

e-Protection Review

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

Dilnot opens the door to LTCI

The Government's commission on funding care and support, *Fairer Care Funding*, led by economist and academic Andrew Dilnot, and published by the **Department of Health** on 4 July, has opened up the prospect of new forms of long term care funding solutions being developed by the financial services sector.

Long term care insurance was heavily hyped by reinsurers in the early 1990s but, despite a number of major players entering the market, sales failed to take off, insurers ran into problems with underestimating claims (both incidence and duration) and some single premium products led to consumer detriment through poor risk matching. The final straw for many providers, after years of losses, was the introduction of much stricter regulation by the **FSA (Financial Services Authority)** in order to provide greater protection to potentially financially vulnerable consumers but which added a new layer of costs. Today, no pre-funded plans are actively marketed, while the market for impaired life annuities and other point-of-need solutions remains at less than 3,000 policies a year.

Despite the industry's painful experience (which has led to little appetite amongst providers to develop new solutions) the fundamental case for developing new long term care funding solutions remains strong due to the effects of an ageing population and costs which can run into tens of thousands of pounds or more.

The Commission's main recommendations include:

1. Capping the lifetime contribution to adult social care costs that any individual needs to make at between £25,000 and £50,000, with a suggestion that £35,000 would be the right figure. Currently, costs are uncapped. Younger people would effectively have a zero maximum contribution, with a sliding scale from age 40 to 65.

2. Means testing should continue and the current £23,500 threshold (in England—the report does not make any recommendations about other countries in the UK, all of which have different rules on care funding) should be increased to £100,000.

3. Universal disability benefits for people of all ages should continue, but benefits should be better aligned and Attendance Allowance should be renamed as people do not understand the term, underclaim for it and do not always use it for the purpose intended.

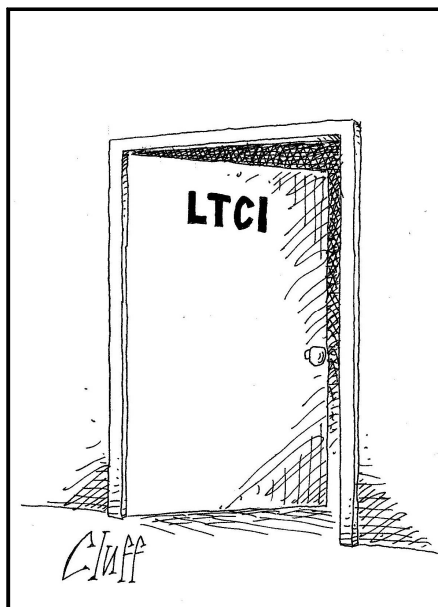
4. People should be expected to contribute a standard amount to cover their general living costs as otherwise those moving into residential care (*Continued on Page 2*).

Quotes of the month:

"If it wasn't for the hardworking staff of the NHS following my serious quad bike accident I may not be here today to continue my career as the Prince of Darkness." Fellow 1948 born Ozzy Osbourne helps the NHS celebrate its 63rd birthday on 5 July.

"The adult social care funding system conceived in 1948 is not fit for purpose in the 21st century and is in urgent need of reform." 'Reform of the social care funding system is long overdue. We can wait no longer; the time for reform is now.' Dilnot Commission, 4 July.

'Currently we spend far too much time and money trying to recover where things have gone wrong.' ABI director general Otto Thoresen, CII Thinkpiece No 59, July 2011.



No 136 Aug/Sept 2011

ISSN 2045-5925

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We're on our summer break now, but back on **28 September**.

Key statistics:

- NHS RTT median wait England May 2011: 8.4 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: 107.675 (To end May 2011, compared to January 2000, see Page 11).

(Continued from Page 1) gain an advantage relative to those having domiciliary care (care in their own home). That figure should be set at between £7,000 to £10,000 a year.

5. Eligibility criteria should be on a standardised national basis and be portable (i.e. would continue, until reassessment, if someone moves e.g. to be closer to their children). At present, each local authority can and does adopt its own rules.

6. A new social care statute (as recommended by the **Law Commission**) should place duties on local authorities to give information, advice and assistance services in their area and stimulate and shape the market for services.

6. The Government should set up an awareness campaign and develop a major new information and advice strategy, produced in conjunction with charities, local government and the financial services sector.

Under the report's proposals, no one would spend more than 30% of their assets on care costs. That contrasts to the present system, where in some cases, someone could spend over 80% of their assets on care (typically, those with assets of £100-200K).

The report points out that 1 in 10 people, at age 65, face future lifetime care costs of more than £100,000 (based on modelling work carried out for the Commission by **ESHCRU** (at the **University of York, LSE** and **University of Kent**), adding that 'data on the costs of social care is poor'.

The Commission also estimates that a quarter of people aged 65 will need to spend very little on care over the rest of their lives, and half can expect care costs of up to £20,000.

It adds: 'some could spend hundreds of thousands of pounds. There is no way of predicting in advance what the costs might be for any one person'.

Under the present rules, some 1.2% of GDP (gross domestic product) is spent on long term care (in 2009/10) and the **Office for Budget Responsibility** expects this to rise to 1.7% of GDP by 2029/30.

Postcode lottery

One issue in the current system is the postcode lottery of having 152 different social care systems—one for each local authority in England.

Under the proposed system, around a third of all people entering care (and a quarter of those aged 65 now) would reach the proposed lifetime cap of £35,000. That would still leave an element of chance that, relatively, advantages those that die without needing care, but the catastrophic effect of needing care but having too much capital or income would be avoided.

The financial services sector could then develop products to cover that risk. These could be one or more of a number of products:

- **Pensions.** The industry could either encourage people to invest more, or build in some form of enhanced benefit for those needing care (disability linked annuities have been tried before, back in the 1990s, but were stopped by **HMRC** and could require statutory change or an extra-statutory concession to become viable). A cut of 10% in annuity income might be sufficient to fund such a benefit. A middle choice might be some form of hypothesized pension benefit set aside to pay for potential care costs that could also be used for other purposes.

- **Savings.** An ISA (individual savings account) would seem to be the obvious choice (unless the Government can be persuaded to offer some form of tax incentive on contributions paid in rather than or as well as roll up and benefits taken out). The industry could also lobby to have some form of super ISA that could be used for a number of health and welfare related purposes.

- **Insurance.** Pre-funded long term care insurance is no longer actively marketed in the UK (although it has been successful in some other countries—see e-PR issue 133, Page 16). Insurers could develop a policy to generate either up to a £35,000 lump sum or a regular monthly income. Based on the relative success of critical illness insurance (CI) compared to income protection (IP) the former would look to be most attractive. However, rather than develop a new form of top-up LTC insurance, current CI and IP designs (or even life assurance, using the mechanism used for terminal illness benefit for example) could easily be adapted to provide such benefits, perhaps with benefits changing significantly when retirement age is reached. That should widen the appeal of both types of product and generate longer term earnings per policy for insurers (and intermediaries). Existing point of need annuity based solutions could also become more popular.

