

e-Protection Review

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

Government looking to rebalance responsibilities: Dame Carol Black

The Government is looking to rebalance responsibilities across the various stakeholder groups when it comes to welfare and return to work, National Director for Health and Work Dame Carol Black told diners at the Protection Review Dinner on 23 June.

Its review, which Dame Carol is heading along with **British Chambers of Commerce** DG David Frost, is due to present its findings to Government in October. After that a White Paper will set out Government plans. In the meantime, Ministers are expected to give the review a steer with regard to their preferred priorities, as trying to resolve all the issues so far identified would be impossible in the short term.

Dame Carol told more than 350 diners at the eighth annual dinner that one of the issues the UK had to address was how to persuade people to take out insurance where appropriate. Another was how to create a safety net without disincentives to work.

The review is looking at other systems across the world, one of which was that of The Netherlands. There, workers have widespread access to occupational health (OH—a word Dame Carol felt did not adequately explain its benefits and purpose), compared to just 30% of workers in the UK. And, there were only eight new recruits to the OH profession this year, a very low figure. However, the Netherlands system had also led to unintended consequences—there, many employers had now switched to using short term employment contracts to get round having to fund worker long term absence. The review had also studied other systems—in the US, Australia and New Zealand for example.

One new and surprising fact was that 140,000 people in the UK had gone straight onto ESA (Employment and Support Allowance) and so did not get any form of employer funded sickness benefit or help.

And, it was a shock when research found that 30% of employers believed that sickness and productivity were 'in no way related'.

Studies showed that 50-55% of fit note referrals had nothing to do with medical need—they were psychosocial. We had medicalised the system, Dame Carol said. The current balance also meant that the State bore the cost of long term absence, and employers short term absence—a system that gave rise to moral hazard. (Continued on Page 2)

Quotes of the month:

"What is clear is that demand for whole of life policies is strong and likely to remain so for the foreseeable future." Simon Cox, head of life planning at AXA Sun Life Direct, writing in *Swiss Re's Term & Health Watch*, June 2011.

"I don't believe anyone is 100% fit (for work) or 100% unfit." Dame Carol Black, National Director for Health and Work, Protection Review Dinner, 23 June.

Changes to the NHS Bill as a result of a review by the Future Forum will leave: 'the NHS with a similar proportion of bureaucrats to the Austro-Hungarian empire on the eve of the First World War—and about as flat footed.' Drs Tony Delamothe and Dr Fiona Godlee, *BMJ* editorial 27 June 2011.



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Inside this issue:

News	2-6
<i>Gaps in employee engagement; PMI market down says L&B; Protection sales up in Q1.</i>	
Reviews+	7-8
<i>New products from Partnership and Zurich. Plus the road ahead.</i>	
Health and medical	9-10
<i>Frontline back pain; Presenteeism has adverse effects; Mobiles linked to brain tumours.</i>	
Political	11-12
<i>Changes to NHS Bill; GP patient survey; ESA research; Cancer care lags.</i>	
Features	13-15
<i>Swiss Re Term & Health Watch; Life expectancy rising; Award winners.</i>	
Statistics	16
<i>Major networks Q1 2011; Student loans from 2012; CWC RDR and protection survey; CBI/Pfizer absence.</i>	

Key statistics:

- NHS RTT median wait England April 2011: 7.7 weeks (See Page 11).
- e-Protection Review Long Term Protection Sales Index: 117.2 (Quarter 1, 2011, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 107.528 (To end April 2011, compared to January 2000, see Page 11).

Continued from Page 1) Now that the Government's fit note (something which came out of Dame Carol's 2008 review) had been in operation for a year, the challenge now is how to get it used properly. "I could never understand why we told people what they could not do," she said.

Early intervention is seen as part of the solution going forward and the current review was "...looking at what early intervention could look like".

But, many people on ESA come from the lower paid, where claimants currently: "can be better off financially (on State benefits), if not socially". But, this gave people little dignity and self-esteem and it was difficult for them to contribute to society.

Earlier, the **Department for Work and Pensions'** Chief Medical Officer, Dr Bill Gunnyeon, told the Protection Review conference that 26% of those in work had a long term disability or health condition compared to 35% who were not working—a figure that is little higher.

One positive finding was that 99% of GPs now believed that work is beneficial for health and only 19% now required patients to be fully fit for work before recommending their return to work. That contrasted with the past where too many GPs believed that it benefited their patients to sign them off work if ill.

A record 150+ attendance made this the most successful conference held by Protection Review to date. A

measure of the success of the format was that at the end of the conference, the vast majority had remained in the main conference hall.

This year's events were held at the prestigious **Landmark Hotel** in Marylebone, London.

Some of the other highlights from speakers and panels at the conference included:

Jon Gunby of **NMG** expected to see a shift in the financial services industry's current focus on investment

platforms and forecast that the current number of retail platforms would fall from 20 to around six. He also noted that, despite some providers moving out of the market: "Retail protection is good business". On the issue of how people bought insurance products, he noted that 50% of motor insurance is now bought online and that while household lagged behind, 25% of that was now bought online too. And he reported one online organisation that had moved into the over 50s protection market, taking just five weeks to come into the market. He also predicted that auto enrolment in pensions would lead to real innovation in the market.

Aviva's Louise Colley explained the thinking behind its TV protection ads which ran in January, explaining how

this had been achieved on a surprisingly low budget. It was interesting to note that prior to this ad running, the two most memorable protection consumer messages were probably in *The Widow's Story* video in the 1980s and **Allied Dunbar's** grim reaper TV ads of 1991.

But, "We need to get life insurance back into day to day conversations," she said, had to leverage the media better and use advocates more. "Let's stop taking and JDI (just do it)", she said.

In response to complaints that advertising should not be disturbing, Louise reported that of 30m people who had seen the ad, only 32 complaints had been received by the **ASA (Advertising Standards Authority)** and that it had rejected all of them.

In the panel discussion that followed, ad guru Lucian Camp forecast that: "The next big idea will be enabling customers to see what other customers are doing," adding: "currently, it's a very lonely business, buying life cover."

Katharine Moxham (**GRiD**) noted the demise of paternalism from employers and how there had been a transfer of risk from employer to employee. One possible development she saw was the cancer drug risk coming out of PMI and customers buying it back if they chose to do so. Welfare reform was moving "at such a pace" that many employers were not ready. GRiD research last year found that 48.7% of employers had not reviewed their benefits strategy following the previous year's welfare reform.

On the same platform, **Canada Life's** Paul Avis noted that when it came to group income protection "everyone quotes for the Rolls Royce option" but he predicted that by 2013 limited payment schemes would make up 30% of the market.

Dynamic industry analyst Ned Cazelet, in a spell-binding delivery, noted that up to the credit crunch, mortgage brokers did not have time to sell protection but his view is that: "the UK life industry is going backwards," and: "we are seeing an incredible shrinking industry". He also saw: "...huge amounts of time, effort and

money spent chasing new customers", but said that "it's time to start focusing on the back book". And he predicted that we will see more individual protection sold in the workplace in future.

New **ABI** director general Otto Thoresen worried that "too many people will still rely on the State" and he noted that while the private sector now provides 60% of all pensions benefits, it only accounted for 3% of disability/illness income. He also predicted that the Dilnot Commission's report could be the industry's first opportunity to work closer with the Government to help it achieve its welfare reform aims. "We need to be creative, open-minded and bold", he said. One advantage is that the Government now sees insurance as separate from banks.

How the 2011 Protection Review events went

We asked co-chairmen Peter Le Beau and Andy Couchman and CEO Kevin Carr for their thumbnail comment on the 2011 Protection Review conference and dinner on 23 June. Here's what they said:

Peter Le Beau: "These are difficult times for the protection industry but there seems to be a clear opportunity to work with Government in the welfare reform programme and a desire within the industry to seize that opportunity."

Kevin Carr: "The feedback from this year's conference has been remarkable, with many delegates commenting very positively on the content, speakers, format and more. Louise Colley's session on advertising and doing more 'fluff' was particularly well received."

Andy Couchman: "In some ways most of the industry is in a bit of a hiatus just now. But, just like London buses, a string of external enablers and drivers is arriving that could positively shape the industry for years to come. Exciting times—and that was reflected on 23 June."

For more on this year's events see www.protectionreview.co.uk. To buy a copy of this year's book, which includes a raft of original research, e-mail info@andycouchman.com. Just let us know your name, company and address and we'll send you a copy and an invoice. Books are priced at £650 (no VAT) or contact us for electronic (PDF) prices.

Gaps in employee engagement

Big gaps exist in employee engagement, according to new research from **Simplyhealth**.

