

e-Protection Review

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

Two in five families have been significantly affected by illness

More than two in five (42%) UK families has been significantly affected by illness, with 25% of those having had one of the main breadwinners unable to work due to illness, according to new research commissioned by **Aviva**. While, 15% had had a family member off work due to stress/depression or mental health issues and 7% had a family member having to give up work to care for another family member.

Yet, when it came to financial protection against such events, only 7% said their family was fully protected and just 11% had any income protection. Britons seem more interested in upside risks (investments) than in protecting against downside risks (protection insurance). So, half as many again families were buying a home than had life insurance, while premium bonds (held by 22% of families), shares (15%) and ISAs (33%) were all more popular than private medical insurance, critical illness cover or income protection.

The results were included in *The Aviva Family Finances Report*, which was published on 19 January and coincided with the insurer launching a seven figure TV advertising campaign promoting the value of protection insurance.

The report focuses on the 84% of the UK's population that lives as part of a family. That includes married couples, civil partners, those in a committed relationship with children or plans to have them and single parents with one or more children.

Median monthly net income for families was £1,937 a month, with single parents earning least (£906 a month) and those in a committed relationship with plans to have children earning most (£2,187 a month). Two thirds of income (64%) came from the breadwinner's primary employment, with 13% from benefits and 11% from second jobs.

In terms of expenditure, housing made up a fifth (20%) of spending (31% for single parents), with 10% spent on food, 8% on debt repayment, 6% on fuel and 5% on motoring. Of the 10% that paid private school/tuition fees, that made up 11% of expenditure. For all families, nursery and after school care took up 9% of spending and children's activities 4%.

When it came to protection insurance, only 7% said their family was completely financially protected. 43% said they were either under or unprotected, 61% had no life insurance, 87% no critical illness cover and 89% no income protection (*Continued on Page 2*).

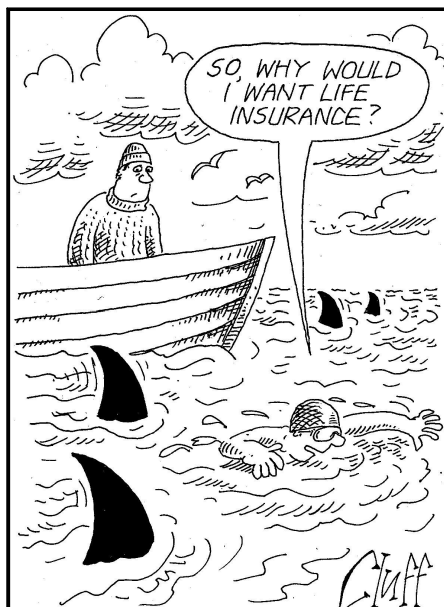
Quotes of the month:

"Modernising the NHS is a necessity, not an option—in order to meet rising need in the future, we need to make changes."

"This is the start of a cultural shift to a patient-centred NHS." Health Secretary Andrew Lansley, 19 January.

"Although a healthcare trust is not suitable for every organisation, they should at least be considered... alongside other options." Jan Lawson, chairman, MCD, 19 Jan.

"The basis for recommending a provider shouldn't depend on the list of critical illness definitions it offers. A proposition that delivers the best value should also include practical and emotional support, speedy online acceptance and clear and simple literature." Ian Smart, Bright Grey, 21 January.



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Key statistics:

- NHS RTT median wait England November 2010: 8.3 weeks (See Page 13)
- e-Protection Review Long Term Protection Sales Index: 114.1 (Quarter 3, 2010, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 106.976 (To end November, compared to January 2000, see Page 13).

(Continued from Page 1) The most vulnerable families were often least protected. 74% of divorced/widowed/separated people with one child and 73% of single parents with one or more child had no protection insurance.

Only 39% had life insurance and only 1 in 5 of those polled (19%) said they could not afford life insurance because it was too expensive, while another 5% said it never pays out and therefore is not worth buying. Aviva points out that 99% of its life insurance claims are paid out, while premiums can start from as little as £5 a month. We would add that life insurance is also considerably cheaper per £ of cover at any given age, than it was a decade ago.

Saving and investing were, generally, more popular. The average UK family has £15,766 in savings and saves £122 each month, normally into a basic building society or bank savings account. However, that varied considerably, and the average family (i.e. in the middle of the sample) had just £849 in savings and only saved £22 a month.

A third (33%) of families had no savings at all, while 40% saved nothing each month. Of those with savings, 25% had less than £2,000 saved up.

Two thirds own their own home

The survey found that most families owned a home with a mortgage (47%) or outright (14%), with 22% living in private rented accommodation and 13% in social housing. We would add that with

the average age of first time buyers rising, and with larger deposits pricing many potential buyers out of owning their own home, there may be less invested in housing stock in future.

The average family home was worth £207,548, compared to **Nationwide's** figure of £162,763 for all privately owned housing (families, on average, need bigger and therefore more expensive homes).

The report also found that the average outstanding family mortgage was £89,018 (43% of the value of the property). Divorced/widowed/separated families with one or more children had the lowest average mortgage debt (£73,077).

In addition to mortgage debt, the average family owed £5,360 on a combination of credit card, loan and overdraft debt. But, one in three (33%) families had no debt and, perhaps surprisingly, single parents with one or more children were most likely to be debt free (40% of that group). But, for single parents who did have debt, 29% of their expenditure, on average, was spent on debt repayment, on their average debt of £4,820.

And, 13% of all families owed more than £10,000 on various forms of debt.

When it came to the future, families' top three fears over the next six months were a significant increase in the cost of necessities (57% citing this), redundancy (45%) and unexpected expenses (39%).

13% were worried about keeping up with debt repayments and a similar percentage worried about any sudden increase in mortgage rates. Over a third (39%) said they were too stretched to take on any further financial obligations.

Over a five year period, the biggest concerns were:

- A significant increase in the cost of necessities (54% of those polled).
- Redundancy (49%).
- Unexpected expenses (37%).
- An increase in mortgage rates (18%).

What the survey tells us

The survey paints a useful picture of families in Britain today. It illustrates how vulnerable most families are financially and how little real cover they have against the possibility of life events adversely affecting them.

It is easy to conclude that many families, especially the poorest, are over-indebted and over-mortgaged. Indeed, any increase in mortgage rates to the levels of a generation ago (mortgage rates averaged 11.5% in the 1970s and 80s, but fell to 6.5-8% between 1993 and 2000 —

source: **York University, 2005**—and are now even lower for most borrowers), could have a serious affect on most family finances.

The report also highlights the fact that many people have insufficient protection based on a false premise.

They believe that life insurance is too expensive. But is that true? As Aviva points out, life cover can be purchased from £5 a month and, while that will be insufficient cover for most families, it would at least provide them with something if a breadwinner dies, taking their income with them.

Reference to the latest **ABI** data (see Page 14)

shows that the average non-mortgage term assurance premium is just £359 a year (£30 a month), while for mortgage-related term it is £357. Averages for critical illness rider plans were £500 a year and for income protection £433. Those figures are less than many families will spend on their mobile phones or TV package each month.

Clearly, on the basis of this and other research from other insurers which has come to similar conclusions, there is a strong need now to help consumers understand how inexpensive and accessible all forms of protection are—whether the need be for life insurance, other forms of long term protection, medical insurance or health cash plans. The question is, how best to do that?

Getting the messages across

Aviva's latest TV campaign which features comedian Paul Whitehouse in a cleverly scripted ad that works on a number of levels, is interesting for two reasons. First, Aviva is spending a seven figure sum on the advertising (we don't know the exact figure, but it's significant...).

Second, we can't remember the last time an insurer or the industry as a whole promoted protection rather than its overall brand or product range. The abortive CPIEC campaign had planned to go down that route but, in the event, failed to secure the funds necessary from across the industry—partly because smaller insurers feared that the biggest companies would benefit disproportionately.

Other protection insurers are also running TV campaigns. In particular **Bupa** and **Simplyhealth** (watch out for its new ad launching soon) are regular advertisers and have seen the benefits to their brand over many years. Over 50s life cover companies advertise on TV too.

It's not just TV advertising investment that is needed. All forms of advertising and sponsorship, including through the social media work, while it is also important to invest in getting the right messages across, not just to potential customers, but to the IFA and wider distribution communities too. Which is why **Protection Review's** own training initiative in this area is launching soon. See www.protectionreview.co.uk.

Elderly want help to stay healthy

Older people are more likely to try to look after their health than younger people, but want more help and feel excluded by society's focus on the young, according to new research by **Opinion Matters** for **Simplyhealth**.

In a poll of 1,002 adults over 55 conducted in late December and early January, 79% of people over 70 said they actively try to keep fit and healthy, although 18% said they are restricted by mobility problems. Only 6% claimed they did nothing at all.

58% of over 70s said they regularly attend health appointments. For physical activity, the most popular pastimes were walking (63%) and gardening (51%).

One in five over 70s (19%) said they did everything they could to keep fit and healthy, compared to 13% of over 60s and just 8% of over 55s.

A quarter (23%) of over 70s felt that companies and organisations always targeted younger people and ignored older people's needs, which could make them feel excluded when trying to achieve a healthy lifestyle.