- **Housing.** Around 67% of people in England own their own home and a significant proportion of those could look at some form of equity release scheme if they needed care. One advantage relative to an insurance solution is that those who did not need care would not need to take out such a scheme at all. In effect equity release could be a point of need option only (although it could also be used on a drawdown basis to fund a pre-funded insurance solution). Or, homeowners could simply downsize. Although the report does not go into detail on this point, the financial services sector could also focus on providing help and advice as well as purely financial benefits. There is currently a huge education gap on LTC and

Will calls for LTCI development again fall on deaf ears?

On 11 July 2007 an elderly gentleman told 300 diners at London's **Café Royal** that the underlying need for long term care funding solutions was greater than ever. And he reminded them that, in 1995, a survey of UK IFAs indicated that they expected within a decade long term care insurance would be their most popular protection product.

The elderly gentleman was Dr Marius Barnard, world famous heart surgeon and the father of critical illness insurance (he wrote the policy definitions for the world's first CI plan in South Africa in 1983), and he was speaking at the fifth annual Protection Review dinner.

Insurers should research and work hard to develop a long term care solution, he said, and pointed out that LTCI actually outsold CI in the United States. His plea fell on deaf ears though. That was not altogether surprising—in the mid 90s LTCI was the coming product. Many of today's big names in protection had a presence in the market—led by **PPP lifetime care** and **Commercial (later Norwich) Union**. Unfortunately, the products failed to sell and other problems led to the eventual demise of all pre-funded LTCI.

But, Andrew Dilnot's recommendations—if adopted—could see that situation reverse. Perhaps now is the time to listen again to the great doctor's views and redouble our efforts to make LTCI work?

even under the proposed new system, people needing care (and/or their families) would still need help to consider the best options for their care. At present most families find LTC a huge learning curve, giving them knowledge (often inefficiently gained through having to invest significant time and/or making mistakes) they will often never need to use again. Building such a service into an insurance-based product should be relatively cost effective as many people would never need advice.

The Commission recommends that: 'the Government should work in collaboration with the **Financial Services Authority** and other partners to develop greater support for those seeking information on financial planning for older age'. And it recommends that the new **Money Advice Service's** existing information should be 'enhanced and effectively signposted from other sources'.

If adopted, the Commission's recommendations would cost £1.7bn a year in 2010/11 (if adopted now), rising to £3.6bn a year by 2025/26.

The Government is now expected to publish a White Paper bringing together its responses to the Dilnot Commission and the Law Commission and setting out its own vision for adult social care. That would then be followed by a Bill on social care in 2012, with implementation coming into effect from 2015.

Fairer Care Funding—the Report of the Commission on Funding of Care and Support, by Andrew Dilnot, Lord Norman Warner and Dame Jo Williams, can be downloaded from www.dh.gov.uk.

Before Dilnot was published, in June, the **CII (Chartered Insurance Institute)** published *Who Cares? The implications of a new partnership— to fund long term care*. This makes recommendations to improve the public's awareness of LTC issues, to improve trust and the need for certainty around future rules.

Reaction to the Dilnot report has been mixed. Think tank **IPPR** reported on 4 July (in a blog by director Nick Pearce) that journalists have been briefed that the report would be pushed by the Government into the medium length grass.

ABI chairman Tim Breedon welcomed the report and said: "The report findings clearly show that the Government, private, public and voluntary sectors across the UK must now take immediate action to ensure the challenges of care funding are made a priority and not put on the too difficult pile. With 1.5m people over 85 in the UK, the consequences of not addressing this would be disastrous, as life expectancy continues to increase and the cost of care is rising significantly. Time is running out. We need a clear and sustainable framework to work from, so insurers can help to establish a functioning market, and individuals and the State can work in partnership, to determine an affordable and permanent solution for the funding of long term care. The insurance industry stands ready to support this."

Society of Later Life Advisers (SOLLA) joint chair Tish Hanifan said: "This is a key opportunity for the financial services industry to grasp the nettle on care. And, **Mazars** senior actuary (and LTC adviser to the Labour Government) Peter Gatenby estimates that the cost of an insured LTC solution could fall to a quarter of its historic price because of the Commission's proposals to introduce a lifetime spending cap.

But, **FirstStop's** Philip Spiers warned that: "many people will still have to sell their homes to pay for [long term care] and it [the report] does not solve the present crisis of a social care system near to collapse".

Why the Government may get cold feet

Despite the widespread view that the Commission has come up with a fair set of workable proposals, the Government may yet decide to delay taking action, as may the insurance sector.

First, Dilnot is asking for more money. That is never popular with Governments, and especially with the economy remaining in such a difficult situation going forward following over-spending and over-borrowing up to 2007. The argument is that the extra spend is necessary, is fair on all taxpayers, is (relatively) small and is affordable. However, it fails the test that the earlier 1999 Royal Commission on LTC funding also suffered from—Dilnot's recommendations would not involve £1 of extra care going to needy people. Instead, the burden of care costs would simply be more equitably spread, but with those with considerable assets and income benefiting most.

Second, the new system is still not 'fair' compared to what a citizen needing NHS care in a hospital gets. There, the patient gets not just all medical costs paid by the State, but also free accommodation too. How can that be reconciled with having to pay for the same hotel care in a care home or at home?

Third, Dilnot's figures are open to debate. What level should the lifetime limit and capital threshold be set at (and what could be the potential knock-on effects of the latter on other State benefit rules)? The opposition is bound to say any limits are too low—as will special interest and lobby groups (and with an ever growing army of older voters that is a serious concern for any Government). The Government could end up spending £1.7bn a year more but being perceived to be imposing 'cuts' by the general public. The Government is already reeling over its NHS reforms, where changes that many independent commentators believe are inherently sound have been widely attacked, with criticism of the detail washing over into criticism of the key fundamentals.

The concept of partnership is good, but incredibly difficult to achieve in practice. Just look at the intense lobbying between the three arms of the military when it comes to spending and cuts for example.

The idea that a generally left wing (in terms of its health politics, not necessarily its overall politics) medical and health lobby will work closely with a generally perceived right wing financial services sector is asking a lot.

Insurers too are distinctly lukewarm about going into the LTC insurance market again, while few in the protection area can be accused of being over-innovative in developing new ideas in recent years anyway.

That said, any business would be foolish to ignore such a potential as LTC funding seemingly offers. And, insurers can develop incrementally rather than by product and service revolution. Much of the expertise needed is already there. All that is really necessary now is for the Government to give a clear and unequivocal steer and to then work with all parties to ensure that what Dilnot envisages can actually come about. The real question now is—are they brave enough to do so and to do so now?

Healthcare costs up 50% in 5 yrs

Employee healthcare costs have risen by over 50% in the last five years, according to **Aon Hewitt's** latest *Benefits and Trends Survey* published in July.

The research involved 480 UK employers and found that 69% want to reduce costs, while 67% had experienced rising healthcare premiums. Nearly a third of employers planned to revise their healthcare benefits to cut costs.

The survey found that healthcare benefits are growing in importance among employers, with 34% saying promoting employee health is crucial for increasing wellbeing at work, 27% recognising healthcare benefits' role in retention, and 25% highlighting the significance of healthcare perks in recruitment.

