better value can be obtained from conventional policies, although that may mean having to pay a larger premium (for more cover) and having to be underwritten. No mention is made of being able to add grandchildren either—this would otherwise look to be an opportunity for grandparents to pay for cover for the whole family.*

Contact: 0845 123 7880 or www.funeralprotectplus.co.uk.

Rating (max 5): Innovation: 3. Overall: 2.5.

Product design issues...

Love him or hate him, one of TV's Simon Cowell's greatest skills is knowing what the British public wants. Not what they want today, but what they will want next.

He's not unlike many other great entrepreneurs—the most successful are often those able to know what their public will want next.

Is the same true in life and health insurance?

Certainly, many firms will go to great lengths to test reaction to their ideas, both with their end customers and with intermediaries and sometimes even journalists too.

But we have the major disadvantage that most of our customers (with the possible exception of corporate buyers) know little or nothing about the products and solutions they are asked to feed back on.

Part of any research can be 'educating' customer groups about what an idea means or what the issues really are. But then the group is no longer representative of the true potential audience—it is in the privileged position of knowing more than other people do.

Even groups of intermediaries have been known to give feedback on concepts that is then not borne out by their subsequent actions. I learned this lesson the hard way many years ago when the insurer I then worked for was developing a new investment product that gave a much better return to customers but at the expense of the intermediary's commission...

And, one of the most successful products in the past generation—critical illness cover (which a few years ago sold a million new policies a year mainly to virgin buyers)—was introduced to the UK not because consumer reaction was positive, but because a few industry leaders believed that people would want to buy that type of cover in the future. In fact, early market research showed very little appetite for the product, either from potential customers or from advisers.

Why CI needs to change

Now, the industry faces a dilemma when it comes to developing the next generation of critical illness cover.

In my view, CI is now too complex, too unwieldy and has replaced the original simple concept of meeting a need or creating a windfall if the worst happens and you nearly die, with a medico-technofeast of worthy benefits that only a qualified medical practitioner can really understand or be able to explain to others.

Take TPD (total and permanent disability) for example. The ABI's recent attempts to develop a single definition or set of definitions has met with strong opposition, resulting in the ABI having to again go back to the drawing board.

But what will the consumer want? My view is that consumers want a plan that can still meet a need or create a windfall and that it should do so in every situation where they are hit by a life-threatening medical situation.

To achieve that, the industry may need to agree a method for determining when to pay, with the medical profession (perhaps through the Royal colleges). Then we need a simple descriptor—'what doctors call a code red condition' for example (we'd need to agree what that meant).

Will it happen? If not, the risk is CI continues to drift away from achieving its true potential. Perhaps we should ask Mr Cowell what to do next...

Circle complains to OFT

Independent hospital group **Circle Health** has written to the **Office of Fair Trading (OFT)** to protest at what it says are monopoly agreements by large independent hospital groups and private medical insurance companies.

Circle claims that **General Healthcare Group (GHG)**, **Spire Healthcare**, **Nuffield Hospitals** and **Ramsay Health Care**, which between them control around 60% of the private healthcare market, are negotiating network agreements with insurers to provide operations at fixed prices over fixed periods in exchange for guarantees on patient numbers.

Circle's hope is that the agreement will be held to be anti-competitive, and so would be banned by the OFT.

Retirement reduces depression

Retirement leads to a substantial reduction in mental and physical fatigue and depressive symptoms, finds a study published on *bmj.com* on 24 November. However, the research also concludes that retirement does not change the risk of major chronic illnesses such as respiratory disease, diabetes and heart disease.

The authors, led by Dr Hugo Westerlund from **Stockholm University**, say their research findings have important implications given that people will be working for longer and retiring later in life. The research is based on almost 190,000 observation years and the participants were drawn from a large French cohort study and included 11,246 men and 2,858 women who were surveyed annually from 1989 to 2007.

Comment: *These findings need to be treated with caution, as other research has found the opposite to be true. It may just be true for middle class French workers...*

Care home fees less affordable

Figures collated by **FirstStop Advice**, part of the charity, **Elderly Accommodation Counsel**, show that elderly people are finding funding of a care home increasingly less affordable from the proceeds of the sale of their family home. A press release dated 8 November shows shortfalls in income required to cover care home costs over the past five years has increased by around 200% for nursing home fees and almost 600% for residential care. Comparisons between 2005/06 and 2009/10 show:

	2005/06	09/10	Change
Care Home Fees – Personal Care ¹	£21,546	£25,896	+20.2%
Care Home Fees – Nursing Care ¹	£29,851	£36,036	+20.7%
Average House Prices ²	£157,855	£166,769	+5.6%
Average Income (including interest on average house price) ³	£19,843	£15,574	-27.4%
Average Income Shortfall – Personal Care	£1,703	£10,142	+596%
Average Income Shortfall – Nursing Care	£10,008	£20,282	+203%

Sources: ¹ Care Home Costs – **Laing & Buisson** 2005/06 & 2009/10.

² Average UK House prices Q3 2005/Q3 2010. ³ Average Pensioner Income Series DWP 2005/06 and 2008/09 +3% +income added from Average House Proceeds yielding deposit interest at base rate 2005/06 at 4.5%, 2009/10 1%.