In terms of the support they wanted, 44% wanted making access more affordable, and 26% more encouragement to attend regular health appointments. A quarter (24%) wanted healthy eating advice aimed at their age group, 19% local health, fitness and activity groups and 17% organisations to better understand their health needs and to provide tailored products and services as result.

But, 27% felt nothing more could be done and a grumpy 14% wanted fewer youth focused groups and gyms in their local community.

The best advice older people said they could give to younger people about their health was not to smoke (56%), to drink less alcohol (13%) and to eat more fruit and vegetables (11%).

Comment: Basic marketing theory says that younger customers will be customers for longer and have a higher lifetime value. But older customers often have more to spend, are more interested in financial security and getting practical help and can have higher loyalty levels too. Despite that, few health and protection insurers actively target older customers.

Mortgage market down in 2010

The UK mortgage market, as measured by gross mortgage lending (i.e. ignoring repayments) fell to its lowest levels since 2000, the **Council of Mortgage Lenders (CML)** announced on 21 January.

In recent years gross lending has fallen from a peak of £362.8bn in 2007 to an estimated £136.342bn in 2010:

Year	Gross mortgage lending
2000	£119.8bn
2001	£160.1bn
2002	£220.7bn
2003	£277.3bn
2004	£291.2bn
2005	£288.3bn
2006	£355.4bn
2007	£362.8bn
2008	£254.0bn
2009	£143.3bn
2010	£136.3bn

The figures are important, as much protection business is mortgage-related and the state of the mortgage market can also be an indicator for people's propensity to consume. The CML has said that it expects the mortgage market in 2011 to be at a similar level to 2010, which suggests that health and protection insurers will need to focus on non-mortgage markets and also on existing mortgagors who have no or insufficient protection cover.

Treasury wants simple IP first

Income protection (IP) should be one of the first Simple Financial Products (SFPs) to be made available to consumers Financial Secretary to the Treasury, Mark Hoban, said on launching a SFP consultation paper on 14 December.

The consultation (which closes on 14 March) proposes industry and consumer-led development of a new category of simple financial products, with standardised features. It says the first such products should be deposit savings and life and IP and that such products should be subject to price caps, and provision should be voluntary.

Simple financial products: a consultation can be downloaded from www.hm-treasury.gov.uk.

Comment: Continuing low IP sales and a sharp decline in PPI sales are bad news for the industry, consumers and the Government (which otherwise has to pay out more in welfare benefits). Simple life cover (remember home service insurance?), IP and deposits make sense to prioritise. However, products will need to be attractive to all stakeholders and allow insurers to turn a fair profit too. Distribution will be an issue (what about advice?) but, overall, we welcome the initiative.

Business protection gap £1.1trn

The business protection gap remains at around £1.1 trillion, according to new research from **Legal & General**, in conjunction with the **Institute of Directors**, revealed on 9 December.

The research found that (based on 533 responses) 32% of businesses had corporate debt and companies with 50+ employees were more likely to have built up debt. More than 43% claimed to have no protection for their corporate debt, 48% of which was made up of bank loans and overdrafts. Of those taking out such loans, 58% reported that life insurance had not been recommended to them (so much for prudent lending...).

The findings were published in the January issue of the IoD's *Director* magazine.

Anaesthetists explain shortfalls

Insurers' failing to increase benefit maxima for consultants fees, despite their rising costs, is to blame for fees shortfalls now being experienced by patients with PMI, *Health Insurance* magazine reported on 6 January.

Dr William Harrop-Griffiths, vice president of the **Association of Anaesthetists of Great Britain and Ireland (AAGBI)**, told the magazine: "We feel quite strongly that there should be annual inflation built in to the benefits that insurers offer." Patients remain responsible for any shortfall. The AAGBI has a voluntary code of practice for billing private patients.

1 in 4 not thought about life cover

One in four (23%) people have no life cover because they have never thought about it, according to new research from **Barclays**.

A further 25% had no life cover because they have no dependants, while 21% thought it was not good value for money. Barclays says 54% of people in the UK now have no life insurance cover.

Barclays has relented its Simplified Life product, underwritten by **Aviva**, which pays a guaranteed level or decreasing lump sum up to £500,000. A 10% discount applies to online applications.

Trevor Matthews steps up at FP

CEO Trevor Matthews is stepping down from his role as CEO of **Friends Provident** and taking on the new role of vice chairman. Replacing him as CEO will be Andy Briggs, who is currently CEO of general insurance at **Lloyds Banking Group**.

The move, which will take place within the next six months, fits with Trevor Matthews' personal intention to return with his family to his native Australia within the next three years.

Andy Briggs' role will include continuing to integrate acquired businesses (including the life divisions from **AXA** and **Bupa**), positioning the distribution mix to succeed post RDR, realising cost synergies and building a capital and cost efficient business model.

IPT now at 6% or 20% for some

With effect from 4 January, the rate of Insurance Premium Tax (IPT) for most general and short term insurance policies rose from 5% to 6%.

However, for travel insurance, the rate (which mirrors the VAT rate but cannot be offset against VAT) has risen from 17.5% to 20%, which means that on a typical £20 premium, £3.33 is taken in tax.

Peter Hayman, director at specialist travel insurance provider **PJ Hayman and Company** noted: "The higher rate was initially introduced in an attempt to deter travel agents from giving holiday discounts on the condition that travel insurance was purchased as part of a package. Sales through the travel trade currently represent less than one fifth of total premiums and therefore such a high level of tax is now an anachronism."

The rise in the basic rate of IPT is likely to see more employers switch from group PMI (which attracts the tax) to healthcare trusts, which do not. The higher the rate of IPT, the more incentive employers and others have to look beyond general insurance, with the risk that most potential solutions do not enjoy the level of regulatory protection that insurance now has.

One other solution is for firms and others who claim regularly to choose a higher excess level (an idea promoted successfully by **WPA** last year). A high excess level requires money to be set aside by the policyholder to pay such claims, but that money does not attract IPT. As long as the money flows are effectively managed, and the level of claims does not rise significantly, the resultant lower insurance premiums mean less tax paid overall.

8 in 10 women fear partners' unhealthy lifestyles

Almost eight in ten women are worried about their partner's unhealthy lifestyle, according to a poll of 3,000 women for **Engage Mutual**.

A third of women felt their partner was stressed or working long hours and 37% that their partner was overweight. But only 69% had mentioned their concerns to their partner. Their top concerns were that their partner:

1. Felt very stressed and under pressure in their job.
2. Works very long hours.
3. Rarely exercises.
4. Eats junk food.
5. Has bad sleeping habits.
6. Refuses to see a doctor when ill.
7. Has become a couch potato.
8. Skips meals because he is too busy.
9. Drinks too much alcohol.
10. Has a very short temper.

ARs dropped by 1,000 last year

The number of ARs (appointed representatives) registered with the **FSA** fell by around 1,000 in 2010, according to analysis by Gary Watts, director at **Which Network**, writing in *Mortgage Strategy* on 17 January.

The three biggest networks, according to the *FSA Register* on 5 January were **Sesame** (1,374 ARs, down 125 on the year), **Openwork** (978, down 141) and **PTFS** (971, down 84).

In total, 26 networks had 7,798 ARs between them.

IPMI set to continue growing

The international private medical insurance (IPMI) market is set to continue to grow in 2011, according to Andrew Apps, director of IPMI provider **ALC Health**.

However, in what is an increasingly competitive market, he said providers would be expected to provide add-on products and benefits and higher VIP customer service levels, as consumers increasingly shop around to secure best value or to get more for less.

As a result, Andrew Apps expected further consolidation in the sector, especially among small to mid sized players, as larger insurers jockeyed for increased market share. Pricing would be an ongoing issue, with a move towards more targeted geographical pricing he added. Medical treatment costs were rising, especially in Hong Kong, China and the Gulf.

Protection Review 2011 dinner

Tables are filling fast at this year's **Protection Review** dinner, which is being held at the prestigious **The Landmark Hotel** in London's Marylebone on Thursday 23 June. Around two thirds of the 350 places are now taken.

An excellent range of speakers and panellists is being assembled for the conference, which will be held during the day and full details are being added to the website at www.protectionreview.co.uk. Don't delay, book your conference and dinner places today!

OFT to study private health

The **Office of Fair Trading (OFT)** announced on 14 December that it planned to launch a market study into private healthcare this spring.

The enquiry will examine the nature of competition in the £5.5bn a year market and whether that market is fully competitive. It said it 'does not presently intend to focus directly on the market for private medical insurance, although aspects of this market will be considered in so far as they affect the provision of private healthcare'.

The OFT is now seeking views as to the scope of its study. It is already clear that there could be scope creep. A statement from the **Federation of Independent Practitioner Organisations (FIPO)** said: "It is gratifying to see that the concerns expressed by our member organisations, over the impact that the implementation of fixed fee schedules and restrictive consultant networks will have on patient choice and continuity of care, are reflected in the scope of the study."

Adrian Fawcett, CEO of **BMI Healthcare** parent **General Healthcare Group** said: "The Government's plan to abolish the NHS private patient cap will allow entry into the market of literally hundreds of NHS hospitals encouraged to compete with independent hospital operators for private work. It will be important for the OFT study also to consider the impact on competition of these changes and the way in which they have opened up access to both NHS and private markets."