Its *Simplyhealth engaging employees through health and wellbeing report* found that, compared to a year ago, while 16% of employers say they care less about health and wellbeing, more than twice as many (36%) say they care more. But the report found big differences between what employers said and what their employees thought:

Attitude towards health and wellbeing in the workplace	Employee view	Employer view
Employer does not care at all	10%	4%
Doesn't care very much	25%	5%
Cares but not consistently	33%	25%
Does care	22%	36%
Cares a great deal	10%	30%

When it came to the actions employers took in the workplace, there was also a disconnect between employers' and employees' views:

Action	Employee	Employer
Encouraged to eat healthily	12%	30%
Actively discourage overwork	9%	35%
Provide specific health benefits	16%	30%
Encourage exercise/weight loss	8%	30%
Preventative health e.g. flu jabs	14%	15%
Subsidised canteen	14%	25%
Health focused benefits e.g. PMI	12%	22%
Free fruit	7%	20%
Cycle to work type initiatives	13%	18%

The survey also found that private sector workers were twice as likely to say their employer cares compared to the public sector (one reason why public sector absence levels are consistently higher?). And, more than half (51%) of employees who say their employer cares a great deal about their health and wellbeing say that they would 'go the extra mile' at work all the time, compared to just 16% of those who say their employer does not care.

The key message from the report is that greater attention should be paid to effectively communicating both benefits and attitudes to employees. Too many employees do not value the efforts being made to look after their health and wellbeing and that must result in employers securing poorer returns for the investment in time and resources they do make.

The survey polled 1,005 workers and 504 MDs, HR directors and other directors and 204 finance directors in April and May 2011. See www.simplyhealth.co.uk.

PMI market has fallen says L&B

The number of PMI (private medical insurance) subscribers has fallen by 10.2% since 2008, according to new figures from analysts **Laing & Buisson**.

At the start of 2011, some 6.9m people or 11.1% of the UK population had PMI cover, compared to 12.4% at the start of 2009. Policies held also fell over the period—by 8.3% to 3.96m.

But, due to year-on-year premium increases (the cost of cover per subscriber having risen 7.6% over the period), premium income fell just 0.7% to an estimated £4.177bn in 2010 or £1,092 per subscriber.

Employer-funded plans fell 8% from 2008-10, to 2.95m policies, with individual demand down 9.5% to 1.01m policies. Lapse rates have remained around 23%, and new business represented 16% of subscribers in 2010 (including switch business), down from 20-25% pre-recession. Self-insured schemes were however up by 1.4% since 2008. The top four PMI insurers had an 88% market share in 2010, the report's author Philip Blackburn said.

Health & Care Cover—UK Market Report 2011, is available from www.laingbuisson.co.uk.

Improving reputation a priority: ABI's Thoresen warns

Improving the insurance industry's reputation is a priority, director general Otto Thoresen told the **ABI Biennial Conference** on 22 June.

At the conference the ABI and **KPMG** launched a survey of 57 insurance leaders which cited the new regulatory structure, the influence of the EU and reputation as the industry's biggest concerns. Other key findings were:

- 39% of those polled said the industry's greatest strength is helping customers at their time of need (as did 18% of members of the public polled), while 21% said that it was insurance's contribution to the economy.

- A third of leaders said insurance's greatest weakness was its reputation, followed by how it interacts with customers. Two thirds of executives said the industry needs to do more to show customers that it delivers a good service.

SMEs hit hardest by PMI rises

SME (small and medium enterprise) organisations have been hardest hit by rises in medical insurance premiums according to new research from **Mercers**.

In the first quarter of 2011, SMEs (employing up to 200 people) saw premiums up, on average, by 10% to £1,532 per employee, compared to a 4.9% rise for larger organisations. Mercers polled 136 companies, with 2,275 employees, in the first quarter of 2011.

Earlier, on 18 May, Mercer announced that mental health had now overtaken musculoskeletal issues as the primary cause of staff absence in the UK, according to analysis of two of the UK's largest income protection insurers, **Unum** and **Canada Life** and based on 375,000 claims. In 2004, mental health accounted for 27.8% of IP claims but by 2010 this had risen to 30%. A separate study in the *Journal of Occupational Medicine* had found that mental health had overtaken musculoskeletal as the main cause of UK incapacity benefit claims too. Worryingly, Mercers found that 25% of companies have no good data on causes, duration or cost of absence. Of those that did, 73% measured duration, 43% cause and 19% cost.

Mercers *2010 Pan-European Survey on Employer Health Benefits* found that 66% of companies believe European health reform will increase the pressure on them to provide private health benefits in future.

Gvt publishes draft regulation Bill

On 16 June the Government published a White Paper and draft Bill on financial regulation. Among the new policy proposals are a specific statutory objective governing the **Prudential Regulation Authority's** responsibilities for the insurance sector, an updated and enhanced competition regime under the **Financial Conduct Authority** and steps to strengthen the handling of cases of widespread consumer detriment including misselling.

A new approach to financial regulation: the blueprint for reform, can be downloaded from www.hm-treasury.gov.uk.

IP and CI are profitable to IFAs

Both income protection (IP) and critical illness insurance (CI) are judged to be profitable by IFAs (independent financial advisers) despite being admin heavy and subject to underwriting and application issues, according to a new report from **CWC Research** that is being released soon.

The findings are important, given that advisers will not be able to charge for investment advice after 2012 under the **FSA's (Financial Services Authority's)** RDR (Retail Distribution Review).

For more see Page 16 and we will feature a fuller report on the study next month.

Market expects protection rise

The individual protection insurance market remains confident about the future, according to a poll of 50 industry names consulted by **Swiss Re** in March for its latest *Term & Health Watch* report (see Page 13). Respondents were asked what they thought would happen to various markets over the next year and the responses were:

Product/area	Level	Decrease	Increase
Life protection market	20%	7%	23%
Critical illness insurance	20%	13%	16%
Income protection	15%	11%	24%

Sales of long term individual protection policies were up 3.4% to 2,557,569 in 2010 (as with e-PR, there is an element of double counting as CI sales are effectively counted twice). It is interesting to note that in 2010 there were:

- Almost 3 term sales for every CI sale.
- Almost 14 term sales for every IP sale.
- Over 4 term sales for every whole life sale.
- Almost 5 CI sales for every IP sale.
- Over 3 whole life sales for every IP sale.

56% have no life cover

More than half (56%) of adults in the UK have no life insurance in place according to **Scottish Widows Consumer Protection Report**, published in May. Yet, 97% were aware of the product and the importance of having it.

The poll of 5,148 adults in February by **YouGov** also found that more UK adults insure their pets (15%) and mobile phone (13%) than they do their income in case of ill health (7% having income protection and 12% critical illness cover). 86% were aware of critical illness cover and

83% of income protection.

Of those that have cover, 21% would cut back on critical illness cover and 20% on life cover if they had to, compared to just 15% who would cut back on their broadband access. And, despite the low take-up of some protection products, 54% of people say they review their finances once or twice a year.

A quarter (23%) said they could not afford life insurance and 26% that they could not afford CI cover.

Charity urges insurers to produce products to support LTC

Charity **Age UK** has urged insurers to produce new financial insurance products to support reform of the long term care system.

In its list of key principles, the charity says it would support a public/private partnership model for funding long term care, and it revealed that many care home residents are already being forced to top-up local authority care fees because of funding shortfalls. *Care in Crisis; Causes and Solutions* can be found at: www.ageuk.org.uk.

Half of women see protection as added expense they can't afford

More than half (53%) of women say that protection insurance is an added expense they cannot afford according to a poll for *Bright Grey*.

Its *Women and Protection* report found that 59% of women had no life cover and 84% no critical illness cover. And, 17% did not think that they or their family would need protection insurance at any stage.

Instead of taking out protection, 12% of those polled said they were saving money for an emergency situation. And, 11% admitted that they would consider taking out a product if they knew more about the products available and what they would cover them for.

The poll of 2,010 adults was carried out in January by **Optimum Research**.

Travel insurance up 23% since 2008

The number of single trip travel insurance policies in the market has increased 23% from 308 in 2008 to 378 today, according to **Defaqto**.

However, it warns that cover can vary from policy to policy. For example, while 70% of policies provide cancellation/curtailment cover (if a holiday has to be cancelled due to illness for example) of £3,000 or more, 20% offer less than £2,000 and 2% no cover at all.

PECs specialist opens

A new specialist adviser firm has been set up to help people with pre-existing conditions to get life cover.

Life Cover for All opened last November and was formally launched last month. The company was set up by advisers Mike Weedon and Amanda Clancy. Financial advisers can refer clients to the firm, which will restrict its advice to life cover only.

Protection sales up in Q1 of 2011

Individual protection sales in the first quarter of 2011 rose relative to a year earlier and compared to the last quarter of 2010, just as they did a year ago, according to figures from the **ABI (Association of British Insurers)** in June.

Compared to Q1 of 2010, sales were up 5.8% to 729,000 and new annual premiums (ABI no longer uses the annual premium equivalent formula, which applied a factor to single premium sales) rose by 3.2% to £261m, again suggesting that there continues to be strong price competition in the market, as the average premium per policy will have fallen relative to a year ago.

Relative to the fourth quarter of 2010, sales were also up. Sales volumes rose by 6.6% and annualised premiums rose by 3.6%. The figures are particularly encouraging, given continuing economic concerns.