Colin Bullen, UK head of health consulting at Aon Hewitt, said: "The main reason [employers] have a private medical insurance (PMI) arrangement is to help employees back to work in the shortest space of time. Employers are being battered by ongoing rising premiums, with costs going up regularly by 8% to 10%."

3m non-smokers smoke... a bit

Over three million British non-smokers admit to having the occasional cigarette, according to research for **Sainsbury's Life Insurance**.

Reasons given for being tempted to smoke were drinking alcohol (31%), to relieve stress (19%), tempted by smoking friends (13%), on holiday (12%), special occasions (e.g. Christmas, birthday—7%), they enjoyed the taste (4%) or they felt it didn't do them any harm (4%). The poll of 2,027 adults was carried out by **ICM** in April. Earlier research by Sainsbury's found that around 6.5m people had given up smoking more than 12 months ago and so could now be eligible to get non-smoker rates.

HCP contributors down in 2010

The number of health cash plan (HCP) contributors fell by 2.9% in 2010 to reach 2.65m at the start of 2011, analysts **Laing & Buisson** reported on 7 July. This follows falls of 5.4% in 2009 and 2.8% in 2008.

Market contraction in 2010 was solely due to demand in the individual/employee paid sector, which fell 5.3% to 2.21m. That was offset to some extent by a strong 11.2% growth in employer paid contributors, which grew to 0.45m. Spending on HCPs fell by 7.1% in real terms in 2010 and average premiums fell by just over 3% in real terms. Benefits paid were down by 8.2%, edging HCP claims margins to record highs.

In the dental benefits sector, the number of subscribers fell by 0.6% to 3.23m at the start of 2011 (following a fall of 2% in 2009). 81% of subscribers had a capitation plan, compared to 19% having dental insurance. Capitation numbers fell by 2.3% in 2010, compared to a rise of 7.3% of insurance subscribers. Spending on stand-alone dental cover reached £567m in 2010, with £488m spent on private capitation fees and £78.7m on dental insurance premiums.

Health Cover UK Market Report 2011 is available, price £835 (hard copy) or £1,195 for a PDF in addition from www.laingbuisson.co.uk.

1 in 7 over 50s rejected for travel insurance

One in seven over 50s (15%) and 16% of those 60 and over has been refused travel insurance because of a pre-existing illness or injury, according to **Lloyds TSB**.

It adds that one in ten aged 50 or over has had difficulty buying insurance due to their age, and that that rises to one in six of those aged 60 or over. In total, one in four people aged 50 or over claims to have had difficulties when buying insurance for their holiday.

Comment: *Travel insurance is a useful add-on alongside health insurance. It is relatively inexpensive for insurers to buy in bulk but has a high perceived value for customers. Despite that, it is rarely offered alongside PMI or health cash plans either as a built-in benefit or as an add-on at extra cost.*

AMII's new service standards

AMII (the **Association of Medical Insurance Intermediaries**) has published new *Benchmark Service Standards 2011*. These are based on members' views of what should be the minimum standard and include:

- For individual business, policy documents should be issued within seven working days, renewal documents issued six weeks prior to renewal and quotes for group leavers produced within three days.
- For group business, policy documents should be produced within seven working days, group renewal terms issued seven weeks prior to renewal and quotes produced within two working days.
- Brokers should have the opportunity to see a broker consultant at least twice a year and should have access to named contacts.

Archived Aviva claims revealed

The *Guardian* newspaper has revealed some unusual claims found in **Aviva's** archives. Interestingly, all illustrate the value of still having income protection insurance or perhaps personal accident cover today too:

- A Belfast salesman climbed onto the roof of a tram to watch someone else having an accident, hit his head on a pole and claimed £7 in 1904.
- An Essex merchant in 1892 managed to damage an eye by throwing rice at a wedding. He was awarded £50 from his policy.
- A Lancashire grocer slipped whilst playing blind man's bluff, claiming £15 in 1878.
- A Great Yarmouth ship-builder got a fishbone stuck in his throat in 1900. He received £1,000.
- An artist was blown over by a strong gust of wind in 1886 and was paid £30.
- In 1878, a Birmingham innkeeper accidentally swallowed poison, having mistaken it for a sleeping draught. He was awarded £1,000.
- A Glasgow man leapt out of bed to catch his wife, who was fainting, in 1895, and injured himself in the process. He received £42.
- A Dublin pharmacist slipped on the marble steps of a Turkish bath and received £33 in 1885.

Test-Achat only applies to new policies says Hoban

On 30 June, the Financial Secretary to the Treasury, Mark Hoban, published a Written Ministerial Announcement on the use of gender by insurers, following the Test-Achat case (see e-PR issue 132, Page 1).

In the announcement, the Government says it was 'very disappointed with the result, which it expects to have a negative impact on consumers. The judgement goes against the grain of the common sense approach to equality which the UK Government wants to see'.

It adds: 'The Government's view is that the judgement only applies to new contracts for insurance and related financial services entered into on or after 21 December 2012'. It added that any contracts with gender-sensitive pricing of premiums or benefits concluded ahead of 21 December 2012 can remain unchanged after that date.

The Government will now amend Schedule 3 of the *Equality Act 2010* by introducing a statutory instrument under section 2(2) of the *European Communities Act 1972*, early next year. A consultation document will be issued in the autumn. The European Commission has also said it will issue guidance on the interpretation of the judgement and its implementation, having rejected calls to amend the Gender Directive itself.

Claims needs to move up gears

Claims functions needs to move up 'several gears' according to a new report from claims guru Karin Lloyd and management consultancy **SelectX**. *Life and disability claims: strategies for a technology-enabled world* takes a strategic look at the claims process and at the way in which technology is transforming life for consumers and businesses.

The report builds on a survey of 120 insurers worldwide and concludes that smart application of technology can address many of the issues insurers currently face including costs, speed and quality of service, brand enhancement, regulatory compliance and the need for data.

SelectX director Susie Cour-Palais said: "Our report should be the impetus for new, innovative strategies that give real competitive advantage—and deliver real benefits to customers."

For more see www.selectx.com or www.karinlloyd.com.

Comment: *Claims is too often an almost forgotten element, when it should be at the forefront of presenting the brand. Some insurers are beginning to use technology to deliver significant benefits to their customers, but too many see claims as a cost centre rather than as part of their marketing mix.*

Sickness causes low morale

Sickness causes low morale in the workforce, according to new research from **Aviva**. It found that 22% of employees feel annoyed and overworked when colleagues are absent and 23% said it was no fun working for a company where colleagues go on long term sick leave.

With regard to being off work ill, 71% say they would be concerned about returning to work if it happened to them and 16% said they'd worry they wouldn't be

able to cope with their old responsibilities. And 11% feared they would become unwell again and go off sick again.

Over half (58%) worry whether they or their family would be able to survive financially if they went on long term sick leave and 21% would be concerned about paying their mortgage.

One fifth (20%) of employees had taken leave because of mental health problems and 24% due to musculoskeletal problems.