There are concerns that PMI (private medical insurance) critics will want to see the OFT's study widened to look at PMI—especially at the transparency and fairness of cover (particularly around treating conditions such as cancer) and any choice restrictions facing customers.

For more see www.oft.gov.uk.

Cancer is #1 health worry

Cancer is people's top worry, according to a poll for **Bupa International**, conducted by **Ipsos MORI** last summer.

Of 12,262 people polled in 12 markets internationally, a third (33%) ranked cancer as their number one health concern, ahead of dementia and heart disease.

When asked what would worry them most if they had a chronic disease, 16% said not being able to afford the best possible treatment, followed by a long drawn-out illness (15%) and their family worrying about them (13%).

Bupa International now offers international medical cover to people who have already had a condition such as cancer, hypertension and asthma.

Mercer warns on cancer cover

Mercer has warned employers not to rush into a review of cancer cover on their corporate medical insurance schemes, despite a new **NHS** £200m fund for cancer drugs and a review of the **National Institute for Health and Clinical Excellence's (NICE's)** role in approving drugs.

The consultancy warns that cover that was appropriate five years ago could now create an unwanted financial liability or a shortfall in coverage, risking an uncapped financial exposure.

The situation is aggravated, it says, by health insurers using different criteria to adjudicate what their plans will and won't pay for, as well as setting maximum cover based on a range of factors including the stage of the disease, length of treatment, episodes of treatment and, in some cases, cost.

Naomi Saragoussi, principal of Mercer's Health and Benefits business, said: "Employers find it difficult to understand what their policies will fund and this makes benchmarking the provision complex, resulting in significant differences in what employers offer. Until the Government has clarified what cancer drugs will be available on the NHS, companies should be wary of committing to policies to pay for treatments that may eventually be offered free through the State."

Cancer is now the largest cost area on many PMI schemes, with £100,000+ claims now common. We even heard of one cancer claim running to over £400,000. **Bupa** reported in 2010's *Protection Review* book that it had seen a rise of almost 40% in cancer costs over the past five years.

Against such a background, cancer is bound to be a key area of concern going forward—but Mercer is right to warn firms not to make any knee jerk reaction.

IFAs see protection as essential

Almost all (94%) IFAs (independent financial advisers) think it is essential for consumers to have protection products as part of their overall financial planning, according to **Scottish Provident's** latest *Financial Safety Net* report, published on 8 December.

Life assurance was listed as the most essential product, if consumers could only have one product, by 48% of IFAs polled. This was followed by income protection (36%), critical illness cover (16%) and unemployment insurance. However, less than one in five IFA clients were currently asking their adviser about protection products.

Nearly 1 in 7 IFAs said the overall cost of taking out a policy was one of the main reasons clients did not do so.

Two in five felt their clients had a lack of understanding about protection. And, a third said their clients believed the State would provide the necessary financial support should they need it.

Holloways get RDR exemption

Income protection plans with a 'small' investment element, such as Holloway plans, are to be exempted from the **FSA's (Financial Services Authority's) RDR (Retail Distribution Review)** rules on adviser charging and professionalism, the regulator proposed in its quarterly consultation paper on 6 January.

Under its proposals, if the plan's projected maturity value is 20% or less of accumulated premiums, the plan would be exempt. Otherwise, advisers would have to charge a fee for advice after 2012. The move follows discussions with the **Association of Financial Mutuals**.

Paul Hudson, CEO of **Cirencester Friendly** welcomed the proposals, but called on the FSA to also regulate Holloway plans (which pay a small sum on retirement and so have an investment element) under ICOBS rather than the stricter COBS regulations.

News briefs:

- The **PFS (Personal Finance Society)** reported in mid January that its total membership at the end of 2010 was 28,200, up 10% compared to end 2009. The number of Chartered Financial Planners rose 25% to 2,250 and 300 firms are now Chartered Financial Planning Firms (up 17%). Across the industry, over 17,700 individuals now hold a Diploma or above qualification (including 42% of PFS members). Of the remaining 58%, 50% have acquired one or more Diploma units. PFS research has found that 85% of its members plan to carry on as 'independent advisers' with only 10% planning to 'exit the advice market'.

- **Bupa Individual Protection** has raised its medical underwriting limits for its life and critical illness plans. For example, someone aged 31-35 applying for £500,000 of CI cover no longer needs a GP report and is only required to attend a short medical examination (SME).

- 1.04% of UK businesses failed in 2010, compared to 1.25% in 2009, the first annual drop for two years, **Experian** reported on 24 January. The total number of insolvencies decreased from 24,209 in 2009 to 19,946 in 2010 - an 18% drop.

- Ex-smokers are unnecessarily paying £316m a year more collectively on premiums by not informing their life insurer that they have kicked the habit, according to **Sainsbury's Finance**. It says around 1.1m people intended to quit smoking as a New Year's resolution this year and around 2.3m people say they'll give up later.

- **The Association of Medical Insurance Intermediaries (AMII)** reports an unprecedented increase in membership over the past six months. Since the launch of the AMII/**Chartered Insurance Institute (CII)** PMI Exam last April, the association has welcomed 15 new member firms and another 7 are currently being referenced, taking membership to over 100 firms.

- **Bright Grey** has changed its critical illness cover by widening its CABG, heart valve surgery and benign brain tumour definitions, making them 'ABI+'.

- Part of **Ecclesiastical Life's** long term business has now been transferred to **Engage Mutual**. The mutual has also acquired not-for-profit health cash plan and PMI provider **PHSA** and agreed a deal with **Benenden Healthcare** to become the provider of its health cash plan, which currently covers 30,000 lives.

- The **British Bankers Association (BBA)** judicial review of the **FSA's** and **FOS's** powers to retrospectively apply current selling standards to past PPI sales was due to start at the High Court on 25 January, as we closed for press.

- A new **ABI** statement of best practice on critical illness cover is expected soon. It will include a model definition for total and permanent disability cover—an area where the industry has struggled to find agreement yet where around 55% of claims have been rejected—albeit TPD only making up 3% of all CI claims.

- The **ABI** (with fellow trade bodies **AIFA**, **BBA**, **BSA** and **CML**) has also published *Critical Illness Insurance - Oral Disclosure Guidance* to provide a checklist of points that should be disclosed orally as part of the end-to-end sales process in an oral (or part oral) sale. See www.abi.org.uk.

- A fresh approach is needed to generate growth in

the group risk market and tackle the challenge of impending legislative changes, according to the **Jelf Group**, **IFAonline** reported on 8 December.

- Charges for a private bed in a public hospital in Ireland have gone up by 21%, which experts suggest could see Irish PMI premiums rise by as much as 10% in 2011. Irish hospitals have been hit by spending cuts announced in the recent emergency Budget.

- A new comparison website for people with medical conditions who want travel insurance has been launched. **Www.alcleartravel.co.uk** is not only a comparison website but a call centre too, so customers can obtain a quote by phone or online.

- UK advisers want more guidance and education from the **FSA** on life settlement products, according to a poll of 353 investment IFAs by **PDL International**.

- The **ABI** has warned skiers of potentially high medical bills if they take to the slopes uninsured. It gave examples of £6,000 to treat a ruptured ligament and arrange repatriation or £5,000 for a broken leg, which required a nurse to accompany the skier back from Austria to the UK.

- **Wiltshire Friendly Society** has appointed **Medicals Direct Group** to provide an enhanced Big T teleunderwriting service for its income protection business.

- **Westfield Health** has reported a strong year to end March 2010, having maintained a 13% health cash plan market share and 42% of the corporate paid market. Premium income reached £53m (with over 350,000 policyholders) and claims paid were £36m.

- A 1% rise in mortgage rates would see 900,000 people struggling to pay the extra £50 a month, according to **MarketGuard**. But a 2% rise could see repayments rise by £200 a month, leaving 4.8m unable to pay their mortgage it warns.

- The life insurance market in South America rose by 9.4% to premium income of €27.379m, according to **Fundacion Mapfre**. See www.fundacionmapfre.com.

- **LV=** launched a new TV advertising campaign in January for its 50 Plus life cover plan. It has also launched *LV= Little Book of Protection* as a handy reference point and protection sales tool for advisers.

- Chinese insurer **Alltrust** and **Bupa International** have launched an insurance partnership in China offering IPMI to expats and Chinese citizens.

- The **Association of Medical Insurance Advisers (AMII)** has launched a new public website, which includes a find-a-broker section at www.amii.co.uk.

- The number of apps (applications) downloadable to smartphones is likely to rise by 60% and to generate income of more than \$35bn by 2014, according to Farmingham, Massachusetts based research firm **IDC**. By then, users will download 76.9bn programmes, up from 10.9bn in 2010 it says.

- **Selectx** has launched global surveys on claims technology and underwriting engines. See www.selectx.co.uk.

- PMI providers typically pay anaesthetists less than surgeons, even though both are qualified consultants and the NHS pays them the same. Given that anaesthetics is one of the main factors behind improved outcomes in surgery in recent years, will this continue? Drop us an e-mail (info@andycouchman.com) and let us know your views.

Pick of the month

After a quiet(ish) end to the old year so far as new products were concerned, 2011 has kicked off with a number of new product launches—and even a new provider too.