Relative to Q1 of 2010, non-mortgage term sales were up 5.2% to 263,000, although mortgage sales fell 16.2% to 144,000. One star performer was whole life, up 16.3% to 143,000, of which the majority (90.9% or 130,000) were guaranteed acceptance policies. But most growth came in the critical illness rider area, where sales were up 29.2% to 146,000. Income protection sales were also up, although standalone CI continues to be well out of fashion, with just 4,000 sales in the quarter.

Table 1. Long term protection sales Q1 2010 vs. Q1 2011

	Sales 000s		Premiums £m	
	2010	2011	2010	2011
Whole life	123	143	29	33
Term—non-mortgage	250	263	93	93
Term—mortgage	172	144	58	53
Income protection	26	29	12	12
Standalone crit ill	5	4	3	2
Crit ill rider	113	146	58	68
Totals	689	729	253	261

Note: Figures in bold italics are different to last year's figures in *HCIR 125*, reflecting changes, as the ABI updates figures where new information becomes available.

The way we show the stats actually overstates the number of policies sold, as we count CI rider sales twice (they are also counted within their core product type). Table 2 shows sales relative to the last quarter of 2010:

Table 2. Long term protection sales Q4 2010 vs. Q1 2011

	Sales 000s		Premiums £m	
	2010	2011	2010	2011
Whole life	121	143	28	33
Term—non-mortgage	241	263	89	93
Term—mortgage	148	144	53	53
Income protection	30	29	12	12
Standalone crit ill	4	4	3	2
Crit ill rider	140	146	67	68
Totals	684	729	252	261

Table 3 compares sales in Q1 of 2011 with those in Q1 of 2000 and enables us to index sales since then. The overall *HealthCare Insurance Report Protection Sales Index* rose from 109.97 in Q4 of 2010 to 117.20 in Q1 of 2011.

However, this measures sales volumes rather than premiums. The index of premiums would now be 145.00

(based on new premiums of £180m in the first quarter of 2000). Both indices ignore sales of long term care insurance, although less than 2,000 such policies were sold in the first quarter of 2000 and very few plans in Q1 of 2011.

Table 3. Long term protection sales Q1 2000 vs. Q1 2011

000s	2000	2011	Index
Whole life	111	143	128.83
Term—non-mortgage	168	263	156.55
Term—mortgage	137	144	105.11
Income protection	41	29	70.73
Standalone crit ill	22	4	18.18
Crit ill rider	141	146	103.55
Totals	622	729	117.20

In terms of group business, ABI data shows:

Table 4. Long term group risk Q1 2010 vs. Q1 2011

	Sales 000s		Premiums £m	
	2010	2011	2010	2011
Group life	13	15	33	35
Group income protection	4	4	23	24
Group critical illness	12	3	4	3
Totals	29	22	60	62

As we have noted before, care is needed when interpreting trends in the group area especially. Based on the number of new contracts, group critical illness insurance looks to have collapsed, although new premiums actually only fell from £4m to £3m. In reality, new business is only part of what is happening in group risks, so we prefer to look at **Swiss Re's** annual group risk data before commenting with any certainty on trends in the group risk area.

Why are sales up?

Anecdotal evidence this year has not been positive. Many of the insurers and reinsurers we have spoken to have not expressed great optimism about new business trends. Certainly, longer term, issues such as Solvency II, RDR (the **FSA's** Retail Distribution Review) and greater consolidation in the market, coupled with low consumer economic confidence, would suggest tough times ahead.

But, we think that the pessimism may have been overplayed. Guaranteed acceptance whole of life sales and CI rider sales are both enjoying renewed success—and for different reasons. Whole life sales are reflecting consumers' concerns about the need to protect their families and illustrate the desire for simple to buy products, coupled with very effective marketing. We have concerns about the value such policies offer and the Catch 22 situation that when premiums paid exceed the sum assured, the consumer is faced with having to see value decline further or to stop the plan and realise no value at all.

CI plans are growing again for a number of reasons, although we also have concerns about the lack of an effective catch-all definition. First, the ABI has introduced a number of initiatives designed to rebuild consumer trust in the product. Second, providers are continuing to develop their products—especially by improving definitions (so-called 'ABI+' definitions) and adding new diseases to make the plan's cover more comprehensive.

It adds up to a promising start to 2011, even though some of the underlying concerns remain.

News briefs:

- More than 51% of British adults do not have a will, according to **Standard Life**. And, more than half of those (56%) say they have not got round to it (79% of those aged 55-64). Of those with a will, 51% have not reviewed it in the past three to ten years and 10% more than ten years ago. Only 1% of those polled said they did not have a will because they were happy to accept the rules of intestacy, while 20% thought they were too young and just 3% that a will was too expensive.

- Research from **Aviva** claims that grandparents provide £33bn of free childcare a year to their offspring, 99.5% of those without pay. Aviva says the cost of raising a child to age 21 is more than £270,000 but that 93% of families feel under-protected financially.

- Fraud against financial services providers rose 11% in 2010, according to **Experian**. First party fraud (where an individual falsely portrays their financial circumstances) accounted for 56% of fraud. Fraud rate in London ran at twice the rate in the next highest area—the North West of England.

- More than five million Brits could be leaving dependants in financial difficulty because they have not updated their level of life cover, according to **Sainsbury's Finance**. Research carried out at the end of 2010 also found that 43% of Brits do not have their mortgage covered by life protection.

- **Barclays** has announced that it will pay compensation to all PPI (payment protection insurance) claimants who made a complaint before 20 April 2011. Subsequent complaints will be decided on their merits. The move comes as banks struggle to handle the huge volume of complaints—both expected and already in the system pending the results of the judicial review, which rejected the banks' complaints in April. Banks have also been given a deadline extension by the FSA to deal with PPI complaints—all complaints received by 31 August must be responded to within 16 weeks, compared to the normal eight weeks (and 12 weeks for those received after August and before year end).

- Just 27% of non-retired over 60s have made financial provision for ill health during retirement, according to **MetLife UK**. But, 73% said they were very concerned about how they might cope financially if they become ill when they retire. Retired men are likely to spend eight years in poor health, women 11 years, before they die.

- **Bupa Insurance** has reported gross written premiums in 2010 down from £2,268.5m to £2,212m. Pre-tax profit was down from £104.7m to £100.8m. Bupa has also launched an iPhone app giving easy access to quality health information wherever you are.

- **AXA PPP healthcare** has reported earned premiums net of reinsurance in 2010 up from £1,023.1m to £1,025.9m. Claims fell from £808.5m to £794.7m. Operating expenses rose from £212.7m to £217.5m. Overall profit before tax was up from £42.6m to £66.2m, with underwriting profit for 2010 up from £20.3m to £30.5m.

- **Prudential Health Insurance** has reported revenues down in 2010 from £269.2m to £262.8m, with net earned premiums down from £266.2m to £257.8m. However, the period included consolidation of **Standard**

Life Healthcare's portfolio. Higher than normal lapse rates and flat markets also took their toll. But, the claims loss ratio fell—from 71.4% to 67.2%.

- **Permanent Health Company** saw revenues up in the year to 30 June 2010 from £12.5m to £12.9m.

- **HSF (Hospital Saturday Fund)** saw revenues rise in 2010 from £26.3m to £26.5m.

- The **FSA** has increased the **Financial Ombudsman** award limit from £100,000 to £150,000.

- Annual reports have been published on 22 June by the **FSA's** Consumer Panel, Practitioner Panel and Smaller Businesses Practitioner Panel. See www.fsa.gov.uk.

- **Friends Life** has launched a new online video (*Advising and Selling Protection*) on selling techniques, which includes new material around objection handling.

- **Cirencester Friendly** has reported net earned premiums up 6.6% from £11.35 in 2009 to £12.1m in 2010. Membership was up 5% from 32,209 to 33,837.

- **Cuna Mutual** has announced a partnership with **LV=**, which will see Cuna distribute LV='s life cover to its building society network.

- **Groupama Healthcare** is reported (*ifaonline* 17 May) to be poised to relaunch an update to its Carte Blanche contract and is also actively seeking partnerships with hospital or clinician networks. More news soon.

- As well as the 7m people who currently have PMI, a further 4m are serious considerers **Bupa Health & Wellbeing** medical director Dr Annabel Bentley told a **Laing & Buisson** conference in May.

- According to **Prudential's Class of 2011** report, only 52% of people have enough money to fund their retirement and to leave an inheritance to relatives.

- According to a meta-analysis of eight large cohort studies, too much television is linked with type 2 diabetes (20% more for every two extra hours of TV a day), cardiovascular disease (15% more for every two extra hours of TV a day) and even death. Less television could mean less junk food, more exercise and a lower BMI. People in developed countries spend 40-50% of their time in front of the box, with Americans averaging five hours a day. See: *BMJ* 2011; 342: d3671. Another question to add to protection cover application forms?

- On 21 June, **HSBC** announced that from 1 July it is closing its subsidiary **Nursing Home Fees Agency**—one of the best known long term care specialist advisers, although it will continue to service existing customers. NHFA was purchased in 2005 and had a network of less than 20 advisers. As part of the closure, HSBC is 'conducting a review of customer records to ensure that the advice given to customers was suitable to their needs'. Hey, stop reading between the lines—why would there be a problem?