Hospitals emerge from recession

Laing & Buisson reported on 15 November that the independent hospital sector is over the worst of the recession. Revenues for independent medical/surgical hospitals and clinics in the UK, excluding NHS pay beds, rose by 8.1% in real term in 2009 to £3.7bn, following revenues in 2006 to 2008 up 3.45%, 3.0% and 2.3% respectively.

There was a small but significant increase in day surgery in areas such as cosmetic and eye surgery and self-pay demand increased as did patient choice activity under the Free Choice Network. Self-pay rose 3.6% to an estimated £486m, of which £172m was cosmetic surgery. Most of the increase was in specialised day surgery. Self-pay represented 12.9% of hospitals' revenue in 2009, down from 17.9% in 2004. Overseas patients paid £90m in 2009.

Private medical insurance and schemes made up 60% of revenues—down from 62.4% in 2008, but up 6% in monetary terms. The NHS generated 14.7% of revenues.

Personal resilience wellbeing key

Personal resilience has an important role in wellbeing, according to an article on *www.employeebenefits.co.uk*, on 10 November. The *i-resilience* online survey of the working population from business psychology firm, **Robertson Cooper**, found 81% of respondents are confident of recovering well when things go wrong; however less than half (48%) believe they flourish when there are setbacks.

69% believed they coped well with setbacks and 80% felt they cope well when the going gets tough.

Robertson Cooper suggests that by taking on challenging roles, people can learn useful coping mechanisms and learn to excel in difficult situations.

Testosterone link to early death

Research published online in *Heart* suggests that low testosterone levels seem to be linked to a heightened risk of premature death from heart disease and all causes. In the group of 930 men, all of whom had coronary heart disease, one in four was classified as having low testosterone levels and of this group one in five died during the monitoring period compared to one in eight of those with normal hormone levels. Low levels of testosterone are also associated with obesity, risky blood fats and insulin resistance, which are risk factors for diabetes and heart disease. See: <http://press.psprings.co.uk/heart/october/hrt/195412.pdf>.

Five lifestyle tips cut bowel cancer

Five lifestyle tips created by Danish researchers could help prevent almost a quarter of bowel cancer cases. They recommend being physically active for at least 30 minutes a day, having no more than seven alcoholic drinks a week for women and 14 alcoholic drinks a week for men, being a non-smoker, having a waist circumference below 88cm for women and 102cm for men and eating a healthy diet. In the UK, bowel cancer is the third most common cancer, with more than 38,600 people diagnosed with and 16,250 dying from the condition each year. See: www.bmj.com/cgi/doi/10.1136/bmj.c5504.

Medical briefs:

- No less than 39 independent care home groups in the UK have 1,000 or more beds, according to **Laing & Buisson's Community Care Market News** (November 2010). The largest group, **Southern Cross**, has 732 care homes with 38,721 care home beds, giving an average of 53 beds per care home (see *Page 16*).

- Workplace asthma costs the UK at least £100m a year, and may be as high as £135m, reveals research published online in *Thorax* in November. An estimated 3,000 new cases of occupational asthma are diagnosed every year in the UK, but the condition is under diagnosed, say the authors. Half the cost falls on individuals, half on the State but only around 3-4% falls on employers.

- Children who have a high body mass index (BMI) between 9 and 12 years of age are more likely to have high blood pressure, cholesterol and blood insulin levels (all risk factors for developing heart disease) by the time they reach adolescence, according to a study published on *bmj.com* on 24 November.

- The **Health Protection Agency's** annual TB report said there were 9,040 cases in 2009, up from around 6,500 a decade ago, and new drug resistant TB cases up from 206 to 389 in the same period. See: www.tinyurl.com/HPA-TB-2010.

- The **European** and the **UK Resuscitation Councils** have updated cardiac arrest guidelines and advice on what to do when the heart has been restarted. In many cases this will include cooling the patient (therapeutic hypothermia) for 24 hours to increase the chance of survival. See: www.erc.edu.

- According to a study of 1,148 patients, those given aspirin before heart surgery have lower risk of post-operative complications. The study was presented to the **American Society of Anaesthesiologists** in October by US researchers at the **Thomas Jefferson University** who found that heart bypass patients were 33% less likely to suffer stroke, myocardial ischaemic heart block and cardiac arrest within 30 days of surgery when given aspirin. See: www.asahq.org.

- A study of 2,922 patients who took warfarin found those who home tested their international normalised ratio to ensure the correct dosage of the drug was being taken reported better satisfaction and quality of life. However the authors are not sure why more frequent home testing did not result in better outcomes as the self-testing didn't prevent strokes, bleeds or deaths. See: *BMJ* 2010; 341: c6002.

- Evaluation of 41 randomised trials has found that corticosteroid injections relieved the pain of tennis elbow, but not for long, *BMJ* 2010; 341: c6002 reported on 27 October. After six to 12 months the injections looked less effective than the more conservative options, non-steroidal anti-inflammatory drugs and physiotherapy.