Assurant has picked up the baton to develop PPI, while Aviva has updated its existing GIP and AXA its Protection Account. Health Shield has launched a new entry level voluntary HCP and Simplyhealth an HCP for the 70+ age group. And Medical Care Direct has opened up health-care trusts to mid sized organisations. Our Pick of the Month though is a new international PMI provider, Now Health International, with its range of new plans.

Assurant Solutions Home Protector and Income Protector

Assurant Solutions claims to have the first ASU (accident, sickness and unemployment) products to be underwritten at point of sale. It says that this new breed of annually renewable products promises to be the antidote to the problems that have plagued the product in recent years.

The plan comes in two versions—Home Protector for mortgage or rent payments and Income Protector as a short term means to protect a percentage of income.

Essentially, Home Protector covers up to 120% of mortgage or rental payments up to £3,000 a month, while Income Protector covers up to £3,000 of monthly income.

Both plans use a rating engine that takes account of the customer's age and risk profile. Assurant says the products are the first stage of what will be a continual evolution of its point of sale ASU proposition, and that its rating engine can take an infinite number of variables into consideration. Otherwise, plans details follow the traditional ASU format.

Focusing on the Home Protector, it is available to those aged 18 to 64 in the UK who are in full time work. The involuntary unemployment element of the plan includes carer cover, which is payable if the insured becomes a family carer. The plan also includes return to work cover, which pays a proportionate benefit if the claimant returns to work on a reduced income. An independent Jobcare service is built-in to assist return to work.

As with other ASU plans, claims for backache and mental health must be supported by specialist medical evidence. The insurer can cancel cover at renewal or at any time after 90 days' notice if it stops 'offering this type of cover altogether'.

Plus points: *It is good to see new ASU ideas emerging, and Assurant's solution looks to offer a better deal for customers, with the prospect that many will now pay less than before too. Annually renewable plans also (theoretically) give greater security than rolling monthly renewed plans. Point of sale underwriting, rather than simply using a moratorium or excluding PECs (pre-existing conditions), gives greater certainty that all valid claims will be paid.*

Not so plus points: *We have not yet seen pricing so, as always, it pays to shop around when buying ASU. Some customers will pay more but, as that reflects their greater risk, should still get value for money. We were disappointed that a week after launch, there was no mention of these new plans (or*

even the press release) on the firm's website. Moreover, some of the information on its products page had not been updated since 2004. So, the fact that over 750,000 people were made unemployed in the year to July 2003 may be interesting to historians, but it's embarrassing to still feature that stat. That's a pity—Assurant is better than that!

Contact: 01753 493 300 or www.assurantsolutions.com.

Rating (max 5): Innovation: 3.25. Overall: 3.

Aviva Group Income Protection

Aviva's latest changes to its existing group income protection (GIP) plans include:

- A new escalation rate. Benefits can rise in line with the Retail Prices Index (RPI), capped at 2.5% a year.
 - Stress counselling helpline. This gives employees access to support from counselling professionals 24/7.
 - Bereavement helpline. Offers support to relatives and partners of GIP customers who have died or to those who have suffered bereavement themselves.
 - Legal helpline. This offers access to legal advice on any issue.
 - GP helpline. This gives employees and their families access to legal advice on any issue at any time.
- The new EAP (employee assistance programme) benefits are included at no extra cost. Employers can also extend the support available to their employees by upgrading their cover to one of:

- Extended EAP. Includes additional debt management and online information for employees and managers.
- Full EAP. Offers all the above services.

EAP benefits can be extended to all employees, not just GIP members. Aviva also offers its occupational health and private medical insurance benefits to complement its GIP benefits. The GIP covers from five employees upwards and offers:

- Benefits of up to 80% of earnings, to a maximum benefit of £350,000 a year.
- Deferred periods of 13, 26, 28, 41, 52 or 104w.
- Benefit to retirement age or for a limited period.
- Once only underwriting.
- A pay direct option (this pays benefits direct to the claimant, which means lower administration costs during long term absences) and lump sum options.
- Dedicated rehabilitation case managers.

Plus points: *A good range of EAP benefits added, but at no extra cost for GIP members and which can be offered to non-GIP employees too. Benefits can now be linked to RPI.*

Not so plus points: *RPI linking for benefits is useful (although average earnings is arguably a better link) but the 2.5% annual ceiling is low and some way below current inflation levels. These are relatively minor changes too—does GIP need more radical change if it is to thrive? Many firms are now looking hard at their whole employee benefits package and legislative changes, especially around continuing to employ older workers, can mean that GIP costs will rise. Where that happens, employers will need convincing that GIP is not just still necessary but also that it offers the right value and most practical benefits.*

Contact: 0845 300 4452 or www.aviva.co.uk.

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

AXA Protection Account

AXA's Protection Account offers life, critical illness, mortgage income protection and business protection cover. A number of changes have recently been introduced:

- Children's cover now includes children in full time education up to age 21 (18 still continues for those not in full time education). The maximum benefit is the lower of 50% of the sum insured or £25,000.

- The stroke definition is now 'ABI+'. AXA has removed the exclusion for traumatic injury to brain tissue or blood vessels (and says it is the first company to do this).

- Overall the plan includes ten ABI+ definitions.

- Open heart surgery has been added as a new condition, taking total conditions covered up to 38.

- The number of countries acceptable for CI and HIV claims has been extended to 44.

- A new AXA branded Care Consultants service offers new customers access to additional practical and emotional support. It is available to policyholders, spouses and civil partner and their children up to age 21. The service claims to be the first in the UK to bring three support services into one comprehensive offering. They are:

- Second medical opinion. US based specialists give a second opinion to those with a serious medical condition.
- Claim support. A dedicated counsellor who can also assess what other services may be appropriate.
- Medical helpline. Access to nurses, counsellors, midwives and pharmacists.

The plan includes free cover on application; a choice of application routes; four additional covers that do not reduce the sum insured; advance payments for major heart surgery and terminal illness, and premium reductions where a cancer or MS exclusion has been applied.

AXA says further enhancements are planned and has already introduced a 90 day premium guarantee, which means that rates are guaranteed even if the customer passes a birthday before taking out a plan.

Plus points: AXA is one of many seemingly in the race to add new CI conditions and ABI+ (i.e. better than industry standard) definitions. Both mean more people can claim if hit by a critical illness. The concept of a single Care Consultants umbrella, with three sub-benefits, is valuable and simple, providing practical help and information at just the time it is needed. Extending child cover to 21 for students is also welcome.

Not so plus points: Why limit children's cover to age 21 when many students now study beyond age 21? As with all other CI plans, there is still no effective 'catch all' to cover all critical illnesses. Arguably, CI is also now becoming simply too complex for most customers and even IFAs to fully understand.

Contact: 0845 607 1979 (Opt 2) or <https://advisers.axa.co.uk/pub/protection/index.html>.

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

Health Shield Corporate Scheme Access Level

Health Shield has added a new entry level 'Access Level' to its existing voluntary Corporate scheme. This costs just £1.25 a week (or £2.50 a week if partner cover is required

too) and provides maximum annual benefits (100% reimbursement unless indicated otherwise) of:

- Dental: £30.
- Dental accident: £100.
- Optical: £30.
- Hospital benefit: £10 a night/day up to 25 pa.
- Parental hospital stay: up to 25 nights a year.
- Maternity: £75 cash sum single payment.
- Physiotherapy; chiropractic; osteopathy; acupuncture, and homeopathy: £60.
- Specialist consultation, ECG, X-ray and pathology fees: £60.
- Chiropody: £30.
- Health and wellbeing: £30.
- Health screening: £30.
- Personal accident protection: up to £2,500.
- Prescriptions: One item a year can be claimed.
- Fitness benefit: access to special rates through

Incopore's Corporate Fitness Network.

Cover is worldwide and includes access to a 24/7 helpline. Customers can choose five other cover levels. The highest (Prestige Level) includes contribution protection (waiver of premium), up to £500 a year for family planning and £2,000 critical illness cover, all for £12.50 a week (£25 for couples). Other price points are £1.95; £4.00; £6.50; £8.25, and £12.50 a week (for the Prestige Level) for individuals.

Plus points: A useful addition, which adds a very low price point but still offers useful benefits that will be valued (and used regularly) by employees. Health Shield paid 322,571 claims last year, with 89.6% paid within two working days.

Not so plus points: Most benefits are relatively low and may not cover all regular health costs. Many brokers are still ignoring HCPs, which is short-sighted.

Contact: 01270 588 555 or www.healthshield.co.uk.

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

Now Health International WorldCare Apex

Now Health International is a new international PMI provider. It is headquartered in Hong Kong but has offices in Europe, Asia and the Middle East and its plans are underwritten by AXA. It has launched into the international PMI market with a comprehensive plan with a choice of four cover levels – Essential, Advance, Excel and Apex.

The top level product, Apex, has core benefits (with annual US dollar limits shown) for company cover of:

- Maintenance of chronic medical conditions: \$35K.
- Hospital charges, medical practitioner and specialist fees: full refund.
- Ancillary charges: \$2,000 per medical condition.
- Diagnostic procedures: full refund.
- Emergency ambulance transportation: full refund.
- Parent accommodation: full refund.
- Renal failure and dialysis: \$75,000.
- Organ transplants: up to full refund.
- Cancer treatment: full refund.
- Pregnancy and childbirth: full refund.