- What did you think of the live **Twitter** feed at this year's Protection Review conference? Feedback was very positive but is there an age bias or is it that once you're used to it (a bit like rolling news) it works best?

- The www.protectionreview.co.uk website has seen traffic up 308% since its relaunch, average pages visited up 30% and average time spent on the site up 175%.

- E-mail celebrated its 40th anniversary in June. No truth in the rumour that the first one (sent by engineer Ray Tomlinson) is still in someone's 'unopened' file...

Pick of the month

We have just two plans to review this month. First, Partnership has launched a new equity release plan for those age 60 or over who are not in first class health. Which is a lot of people. In effect, this means two in five older people (by Partnership's reckoning) can (relatively safely) borrow more against the value of their home.

Our pick of the month Zurich's enhancements to its CI plans are interesting. On one level the changes made are actually very minor. But, it has also upped its marketing support, which means that advisers should find it easier to sell its plans. Zurich also has a good name on underwriting—especially for large cases—and this should further benefit the adviser community (as well as their clients).

Should we take such factors into account when reviewing products? In practice such things remain a tiny part of our overall assessment—we still focus mainly on how well a particular product can meet its aims from a customer's viewpoint and how innovative it is. But, as products get more 'me too', so such issues may become ever more important—even if price is still (wrongly) the deciding factor for many.

Partnership Home Loans Enhanced Lifetime Mortgage

As we closed for press, Andrew Dilnot's report on long term care funding was due to be published (on 4 July) and it was expected to include recommendations that could see long term care insurance—in one or some forms—as part of the range of possible funding solutions.

Which makes **Partnership's** new mortgage product very topical. The product is an equity release mortgage, specifically designed for homeowners with health issues.

It is available to homeowners age 60 or over with a home worth at least £70,000. Partnership estimates that up to 40% of those who qualify for equity release could benefit from declaring their health issues.

Minimum cash release is £25,000. There are no valuation, application or completion fees. The product itself offers enhanced benefits (in the form of a higher maximum loan, to reflect the lower life expectancy) to those who suffer from long term illnesses such as diabetes, cancer or high blood pressure. Smokers will also be offered enhanced terms. Further advances (minimum £10,000) are available after six months, so effectively the scheme offers drawdown benefits too.

There is a simplified underwriting process which involves a short list of medical questions, which can be completed online in minutes to confirm eligibility.

The interest rate is fixed at an annual equivalent interest rate of 7.65% and the typical APR is 7.7%. Partnership gives a no negative equity guarantee—which means that, however long the customer lives, their outstanding mortgage is guaranteed never to exceed the value of the property, so avoiding the risk of leaving a debt to beneficiaries or having to pay interest once their equity has been eaten up.

By taking a less than ultimate cash sum, homeowners can effectively ensure they continue to leave a home

with some value to their estate though an Inheritance Protection Option that protects a percentage for inheritance.

Research for **PICA** (by thinktank **Oxford Economics** and the **ONS**) shows that 23% of pensioners—or 2.5m people—now officially live out an impoverished retirement. Equity release can provide those who are asset rich but income or cash poor with one of the few ways to improve their quality of living.

The money released can be used to improve income (perhaps by buying an annuity) or helping family members, although Partnership says most customers use the money to meet the costs of a capital project, such as building a conservatory, or having a new bathroom/kitchen or making a garden more manageable.

Although the equity release market has fallen since the credit crunch, 22,020 plans were sold in 2010 (up from 21,305 in 2009 and the first rise since 2007).

Plus points: *An opportunity for older people not in the best of health to get enhanced equity release terms to boost their income or provide a capital sum.*

Not so plus points: *But at a price. Because interest is rolled up, lifetime mortgages are usually fixed rate and the rate quoted is significantly above the 'normal' homeloan rate a young borrower buying a home would pay. Such plans can therefore erode equity quite quickly and should only be considered once other options have been exhausted. That said, for those for whom this is a suitable product, it can make a significant difference. There is also an early repayment charge if the loan is paid off before death.*

Contact: 0845 108 7240 or www.partnership.co.uk.

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

Zurich Level Protection and Decreasing Mortgage Cover

Zurich has enhanced coverage of its level and decreasing plans with critical illness cover.

First, it has increased the number of ABI+ definitions from six to ten. Second, it has extended its geographical limits from 23 to 43 countries. Third, it has extended these changes to its children's (which pays up to a £25,000 sum insured) critical illness benefits too.

The company has also launched a multi-media pack to help advisers promote the benefits of critical illness cover. The guide *It's always the right time to make a critical decision* is accompanied by a real case study DVD telling the story of Christian—a young man diagnosed with cancer whose CI claim helped him cope with the impact of the illness on his life. Zurich's Key Features have also been updated to meet the new **ABI** rules, which must come into effect by December 2012.

In 2010 Zurich paid over 91% of its CI claims, rejecting just 0.46% because of non-disclosure.

Plus points: *Some positive product changes, which will mean more customers will be able to claim in future. Improved and focused marketing materials which provide practical help to financial advisers.*

Not so plus points: *The product enhancements are relatively minor—we believe that CI designers need to do more to make the plan relevant to the world a generation on from when CI first appeared.*

Contact: 01793 514514 or www.zurich.co.uk.

The road ahead: what advisers and the public really think

This year's Protection Review book includes a raft of original research we have undertaken over the past few months. Here, we look at what the public and advisers think and at an experimental form of research included in the book.

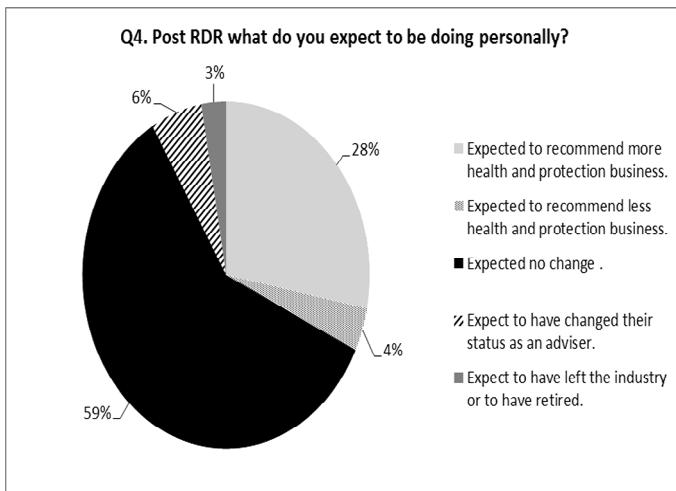
Two quotes from this year's Protection Review Intermediaries Forum sum up advisers' views of where the life and health insurance market is today:

"Everyone is finding things hard and is looking to cost cut."

"But you can drive up protection sales; a flat mortgage market is no excuse for failing to make other sales."

These two comments highlight both the reality of a weak economic background and the pragmatic approach that the adviser community traditionally adopts. In short, the gloomy and pessimistic forecasts we heard last year especially, have not translated into particularly poor new business sales—at least not in relation to the past year or two.

Looking deeper, the annual poll (now our fourth) of **PFS (Personal Finance Society)** members shows that, on balance, the adviser community is optimistic both about the wider economy and its effects on them, and on what will happen posts RDR (Retail Distribution Review, when big changes to the intermediary landscape are expected as IFAs will no longer be able to take commission on investment and pensions products, although they will on protection products—both long and short term.



The chart above shows that post RDR, while most advisers (59%) expect no change to what they will be doing personally, a significant minority (28%) expect to recommend more health and protection business, compared to a much smaller proportion (4%) who expect to recommend less. In addition, 6% expect to have changed their adviser status, while 3% expect to have left the industry or retired. What the chart does not show, of course, is those who will join the industry before 2013.

The PFS survey is particularly significant because of

the large number of respondents (764 this year—making it one of the largest surveys of its type), the fact that we now have a four year track record so can monitor changes in attitude and the fact that respondents come from across the industry. So, it also picks up, for example, IFAs who focus on investment and pension advice and sell little or no protection business (indeed, protection business made up no more than a quarter of their total business for almost three quarters of respondents).

Protection is more important for the public too

It is not just advisers who see protection opportunities. The book devotes no less than 22 pages to the findings of our *Consumer Survey 2011*, which is run in partnership with **Hannover Life Re (UK)**.

The survey (of 1,000 people in an **ICM** omnibus survey in April 2011), found that almost half (49%) said that since the downturn started, protecting themselves and their family's income and health had become a greater priority for them. What is significant is not just that the figure is so large (and helps explain why guaranteed acceptance whole life sales have taken off for example) but also that it compares to figures of just 22% and 24% when we asked the same question in 2010 and 2009.

One reason is that the public now looks to have less confidence that the State will provide. Last year, 53% expected that the State would look after them 'excellently' or 'adequately' if they become ill or unable to work. This year, those percentages dropped to 39% while in a new sub-response this year, 38% said they were 'not counting on any help from the State'.

New experimental research

One new feature this year is our Protection 2021 Survey. This is unusual in that it is an interactive survey, and we want your interpretations of what it means.