- US research on 1,000 adults of both sexes up to age 85 shows that people who are physically fit have fewer and milder colds. Being older, male and married seemed to reduce the frequency of colds, but perceived fitness (severity of symptoms reduced by 41%) and the amount of exercise taken (severity of symptoms reduced by 31%) were the most significant factors. See: <http://psprings.co.uk/bjasm/october/bjasm77875.pdf>.

- 70 children died between June 2009 and March 2010 from confirmed H1N1 pandemic flu which translates to six deaths per million population. One in five were healthy before contracting H1N1, whereas two thirds had a previous serious respiratory, heart or neurological disorder. Mortality was higher for children of Bangladeshi and Pakistani origin. Nine of the original 17 healthy children died before hospital admission. Fewer than half of children who died before hospital admission saw a GP. See: *BMJ* 2010; 341: c6169.

- A new cancer drug, Crizotinib, may improve treatment for some patients whose tumours contain rearrangements of the anaplastic lymphoma gene. The drug may be effective in lung cancer, lymphoma and neuroblastoma, *BMJ* 2010; 341: c6169 reported on 2 November. However, as has been found with other kinase inhibitors, mutations can develop in the target kinase with some patients that confer resistance to the drug.

- According to **NHS Information Centre** figures, self-harm hospital admissions have risen by 10,000 (10%) over the past three years. There were 104,340 admissions for intentional self-harm in 2009-10. See: www.ic.nhs.uk/pubs/provisionalmonthlyhes.

- **Office for National Statistics** figures show a decrease in home births in England and Wales from 2.9% in 2008 to 2.7% in 2009, reversing a previous upward trend from 1988, *Nursing Times* reported on 16 November.

- An editorial in the *Journal of the American Medical Association* suggests that insurers should reimburse people who pay to take part in the weight loss programmes that are plentiful in the US, because they can work, *BMJ* 2010; 341: c5829 reported on 21 October.

- Aspirin, even at low doses, helps prevent colon cancer, *BMJ* 2010; 341: c6002 reported on 27 October.

What is the Continuous Mortality Investigation?

The **Continuous Mortality Investigation (CMI)** carries out research into mortality and morbidity experience and is part of the **Institute and Faculty of Actuaries** (the **Actuarial Profession**).

Traditionally, the CMI has studied the experience of people covered by long term risk contracts issued by UK and Irish life assurance offices. Since June 2006 however it also now studies the mortality of members of self-administered pension schemes (SAPS).

Much of the CMI's data is reported back to its members, who also submit data to it. But it also publishes CMI Reports online around every 18 months and, since 2002, developments have been reported in a series of working papers too.

Chairman of the CMI executive and management committees is Gordon Sharp. Other committees include life office mortality (chairman Angus Macdonald); critical illness (David Heeney); income protection (David Richardson); SAPS (Deborah Cooper); technical committee (Howard Waters) and mortality projections (Gordon Sharp).

For more details see www.actuaries.org.uk/research-and-resources/pages/continuous-mortality-investigation.

WCA to be 'improved': Grayling

Changes will be made to the Work Capability Assessment (WCA), which assesses whether someone is fit for work, to iron out any problems and improve the system, Employment Minister Chris Grayling announced on 23 November.

The changes were outlined in an independent review by Professor Malcolm Harrington, who was asked by Ministers earlier in the year to look at the assessment and recommend improvements. The review includes evidence from health and disability groups and has made substantial recommendations including:

- Dealing with the complexities of cases involving mental health and similar issues by creating a network of 'mental health, intellectual and cognitive champions' in each Atos Medical Examination Centre to spread best practice and build understanding of these conditions.
- Strengthening the checks and balances in the system by placing the Jobcentre Plus Decision Maker at the heart of the process.
- Improving communications and the level of support provided to those who undergo a WCA.
- Ensuring the Atos assessment is transparent by, subject to an initial pilot, recording all assessments.

Responding to the review DWP Minister Chris Grayling said: "It's unacceptable that so many people have been written off to a lifetime on benefits. We know that many of these people could and do want to work, but the current system doesn't allow them to. It's in everyone's interest that we get the WCA right and Professor Harrington's recommendations will make the assessment fairer and more effective.

The WCA is already being used to assess new claims for sickness benefits and from early next year will be used to assess all those on incapacity benefits, to see whether they are fit for work, need tailored help to get work ready, or require unconditional support. Professor Harrington said: "I have found that the WCA is not working as well as it should. However, this is not about ripping up the current system and starting all over again. So I am proposing a substantial series of recommendations to improve the fairness and effectiveness of the WCA."

20,000 homes sold to fund LTC

An estimated 21,700 people were forced to sell their homes to pay for residential care last year (17,100 in 2001/2 and 18,500 in 2004/5) and the number of pensioners selling their home to fund care has risen by 17% since 2005, the *Daily Mail* reported on 9 November. 100,000 have sold up in the past five years to pay for care and a third of all those paying the cost of their care end up without their house.

Care Services Minister Paul Burstow said that nothing had been done to reform the system following the 1997 party conference statement when Tony Blair said: "I don't want a country where the only way pensioners can get long-term care is by selling up their home."

The Coalition Government has set up a Commission on funding care and support to, 'deliver a sustainable funding settlement for social care, which is a fair partnership between the state and the individual'.