- New born cover: \$150,000.
- Hospital accommodation for new born (up to 16 weeks) accompanying their mother: full refund.
- Congenital disorder: \$150,000.
- Reconstructive surgery: full refund.
- Rehabilitation: full refund.
- In-patient emergency dental treatment: full refund.
- In-patient psychiatric treatment: 30 days max.
- Terminal illness: \$100,000.
- Emergency non-elective treatment USA cover: full refund for accidents, otherwise \$50,000.
- Evacuation and repatriation: up to full refund.
- Mortal remains: up to full refund.
- Hospital cash benefit: \$250 per night, up to 30 nights a year.
- Out-patient charges: full refund.
- Day or out-patient surgery: full refund.
- Out-patient psychiatric illness: \$7,500.
- Alternative therapies: \$150 per visit, max 15 visits.
- Nursing/GP care at home: up to full refund.
- AIDS: \$50,000.
- Maternity: \$15,000.
- Dental care: up to \$3,000.

Some treatments e.g. PET scans, must be pre-authorized. Benefits can be in US \$, GB £ or Euros.

Additional options include: USA elective treatment; co-insurance out-patient charges; direct billing (nil excess on out-patient treatment); wellness, optical and vaccinations, and medical history disregarded. A \$100 excess is standard, but options are \$0, \$50 or \$250. Exclusions are fairly standard for this type of product.

Customers can choose to go paper free, and eligible claims should be processed within five working days.

Plus points: *New provider, but with an experienced team running it and the security of AXA underwriting. All information is available online. The promise of good service. Good product choices to tailor cover to need.*

Not so plus points: *Built-in maternity benefits can increase cost. As always, it pays to shop around to get the best cover/price benefits. New provider that has yet to establish a track record in its own right. Not yet authorised in all markets (though that should be resolved quickly). Little innovation.*

Contact: 01276 602110 or www.now-health.com.

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

Medical Care Direct Health Link

Medical Care Direct's Health Link is a healthcare trust fund for firms with as few as 100 employees. Previously such schemes have tended to be the province of 1,000+ schemes, due to the cost and complexity of their set up.

The scheme includes comprehensive third party administration, MCD's unique Treatment Sourcing Service and stop loss insurance in one fixed price package.

MCD says that healthcare trusts can offer employers savings of up to 20% a year when compared to PMI. Partly that is because, except for the stop loss premiums,

payments into the scheme do not attract Insurance Premium Tax—which went up from 5% to 6% on 4 January—while the VAT payable on the administration charge is recoverable. Trustee services are provided through fellow **Skipton Group** company, **Pearson Jones plc**.

Plus points: *Healthcare trust benefits for smaller employers. Experienced player that is part of a big financial group. Flexibility to tailor benefits. If claims are less than the trust fund, the surplus is simply retained and reduces future costs.*

Not so plus points: *Are healthcare trusts tax avoidance? Few would now argue that, which begs the question for many: why have PMI for a big group scheme?*

Contact: 0844 848 1460 or www.medicalcaredirect.co.uk.

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

Simplyhealth Simply Cash Plan 70 Plus

Simplyhealth's new health cash plan (HCP) is, as its name suggests, aimed at people aged 70 or over.

This group is often either ignored or disenfranchised by insurers or most are priced out of the market. Simplyhealth's approach is instead to offer a simple plan at low cost, with benefits optimised for older customers.

So, this is not glam cover but bread and butter cover for bread and butter people and none the worse for that. Indeed, for intermediaries, the marketing opportunity is both older clients and their (often) more affluent children who can afford to buy cover for them to pay towards their everyday healthcare costs.

There are three price points—Level 1 (£9.95 a month), Level 2 (£19.95) and Level 3 (£39.95) with premiums doubled for couples. Key benefits are (Level 3):

- Optical. 100% reimbursement up to £150 a year.
- Dental. 100% up to £150.
- Physiotherapy; osteopathy; chiropractic; acupuncture, and homeopathy. 75% up to £200.
- Consultations. 75%, up to £150.
- Hearing aid. 75% up to £200.
- Chiropody/podiatry. 50% up to £150.
- Hospital in/day-patient. £20 a night/day, 10 days.
- Recuperation. Cash payment of £200 after 10 in-patient nights in hospital. This and the previous benefit are not included on Level 1 plans.

- Independent living occupational therapy. 50%, up to £200. This benefits is a cash amount towards assessments by a registered occupational therapist.

Cover is Europe-wide. Customers also get a 20% discount (this year only) on all purchases at www.simplyhealthstore.co.uk, which sells mobility products and daily living aids.

Plus points: *Sustainable benefits optimised for older people and at affordable prices. Could be funded by their children. Premiums typically do not rise every year. The plan could pay for itself—especially if the customer has any disability.*

Not so plus points: *More benefits may be available to younger people. Pre-existing conditions are covered, but not for 12 months for hospital and recuperation cover. 20% store discount only applies for 2011.*

Contact: 0800 072 5846 or www.simplyhealth.co.uk.

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

Medical briefs:

- Swedish research that followed 7,469 arthritis patients and 37,024 controls has shown the risk of an acute heart attack rose by 60% one to four years after diagnosis. See: *Journal of Internal Medicine* (2010) 268: 578-585.

- **Bladerunner**, which runs contracts for almost 100 on-site gym facilities in offices and schools for around 60 separate clients, has been acquired for an undisclosed sum by **Nuffield Health**. This will give Nuffield around 17% of the corporate wellbeing market and make it the largest provider of on-site corporate fitness facilities.

- The *BMJ* is now available as an iPad application (app) and costs £9.99 for a four week subscription, with single back issues priced at £2.99. Email: ipad@bmj.com for more information.

- Heart failure patients admitted to general wards are twice as likely to die as those admitted to cardiology wards according to *Heart*. Hospital provision of care was described as 'suboptimal' and the national audit recommended ready availability of natriuretic peptide testing (to diagnose heart failure), prompt referral to a specialist and appropriately trained staff to manage the condition. See: <http://press.psprings.co.uk/heart/december/hrt209171.pdf>.

- Smoking accounts for 60% of the gender gap in death rates across Europe and kills twice as many men as alcohol according to a *Tobacco Control* article. Iceland at 97 per 100,000 of population deaths attributable to smoking was the lowest and the highest was 495 per 100,000 of population in the Ukraine. See: <http://press.psprings.co.uk/tc/december/tc37929.pdf>.

- The speed at which heart rate recovers after exertion is affected by sitting for prolonged periods in front of a TV or computer screen *Heart Asia* reports. Heart rate recovery after exertion is an important indicator of heart health. Sitting in front of a screen expends less energy than other sedentary occupations such as driving, reading or writing. However, no such association was found for those who took regular exercise. See: <http://press.psprings.co.uk/mp/january/heartasia2782.pdf>.

- The 'Your Prostate' website from the **European Men's Health Forum** is at www.yourprostate.eu and answers questions men on all aspects of prostate health.

- The *Emergency Medicine Journal* reveals that a five degree Celsius rise in temperature leads to a 10% increase in children admitted to hospital with serious injuries. **Warwick Medical School** researchers also found adult admissions rose by 3.2% when the temperature fell by five degrees Celsius and by 7% when snow had fallen. See:

www.emj.bmj.com.

- A US study shows that aerobics combined with weight training is the best exercise for people with diabetes to help lower their blood sugar. See: *Journal of American Medical Association* (2010) 304: 2253-2262.

- A guide to the chronic liver condition, primary biliary cirrhosis has been published by charity, the **PCB Foundation**. It provides information for both healthcare professionals and patients, of whom there are around 60,000 in the UK. See: www.pcbfoundation.org.uk.

- According to an Australian study, people with hypertension should add garlic to their diet. In a study of 50 patients, the half that received four garlic supplements daily had a systolic blood pressure on average 10.2mmHg lower than the placebo group. The **British Heart Foundation** warns this does not mean patients can give up their medication. See: *Maturitas* (2010) 67: 144-150.

- German research has shown that, after adjusting for factors such as weight, smoking and alcohol consumption, recurrent miscarriage increases a woman's chance of having a heart attack fivefold in later life. See <http://press.psprings.co.uk/heart/november/hrt202226.pdf>.

- Pooled analysis of data from 192 countries shows that secondhand cigarette smoke caused an estimated 1% of deaths worldwide in 2004. Children were the hardest hit losing 6.6 (61%) of the estimated 11m disability adjusted life years lost overall in 2004. See: *BMJ* 2010; 341: c6808.

- Doctors have performed the world's first 3D key-hole surgery during a symposium at the **University of Surrey**, in December. 3D cameras significantly improve accuracy. Data is now being collated as part of a large-scale study into operator fatigue. Using eye-tracking and computer-vision technology researchers will look to improve surgical safety and study how the human mind focuses attention while performing complex tasks. Video footage is at: <http://tinyurl.com/34v6654>.

- Dutch courts have ruled that one of the country's largest health insurers can rank 93 hospitals on breast cancer surgery in four categories: 'best', 'good', 'can do better' and those it will 'no longer contract', and now publish the results on its website. *BMJ* 2010; 341: c6853 reported on 29 November that insurer, **Centraal Zorgverzekeraar (CZ)**, said it would no longer sign contracts with six hospitals, later reduced to four, because they did not carry out at least 70 operations a year, which CZ judged must be carried out for quality of care to be ensured. 45 other hospitals performing between 70 and 150 operations a year were ranked as 'can do better'.