In it we asked key industry contacts in March this year 15 multiple choice questions about the protection market of the future. But, rather than interpret its results, we want your ideas, uncoloured by our own interpretation (that comes later!).

For example, when we asked where the customers of tomorrow will be most likely to purchase protection products in ten years' time, the highest response (over 30%) was for 'comparison sites', followed by 'direct', 'workplace', 'bank' 'IFA/intermediary' and 'other'.

Do you agree? Please look at the survey and then e-mail Kevin@KevinCarrConsulting.co.uk and let us have your views. If you have the book, the survey is on pages 290-297. If you do not have the book or would like a Word file of the article, e-mail andy@andycouchman.com and we will send you a copy.

Later this year, we will report back on your views and tell you what we think too.

As with all our research, our consulting division will be pleased to discuss any or all of our research in greater detail, including sharing additional data we have on the surveys. Just contact Peter, Kevin or Andy (contact details on Page 15 of this newsletter) to discuss your needs further.

If you do not already have a copy of the book, it can be ordered now and we hope you will find all 300+ pages informative and above all invaluable to you and your organisation. For order details please see Page 2.

Frontline back pain care: which is best—GP or chiropractor?

Back pain is the most common musculoskeletal problem in UK primary care and the first person seen by the patient is usually the GP. Traditionally, GPs receive little training in common back problems and many feel ill-equipped to deal with the problem, either resorting to pharmacological management or subsequent referral to specialist doctors or physiotherapists, chiropractors or osteopaths.

The authors of a review published on 25 May (*BMJ* 2011; 342: d3260), revisited an idea first studied 20 years ago; that other professionals rather than GPs should be the first port of call for musculoskeletal problems.

However, the minority who need more extensive investigation and those with complex health problems would still be referred to the GP.

A third of patients with back pain in Denmark now choose to see a chiropractor as their entry point into the healthcare system and many Swedish orthopaedic departments use physiotherapists as frontline diagnosticians.

The authors ask if we should continue to organise primary care for musculoskeletal problems around GPs or develop the education, practice patterns, licensure and evidence base of physiotherapists, chiropractors and osteopaths to deal with the primary care of these conditions.

And, following a trial (Hellum and colleagues) that compared a combined physical and psychological programme (CPP) with disc replacement for chronic low back pain, a *BMJ* editorial (*BMJ* 2011; 342: d2745) suggests that in view of the risks of surgery, clinicians use CPP early on in the evolution of chronic back pain (three to six months).

However, if surgery is to be used, Hellum and colleagues' results suggest that the case for disc replacement over fusion of the lumbar segments is slightly stronger.

Presenteeism has adverse effect on health and productivity

Recent research conducted by Professor Kevin Dew at **Victoria University** of Wellington, New Zealand, found that during a four week period, a third of doctors and nurses had worked when they should have taken sick leave and that, on average, this nearly halves their working capacity. For many, the pressure to work when sick is intense and the report suggests more effort is needed to prevent this.

Presenteeism, as the phenomenon is known, is particularly common in occupations that involve caring and teaching and among healthcare professionals and is higher among those with greater responsibility for patient care.

Other work related factors for presenteeism include working in teams where expectations to be present are high, limited sick leave entitlements, high job demands, fear of dismissal and concerns about promotion prospects. External factors include financial problems and high unemployment rates.

Presenteeism increases morbidity including musculoskeletal pain, fatigue, depression and serious coronary events. See: *BMJ* 2011; 342: d3446.

Comment: Presenteeism is also often unnecessary for many workers who may be able to work from home.

Cancer survival geo variations

On 26 May the **Office for National Statistics (ONS)** released a bulletin on geographical patterns of cancer survival in England. The bulletin presents estimates of one year and five year survival for adult patients diagnosed with one of eight cancers in England during 2002-2004, with a follow-up in 2009.

At national level an upward trend in five year survival rate was observed for cancer of the oesophagus, stomach, colon, lung, breast and prostate. But five year survival rates for cancers of the cervix and bladder fell.

An upward trend in survival at the national level continued for all cancers except those of the bladder, cervix and colon (women). Cervical cancer one year relative survival rates were stable. But five year survival rates for cervical cancer continued to decline by 0.2% per year and for bladder cancer by 0.6% per year (men) and 1.4% (women). A decline in one year relative survival of 0.2% per year was observed in colon cancer in women.

At national level the largest one year relative survival increase was for men with cancer of the oesophagus (1.1% per year) and for five year relative survival prostate cancer (1.8% per year), largely due to increasing use of the Prostate-Specific Antigen (PSA) test. For women the largest improvements were 0.7% per year in one year relative survival of cancer of the oesophagus and 0.7% per year in five year relative survival for breast cancer.

Mean age-standardised 5 year relative survival for patients diagnosed 2002-04 and followed up on 31 December 2009, England all 28 Cancer Networks

Cancer	Men %			Women %		
	Mean	Min	Max	Mean	Min	Max
Colon	49.2	42.4	57.3	50.9	43.6	58.8
Lung	6.7	4.4	9.9	8.5	6.2	12.7
Breast	-	-	-	82.3	76.5	84.3

Results in table form can be downloaded from the ONS website at: www.statistics.gov.uk/downloads/theme_health/cancer-survival-geo-patterns-2002-2004-2009.xls.

Thrombosis risk up at low volume joint replacement hospitals

Researchers writing in *Arthritis and Rheumatism* (<http://doi.wiley.com/10.1002/art.30390>), report that patients who undergo elective total hip or total knee replacement at hospitals with a low surgical volume have a higher risk of venous thromboembolism and mortality after surgery. The US study looked at the records of around 10,000 hip replacement and 20,000 knee replacement patients. The researchers said complications at low volume sites could be reduced by modifying procedures before and after surgery.

Mobiles linked to brain tumours

Two papers published in *Occupational and Environmental Medicine* online show for the first time a link between long term mobile phone use and brain tumours. The risk is confined to the most exposed part of the brain among long term users of mobile phones. The two papers are at: <http://press.psprings.co.uk/oem/june/oem100155.pdf>.

Polypill halves predicted cardiovascular risk

A polypill comprising aspirin, two blood pressure lowering agents and a statin used in a 12 week trial showed reductions in blood pressure and LDL cholesterol that researchers calculated would reduce the risk of heart disease and stroke by about 60% if taken long term, *BMJ* 2011; 342: d3355 reported on 27 May.

The trial randomised 378 people with an estimated five year cardiovascular disease risk of more than 7.5% to either a polypill or a placebo.

However, side effects, that generally became apparent during the first two weeks (gastric irritation and/or bleeding generally associated with aspirin and cough, dizziness and hypotension associated with ACE inhibitors), did not usually lead to stopping treatment but suggest that short term tolerability of a polypill may not be as good as previous predictions or trials have suggested.

Comment: Will we see life and health insurers offer polypills to their customers in future?

Medical briefs:

- A trial testing cholesterol lowering drugs on 9,270 participants with chronic kidney disease suggests a low dose simvastatin combined with the cholesterol absorption inhibitor ezetimibe reduces the risk of atherosclerosis events by 17% compared with a placebo. A linked comment endorses the findings as clear evidence of benefit, *BMJ* 2011; 342: d3671 reported on 15 June. Neither drug treatment prevented or slowed the chronic kidney disease.

- A US study of obese and super obese men with a mean age close to 50 who had gastric bypass surgery between 2000 and 2006 shows the procedure may not prolong survival in high risk men (*JAMA* 2011; 305: 2419-26). Complex gastric surgery is difficult in men this big and surgical mortality was high at 1.3% (11/850). Simpler procedures such as laparoscopic banding may be safer.

- **Spire Healthcare**, in partnership with **Scottish Widows Investment Partnership**, plans to open a 21-bed hospital in Brighton and Hove. Spire will not own the building but manage it on a 25-year lease. The hospital, housed in a former Victorian warehouse, will have three operating theatres and state-of-the-art imaging facilities.

- The editors of the journal, *Science*, have issued an 'editorial expression of concern' over a research paper published in October 2009, saying the report is 'now seri-

ously in question'. The report links chronic fatigue syndrome to a retrovirus called xenotropic murine leukemia (XMRV), a link not found in ten further studies, with two new studies suggesting laboratory and research reagent contamination. See: *BMJ* 2011; 342: d3505.

- A large observational study has confirmed that middle aged women who develop atrial fibrillation can expect a shorter life than their healthy peers. *JAMA* 2011; 305: 2080-7 reported that the 1,011 women out of 34,722 studied who developed the condition were twice as likely to die during follow-up than the rest and four times more likely to die of cardiovascular disease.

- While moderate amounts of calcium (around 700mg a day) are vital to maintain healthy bones, a review of data from a large study of Swedish women has led researchers to conclude there is no need to increase calcium intake to reduce the risk of fractures or osteoporosis later in life, as such an increase will not reduce the risk of fractures. See: www.bmj.com/cgi/doi/10.1136/bmj.d1473.