The study also found that 69% of employers say long term absence is an issue for them.

Defaqto's 5 point CI plan

Defaqto has published a five point plan to restore consumer confidence in critical illness (CI) cover. It suggests:

1. Position CI as a lifestyle protector, rather than simply a mortgage repayment vehicle.
2. Sell CI and income protection (IP) as a package to meet both types of need.
3. In the absence of IP, sell high sums insured for income generation.
4. Recommend CI based on the value of the cover, not simply the number of illnesses covered.
5. Sell health products that have health and wellbeing programmes to encourage people to live healthier lives.

Defaqto says that the value of a CI policy is not just about the number of illnesses covered and that claims are dominated by a small number of illnesses. On average cancer accounts for 60% of all CI claims and heart attacks for 10.2% (the relatively higher number of cancer claims is partly explained by underwriting having a greater effect on weeding out potential heart attack claims than potential cancer claims. Over time we would expect the proportion of heart attack claims to slowly rise).

A Defaqto survey of intermediaries found that 72% favoured better definitions over a higher number of definitions. Its product research confirmed the trend towards enhanced definitions ('ABI+') rather than simply adding new conditions.

Bigger employers expect to pick up the cost of health reforms

The UK's largest employers expect public health reforms to cost them considerable sums in the future, research by **London South Bank University** with wellbeing consultants **VieLife** has found.

Almost half of companies (47%) employing over 1,000 people predicted increased per-employee health benefits costs, compared to just 4% expecting to pay less.

58% of firms believed UK employers are already bearing much of the economic cost of ill health costs, chronic disease and incapacity, while 49% believe many of the UK's workforce problems are attributable to generally worsening public health.

The most likely new costs were the introduction of health and wellness programmes that allow employees to manage their own health improvement. But half of respondents feared the emergence of a 'workplace lottery' of health provision. VieLife says it has delivered a ROI (return on investment) of £6 for every £1 spent by employers.

News briefs:

- Following successful pilots, **Protection Review's** generic training programme goes live in September, with the first sessions to be held at **Swiss Re's** iconic building in London. The sessions are already proving very popular but see www.protectionreview.co.uk for more.

- The **ABI, SOLLA, Age UK**, the **Joseph Rowntree Foundation, Counsel and Care** and others wrote a joint letter to the Government in June warning that failure to act on the **Dilnot Commission** would be 'catastrophic'. They argued that a 'sustainable, fair., resilient and affordable system for the long term' is necessary.

- On 19 June the **Sunday Times** published an article warning that schemes that promise to place assets, including a home, into trust so that local authorities cannot take them into account when assessing ability to afford care 'could prove useless'. Typically such schemes cost £3,000-4,000 to set up and are offered by trust and will writing companies. They aim to get round the 'deprivation of assets' rule but could fail if the customer took the action so as to avoid the effects of the rule.

- **Co-operative Financial Services** is cutting 670 field based adviser jobs as it pulls out of offering financial advice and is in talks to sell its life insurance arm to **Royal London**. Other branch based sales staff are transferring to **Axa Wealth**.

- **Treatment Abroad** has produced *Your Rights to Treatment in Europe—a UK patient's guide to the European Directive on Cross Border Healthcare*. The guide can be downloaded from www.treatmentabroad.com.

- **Defaqto** has launched DefaqtoMatrix, a web-based product research application that also records how products have changed over time, with access to historical data. Competitor intelligence is the key to standing out in the financial services market, it says.

- Private patients are being bribed by cash payments from PMI insurers up to £8,000 to have NHS treatment instead the *Sunday Times* reported on 26 June.

- Holloway income protection plans must be assessed at least annually and have a projected maturity value 20% or less of accumulated premiums in order to be exempt from RDR rules, the **FSA** has decided (Quarterly Consultation 29). That's one way to ensure such plans don't become too popular... Why not simply limit the projected return to 100% of premiums paid? That hardly makes it an 'investment', but may encourage product design that looks to reward the majority of people who never claim (a high proportion of whom never take out IP).

- **Scottish Provident** has withdrawn its two year commission earnings period and now just offers a four year earning period, which means commission will be clawed back if the policy is switched or stopped in its first four years. Sister company **Bright Grey** is continuing with both two and four year earnings periods.

- Employee benefits and consultancy firm **Lorica** has reported a 24% increase in its turnover last year and has increased its headcount by 7% over the past two years. It currently employs 134 people.

- **AMII's** new service standards (see Page 4) were launched at its annual conference in June. At the launch, **Groupama Healthcare** was voted best service provider.

AMII has also launched AMII Medical Travel, specifically for people with pre-existing medical conditions. The plan is underwritten by **All Clear Insurance Services**.

- A new online guide to health insurance has been launched at www.healthinsurance.org.uk. It includes product profiles on over 300 PMI, IPMI, HCP and dental plans and company profiles on over 100 providers. There is also a facility to request quotations, but no recommendations or advice are given. The site has been launched by health information publisher **Intuition Communication**.

- **BHSF** is entering the flexible benefits market in the autumn with a product (FlexSme) aimed at the SME to mid-corporate market. It will include core benefits, BHSF's own voluntary benefits and eight slots for flexed benefits.

- **Royal London**, the UK's largest mutual life office has completed its acquisition of **Royal Liver**. Royal London 360° has introduced a new split trust for its whole life international plan LifePlan and scrapped the 1.5% surcharge on premiums paid by credit card.

- **Simplyhealth** is offering two months free on health cash plans bought online this summer.

- **Aviva** says 95% of its underwriting decisions are now made within eight hours thanks to tele-underwriting. It also says it paid 99.6% of its life and 94.7% of its critical illness cover claims in 2010.

- **Now Health International** claims it is the first IPMI provider to offer instant online help to customers to help steer them towards the right policy.

- **Aviva** has revamped its People and Places group personal accident, sickness and business travel policy to widen cover to include closure of airspace, kidnap and ransom cover, nuclear, chemical and biological cover and war cover outside country of domicile.

- **ALC Health** has increased benefits under its Prima Premier and Prima Classic/Ibérica plans.

- **Engage Mutual** has enhanced its Guaranteed 50 Plus Life Cover plan, following feedback from intermediaries. Max cover is now £40K, premiums range from £10 to £75 a month and accidental death benefit is raised to £48K. Also included is access to LTC advice and a no cost funeral funding option with **The Co-operative Funeralcare** which pays £250 towards funeral costs.

- **AXA PPP International** has added cover for chronic conditions and prostheses to its International Health Plan Comprehensive and Prestige options.

- **BGL Group** has launched Budget Life Insurance, a term policy available to customers buying general insurance. It is underwritten by **Ageas Protect**.

- **Bupa** is reviewing all patients referred for arthroscopic knee surgery to ensure clinical best practice. The practice has been criticised by surgeons but been approved by the **General Medical Council**.

- **Bright Grey** has reduced reviewable premium rates on its life insurance and critical illness plans.