Universal Credit White Paper

In a press release on 11 November, Secretary of State for Work and Pensions, Iain Duncan Smith launched a White Paper, *Universal Credit: Welfare That Works*. The new Credit will replace many existing separate elements such as Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

The new Universal Credit will ensure that support is withdrawn slowly and rationally as people return to work and increase their working hours. The reforms aim to lift 350,000 children and 500,000 adults out of poverty. Iain Duncan Smith said that "we cannot afford to simply continue tinkering around the edges of the welfare system. Only root and branch reform will do".

Claimants will be split into four groups:

- No conditionality – disabled people or those with a health condition that prevents them from working, lone parents or lead carer with a child under age one.
- Keeping in touch with the labour market – lone parent and lead carer with a young child aged over one but under five.
- Work preparation – disabled people or those with a health condition which prevents them from working at the current time.
- Full conditionality – jobseekers.

Every participant will be expected to work at least 30 hours a week for up to four weeks on their Work Activity placement and will be required to look for work.

It is estimated that fraud and error in the current system costs the taxpayer £5.2bn a year and accounts for 3% of total welfare spending. *Universal Credit: Welfare that Works* is published at: www.dwp.gov.uk/universal-credit.

Unemployment figures mixed

Unemployment in the three month period July to September remained at 2,448m, according to the latest *Labour market statistics*, released by the **ONS** on 17 November.

During the same period, employment rose 41,000 over the previous month to 29.189m. This means that the *e-Protection Review Employment Index*, which is a proxy for the growth in size of the main health and protection insurance markets since 2000, rose from 107.230 to 107.344. This index compares the latest employment figure with the 27.192m figure recorded for the first quarter of 2000.

The number of Jobseeker's Allowance claimants in October fell from 1.4731m to 1.4654m.

The unemployment rate was 7.7% and the number of inactive people aged 16 to 64 fell in July to September to 9.27m. The number of vacancies in the three months to September was down again, to 453,000.

Earnings in the three month period to end August were again up 1.7% on a year before or by 2.2% (previously 2.0%) excluding bonuses.

On 16 November the ONS announced that in October the Retail Prices Index (RPI) was 4.5% higher than a year before, down from 4.6% the month before. The Government's preferred Consumer Prices Index (CPI) was up 0.1% at 3.2% in September.

Comment: *Better than expected figures, although public sector cuts may reverse that unless the economy grows more.*

Cancer care shows improvement

Improvements and efficiencies have been made in key areas of cancer care since the Cancer Reform Strategy was published in 2007, according to an **NAO (National Audit Office)** report published on 18 November. However, a lack of high quality information on costs of cancer services and their outcomes inhibits substantial further improvements. The performances of Primary Care Trusts (PCTs) still vary significantly and there is scope for greater efficiencies, worth hundreds of millions of pounds each year, in the delivery of care the NAO said.

About 255,000 people are diagnosed with cancer each year and around 130,000 will die from the disease. There are an estimated 1.7m cancer survivors in England.

There are more than 200 different types of cancer, with breast, lung, colorectal and prostate cancer making up over half of all new cases. While the incidence rate for cancer has increased recently, mortality rates have fallen.

However, this trend is not consistent across all cancer types or between sexes. The NAO reports that the overall incidence rate is expected to reach a plateau by 2015, but because of the ageing population, the number of new cases will continue to rise and reach 300,000 by 2020.

Delivering the Cancer Reform Strategy can be downloaded from www.nao.org.uk.

More seek help online

More people than ever before are going online to find health information and self-diagnose, according to new reports. There was a 10% increase in the number of visits to www.nhs.uk in 2009/10, taking the number of times people logged on to the site to well over 100m.

A separate study from **Imperial College** found that 70% of patients had used the internet to search for health information, with a third (30%) deciding not to visit their GP afterwards as they were able to find the information they were looking for.

RTT median up to 8.7 weeks

The median Referral to Treatment (RTT) wait for NHS hospital admission rose from 8.3 weeks to 8.7 weeks in September, according to a **Department of Health** Statistical Press Notice: *NHS Referral to Treatment waiting times data - September 2010*, released on 18 November.

For non-admitted patients the median wait was 4.7 weeks (up from 4.4 weeks in August).

The 95th percentile time wait for patients entering an RTT pathway was up, to 20.4 weeks for admitted patients and to 15.5 weeks for non-admitted patients.

Political briefs:

- **Laing & Buisson** projects a 1.4% increase in publicly and privately funded care home residents in the UK in the next five years from 418,000 to 424,000. As the public sector withdraws, the number of residents in voluntary and private homes is projected to grow by 4.4% from 382,000 in 2010 to 399,000 in 2015. Average nursing home fees were £693 per week across the UK in 2010/11 with

residential home fees at £498 per week. However, baseline fee rates offered by councils rose by just 0.8% for the financial year 2010/11, compared with estimated cost inflation of 2.1%. *Care of Elderly People UK Market Survey 2010-11* from Laing & Buisson. Tel: 020 7833 9123. Price £750.