- A smallscale Swiss study of 35 surgical patients has found that raised noise levels in the operating theatre are more likely to lead to patients developing surgical site infections, the *British Journal of Surgery* (2011) 98: 1021-1025 has reported. The authors suggest this may be due to issues such as surgical difficulty, stressful environment, impaired discipline or concentration.

- Turkish research reported in the *American Journal of Infection Control* (2011) 39: 382-389, says that around 40% of mobile phones that enter hospitals with patients and visitors may be carrying multi-drug resistant pathogens such as MRSA.

- Trials of the 4CMenB vaccine for meningitis B have shown it to protect against 80% of the strains of the disease, *Nursing Times* reported on 14 June.

- A US study of 2,025 patients and the reviewed records of 788 others, reported in the *International Journal of Quality of Care* (2011) 23: 269-277, suggests patients have a better impression of their care and are less likely to suffer an adverse incident if they are involved in their care.

- The **National Institute for Health and Clinical Excellence (NICE)** now recommends a sun protection factor (SPF) of 15 as being sufficient to prevent sunburn and the subsequent potential risk of skin cancer. But an editorial in *Drug and Therapeutic Bulletin* says that people applying sunscreens typically use less than recommended and get, at best, half of the recommended SPF and suggests NICE rethinks its advice. See: <http://press.presssprings.co.uk/dtbt/june/DTBJune2011.pdf>.

What is AIMIP?

AIMIP is the **Association of International Medical Insurance Providers**. Formed in 2007, it represents the interests of companies offering international medical insurance. Its philosophy is to help insurance brokers, intermediaries, agents and partner companies to better understand the products and services of its members covering both individual and corporate.

As an industry advisory body, AIMIP provides guidance on international product development, claims management and fraud prevention, regional and local regulatory issues, technical advice and training requirements. Its membership comprises 15 leading international insurance companies and managing general underwriters. The organisation meets regularly to discuss the issues facing the industry and has its own code of ethics and conduct.

AIMIP also provides guidance on international product development, claims management and fraud prevention, regional and local regulatory issues, technical advice and training requirements.

Current chairman is Carl Carter (MD of **IMG Europe**) and vice chairman is Andrew Apps of **ALC Health**. Secretariat and treasurer is **Expacare's** Beverley Cook. AIMIP's website is www.aimip.org.uk.

Government accepts Future Forum's core recommendations

The Government has accepted the core recommendations of the **NHS Future Forum**, the group it established to lead the listening exercise on the proposed reforms of the NHS in England, and has now introduced amendments to the NHS Bill, currently going through Parliament.

GP commissioning consortiums will be renamed 'clinical commissioning groups' and will include two lay members, a hospital specialist and a nurse on their boards. To avoid conflicts of interest, lay members cannot be employed by local NHS providers. Clinical commissioning groups will be required to meet in public and to publish their minutes. The Government has also accepted the proposal for 'clinical senates' – groups of doctors, nurses and other professionals who will give expert advice to clinical commissioning groups.

The role of the health care regulator **Monitor** has changed too. It will no longer be charged with promoting competition and its power to open up competition by requiring a provider to allow access to its facilities to another provider will be removed. The Monitor's role will be restricted to tackling abuses 'that demonstrably act against the patients' interests'.

But politically, while Lib Dem coalition members are happy that the Bill is being amended, there are signs of tension among Conservative MPs at the reduced emphasis on the role of competition in healthcare.

The part of the Bill that caused least controversy also came under fire from the Future Forum, which said that education and training needed a lot more thought. The Government has accepted that following the abolition of strategic health authorities, post graduate deaneries need a home and reassurance of a continuing role.

The Government has not committed itself to the Forum's recommendation that patients should have the right to challenge poor services, but will look into the feasibility of the suggestion. It has also agreed to relax the reform timetable, with the blanket deadline for NHS trusts to become foundation trusts by April 2014 lifted. For those general practices that are not part of a clinical commissioning group by April 2013 the **NHS Commissioning Board** will deputise. There is no option for practices to opt out of commissioning altogether.

A **BMA** press release on 13 June reported Dr Hamish Meldrum, Chairman of the BMA Council as saying that the Forum's recommendations address many of the BMA's concerns, "to a greater or lesser extent". He said he was hopeful that 'missing' concerns would be addressed including the "excessive power of the NHS Commissioning Board over consortia and the so called 'quality premium'". He added that there was plenty to do but if the recommended changes were made to the Health and Social Care Bill that would "get us onto a much better track".

Hospital RTT waiting times fall

The median Referral to Treatment (RTT) wait for NHS hospital admission in England fell from 7.9 weeks in March 2011 to 7.7 weeks in April according to a **Department of Health** Statistical Press Notice released on 16 June. For

non-admitted patients the median wait remained at 3.7 weeks. The 95th percentile time wait for patients entering an RTT pathway fell from 23.4 weeks to 22.9 for admitted patients and from 15.8 weeks to 14.7 weeks for non-admitted patients.

The number of patients meeting the 18 week target rose from 89.6% to 90.5% for admitted patients and from 97.3% to 97.5% for non-admitted patients.

Unemployment dips again

Unemployment in the three month period February to April 2011 fell from 2.455m to 2.430m, according to the latest *Labour market statistics*, released by the **ONS** on 15 June 2011. This was the largest quarterly fall since the three months to August 2000.

During the same period, employment fell marginally from 29.240m to 29.239m. 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 107.532 to 107.528. 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 rose from 1.4686m in April to 1.4927m in May. The latest unemployment rate is now 7.7%, or 4.6% for JSA claimants. Earnings in the three month period to end April (including bonuses) fell from 2.3% to 1.8% - higher than a year before.

On 14 June the ONS announced that in May the Retail Prices Index (RPI) remained at 5.2% up compared to a year before, while the Government's preferred Consumer Prices Index (CPI) remained at 4.5%. This compares to an annual inflation target of 2.0%.

GP Patient Survey results

Results of the April 2010 to March 2011 *General Practice Patient Survey* by **Ipsos-MORI** were released by the **Department of Health** on 16 June and revealed that:

- 94% of patients said they have confidence and trust in their doctor.
 - 90% of patients said they were satisfied with the care they receive at their GP surgery.
 - 89% of patients said their doctor gives them enough time.
 - 83% of patients would recommend their GP surgery to someone who had moved to the local area.
- For care planning, 84% with a longstanding health problem, disability or infirmity had discussed how best to deal with this with a nurse or doctor. For those who had such discussions with their GP or a nurse:
- 88% felt the doctor or nurse took notice of their views about dealing with their health problems.
 - 87% said they were given information on how they might deal with their problem.
 - 83% agreed with their doctor or nurse on how best to manage their health problem.

60% of adults tried to obtain an NHS dental appointment in the last two years, 94% of whom were successful. Of the 40% who did not seek an NHS dental appointment, 17% said this was because they did not believe NHS dentistry was available. See: www.dh.gov.uk for more.

New incapacity benefits research

On 1 June, the **Department for Work and Pensions (DWP)** published a report on customer and staff views and experiences regarding trial incapacity benefits reassessment for Employment and Support Allowance (ESA).

Those of the 90 customers interviewed who were placed in the ESA Support Group following their completion of form ESA50 and a Work Capability Assessment, were generally content with their outcome. But those placed in the ESA Work Related Activity Group tended to be unsure of the implications of this.

Customers disallowed ESA were generally stunned and/or angry although some had expected this outcome. Non co-operation with the reassessment appeared to be low. Another DWP report on ESA customers first surveyed between December 2009 and February 2010 with a follow-up survey about seven months later found personal and household circumstances were stable over time but their health was more changeable.

87% of those who attended Work Focused Interviews found the advisers helpful. Of those found Fit for Work, 28% had moved into or back to work and 48% claimed another benefit, usually Jobseeker's Allowance.

The remaining 24% had either 'clear' activities such as returning to college, retiring or being supported by family or friends or 'unclear' activities of 'continuing without benefits' or not knowing what they would do next.

Those whose claim was closed or withdrawn before a Work Capability Assessment had higher rates of moving into work (47%). 38% claimed another benefit, usually Jobseeker's Allowance, and the remaining 15% were split between 'clear' or 'unclear' activities. Research reports 741 and 745 are available on the DWP website at: <http://research.dwp.gov.uk/asd/asd5/lrrs-index.asp>.

UK NHS spending gaps closing

John Appleby, Chief Economist at the **King's Fund** has reviewed what is happening to NHS spending across the UK (*BMJ* 2011; 342: d2982).

Traditionally, per capita health spend in England has been lower than that in the other UK countries. On average over the past seven years, NHS spending per head in Scotland has been around 15% higher than in England, equivalent to a financial gap of over £15bn, or the annual budget of London's entire NHS. Also devolution means that aggregation of healthcare statistics from all four countries of the UK makes less sense than it once did.

Professor Appleby, looking at whether the NHS has received a real increase in funding over the next four years, as the Government claims, notes that planned health spending in Northern Ireland will be cut by around 2.2% by 2014-15 and by 3.3% this year in Scotland and with no spending plans yet made for subsequent years. In Wales the NHS budget cut will be nearly 11% over three years.