- The lucky winner of a **Montblanc Meisterstück** 149 pen in the Protection Review/PFS draw this year was Rosemary Hunter of **Positive Solutions** in Edinburgh. Well done Rosemary. The winner is chosen at random by the PFS's computer from all PFS members who completed the survey questionnaire. Talking of research, more in-depth analysis of all Protection Review surveys is always available. Just contact us to let us know your requirements.

Pick of the month

This month's reviews include some good innovative thinking—always something we like to see. First, AMII chairman Andrew Tripp's company, Perfect Health introduces an interesting variant on HCPs, which includes a fixed element of sickness and accident cover.

Then Aviva's IPMI plan adds 24/7 access to doctors among other changes.

But our pick of the month is Freedom Healthnet, which offers customers the ability to switch between UK and international PMI solutions, underwriting free.

Aviva International Solutions

Aviva's International Solutions international private medical insurance plans are available to individuals or to groups. And have now been updated. Changes include:

- Customers now get access to **StandbyMD**. This is an exclusive arrangement that gives access to a physician offering medical support and advice at any time of the day or night. Telephone access is 24/7, and face-to-face consultations or home visits can be arranged within two hours (one hour in the USA). A brochure explains the service.
- A new US network has been added. This is managed by **Olympus Managed Healthcare**, which handles over 125,000 claims a year.
- The overall plan benefit limit has been raised from £1.5m to £5m (or €5.5m or \$7.5m).
- Newborn lifetime cover of £20,000 for 112 days has been increased to £100,000 for 112 days.
- Routine chronic cover annual benefit limit has been increased from £7,500 to £15,000.
- The medical practitioner annual limit has been increased from £1,500 to £2,500.
- The drugs and dressings limit has been increased from £500 to £1,500.
- A new option to remove the mandatory per claim excess on individual policies has been introduced.
- The optional maternity benefit has been increased from £7,500 to £10,000.
- Under the reduced out-patient option, the annual limit has been increased from £1,000 to £2,500.
- A new repatriation benefit has been introduced on the compassionate travel option.
- Both dental and optical benefits have been increased, as have out-patient options.
- Exclusions have been made clearer, with new exclusions added (such as for professional sports).

The plan offers a choice of UK sterling, US \$ or € denominations and a range of excess options. As well as the core cover the plan provides, customers can also choose to add benefits and/or to reduce cover/cost in order to tailor the plan to their needs and budget.

Plus points: A whole bunch of new improvements and higher limits add to an already established plan. The Standby MD service in particular offers practical help whenever it is needed, at short notice (particularly important when living or working abroad).

Not so plus points: Some financial and other cover limits. Having six geographic regions can make price comparisons complex, but it also can mean more competitive (or higher) pricing in some territories relative to competitors' plans. Standard £25 out-patient excess per policy member.

Contact: 0800 015 5255 or www.aviva.co.uk.

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

Freedom Healthnet Elite and Worldwide

Freedom Healthnet has taken the unusual step of marketing two separate products as part of the same package, with customers able to switch between them as needs dictate. Although the plans are separate, the link is that Worldwide is an international private medical insurance policy designed to appeal to expatriates, while Elite is a UK PMI policy

Worldwide offers three areas of cover (Europe, Worldwide excluding USA and Worldwide) and five cover levels. The maximum annual benefit varies from 500,000 (the same amount in £, US \$ or € Euros) for Bronze cover up to 2m for Diamond cover. Unusually, therefore, financial limits and premiums are the same for each currency.

Most benefits are full refund, although some have annual limits. Psychiatric treatment has an initial ten month waiting period and limits in-patient treatment to 28 days a year and is only full refund on Diamond plans. Other levels have financial limits (e.g. 10,000 currency units for the second top plan, Platinum, or no cover at all under the entry level Bronze plan). Bronze also only covers out-patient treatment if it follows an in-patient surgical procedure.

Depending on the level of cover chosen, plans can also include dental benefits, repatriation benefits, maternity, accidental death and emergency medical cover outside of area. The maximum benefit for chronic conditions is 50,000 currency units.

Customers have a choice of 2/2/2 rolling moratorium, full medical underwriting, CPME and continued moratorium, and medical history disregarded underwriting options. A choice of excess is available (from 50 currency units per person per annum, giving a 5% premium reduction, up to 5,000 units, giving a 40% premium reduction).

The UK based Elite plan has a core offering with optional add-ons for out-patient cover; alternative therapies; psychiatric care; private GP, dental and optical; executive benefits (e.g. wellbeing, maternity cash and London premier hospitals) and also offers a choice of excesses and underwriting options.

Plus points: Being able to switch seamlessly between UK and international PMI is a good concept, meaning the plan could appeal to those whose career could include spells in the UK and elsewhere.

Not so plus points: In practical terms each plan offers different benefits that do not always match (in some cases, of course, they do not need to). But customers can always choose to keep their Worldwide plan and so have an IPMI plan that can also still be used in the UK. Having the same benefit financial limits for each of the currencies is interesting but means that a sterling denominated plan will offer the highest benefit levels, albeit with the highest premiums too. Conversely a US \$ denominated plan currently offers the lowest benefits

and premiums (although the relative positions will change as currency exchange rates fluctuate).

Contact: 0800 999 2013 or www.freedomhealthnet.com.

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

Perfect Health Cash Plan Plus

Perfect Health is a specialist independent broker based in Hatfield, Herts. This plan is arranged by **Compass Underwriting** and underwritten by **UK General Insurance (Ireland) Limited**. Perfect Health is marketing this health cash plan to other intermediaries, effectively creating a choice to the more traditional insurer model.

The plan offers a choice of four cover levels (Level 1, Level 2, Level 2 Plus and Level 2 Plus Plus). The top two include a short term 'income protection' benefit (short term accident and sickness rather than long term IP). Plans are available both to individuals and to SME businesses.

The plan's main features (we have illustrated them based on the top of the range Level 2 Plus Plus plan) include maximum annual benefits of:

- Income protection: A fixed £1,500 a month payable for up to six months. There is a 30 day deferred period and no income assessment.
- Dental treatment: 100% up to £150.
- Dental emergency. £750 (max 2 incidents).
- Dental accident. Up to £2,500 per dental incident; max £10,000 a year.
- Optical treatment. 100% up to £150.
- Physiotherapy, osteopathy, chiropractic, acupuncture, homeopathy, chiropody and podiatry. 75% up to £300.
- Specialist consultations. 75% up to £400.
- Up to four prescription charges a year.
- GP services. 75% up to £150.
- Hospital in-patient. £65 a night up to 20 nights. A minimum stay of four nights applies.
- Parental hospital stay. £25 per day/night.
- Post hospital recovery bonus. £400 (payable after seven consecutive nights).
- Childbirth benefit. £200 per child.
- Health check/screening. 75% up to £200.
- European cover. Up to 28 days.
- NHS car parking. Up to £45 a day.

The plan also includes a 24/7 health and medical information and counselling helpline. The plan is available to UK residents aged 18-60 at inception.

Lower levels of plan can have lower reimbursement levels e.g. 50% for dental and optical on Level 1 plans.

Premiums cost from £16.50 a month for Level 1 up to from £49.20 a month for Level 2 Plus Plus plans.