- In July to September 2010 the NHS in England had 140,083 beds open overnight (down 11 beds on the previous quarter). The average occupancy rate was 84.2% (down from 84.9%). There were 106,731 general and acute overnight beds open (occupancy rate 85.4%) and 11,498 day only beds, the **DH** announced on 18 November.

- The number of women aged 35-64 tested for cervical cancer in England fell to 3.3m in 2009-10 from 3.6m in 2008/09, according to the **NHS Information Centre**.

- The annual **Unison** survey on attacks on public sector staff in Scotland shows a rise of over 3,000 attacks since last year. The report, *Violent Assaults on Public Service Staff in Scotland*, shows more than 28,000 assaults on staff recorded in 2009-10. Violent patients in NHS hospitals are another reason to consider private medical insurance.

- *Nursing Times*, 2 November reported that the administration of health quangos, **NHS Direct** and **NHS Blood and Transplant** which together employ about 1,800 nurses may be outsourced to private company **Capita**, although a **Department of Health** spokeswoman said it was too early to speculate on a takeover.

- The **DH** announced on 17 November that it will be selling its 48.75% share in **Dr Foster Intelligence**. **Dr Foster Holdings LLP's** 51.25% share will be sold jointly with the DH holding to make the sale more attractive to potential buyers. The sale follows rationalisation in the wake of the Government's spending review.

- On 17 November the Government announced the list of Parliamentary Private Secretaries (PPSs). At the DH, Andrew Murrison is PPS to Secretary of State for Health, Andrew Lansley and Anna Soubry is PPS to Minister of State, Simon Burns. At the DWP, Andrew Selous is PPS to Secretary of State for Work and Pensions, Iain Duncan Smith and Esther McVey is PPS to Minister of State (Employment), Chris Grayling.

- Australian researchers have assessed different methods for reducing dietary salt intake and have found that imposing statutory limits on salt content in processed foods could be 20% more effective than voluntary curbs by industry. The recommended limit is 6g a day for adults. See: <http://press.psprings.co.uk/heart/october/hrt199240.pdf>.

- HealthSpace, the internet-accessible personal health record launched as part of the National Programme for IT in the National Health Service, has not proved very popular, A *BMJ* press release reported on 15 November. The health record can store personal health data, has a calendar to store health appointments, can make email-style communications with the person's GP and can access a person's Summary Care Record and yet only 0.13% (2,913 people) of those invited to sign up have done so.

- Dr Tom Dolphin, co-chair of the **BMA's** Junior Doctors Committee warned on 4 November that many junior doctors have inadequate levels of supervision in their first two years of training.

- Medical costs of obesity could be one sixth (17%) of the entire US healthcare budget according to a study from the **National Bureau of Economic Research**.

Crisp attacks PMI on cancer

A previous CEO of the NHS, Lord Crisp, surprised the industry with an attack on private medical insurance and in particular its stance on paying for cancer care in a recent newspaper article. But are his criticisms justified?

Crossbencher Lord Crisp, who was chief executive of the **NHS** and Permanent Secretary of the **Department of Health** from 2000 to 2006 surprised the industry with an outspoken attack on the private medical insurance industry in an article (*Why DOES private health insurance let you down when you need it?*) in the *Daily Mail* on 16 November.

Citing the experience of his 'good friend Richard', he explained that Richard had two failed rounds of chemotherapy on the NHS for colon cancer. He then went to see a private specialist 'approved by his insurer, to try a new approach'. Richard was surprised when his insurer turned down the claim, requiring him to self-fund, at a cost of £1,000 a week.

After Lord Crisp's and Richard's MP's intervention and meeting with the PMI insurer, the insurer apparently agreed to pay for some of Richard's treatment.

Lord Crisp's main assertion is that PMI insurers lack transparency and accountability. 'Policies are often vague and confusing. They don't tell people precisely what they have bought', he wrote, adding: 'patients don't get the certainty they need at the time they need it most'.

Lord Crisp admits to never having had PMI cover himself 'but I'd assumed it would be a proper alternative to the NHS. If you pay for full health cover, that is what you should get' he wrote. But is he right?

What PMI is designed to do

Around seven million people in the UK, or over 12% of the population, have PMI cover or its health trust equivalent. The product is well-established, having been in existence longer than the NHS and the cover is offered as a key employee benefit by many (mainly private sector) employers.

One way to test Lord Crisp's criticisms is to examine whether there is any effective complaints mechanism and, if so, what levels complaints are running at.

As well as internal complaints mechanisms (required of all insurers by the industry regulator the **FSA**—**Financial Services Authority**) customers have the right to refer disputes to the independent **Financial Ombudsman Service (FOS)**, itself part of the FSA.

In its latest annual report, the FOS reported 652 PMI complaints, admittedly more than the 514 complaints in 2008/09 but around the same level as critical illness cover (598) and income protection (776), despite their covering less than half the number of people that PMI does. Compared to the 49,916 complaints about payment protection insurance (PPI) you could even argue that PMI creates few problems. Certainly, one reason the FSA does not impose harsher regulation on PMI sales is that it too was aware of relatively few PMI complaints.