For England, NHS spending will be around 0.9% lower in 2014-15 than in 2010-11. For the UK NHS as a whole, funding will be cut in real terms by 2014-15 he says.

NHS spending in England dominates UK health spending. The SW region spending alone is equivalent to Wales and Northern Ireland combined and London's healthcare is equivalent to Scotland and Wales combined.

Overweight linked to disability

A study of older people in the US, published in the *Annals of Internal Medicine* 2011; 154: 645-55, suggests that being overweight or even obese does not necessarily reduce survival for older adults but is associated with loss of functional independence. There is a higher risk of disability, especially that which limits activities of daily living such as bathing, dressing and walking. The link between BMI and disability was independent of age, smoking, education or chronic illness and the data used excluded adults with disabilities at baseline.

UK cancer care in England lags

A review of cancer care in England (See: *BMJ* 2011; 342: d3571) confirms that England lags behind other countries. Late diagnosis, delayed and poor access to surgery and radiotherapy and an age bias are the main reasons, according to the **King's Fund** report.

The survival gap for the most common cancers has grown in recent years compared to other developed countries such as Canada, Australia, Sweden and Norway. Survival rates in the north of England are worse than in the south, although the gap has lessened slightly over the past ten years. But the gap in cancer survival rates in deprived groups in England, compared to more affluent groups, has tended to increase as survival rates have increased overall.

In a separate study, lead author Dr Laura Wood from the **Cancer Research UK Cancer Survival Group** at the **London School of Hygiene and Tropical Medicine** said UK cancer survival statistics are not misleading. This follows an investigation that tested purported inputting errors in national cancer data that were reported in a *BMJ* editorial in August 2010. Wood et al. say a large body of evidence suggests that 'survival after cancer in the UK is indeed lower' and this result is likely to be 'related to delay in diagnosis, lower investment in health-care and sub-optimal care'. See: www.bmj.com/cgi/doi/10.1136/bmj.d3399.

Political briefs:

- An end of life care charter that sets out seven pledges to patients will go out to all 8,500 GP practices in England from the **Department of Health**. It includes providing a clear written communication of patient wishes, helping them make choices, ensuring comfort and dignity in their last days and support for bereaved family and friends.
- *Health Service Journal* analysis reports that hospitals have missed Government efficiency targets by an average of 10%. Twenty six acute trusts achieved less than 80% of their target last year.
- **ONS** stats released on 2 June show the number of households in which no one has ever worked has almost doubled from 184,000 in 1997 to 352,000 in the second quarter of 2010. The highest level was 6.5% of all households in Inner London and the lowest 0.5% in the East of England. See: www.statistics.gov.uk/ccl/article.asp?ID=2693.
- The **Department of Health** announced on 16 June that mixed-sex breaches in hospital accommodation had fallen by 83% (11,802 in Dec 2010 to 2,011 in May 11).

Swiss Re Term & Health Watch 2011

Swiss Re published its annual *Term & Health Watch* report in June. Its overall conclusion is that 2010 was a tough year for the insurance sector and the protection market as pay freezes and minimal wage increases, coupled with rising inflation, left personal finances stretched and consumers adjusting their discretionary spending.

Among its key findings were:

Term assurance

In total, 1,540,798 term policies were written in 2010, up 2.2% from 1,507,685 in 2009. IFAs and other independent advisers sold 56.1% of all term policies, tied agents 39.8% and others 4.0%. Swiss Re estimates that non-advised sales made up 23% of all term sales (note: based on partial results as not every provider could identify that).

Average sum assured was £119,327 (£134,742 for life only and £87,555 for plans with CI cover included). The average new premium was £365 (£301 for straight term, £496 for term with CI and £188 for FIB).

Mortgage sales made up 34.3% of sales (528,663 policies, up from 33.9% in 2009) but non-mortgage sales may be overstated as not every provider has this data.

Product types written were:

Product	2009	2010
LTA without CI	676,762	706,237
LTA with CI	208,451	247,807
DTA without CI	322,564	292,454
DTA with CI	261,854	253,879
Other term without CI	32,298	2,705
Other term with CI	5,756	686
Family income benefit without CI	-	37,050
Family income benefit with CI	-	980
Total	1,507,685	1,540,798

Key (all): LTA: level term; DTA: decreasing term; CI: critical illness insurance; FIB: family income benefit; IP: income protection; WL: whole life.

Top 5 term providers

Legal & General	349,533 policies
Aviva	266,983
Lloyds Banking Group	213,019
Royal London (Bright Grey/Scot Prov)	126,368
AXA	93,980

The top 5 wrote 68.1% of all term sales in 2010.

Critical illness insurance

In total, 534,561 policies were sold, up 0.8% from 530,214 in 2009. Most policies were linked to term assurance, but 337 were linked to whole life and 2 to endowment cover. Standalone sales made up just 30,870 (down from 53,374 in 2009). IFAs etc wrote 48.6% of all CI sales (down 2.5% on 2009), tied agents 50.3% (up 5.9%) and others 1.1% (down 39.5%).

The average sum assured was £88,056 (£87,591 for accelerated benefit or rider plans and £95,643 for standalone plans).

The average premium was £495 a year (£496 for rider plans and £474 for standalone plans).

Top 5 CI providers

Lloyds Banking Group	130,086 policies
Legal & General	74,609
Royal London	59,555
Aviva	43,246
AXA	41,992

The top 5 wrote 65.4% of all CI sales in 2010.

Income protection

In total, 110,743 plans were written in 2010, down 5.6% from 117,288 in 2009. IFAs etc sold 60.9% of IP plans, tied agents 38.3% and others 0.8%. IFA sales were up 4.5%

The average annual benefit was £13,116 (up 3.5% on 2009's £12,675). The average annual premium was £403 (down from £421), with tied channels at £339, IFAs at £444 and others at £284.

Top 5 IP providers

HSBC	15,081 policies
Friends Life	13,988
Lloyds Banking Group	10,197
LV=	9,934
Legal & General	9,683

The top 5 wrote 53.2% of all IP sales in 2010.

Whole life

Some 371,467 policies were written in 2010, up 16.8%:

2006	195,141 policies written
2007	219,362
2008	282,438
2009	318,078
2010	371,467

Of those, 2,513 (0.7%) were unit linked, 22,826 (6.1%) non-linked and 346,128 (93.2%) funeral or guaranteed acceptance plans.

The average sum assured was £199,651 for unit-linked plans (down from £250,061 in 2009). For non unit-linked fully underwritten plans the average sum assured was £25,790 and average annual premium £575.

The whole life market is now dominated by funeral plans, of which 190,556 (55.1%) were sold direct, 120,722 (32.5%) through tied channels and 34,850 (9.4%) by an independent distributor. Most sales were non-advised.

The average sum assured for funeral plans was £2,969 and average annual premium £192.

Top 5 whole life providers

AXA	154,768 policies
Lloyds Banking Group	72,727
Aviva	37,030
LV=	28,970
Legal & General	24,563

Source (all): *Term & Health Watch 2011*, Swiss Re, June 2011. See www.swissre.com.

Comment: It is interesting to contrast Swiss Re's more comprehensive data with that produced by the ABI (see e-PR 132, April 2011 for 2010 data and Page 5 for Q1 of 2011 data).

Despite the tough times, 2010 was a better year than many expected and that looks to be being built on further in 2011. But disappointments remain—especially IP.

Life expectancy rising at 3-4 months a year

Over the four year period from 2003/05 to 2007/09, life expectancy for males at birth increased from 76.5 years to 77.9 years—an increase of four months every year, according to a new **ONS** report. For females, the increase was 1.1 years, from 80.9 year to 82.0 years (an increase of three months a year), so males are slowly closing the mortality gap to females.

Life expectancy at birth differs by up to two and a half years, depending on which country of the UK someone is born in:

Table 1. Life expectancy at birth in years

Country	M	M	F	F
Born in:	03/05	07/09	03/05	07/09
England	76.9	78.3	81.1	82.3
Wales	76.1	77.2	80.8	81.8
Scotland	74.2	75.4	79.2	80.1
N Ireland	76.1	76.4	80.9	81.4
UK	76.5	77.9	80.9	82.0

There is now therefore a 2.7 year difference in life expectancy at birth for males between the worst (Wales) and best (England) performing UK country (and 2.2 years for females). Highest life expectancy at birth was in Kensington and Chelsea (84.4 years for males and 89.0 years for females). Lowest life expectancy at birth was in Glasgow & Clyde—73.1 years for males and 78.9 years for females.

At age 65, life expectancy also increased over the four year period, albeit not as fast. For males, life expectancy at 65 increased from 16.7 to 17.8 years, while for females it increased from 19.4 to 20.4 years. That still represents an average annual increase of over three months for males and of three months for females:

Table 2. Life expectancy at age 65 in years

Country	M	M	F	F
Born in:	03/05	07/09	03/05	07/09
England	16.8	18.0	19.6	20.6
Wales	16.4	17.4	19.1	20.1
Scotland	15.5	16.5	18.3	19.1
N Ireland	16.4	17.2	19.4	20.0
UK	16.7	17.8	19.4	20.4

The data shows regional variations with again England top and Scotland bottom. This table also highlights the wider pensions (and long term care) funding issue—the fund that people build up during their working lifetime now has to last a lot longer than even a few years ago.