An initial qualifying period applies to some benefits e.g. 120 days for optical and dental and 90 days for alternative therapies.

Plus points: *It is good to see intermediaries marketing new solutions they have developed through other intermediaries. So, full marks to Perfect Health's Andrew Tripp (who is also AMII's chairman and will already be well known to many in the PMII/HCP sector). Adding a short term income benefit could be*

useful (especially if dovetailed with long term IP with a six month deferred period). The HCP benefits are fairly comprehensive, with benefits such as NHS car parking doubtless proving popular with NHS patients in England especially.

Not so plus points: *Some co-payments and initial qualifying periods. The per night hospital benefit also kicks in only after four nights—meaning that no benefit will be paid for many hospital stays. The NHS parking benefit will also be less valuable in those parts of the UK where NHS car parking charges do not apply.*

We don't like short term sickness and accident cover being called 'income protection' (a term we'd prefer restricted to long term IP cover only), although we accept that this is not the only case where that happens. The benefit is also fixed, relatively low and does not include an unemployment option.

The terms and conditions refer to claimants having to be unable to 'attend' work to claim the IP benefit. We have queried this wording (someone who can attend work may not necessarily be able to do their normal work) and have been assured that it is not intended to create an additional hurdle for claimants. Nevertheless we would like to see the wording clarified.

Contact: 01707 266 051 or www.perfecthealthinsurance.co.uk.

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

Literature review: Defaqto guide to critical illness cover

Analyst **Defaqto** has produced a 62 page guide to critical illness (CI) cover, which advisers can download from its website for free.

The guide includes a range of useful information about current CI plans. For example, it notes that the average number of conditions covered has risen from a low of 26 in February 2006 to 36 in May 2011. Some 30 life offices currently offer CI (through 56 product offerings), of which 16 are direct only, six are IFA only and eight offer via both channels. Over the past year there have been four new products launched and 11 enhancements to existing plans.

There are some inaccuracies—the guide says that CI was introduced to the UK in the 1990s (it was 1985) and that claimants must be alive to claim (they only have to be alive at the point a claim can be made).

One useful section is the guide to illnesses covered. Prevalence data is given, together with the average percentage of all CI claims made up by that condition. Such data needs to be used with care—incidence is arguably more important than prevalence, although having both is better as it enables rough life expectancy data to be derived. The guide also points out that much of the prevalence data is not age-related (a significant factor as incidence often rises with age and is often highest in age groups that do not take out CI cover).

The guide refers to **ABI** model definitions although does not include them (they can be downloaded from the ABI's website and would just make the guide even longer).

The last part of the guide includes who covers what and some detail on each office's products.

All in all, this is a useful publication for both experienced advisers and those not familiar with CI. It will not tell an adviser everything they need to know about CI, but it is a useful guide to what can be a very complex product. See www.defaqto.com/adviser for more.

Southern Cross shuts down

Care home company, **Southern Cross** has shut down, the *Times* reported on 12 July. The landlords of 250 of its 752 homes have agreed to take them back and run them themselves but, for the remainder, landlords are still in negotiation and it could be several months before homes are transferred to new operators. There are concerns that some of the smaller landlords are equity firms or property developers with no experience in care and that they would not pass the registration tests to allow them to operate.

Some of the group's 31,000 residents may have to move to another care home as a result of the closure. Southern Cross itself had planned to close 50 homes they had viewed as 'not fit for purpose'.

Chief Executive, Jamie Buchan said all residents would remain in their care homes during the transition period. Where needed, councils, who have a duty of care, would be expected to step in to manage homes and, if residents were required to move to a new home, ensure transfers of residents were handled carefully.

Blood pressure's four life phases

Researchers have identified four distinct phases in the rise and fall of blood pressure from puberty to old age *BMJ* 2011; 342: d3826 reported on 22 June.

Systolic blood pressure increases rapidly around puberty, then rises steadily to midlife, when a further acceleration takes place, peaking at an increase of 1.5mm Hg a year. The pace of change slows again between 55 and 65 and sooner or later, depending on the cohort, blood pressure begins to fall. Men and women have different trajectories. In late middle age, women's systolic blood pressure rises more steeply than men's, possibly due to an increasing sensitivity to salt associated with the menopause.

A cohort of London civil servants had consistently lower blood pressure with a consistently lower midlife acceleration than other population based cohorts studied, possibly as a result of healthier lifestyles associated with affluence and employment.

It's not just food that contributes to weight gain over time

Healthy adults with a normal body mass index get fatter over time a study of 120,877 healthcare professionals over time has found. On average they put on almost a pound (0.45kg) a year.

Changes in diet and weight show significant weight gains from extra servings of the usual culprits; chips, crisps, sugary drinks, refined grains, saturated fats and alcohol.

Fruit, vegetables, nuts and yoghurt were associated with a small weight loss. Both men and women who took less exercise or watched more television over time got fatter than those who did the reverse as did those who had too little (less than six hours) sleep or too much sleep (more than eight hours). Many dietary and lifestyle factors have an impact on weight and the current emphasis on fats, energy dense foods and added sugar does not encompass every factor in weight gain say the study's authors. See: *New England Journal of Medicine* 2011; 364: 2392-404.

CT screening for lung cancer: promising but with reservations

US research, begun in 2002, has found in a trial that compared low dose computed tomography (CT) with chest radiography for lung cancer screening among high risk adults, that CT shows a clear mortality advantage (relative reduction 20% (95% CI 6.8% to 26.7%) for lung cancer mortality and 6.7% (1.2% to 13.6%) for all-cause mortality, *BMJ* 2011; 342: d4220 reported on 6 July. US authorities are considering whether to commission screening on a larger scale, but the researchers argue it is better to wait for more information on over-diagnosis, harms and costs.

Suicide rate rise economic link

Across Europe there has been an increase in suicide rates since the economic downturn in 2008, with countries such as Greece and Ireland, which were economically hardest hit, seeing the biggest increases in suicides (17% and 13% respectively) between 2007 and 2009, according to an analysis reported in *Lancet* 2011; 378: 124-5.

Among the ten countries in the study, only Austria bucked the trend with a 5% fall in suicide rates, possibly, say the authors, because of a strong social safety net. Unemployment rose sharply and in 2009 the authors predicted a rise in suicides and also a fall in road traffic accidents as fewer people could keep a car on the road.

Social status and blood pressure

A Swedish study has found that, overall, low socioeconomic status was associated with a 42% increased risk of high blood pressure. But compared with those who stayed on the lower rungs of the social ladder over two generations, the upwardly mobile had a 20% reduction in their risk of high blood pressure. See: <http://press.psprings.co.uk/jech130567.pdf>.

Obesity and premature death

A Scottish 28 year cohort study has found that obesity is an important contributor to premature death in women who have never smoked, especially in low income groups. Smoking is still a much stronger risk factor for mortality, but a decline in smoking rates in recent decades may have contributed to the increase in overweight and obesity. Women who have never smoked and are not obese have relatively low mortality rates regardless of their social position. See: www.bmj.com/cgi/doi/10.1136/bmj.d3785.