Of course, even one complaint is one too many, but PMI's track record is reasonable—especially as there are many more claims than for IP or CI cover for example. Indeed, PMI customers expect to have to claim, albeit not every year (every 3-5 years being more common).

But what of cancer? Here things get more complex. First, PMI is not designed, as Lord Crisp suggests, to be a 'proper alternative to the NHS'. The average working person pays over £3,000 a year to fund the NHS, while PMI average premiums for individuals are around half that figure. Instead, PMI is designed and costed to pay for acute medical treatment and does not (usually) cover GP services or chronic care for example.

But here's where we start to get into difficulty. What exactly is an acute condition? One of the biggest treatment costs for PMI insurers is hip and knee replacements—both usually needed because of a chronic condition—osteoporosis.

Cancer itself is generally regarded as acute if it is treatable but can become chronic. If so, should a PMI insurer carry on paying for acute treatment when what is needed perhaps is palliative care?

Lord Crisp accuses PMI insurers of rationing, but isn't the NHS even more guilty of that (not that two wrongs ever make a right)? And when Lord Crisp talks of Richard's 'new approach' what does that mean? Treatments that the NHS itself would not fund perhaps?

A better way forward?

Some of Lord Crisp's criticisms look to be one sided or at least themselves thin on detail. That is not to nitpick with Lord Crisp or to criticise his right to get involved where he sees something that is not working. He is right to intervene, to question and to criticise and even to demand that we put our house in order and become more accountable.

But how should we do that? Certainly, he is not alone in his criticisms. Health charities have also questioned the industry's approach in areas such as cancer and the **ABI** has put systems in place to encourage insurers to try to set out their approach to cancer claims. But does this go far enough?

The short answer is that PMI consumers and NHS consumers both have to rely on the judgements of others to know what treatment they can get. This can create postcode lotteries, product lotteries and financial driven solution in both public and private sectors.

One option for PMI insurers would be some form of product rating. A simple 'three star', 'five star', or marks out of ten system would not suffice—cancer is an area where the detail is crucial. Perhaps what is needed is a matrix. Headings could include the following:

- Does the plan cover cancer (some don't and leave the customer to rely on the NHS; fine as long as the customer understands that). If it does, what limits apply?
- Will cover stop if someone (who and how?) decides the condition is now chronic or treatment palliative?
- Do financial limits apply? If so, how?
- Any geographic or provider limitations?
- What drug and other therapies are supported—NICE only, licensed only or at the insurer's or patient's doctor's discretion (and what's the mechanism for that)?

PMI insurers pay out millions of pounds a year for cancer treatment, some of that at least going beyond what the policy was designed to pay for. But Lord Crisp's obviously heartfelt criticisms do warrant perhaps a different, more transparent approach—even if the NHS itself would never go that far. Could a matrix approach achieve that?

Protection Review 2011— business and enjoyment

2011 will be a tight spending year for a lot of firms. So, why have many organisations already committing to spend valuable resource on next year's Protection Review events?

Next year looks to be a tough spending year for many firms in the life and health insurance markets, with marketing budgets in particular increasing by less than many marketers would like.

Despite that, a growing number of firms have already committed to support Protection Review events in 2011, either at the same or an increased level and new sponsors are already on board. In fact, early commitments are more than 20% up on the same time last year. Why?

Partly, it is because Protection Review is an established brand, with a reputation both for excellence and for value for money. But increasingly, such claims are not enough. So what are we doing to ensure that 2011's book and events will be the best yet?

Below, we set out our thinking on the 2011 book and events...

Dinner

This year the dinner grew to around 400 attendees—a record. But, for 2011, we are restricting numbers to 350. That is because we want to retain the unique atmosphere of the event, and make networking easy and pleasant. But it does mean table numbers will be restricted and we will apply a strict 'first come first served' approach to bookings.

The format of the dinner will be similar to previous years but tweaked to make it even better. One major change is that every guest will get their own copy of the 2011 Protection Review book. Priced at £650, the book is 300+ pages of comment, reviews and original research. It makes a very valuable gift for your dinner guests and is another reason why every key decision maker in the industry will want to attend the dinner.

Awards

For some years we have included awards at the dinner. We are restricting numbers to less than 12 awards so that we can celebrate those who have done most or best over the previous year but without seeming to go on forever!

Venue

Each year we look at the venue and aim to find the best combination of facilities, quality, convenience and atmosphere. In 2011 the events will be held at the prestigious five star **Landmark Hotel** in London's Marylebone. Make a note of the date too—**23 June 2011** (chosen to avoid clashes with other events where possible).

The conference

We have started to book speakers for the conference, which will cover a number of key industry themes throughout the day. Keynote speakers, panels, audience interaction and time to meet peers from across the industry in a relaxed way are all hallmarks of the conference.

As in previous years, combining the conference, book launch and dinner at the same venue on the same day makes the whole day one of the most eagerly looked forward to days in the industry. As one of our attendees said earlier this year: "It's the one day that goes straight in the diary and is never compromised".

The 2011 Protection Review book

This will be the ninth edition of what has become the most regarded review of the industry. It covers all product areas, is written by leading experts, includes international and thought leadership articles and also a range of original research pieces.