What is H5 Private Hospital Alliance?

Launched in London in November 2010, the **H5 Private Hospital Alliance** comprises the five leading UK hospital groups which, between them, account for 80% of the UK's private hospitals and 85% of all private hospital beds. The hospital members are **General Healthcare Group**, **HCA International**, **Nuffield Health**, **Ramsay Health Care UK** and **Spire Healthcare**. The Alliance's objectives are:

- To stimulate the debate about the role of private hospitals as part of the overall system of funding and providing healthcare in the UK.
- To ensure that all members of the public are able to choose healthcare solutions that are best for them.
- To work with health regulators to ensure that private hospitals are able to maintain a high standard of care for patients whilst minimising the unnecessary bureaucracy that undermines the care provided to patients.

Based in Westminster, London, the Alliance is headed by CEO Matt James and the board includes the CEOs of each of the five hospital members. Find out more at www.h5health.org.

Stroke risk linked to stress

New research released by **The Stroke Association** and **Siemens** on 6 January shows up to 7m British adults could be at risk of stroke due to rising stress levels.

The results from the 2,000 participants suggest 15% of Brits considered themselves extremely stressed heading into 2011, with the figure rising to nearly a fifth of women, compared to a tenth of men. A fifth of those surveyed took no exercise and a similar number only exercised for 30 minutes a week. 40% of the British public are unaware of the link between exercise and stroke prevention.

High blood pressure is the biggest risk factor for stroke. Alongside bad diet and lack of exercise, high stress levels are a key contributor to raising blood pressure.

The 45-54 year old age group are increasing their risk of stroke, with over a quarter taking no exercise as well as reporting the highest stress levels across all age groups in the UK, the researchers concluded.

Integrated care helps back pain

Dutch research has found that of 134 patients aged 18 to 65 on sick leave from work with chronic lower back pain, the group of 66 patients that received an integrated care programme had substantially lower costs than those receiving usual care.

Integrated care consisted of workplace assessments, treatment with graded exercise, and reassurance that despite pain, moving can be safe while increasing activity levels. After 12 months, the total costs for the integrated care group was £13,165 and £18,475 for the usual care group. Cost-benefit analyses showed that every £1 invested in integrated care will return an estimated £26. See: www.bmj.com/cgi/doi/10.1136/bmj.c6414.

Bupa calls for NHS and private hospitals comparable data

A letter jointly signed by **Bupa's** group medical director, Dr Andrew Vallance-Owen and managing director of **Bupa Health and Wellbeing**, Dr Natalie-Jane Macdonald, has been sent to chief executives at all private hospitals in the UK.

The letter asks that all private hospitals publish their clinical quality metrics in the same way as the NHS does. Dr Macdonald said that there is "almost no comparative data to help patients compare private hospitals with others in the private sector, or the NHS". She has suggested that private hospitals must publish this information in time to be included in the 2011 **Dr Foster** Hospital Guide.

Independent sector NHS 'choice' activity could treble

The independent acute medical surgical sector enjoyed a 7.5% rise in sales to £3.76bn in 2009, but only by expanding activity carried out for the NHS, free at the point of use for the patient, **Laing & Buisson** reported on 14 December. Traditional private healthcare funded by medical insurance or individuals did not do well in 2009 but indica-

tions for 2010 are that figures for medical insurance and self-pay will have stabilised.

The **Department of Health** believes the scale of 'choice' activity carried out by the private sector could triple its current size. *Laing's Healthcare Market Review 2010-11* is available now, price £410.

Extreme dental anxiety hits 12%

The 2009 *Dental Health Survey* reveals that nearly one in five women and one in ten men will suffer 'extreme dental anxiety' even before they reach the dentist's chair, with younger adults more anxious than older ones. Figures from the **Office for National Statistics** show 51% of adults who have ever been to a dentist had low or no dental anxiety, 36% moderate dental anxiety and 12% extreme anxiety. The overall picture of the nation's dental health has greatly improved since the first survey was conducted in 1968. The report can be accessed at: www.ic.nhs.uk/pubs/dentalsurvey09.

Higher BMI, higher mortality

Revisiting published data from nearly 1.5m adults has confirmed that being overweight or obese can significantly shorten your life, *BMJ* 2010; 341: c7019 reported on 7 December. A body mass index (BMI) for adults between 22.5 and 24.9 had the lowest rate of death over ten years of follow-up. Researchers focused on those without cancer or heart disease who had never smoked and found even those moderately overweight (BMI 25-29.9) were significantly more likely to die than those in the ideal category. Overweight and obesity were linked to both cardiovascular disease and cancer, with cardiovascular the bigger hazard.

Smoking link to arthritis

Swedish research shows that smoking is behind more than a third of severe rheumatoid arthritis cases and accounted for more than half of the cases in people who are genetically susceptible to the development of the disease. In a study of 1,200 people with rheumatoid arthritis and 871 people free of the disease, the heaviest smokers (20 cigarettes a day for at least 20 years) were more than 2.5 times as likely to test positive for the disease marker, ACPA (anticitrullinated protein/peptide antibody). The risk for ex-smokers fell the longer they had given up smoking but for those who had smoked heavily, the risk was still relatively high, even after 20 years of not smoking. See: <http://press.psprings.co.uk/ard/december/ard120899.pdf>.

Statins and low HDL cholesterol

A meta-study of 20 trials has found a significant inverse association between concentrations of high density lipoprotein (HDL) cholesterol and risk of myocardial infarction and cardiovascular disease, *BMJ* 2011; 342: c7466 reported on 4 January. Every 10mg/dL (0.26 mmol/L) decrease in high density lipoprotein concentration brought about an increase in myocardial infarction of 7.1 per 1000 person years among patients treated with statins, compared with 8.3 in patients who did not receive statins.

Political briefs:

- The first NHS hospital with all single rooms has opened in Pembury, part of the **Maidstone and Tunbridge Wells Trust**. **Pembury Hospital** has ten wards, with 512 individual rooms, all of which have ensuite facilities. It was built under a private finance initiative at a cost of around £230m.

- The Government has published a new cancer strategy, aiming to improve survival rates to match the best in Europe by 2014/15. A key element will be early detection—including allowing GPs to order tests direct without referral to a specialist first.

- More than 1,000 reports of fraud in the NHS were passed to authorities over the past year, *The Times* reported on 22 January.

- There is huge variation in the availability and cost of home care, according to a **Which?** survey published on 20 January. It found residents in Tower Hamlets and Newham received free care, while those in nearby Lambeth paid up to £17.67 an hour. And, while residents of Barnsley had a weekly cap of £60, those in Brighton faced a cap of £850. 70% of authorities provide care only for those with substantial or critical needs. Those with low or moderate needs received nothing.

- **Merrill Lynch**, which owns a controlling stake in **Integrated Dental Holdings (IDH)**, has put the firm up for sale for around £300m-£400m, *Healthcare Market News* reported in its December/January issue. IDH has 250 dental practices (the country's largest), with 700 dentists offering NHS and private dental services to around 1.5m patients every year. The firm failed to sell for £200m in 2009.

- Bed blocking is on the increase in hospitals across the UK according to **doctors.net.uk**, 5 January. According to charity, **Counsel and Care**, older people are remaining in hospital, unable to access care at home because of tightening eligibility criteria. *Hospital care in England: what you need to know before, during and after your stay* can be downloaded from: www.counselandcare.org.uk.

- *BMJ* 2011; 342: d65 reported on 7 January that healthcare spending in the US jumped to \$2.5 trillion, a rise of 1% to 17.6% of gross domestic product (GDP), between 2008 and 2009. This was the largest yearly increase since National Health Expenditure Accounts began 50 years ago. Due to the severity of the recession, healthcare spending responded much more quickly than it has in previous recessions and was at its slowest ever rate of growth (4%) over this time.

- A survey of 11,500 nurses conducted by **Incomes Data Research** found just over 60% thought fairly or very seriously about leaving their job in the past 12 months, *Nursing Times* reported on 7 December. Of these, 54% blamed NHS restructuring, 43% staff shortages, 78% mentioned stress or workload, 26% working hours and 37% target setting.

- There was a 3.6% rise in the number of attacks on NHS staff in 2009-10 (56,718 assaults) compared to 54,758 in the previous year, *Nursing Times* reported on 7 December. The majority of attacks (38,959) were in the mental health and learning disability sectors.

- London based **Great West Commissioning Consortium** and **NHS Hounslow Primary Trust** have

signed a deal with private firm, **UnitedHealth UK**, to improve the quality of referrals, a deal that is expected to deliver net savings of £1.5m over three years and improve the efficiency of the service, *BMJ* 2011; 342: c7470 reported on 4 January.

- Three different models of NHS dental services will be piloted in 50-60 areas across England starting in April, the **Department of Health** announced on 16 December.

- The **Department for Work and Pensions** said on 31 December that more than 10m people in the UK today can expect to live to see their 100th birthday – 17% of the population. In 2066 there will be at least 500,000 people aged 100 or over including nearly 7,700 aged 110 or over. See: http://research.dwp.gov.uk/asd/index.php?page=adhoc_analysis.