Allergies may ward off cancer

Contact allergies with common substances such as metals and chemicals may help prime the immune system to ward off certain cancers a study of 17,000 Danish adults with allergies between 1994 and 2008 claims.

The study found significantly lower rates of breast and non-melanoma skin cancers in both sexes and lower rates of brain cancer among women, but higher rates of bladder cancer due to chemical metabolites in the blood.

See <http://press.psprings.co.uk/open/july/bmjopen84.pdf>.

Medical briefs:

- Two UK trials of 472 and 512 eligible men who were incontinent following radical prostatectomy for cancer for the first group and transurethral resection for benign disease for the second group have found that pelvic floor exercises failed to improve incontinence after surgery. See: *BMJ* 2011; 342: d4338.

- US researchers say there is no evidence that botulinum toxin (botox) injections reduce chronic neck pain or associated headaches, according to the *Cochrane Database of Systematic Reviews* (2011) 7.

- A trial of two massage techniques for chronic lower back pain, one focused on relaxation and the other on structural techniques has found small but significant improvements in symptoms and function after ten weeks of treatment, *BMJ* 2011; 342: d4338 reported on 13 July.

- Danish researchers claim giving vitamin D3 to care home residents may boost survival rates by reducing the risk of falls and fractures. 50 trials of 94,918 older people (79% women) found vitamin D3 reduced mortality by about 6%, *Nursing Times* reported on 12 July.

- According to *JAMA* 2011; 306:53-61, more than half of US percutaneous coronary interventions (PCIs) each year, done for non-acute indications as opposed to acute indications such as heart attack, may be inappropriate. The proportion of non-acute PCIs that were inappropriate varied from none to 55% among hospitals.

- Chromosomes have nucleoprotein caps called telomeres and research on 787 Italian adults reported in *JAMA* 2011; 306: 42-4, has found that those with the shortest telomeres were three times more likely to die from cancer than those with the longest telomeres. Telomeres tend to shorten with age, a process that is linked to increasing risk of cancer and death.

- New analysis from a well-established cohort of US nurses suggests that around 80% of sudden cardiac deaths among women are attributable to poor diet, smoking, lack of exercise and failure to maintain a normal body weight, *BMJ* 2011; 343: d4220 reported on 6 July. The 8% who managed all four components for a healthy lifestyle had a 92% lower risk of sudden cardiac death than the 3% who managed none.

- **Bupa Cromwell Hospital** has announced that it has installed a Discovery CT750, the most advanced high definition CT scanner, which takes seconds to produce large area coverage scans for the brain or body, virtual colonoscopy, 3D bone and tissue reformatting and high resolution cardiac imaging.

- Adults with chronic inflammatory disease have an increased risk of type 2 diabetes, but researchers who studied 13,905 adults starting treatment for either rheumatoid arthritis or psoriasis believe there may be a link between the treatments TNF inhibitors or hydrochloroquine and a lower risk of diabetes. See: *JAMA* 2011; 305: 2525-31.

- Diabetic kidney disease is increasing at the same rate as diabetes in the US despite the more widespread use of drugs. *JAMA* 2011; 305: 2532-9 reports that around a third of diabetics have the disease, which is the leading cause of end stage renal failure with obvious implications for mortality and health care costs. Five year survival for adults with end stage renal disease is less than 40%.

- Blood pressure readings fluctuate and doctors know treatments should be based on averages from a series of readings, but repeat visits to the doctor can be inconvenient. An article in the *Annals of Internal Medicine* 2011; 154: 781-8 suggests using monitors at home and that patients can be 80% certain of their true systolic blood pressure after five readings at home.

- A *Nursing Times* survey (21 June) which asked if the difficulties experienced by **Southern Cross** made them (the readership) more wary of working for a private company, found 29% said 'No' and 71% responded 'Yes'.

- A new facility to tackle a range of sleep-related problems has been opened in London's Harley Street. The **BOC Sleep Centre** aims to be a centre of excellence and medical director is professor Gaby Badre, a consultant in sleep medicine and clinical neurosciences. See www.bocsleepcentre.co.uk.

- **Southern Cross** landlord **NHP** has agreed to take on the running of 249 of the troubles group's care homes, in partnership with **Court Cavendish**. Existing staff and residents are likely to continue at the homes.

- Figures from the **British Heart Foundation** show annual statin prescriptions in England soared from 295,000 to 52m between 1981 and 2008. Around seven million people in the UK are now taking prescribed statins, and more are buying low dose statins over the counter. Michael Knapton, associate medical director of the British Heart Foundation said that that about one in three people aged over 45 are on statins. Statin prescribing costs the NHS more than £800m a year in England.

- The Government has called for evidence as part of its consideration of the integration of the income tax and National Insurance contributions systems. For details see www.hm-treasury.gov.uk/consult_income_tax_national_insurance_contributions.htm.

What is SHIP?

SHIP—Safe Home Income Plans—is the trade body for equity release providers. Equity release (lifetime mortgages and home reversion schemes) is often used to help fund long term care fees and the Dilnot Commission's report could see a big increase in such schemes, as well as in insurance schemes (and equity release could also be used to fund the latter).

SHIP was launched in 1991 in response to a growing need for consumer protection following problems with some schemes in the 1980s (although early schemes—the first being launched in the UK as long ago as 1965—avoided the consumer detriment inherent in some later schemes). SHIP represents the majority of the equity release market in terms of volume and its members include the leading providers of lifetime mortgages and home reversion plans. There is a code of conduct which members must follow and that includes a no negative equity guarantee as well as considerable consumer safeguards. SHIP also aims to increase education, awareness and understanding of the safeguards in place and of how equity release works and produces valuable guides and industry data.

SHIP is based in London and its director general is Andrea Rozario. The website is at www.ship-ltd.org.

Can we afford the NHS in future?

By 2030: "If things carry on unchanged, this would mean real terms health spending more than doubling to £230bn", Health Secretary, Andrew Lansley, talking about the NHS in England, told the *Daily Telegraph* back in June, adding that this was something we could not afford.

Not necessarily, says John Appleby, chief economist at the **King's Fund** (*BMJ* 2011: 343: d4321).

Professor Appleby's argument is that if the NHS in England were currently consuming £230bn this would amount to 18% of GDP being spent on health, whereas the actual figure is 8.5%. Over the next 20 years the economy is likely to grow and the UK forecast is for the economy to expand by nearly 30% between 2011 and 2015. It is not unreasonable to expect such economic expansion to continue such that GDP (at today's prices) will rise from £1.5tr a year to £2.5tr by 2030.

If England's share of this remains the same (84%), then £230bn as a proportion of GDP in 2030 will be 10.9%. The highest EU healthcare spend in 2009 was the Netherlands, at 12% of GDP. Professor Appleby suggests the question will not be can we afford such spending on health but whether we wish to at the expense of other areas such as education, food and housing.

NHS financial crisis 'worst ever'

An **NHS Confederation** survey published on 6 July shows NHS managers fear patient access, including availability of care and waiting times, will worsen over the coming year with over 90% saying the NHS financial situation was 'the worst they had ever faced', *BMJ* 2011; 342: d4327 reported on 11 July. When asked what would help most to overcome external barriers and difficulties, 68% named certainty over NHS reforms, 53% stronger partnership with local government and 32% strong political support at local level. Only 15% named increasing clinical involvement in leadership and management as a top action to take.