As well as reviewing trends and issues, and reporting on the way ahead, the book aims to get you thinking about the best way forward for your organisation and to give you the facts, stats and comment you need to help come to the right conclusions for your business.

One regular reader told us: "It's clearly the industry bible. I'm surprised at just how often I refer to it throughout the year and, frankly, I'm not sure how I survived without it!"

Value for money

Every part of the day's events is designed to offer maximum value for money and maximum business potential.

That should not mean a dull day—far from it—but it does mean that every attendee can go to the events knowing that the time spent will more than be justified by the value obtained.

Act quickly to secure best value

A number of sponsors have already acted not just to sign up for 2011 but also to ensure that the spend can be at 2010's lower VAT rate (VAT goes up from 17.5% to 20% on 4 January 2011). For some, it has been important to get the spend in their 2010 budgets too.

Please contact us for details of pricing and to ensure we invoice you at the best time for your organisation.

Are sponsorship opportunities still available?

Most sponsorship opportunities are already committed, but a small number of valuable partnership opportunities remain. Please contact us to find out more.

Why should we sponsor Protection Review? What sort of companies do so and what would we get out of it?

The range of companies sponsoring events comprise health and protection insurers and reinsurers, consultants, services groups, IT organisations and, in fact, any organisation that wants to do more business in any area of the UK's multi billion pound life and health insurance sector.

Being associated with the events shows that a sponsoring organisation is at the forefront of developments and itself a key player in the industry.

Who do we contact to find out more?

Kevin Carr, CEO, on 07887 838811.

Peter Le Beau, Co-chairman, on 07799 074020.

Andy Couchman, Co-chairman, on 01451 821982.

Or e-mail: Kevin@kevincarrconsulting.co.uk,

Peter@lebeauvisage.co.uk or andy@andycouchman.com.

Three quarters fit for work

According to a **Department for Work and Pensions** press release on 26 October, three quarters of those applying for the new Employment and Support Allowance (ESA) programme are being found fit for work after undergoing the Work Capacity Assessment or stop their claim before they complete their medical assessment.

The breakdown for new ESA claims from October 2008 to February 2010 is:

- Support Group, for those who cannot work now or in the foreseeable future and need unconditional support – 6%.
- Work Related Activity Group, for those who cannot work now but with the right help could work in the foreseeable future – 15%.
- Fit for Work – 39%.
- Claim closed before assessment complete or assessment still in progress – 39%.

People news

• **Aegon UK.** Alun Beynon, head of individual protection sales and distribution development, is leaving the organisation in December. He plans to remain in the UK protection market. Aegon has announced 142 roles across the UK will be made redundant, but is adding 36 new roles.

• **BIBA.** Mike Izzard (MD of **Premier Choice** and previous chairman of **AMII**) and **Jelf Employee Benefits'** Wayne Pontin have joined its Healthcare Focus Group. John Miller from **Towergate** has also joined.

• **Bupa UK Health and Wellbeing.** Craig McCoy has been appointed human resources director.

• **Cigna Healthcare.** Will Shaw has been appointed UK head of corporate sales.

• **Counsel and Care.** Peter Watt has been appointed chief executive. He joins from **The Campaign Company**, where he was CEO and, prior to that, he was general secretary of the **Labour Party**.

• **Friends Provident Corporate Benefits.** Colin Williams has been appointed distribution and marketing

director, Paul Bucksey head of new business development and Russell Welsh head of workplace development.

• **FSA (Financial Services Authority).** Dan Waters is to step down from his role as director of conduct risk and asset management sector leader. Christina Sinclair will take over on an interim basis.

• **LV=.** Philip Moore has been appointed group finance director, replacing Keith Abercromby, who leaves at the end of 2010. Mr Moore was previously group finance partner and chief risk officer at the **Pensions Corporation** and has been in the industry for over 30 years.

• **Mercer Health & Benefits.** Naomi Saragoussi has been appointed senior healthcare consultant (from **Towers Watson**) and Alison Brown (from **HealthFund**) a healthcare consultant.

e-Protection Review T&C

Our regular training and competence (T&C) section consists of five questions that test your knowledge of what is happening in the health and protection insurance world. Each question is covered somewhere in this issue of e-PR.

All you have to do is answer the questions, check your answers against the newsletter (or log on to and see the Forum section at www.protectionreview.co.uk) and then record your answers. Over time you build up additional evidence of your training and competence. This issue's questions are:

1. In terms of beds, name the largest UK independent hospital and largest care home group.
2. Are care homes, on average, more or less affordable now than they were in 2005/06?
3. Which ex NHS CEO recently attacked PMI insurers' stance on cancer claims?
4. BIBA and AMII have recently launched a new PMI authorisation form. What do the initials AMII and BIBA stand for and what type of organisations are they?
5. According to a recent Scottish Provident report, what proportion of people have no protection cover: a) 3 in 10, b) 6 in 10 or c) 7 in 10?

We'll be back after our winter break on 28 January 2011. Enjoy the holiday break and here's to a great 2011.

Subscribing to e-Protection Review

e-Protection Review is a subscriber-only PDF publication and is published ten times a year, on the 28th day of the month prior to that issue's date, every month except August and December. A subscription costs just £350 a year plus VAT and includes a PDF copy of the annual Protection Review book too.