- An evidence session that forms part of an inquiry into the **National Audit Office** report *Delivering the Cancer Reform Strategy*, heard that despite progress in improving cancer services, England still lagged behind some European countries, *BMJ* 2010; 341: c7098 reported on 9 December. Professor Mike Richards, national clinical director for cancer and end of life care, giving evidence said: "Overall if you put all cancers together, there are around 10,000 avoidable deaths per annum."

- A survey of 1,000 doctors commissioned by **BMI Healthcare** and carried out by **ComRes** claims that GPs could save the NHS budget £285m a year by asking their patients if they have medical insurance. Only a third of GPs routinely ask their patients if they have health insurance. Full survey results can be found at: www.comres.co.uk.

- **Hinchingbrooke Hospital** in Huntingdon, Cambridgeshire has become the first NHS hospital to be franchised out to a private company, the *Times* reported on 26 November. **Circle Care** will be paid about £1bn over ten years to take over the hospital which has £40m of debt. Dr Stephen Dunn, director of strategy at NHS East of England said the struggling hospital might have had to be closed and the deal could serve as a 'beacon' for other troubled hospitals. Staff continue to be employed by the NHS.

- A **National Audit** report found a decrease in NHS productivity of 0.2% a year since 2000 and an expenditure increase of more than two thirds over the same period. In hospitals, productivity fell by around 1.4% a year, according to *BMJ* 2010; 341: c7287, 17 December. To meet the Government's productivity savings of £15-20bn by 2015, productivity gains of around 6% a year will be needed. The National Audit Office report on NHS hospital productivity is available at: www.nao.org.uk.

- A census by the **Federation of the Royal College of Physicians** suggests the NHS could reach breaking point in the next few years, *BMJ* 2010; 341: c7166 reported on 10 December. A fall in training posts for would-be consultants, a rise in the number of patients and adherence to the European Working Time Directive will add further stress to the system. Cardiology and gastroenterology have seen the least growth in new training places, leaving them less able to cope with increased patient demand.

- The gender pay gap has narrowed as women have seen bigger pay increases in 2010, the **Office for National Statistics** reported in December. The difference between men's and women's median pay had shrunk to a 10.2% gap which is the closest since records began in 1997.

New Health and Social Care Bill

A new 350 page *Health and Social Care Bill* was introduced into Parliament on 19 January. The key elements include:

- Giving GP-led groups (consortiums) responsibility for commissioning, so bringing decisions closer to patients. They will manage around 80% of the NHS budget in future.
- Primary care trusts and strategic health authorities will be abolished, reducing management staff by around 24,500 posts. Changes will pay for themselves by 2012/13.
- Establishing HealthWatch and local health and wellbeing boards within local councils.
- Devolving power by supporting trusts to become foundation trusts and through independent regulation.
- Creating Public Health England.
- Reducing bureaucracy in arm's length bodies.

The measures also aim to save the NHS £5bn by 2014/15, then £1.7bn a year thereafter. To be achieved by freezing staff pay (40%), shifting services from hospitals to the community (20%) and 40% from greater competition.

See www.dh.gov.uk/healthandsocialcarebill.

Comment: *Few would argue with the broad aims of the Bill—but two key concerns centre around transitional costs at a time of austerity and the potential instability of needing people whose jobs will go to manage the change, and the detail of how the reforms will work in practice (including whether all GPs are up to and for the management roles needed of them).*

The health mafia has already come out against the Bill and, politically, organisations such as the BMA (many of whose members are, ironically, self-employed business people) are uncomfortable with the concept of failing public services going out of business and of the private sector making a profit.

But then, just a few months before the NHS started life in 1948, doctors had established a £½m fighting fund to oppose it, so some, at least, of their objections fall into the category of 'they would say that wouldn't they?'. All change involves risk and all change involves cost too. The art will be to get all stakeholders to take off the blinkers that say 'NHS is always best' and to look at how best to make limited resources deliver the best outcomes—for 60m patients; not the 1.4m workforce.

NHS trusts restrict services

A growing number of primary care trusts (PCTs) are issuing service restriction documents to GPs to save money by reducing the number of patients being referred for hospital procedures, *The Times* reported on 13 November.

A 'traffic light' scheme gives a green light to cancer and fracture referrals, urgent trauma cases through A&E, and other treatments where delay would risk the patient's long term health, but other treatments may be deferred or be no longer funded by the NHS.

Many trusts were now requesting some operations in the 'amber' deferred category (hip and knee replacements, fertility treatment and cataracts) be deferred until after the end of the financial year. A **ComRes** survey found that 53% of GPs were more likely to refer patients to the private sector for low priority operations such as varicose veins and cataracts.

But joint replacement surgery was of most concern as quality of life, pain and the ability to perform routine tasks could be vastly improved by surgery. The paper re-

ported a growing view that with an ageing population, a key vetting factor for PCTs may be how fast demand for procedures such as joint replacement is growing. More damage can be caused to joints by delaying surgery leading to poorer outcomes. Also the cost of private joint replacement surgery can be prohibitive to those who do not have private health insurance.

A **Department of Health** spokesperson said the NHS was being asked to cut back on bureaucracy not frontline care, saying: "NHS organisations should not interpret efficiency savings as budget and service cuts," and that "every penny from efficiency savings – including a 45% reduction in management costs – needs to be invested back in patient care".

Hospital RTT waiting times fall

The median Referral to Treatment (RTT) wait for NHS hospital admission in England stayed at 8.7 weeks in October 2010 before falling to 8.3 weeks in November, according to **Department of Health** Statistical Press Notices released on 16 December 2010 and 20 January 2011.

For non-admitted patients the median wait fell from 4.7 weeks in September to 4.3 weeks in October and to 4.2 weeks in November. The 95th percentile time wait for patients entering an RTT pathway rose from 20.4 weeks in September to 20.7 weeks and then to 21.0 weeks for admitted patients and from 15.5 weeks to 15.6 weeks then 15.7 weeks in November for non-admitted patients.

Unemployment figures mixed

Unemployment in the three month period September to November 2010 rose from 2.448m in July-Sept, to 2.502m in Aug-Oct before falling to 2.498m, according to the latest *Labour market statistics*, released by the **ONS** on 15 December 2010 and 19 January 2011.

During the same period, employment fell from 29.189m to 29.125m and then to 29.089m. 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, fell from 107.344 to 107.109 and then to 106.976. 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 went from 1.4654m in October to 1.4627m in November then to 1.4566m in December 2010. The latest unemployment rate is now 7.9%, or 4.5% for JSA claimants.

Earnings in the three month period to end November were again up at 2.3% on a year before or by 2.1% excluding bonuses. Whilst these figures are on an upward trend, so too is inflation.

On 19 January the ONS announced that in December the Retail Prices Index (RPI) was 4.8% higher than a year before, while the Government's preferred Consumer Prices Index (CPI) was up to 3.7% in September. This compared to an inflation target of 2.0%.

Comment: *Employment continues to hold up well, but a combination of rising inflation rates and sluggish growth is a concern—especially as higher public sector unemployment has yet to be felt.*

Protection continued its gradual progress in Q3

Long term protection insurance continued its gradual progress in the third quarter of 2010, according to the latest **ABI (Association of British Insurers)** new business statistics, which cover the third quarter of 2010 and were released in late 2010. Compared to the second quarter of 2010, sales volumes were up 4.4%, with new annualised premiums up by 3.9%:

Table 1. Long term protection sales Q2 2010 vs. Q3 2010

	Sales 000s		Premiums £m	
	Q2	Q3	Q2	Q3
Whole life	109	121	26	30
Term—non-mortgage	244	248	93	89
Term—mortgage	174	168	58	60
Income protection	28	30	12	13
Standalone critical illness	5	5	3	3
Critical illness rider	120	138	62	69
Totals	680	710	254	264

Note: Figures in bold italics are different to last year's figures in *HCIR 119*, or the quarter 2 figures in *HCIR 128*, reflecting changes as the ABI updates figures where new information becomes available.

Looking at individual product types, whole life plans saw a good rise (sales up 11% and premiums up 15%), while income protection sales were also up (by 7% in terms of sales volumes and 8% in premium terms).

Non-mortgage term was up 1.6% in sales terms but down 4.7% on premiums) and mortgage term down 3.4% on sales but up 3% on premiums. Critical illness rider plans had a good quarter, with sales up 15% and premiums up 11%. That was despite a quiet mortgage market.

Compared to quarter 3 of 2009, sales volumes were up 12.5%, with new annualised premiums up by 0.4%.

Table 2. Long term protection sales Q3 2009 vs. Q3 2010

	Sales 000s		Premiums £m	
	2009	2010	2009	2010
Whole life	80	121	24	30
Term—non-mortgage	237	248	98	89
Term—mortgage	172	168	65	60
Income protection	25	30	13	13
Standalone critical illness	6	5	3	3
Critical illness rider	111	138	60	69
Totals	631	710	263	264

Tables 1 and 2 both illustrate that new premiums are lagging behind sales—an indicator both of straitened economic times and of many products now being cheaper.