Probability of surviving to age 75

Also released by the ONS on 8 June was data relating to the probability of surviving to age 75 for people in England and Wales. Given that retirement ages are rising and that many people can now expect to work until 75 or later, this is a useful guide to the risk of early death.

There is a greater than 2 in 3 chance of a male surviving to age 75 and an almost 3 in 4 chance for a female to survive to age 75, the data reveals, with again differences between UK countries:

Table 3. Probability of survival to age 75

Country	M	M	F	F
	03/05	07/09	03/05	07/09
	%	%	%	%
England	65.3	68.7	76.7	78.8
Wales	63.1	66.0	74.8	76.6
England and Wales	65.1	68.4	76.5	78.6

Again, the stats record big increases. Between 2003/05 and 2007/09, males in England enjoyed a 3.4% increase in the likelihood they would survive to age 75, females a 2.1% increase. Within England, those in the South East, South West and East had the highest probability of survival. One issue for life insurers is whether they should take account of where someone lives in their rating—as many general insurers do. However, this is a complex issue—people in areas such as Kensington and Chelsea tend to be wealthier, have good jobs and access to the best medical treatment and advice. Attitude to health is also an issue—it is not a simply case of having a 'middle class' (a greater focus on tomorrow) or 'working class' (a greater focus on today) attitude or on intelligence, earnings or socio-economic grouping, although all can be factors.

That said, regionally, in England the highest probability of surviving to age 75 in 2007-09 was 72.0% for males in the East of England (71.9% in the South East and South West) and the lowest 64.1% in the North West. For females it was highest in the South West (81.4%), South East (80.9%) and East (80.6%) and lowest in the North West (75.2%) and North East (75.6%).

Overall, the figures help explain why life insurance is so much cheaper now than in the past, while the trend suggests that this may continue for some time to come (notwithstanding the 'dumb-bell' effect of those who look after their health compared to those who are stereotypically obese smokers who drink a lot and exercise little.

Life expectancy at birth and at age 65 for health areas in the United Kingdom, 2003-05 to 2007-09 and Probability of survival to age 75 for local areas in England and Wales, 2003-05 to 2007-09 can be downloaded from www.ons.gov.uk.

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. Who is heading the Government's review of welfare and return to work?
2. What is the trend in life expectancy a) at birth and b) at age 65, for men and women?
3. What is presenteeism?
4. What happened to long term individual protection sales in Q1 of 2011 compared to Q1 of 2010?
5. The average rate of absence in 2010 was a) 4.5 days, b) 5.5 days or c) 6.5 days according to the CBI/Pfizer?

Protection Review news n views

A total of nine awards were presented across a range of categories in the protection insurance industry at the Protection Review dinner on 23 June. Shortlists were based on an independent industry vote, from which winners were judged by the Protection Review directors, who combined have more than ten decades experience in the protection profession. The full list of winners is as follows:

Innovation Award in association with Gen Re

Winner: PruProtect

Underwriter of the Year in association with Risk Assured

Winner: Ageas Protect

Individual Protection Adviser of the Year in association with PruProtect

Winner: Peter Chadborn, Plan Money

Protection Journalist of the Year in association with Ageas Protect

Winner: Natalie Holt, Money Marketing

Organisation of the Year

Winner: Aviva

Protection Intermediary of the Year in association with PruProtect

Winner: LifeSearch

Outstanding Contribution to Protection Journalism in association with Space01

Winner: Janet Walford OBE, Money Management

Personality of the Year in association with Exeter Family Friendly

Winner: Louise Colley, Aviva

Lifetime Achievement Award in association with Legal & General

Winner: Shanti Duggal

Congratulations to all our winners. As always we look to reward the best in each category regardless of which industry area they operate in. Entry is automatic—all you have to do is impress the judges and wider industry with your achievements! What we can't show though is the many people and organisations who came close, so a big thank you that so many names came up for consideration.

People news

• **Aviva.** Trevor Matthews has been appointed CEO of its UK region, replacing Mark Hodges, who has joined **Towergate** as group CEO. Mr Matthews was previously CEO of **Friends Provident Holdings**. John

McFarlane has been appointed a non-executive director. He will then become deputy chairman on 1 January 2012 and take over as chairman from Lord Sharman of Redlynch at the end of June 2012. Mr McFarlane will step down from the board of **Royal Bank of Scotland** by 31 March 2012 and will relocate from Australia to the UK to carry out his duties as chairman.

• **Aviva UK Health.** Mark Noble has been promoted from sales and marketing director to health and group risk director, with day to day responsibility for running its UK health business. He reports to propositions director Phil Willcock. Adam Beckett, head of strategy, marketing and direct operations, has been promoted to sales and marketing director. And, Amber Musson-Thorp has been appointed international sales manager. She was previously new business intermediary relationship manager at **AXA PPP healthcare**.

• **BHSF.** Jim Winter has been promoted to head of field sales.

• **Bupa.** John Lorimer has been appointed a non-executive director.

• **Bupa Cromwell Hospital.** ENT consultant Mr Paul Montgomery has been appointed medical director. The hospital celebrates its 30th anniversary this year.

• **Exeter Family Friendly.** Sean McTiernan and Mark Roberts have been appointed key account managers. Both are ex-**Friends Provident**.

• **Friends Life.** Steve Payne has been appointed MD of Friends' protection business, having joined when the group took over **Bupa's** protection business. Rob Barnett has joined as director, human resources, from **Royal Bank of Scotland**.

• **General Healthcare Group.** Stephen Collier has been appointed CEO following the unexpected departure of Adrian Fawcett.

• **Hannover Life Re (UK).** Peter Turvey has been appointed an independent non-executive director. He has held a number of senior positions including with **Swiss Re** and **Gerling/Revios**.

• **InterGlobal.** Linda Connett has been appointed business development manager. She was previously with software provider **Sword Health**.

Subscribing to e-Protection Review

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Major networks Q1 2011

Name	Total ARs
1. Sesame	1,366
2. PTFS	964
3. Openwork	953
4. Tenet Connect and Lime	676
5. Intrinsic	572
6. Pink and BDS	422
7. Financial Ltd	393
8. First Complete	377
9. Sage Financial Services	233
10. Mint FS	222
11. Legal & General	221
12. In Partnership (the online partnership)	206
13. HLP	204
14. Lighthouse	177
15. Burns Anderson	156
16. Whitechurch	149
17. Mortgage Next	129
18. Mortgage Intelligence	112
19. Julian Harris	93
20. MSN	91
Total	7,716

Key: AR: Appointed representatives. Note: During the quarter, 317 ARs were gained and 299 lost—a net gain of 18 ARs. Only networks with more than 50 ARs are listed. Source: www.mortgagestrategy.co.uk, 18 April 2011, based on FSA data on 7 April 2011.

Student loans from 2012

- The changes only affect new September 2012 undergraduates, not existing or past-students (current maximum tuition fees are £3,465 a year).
- The new maximum tuition fee is £9,000 a year.
- Loans will only become repayable once earning over £21,000 a year (current figure: £15,000), and are repayable at the rate of 9% of all earnings above that.
- Repayments are collected automatically by employers; students never have to make personal payments.
- Any outstanding debt remaining after 30 years is automatically written off.

Source: Moneysavingexpert.com, 17 June 2011.

Comment: Many students on low-median earnings may never repay all their student loan. Some parents may wish to have life cover to repay their children's student loans if they die prematurely—a question to raise in fact-funding.

CWC RDR and protection survey

Question 1. The RDR will result in an increase in protection business as advisers will need alternative remuneration streams: senior management view:

Fully agree	60%
Partially agree	25%
Disagree	12%

Question 2. How important is it to ensure clients have adequate disability cover?

Not important	2%
Important	33%
Very important	42%
Critical to our proposition	23%

Question 3. Income protection is profitable:

Strongly disagree	0%
Disagree	6%
Agree	59%
Strongly agree	35%

Question 4. Critical illness insurance is profitable:

Strongly disagree	4%
Disagree	4%
Agree	68%
Strongly agree	21%

Source: *It won't happen to me*, CWC Research, 2011, as featured in an article by Clive Waller in *Financial Adviser* on 16 June 2011. See www.cwcresearch.co.uk.

CBI/Pfizer absence and workplace health survey 2011

- The average rate of absence in 2010 was 6.5 days, up from a record low of 6.4 days in 2009.
 - Average levels of absence climb with organisation size and are higher in the public sector (8.1 days vs. 5.9) and for manual workers (7.0 vs. 5.7).
 - In the best performing quartile, just 2.2 days pa were lost vs. 10.7 days pa in the worst.
 - The median total cost for each absent employee in 2010 was £760.
 - Illnesses causing most long term absence were non-work anxiety/stress, musculoskeletal and back pain.
- Source: *Healthy returns? Absence and workplace health survey 2011*, CBI and Pfizer. See www.cbi.org.uk.

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