To subscribe, or for information on sponsorship opportunities, please contact Andy Couchman at Protection Review Limited, Bank House, Great Rissington, Cheltenham, Gloucestershire, GL54 2LP. Or phone 01451 821982, fax 01451 821972 or e-mail andy@andycouchman.com. Or contact Peter Le Beau on 07799 074020 or peter@lebeauvisage.co.uk. Or contact Kevin Carr on 07887 838811 or kevin@kevincarrconsulting.co.uk.

UK hospital operators (ranked by number of beds)

Operator	Hospitals	Beds	Theatres
BMI Healthcare	66	2,731	162
Spire Healthcare	40	1,639	120
Nuffield Health	30	1,341	111
NHS Pay Bed Units	72	1,192	N/A
Ramsay Health Care UK	40	1,161	74
HCA	10	719	32
The London Clinic	1	251	13
Aspen Healthcare	3	161	10
Hosp of St John & St Eliz	1	155	5
Bupa Wellness (Cromwell)	1	128	6
Care UK	10	114	24
The Benenden Hospital	1	100	3
UK Specialist Hospitals	5	95	10
Interhealth Care Services	2	52	N/A
The Hospital Medical Grp	1	31	4
Circle	5	30	18

Notes: Many hospitals also have day beds in addition to the overnight beds shown (e.g. Circle has 82 day beds). The NHS also has non-designated and small ward pay beds.

Source: Laing & Buisson Healthcare Market News, November 2010.

Top 12 UK care home groups

Operator	Homes	Beds
Southern Cross Healthcare Grp	732	38,721
Bupa Care Homes	303	21,081
Four Seasons Health Care	351	17,940
Barchester Healthcare	203	11,786
Anchor Trust	99	4,265
European Care Group	93	4,075
Care UK	76	3,585
Craegmoor	184	3,463
Caring Homes	117	3,422
MHA Care Group	73	3,365
Order of St John Care Trust	72	3,257
Sunrise Senior Living	31	2,469

Source: Community Care Market News, November 2010

Comment: It is interesting to compare UK acute medical/surgical hospitals (where the top three providers have around 60% of all beds) with care homes, where the top three have only around 15% of all beds. That illustrates the much bigger task care home groups have of establishing a significant brand.

Top 20 brokers by GWP

£500m+	Branches	Staff
Towergate	90+	3,500+
£350m-£499.99m		
Bluefin	50	1,700
Oval	26	1,225
£200m-£349.99m		
Callum Capital Ventures	40	700
Giles Insurance Brokers	40	1,100
Jelf Group	31	640
£100m-£199.99m		
Barbon Insurance Group	7	650
Brightside Group	5	631
Cobra Holdings	6	260
Henderson Insurance Brokers	11	300+
The Bollington Group	12	230
£75m-£99.99m		
Kerry London	N/A	N/A
Lark Group	5	264
Lycetts Holdings	10	175
Oxygen	5	180
Prime Professions	1	60
Swinton Commercial	N/A	N/A
£50m-£74.99m		
Aston Scott	N/A	N/A
Autonet Insurance Services	1	430
Reich Insurance Group	1	61

Note: GWP: gross written premiums. Firms are shown in alphabetical order within GWP grouping.

Source: Insurance Age supplement, 2010

Deaths by cause, E and W 2009

Cause	M	F
Ischaemic heart diseases	41,555	30,725
Malignant neoplasms of trachea, bronchus, lung, prostate (male) and breast (female)	26,455	23,339
Cerebrovascular diseases	16,888	26,707
Chronic lower respiratory	13,165	12,254
Influenza and pneumonia	11,108	15,711
Dementia and Alzheimer's	6,709	15,909
Neoplasms, colon, sig, rect, anus	7,559	6,375
All deaths	238,062	253,286

Source: ONS Statistical Bulletin, *Death registrations by cause in England and Wales, 2009*. www.ons.gsi.gov.uk. 26 October.

Comment: Ischaemic and cerebrovascular diseases made up 24.5% of male and 22.6% of all female deaths in 2009.

Protection Review: financial services consultancy and communications solutions

We provide bespoke marketing and strategic consultancy and communications services to firms across health and protection insurance, led by three of the best-known names in the industry. Our expertise, knowledge and contacts enable us to help clients maximize their potential in a fast and cost-effective way.

e-Protection Review is published ten times a year and posted to subscribers on the 28th of the month prior to that issue's date. Publishing editor: Andy Couchman FCII, Cert PFS. Production editor: Marion Franklin BA. Contributors: Cluff. The publishers welcome letters, e-mails, comment, contributions and news, but can take no responsibility for any actions taken as a result of information published herein. All rights reserved. No part of this publication may be copied or photocopied without the express permission of the publishers whose details are below. Printed by MBE, 20 Winchcombe Street, Cheltenham, GL52 2LY. Subscriptions and back orders: 01451 821982. Fax 01451 821972. ISSN 2045-5925.

E-mail: info@andycouchman.com. Website: www.protectionreview.co.uk. Tel: 01451 821982.