Protection sales index up again

Since the peak of 129.9 for the first quarter of 2004, the *e-Protection Review Protection Sales Index* fell and, for many quarters was below 100, indicating lower sales than in the first quarter of 2000. However, in 2009 the index remained over 100 and is now 14% higher than in Q1 of 200 (our benchmark figure). Anything above 100 indicates an increase in sales, anything below a decrease.

This index looks at numbers of policies rather than

annualised premiums to take premium rate changes and increases or decreases in benefits out of the equation and is a broad proxy for activity.

Table 3. Long term protection sales Q1 2000 vs. Q3 2010

	2000	2010	Index
Whole life	111	121	109.0
Term—non-mortgage	168	248	147.6
Term—mortgage	137	168	122.6
Income protection	41	30	73.2
Standalone critical illness	22	5	22.7
Critical illness rider	141	138	97.9
Totals (including LTCI)	622	710	114.1

We no longer regularly monitor long term care insurance sales as the numbers are so low but 426 policies of various types were sold in the quarter (two thirds single premium).

In terms of products, the clear winner since 2000 has been term assurance, despite sharp falls on the back of a subdued mortgage market since the credit crunch began.

Term has also become simpler to buy, cheaper (rates are around 50% lower than in 2000 for many ages) and with quotes and application online, indicating that simple products that consumers and intermediaries can understand easily will appeal to a market that is generally not (yet) well educated when it comes to financial matters.

Of the other products, whole of life has progressed, mainly on the back of guaranteed acceptance policies (another vote for simpler products), and CI continues to recover on the back of a lot of work on rebuilding trust and future proofing. IP continues to under-achieve but Q3 of 2010 at least presented a more positive result.

Looking at the group market, Table 4 shows sales of plans in terms of new annualised premiums.

Table 4. Group protection sales 2009 and 2010 £m

Product	Q3 2009	Q2 2010	Q3 2010
Group life	46	44	35
Group critical illness	3	5	2
Group income protection	27	20	20

We are cautious of the group risk numbers and the third quarter of 2010, on the face of it, was a poor quarter. But, rises in unemployment coupled with concerns over funding costs may indicate tougher times for this sector.

What is the future for long term protection?

We do not yet have full year results for 2010, but we expect it to prove a year of overall progress.

Going forward, the general trend remains positive, although low interest rates have clearly helped family budgets. However, higher inflation, if that leads to real rises in interest rates (not just the now somewhat artificial Official Bank Rate) could create difficulties.

We have seen some market consolidation of late (with more to follow) but the remaining protection insurers look set to increase both their market share and business overall. Evidence of that comes in a number of forms, including **Aviva's** new ad campaign (see *Page 1*) and the number of protection insurers signing up to **Protection Review's** forthcoming training initiative, which aims to encourage more IFAs to write more protection business.

It's a promising start as we enter 2011 at least.

People news

• **AXA PPP International.** Chris Knott has been promoted to distribution director. Kevin Melton has been appointed sales director. He was previously with **Vanbreda International**.

• **Bupa.** Alison Platt, divisional MD for the UK, Europe and North America, was appointed a CMG (Companion of the Distinguished Order of St Michael and St George) in the New Year Honours.

• **Chartered Insurance Institute (CII).** Anthony Gould has been appointed director of faculties. He was previously group editor-in-chief of the insurance division at **Incisive Media**.

• **Engage Mutual.** Peter Burrows has been appointed finance director. He was previously with **Aviva**.

• **Institute of Financial Planning (IFP).** Lucy Courtenay has been promoted to qualifications director. Sue Leech takes over her old role of education director.

• **Joseph Rowntree Foundation (JRF).** Dr Emma Stone has been appointed director of policy and research.

• **Medicals Direct.** Philip Gregory has been appointed as chairman. He was previously CEO of **HSBC Insurance Brokers**.

• **LV=.** John Edwards has been appointed a non-executive director, having been in senior roles at **HBOS** and **Lloyds**. Mike Farrell has been appointed head of sales for its protection business. He was previously with **Royal Liver**, as head of sales and marketing.

• **Mercer.** Wolfgang Seidl has been appointed head of health management consulting for Europe, Middle East and Africa, based in London.

• **Private Health Partnership (PHP).** Jan Lawson has become group MD for PHP, **Red Arc** and **Medical Care Direct**. Stuart Scullion has been promoted to managing director at PHP.

• **Ridouts.** Neil Grant has been appointed a partner at the health and social care sector specialist solicitors.

• **Staysure.** Alan Waddington has been appointed general manager for health and life insurance products at the fast growing specialist brokers for the over 50s. He was previously with **PruHealth**.

It's a dog's life...

A reader's letter in the Money section of *The Times* on 8 January caught my attention, writes editor Andy Couchman. In it, reader Melanie Eskenazi complained that the premium payable for her six year old labrador retriever, Belle's, pet insurance with **The Kennel Club** had risen, from £565 to £1,159 a year. Another reader had complained that premiums for his beagle (Barney, since you ask) had doubled from £300 to £600 a year.

Vet bills rising by 10% a year and 'substantial underwriting losses in 2009' were behind the rise but what really caught my attention was the premium levels owners are now paying for their pets. Many will be paying more for their pet's insurance than they do for themselves. I wonder how many will actually have pet insurance but no health or protection insurance for themselves?

Having pet insurance makes good sense (not least because there is no pet NHS or welfare system), but anyone who can afford pet insurance should perhaps also look to see if what's good enough for the dog (or cat) is good enough for the owner too.

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. How many families have been significantly affected by illness?
2. What do the letter RTT stand for in the NHS?
3. What is the most common male cancer?
4. What is the most common female cancer?
5. How big is the business protection gap, according to L&G? a) £1.1trn b) £2.2trn or c) £2.4trn?

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Care homes

• 4% of people aged 75-84 now live in a care home. The figure rises to 15.3% of those aged 85 and older.

• It costs, on average, a private resident £502 a week to stay in a care home or £698 if they need nursing care. That compares to £445 a week, which is what local councils pay private care homes on average and £824 a week to keep a resident in a council-run care home.

• Local authorities will increase their fees by just 0.8% this year, compared to the minimum wage rising by 3.8%. 83 out of 210 councils froze or reduced their fees.

• Average occupancy was 87.5% in March 2010.

• In 2010, 93% of care home residents had their own room (compared to 80% in 2000) and 72% have an en-suite toilet (up from 45% in 2000).

• Of those living in care homes, for 52% their council pays, for 8% the NHS pays and the remaining 40% pay care fees themselves.

• In 2010 there were 474,400 care home places, compared to 472,600 in 2009 and 571,300 in 2008.

• The cost of care homes fees is £14bn a year—£9.9bn in the private sector, £2.2bn in the public sector and £1.9bn in the not-for-profit sector.

• Leading providers are **Southern Cross** (10.2% of care home beds), **Bupa Care Homes** (5.8%) and **Barclay Healthcare** (3.1%).

• In addition, 450,000 households receive home help from local authorities (up from 300,000 in 2000).

Source: *The Times*, 27 December 2010.

Cancer registrations—England

• In 2008 in England, there were 128,103 new cases of cancer registered for males and 126,706 for females. Compared to 2007, those figures were up by 4% and 3.7%.

• Age-standardised incidence rates rose by 2.4% for males to 411 per 100,000 population and for females by 2.0% to 361 per 100,000.

• The most common cancers for males were:

Site	No	%	Rate
Prostate	30,893	24.1	97.5
Lung	18,382	14.3	57.0
Colorectal	17,732	13.8	55.9
Sub-total	67,007	52.3	-
All cancers	128,103	100.0	410.6

Note: Excludes non-melanoma skin cancers from totals. %

is % of all cancers and rate is age-standardised rate per 100,000 population of that gender.

• The most common cancers for females were:

Site	No	%	Rate
Breast	39,681	31.3	123.8
Lung	14,131	11.2	36.6
Colorectal	14,114	11.1	35.5
Sub-total	67,926	53.6	-
All cancers	126,706	100.0	360.5

Source: *Cancer registrations in England, 2008*, ONS Statistical Bulletin, 21 October 2010.

NHS cancelled operations

• During the quarter ended 30 September 2010, there were 13,015 operations cancelled at the last minute in England for non-medical reasons. In the same period of 2009 there were 13,547 cancelled operations.

• This represented 0.7% of all elective activity (down from 0.8%).

• Of these cancellations, 356 (2.7%) of patients were not subsequently treated within 28 days of the cancellation. In the same period of 2009 the corresponding figures were 343 and 2.5%.

Source: DH press release. *Statistics: NHS cancelled operations, quarter ending 30 September 2010*. 12 Nov 2010.

Excess winter mortality, E&W

• There were an estimated 25,400 excess winter deaths in England and Wales in 2009/10.

• That was a decrease of 30% compared to 2008/09.

• Excess winter mortality is calculated as the number of deaths between December and March compared to those in the previous August to November and the following April to July.

Source: *Excess winter mortality in England and Wales, 2009/10 (provisional) and 2008/09 (final)*, ONS Statistical Bulletin, 23 November 2010.

Dental UDAs in England

• In the quarter ending September 2010, there were 89.1m units of dental activity (UDAs) commissioned in England, up 1.2m (1.4%) on the previous quarter.

Source: *Statistical press notice: Dental Commissioning Statistics—quarterly update*, DH, 9 November 2010.

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.

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