New advice on fitness levels

New fitness advice and guidelines were announced by the UK's four Chief Medical Officers on 11 July. The two and a half hours of moderate to vigorous physical activity recommended for adults can be split into sessions of ten minutes (or 30 minutes five times a week) and adults should aim to be active every day. There is greater emphasis on vigorous exercise and muscle strengthening through activities such as heavy gardening, group sports and swimming.

Recommended physical activity levels for under-fives are three hours a day and 60 minutes up to several hours a day for 5-18 year olds with for three days a week vigorous activities that strengthen muscle and bone.

100,000 nurses to go warns RCN

Up to 100,000 nursing posts could go in the NHS over the next decade, according to research commissioned by the **Royal College of Nursing (RCN)**.

The existing workforce of 352,000 qualified nurses, midwives and health visitors could fall by 28% to 253,088 in

a worst case scenario. Even a best case scenario would see numbers fall 12.2% to 309,297.

According to the report *A Decisive Decade*, the cuts are likely due to a combination of spiralling cuts to posts, falling student places and a retirement hike. The report's lead author, James Buchan, professor of health sciences at Edinburgh's **Queen Margaret University** said that the outcome would depend on the decisions made now by policy makers about training numbers and retention.

Hospital RTT waiting times up

The median Referral to Treatment (RTT) wait for NHS hospital admission in England rose from 7.7 weeks in April to 8.4 weeks in May according to a **Department of Health** Statistical Press Notice released on 22 July 2011. For non-admitted patients the median wait rose from 3.7 weeks in April to 4.4 weeks in May. The 95th percentile time wait for patients entering an RTT pathway rose from 22.9 weeks to 23.6 weeks for admitted patients and from 14.7 weeks to 15.2 weeks for non-admitted patients.

Despite the increases, the number of patients meeting the 18 week target rose, from 90.5% to 90.8%.

Both unemployment measures up

Unemployment in the three month period March to May rose from 2.430m to 2.452m, according to the latest *Labour market statistics*, released by the **ONS** on 13 July.

During the same period, employment rose from 29.239m to 29.279m. This means that the *e-Protection Review Employment Index*, which is a proxy for the growth in size of the main health and protection insurance markets since 2000, rose from 107.528 to 107.675. 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 to over 1.5m again, up from 1.4927m in May to 1.5201m in June. The latest unemployment rate is now 7.7%, or 4.7% for JSA claimants. Earnings in the three month period to end May (including bonuses) rose from 1.8% to 2.3% higher than a year before.

On 12 July the ONS announced that in June the Retail Prices Index (RPI) fell from 5.2% to 5.0% compared to a year before, while the Government's preferred Consumer Prices Index (CPI) fell from 4.5% to 4.2%. This compares to an annual inflation target of 2.0%.

Safe drinking limits for over 65s should be lowered

In a report, *Our Invisible Addicts*, the **Royal College of Psychiatrists** has recommended that Government guidelines on the safe limits for drinking for people aged over 65 be lowered to 1.5 units a day for men and 1 unit a day for women, *BMJ* 2011; 342: d3950 reported on 21 June.

Psychological and metabolic changes associated with ageing mean the current safe limits are too high for elderly people. Binge drinking in this age group should be defined as more than 4.5 units in a single session for men and more than 3 units for women.

Care home fee uplift again fails to match increased costs

Community Care Market News' Annual Survey of UK Local Authority Baseline Fee Rates has found the majority of local authorities across England have frozen or reduced the amount they will pay for care home placements. Wales and Scotland fare slightly better, with some authorities boosting the amount they pay and this move has resulted in an average UK fee uplift for 2011/12 of just 0.3%. The Survey costs £80 from **Laing & Buisson** on 020 7833 9123.

As a result many elderly people will be forced to pay more for help with eating and dressing as local authorities reduce funding on old age care by an average of 8.4% by next March, the *Times* reported on 27 June.

Age UK found net expenditure on older people's social care is falling by £610m (from £872 in 2009-10 and £864 in 2010-11 to £791 per person per year). 27 councils are giving fewer hours of help, 25 are reducing care home placements and about 76 are freezing or cutting what they pay for residential homes for older people with older people or their families having to fund the shortfall.

NHS complaints data published

The Ombudsman's *Annual Report 2010-11* on complaints about Government departments, agencies and the NHS shows most complaints were received about acute trusts: 6,924 (6,304 in 2009-10), primary care trusts: 2,714 (2,411 in 2009-10) and GPs: 2,581 (2,419 in 2009-10).

In 2010-11 the Ombudsman's Office made 902 recommendations for remedy, including 257 recommendations for financial remedy totalling £780,201.72. It reported on 319 investigations into complaints about the NHS and upheld in full or in part 79% of complaints about health bodies. The number of NHS complaints investigated was:

- 177 for hospital, specialist and teaching trusts.
- 66 for GPs.
- 54 for primary care trusts.
- 22 for general dental practitioners.
- 20 for mental health, social care and learning disability trusts.

Political briefs:

- In June 2011 the number of reported breaches of the Government's pledge to end NHS hospital mixed sex accommodation was 1,933 (down 4% from May's figure of 2,011 and a fall of 84% since December 2010, when monthly collection of the data started) the **Department of Health** reported on 21 July. Hospitals can now be fined £250 for every breach (prior to June 2010 hospitals faced potential fines based on the cost of the patient's treatment, but in practice such fines were rarely if ever charged).

- Thinktank **IPPR** (the **Institute for Public Policy Research**) has published *Home Care in London*, a 42 page report arguing for more joined-up thinking between Government departments to encourage more home-based care for elderly people. See www.ippr.org.

- In 2008, there were 708,711 live births in England and Wales, according to *Live births, stillbirths and infant*

deaths: babies born in 2008 in England and Wales, an **ONS** statistical bulletin released on 5 July. Of those, 3,282 died before their first birthday, giving an infant mortality rate of 4.6 deaths per 1,000 live births. Highest mortality was for babies weighing below 1,000 grams, with 330.0 deaths for singletons and 366.5 for multiple births per 1,000 births.

- State spending on health is expected to rise from 8.2% of GDP (gross domestic product) in 2010/11 to 9.8% by 2060/61, according to the **Office of Budget Responsibility (OBR)** *Fiscal Sustainability Report*, published in July. Long term care spending is set to rise from 1.3% to 2.0% of GDP and total age-related spending up from 24.6% to 27.3%. Overall, Government spending is expected to fall from 44.2% of GDP to 41.7%, after falling to as low as 36.3% in 2015/16.

- The **Treasury Select Committee's Retail Distribution Review** report has warned that the **FSA's RDR** will push a disproportionate number of older IFAs out of the market. The Committee also called upon the FSA to delay implementation of the RDR by a year—a call which the FSA has rejected.

- When asked if they would be prepared to strike to protect their pension, 22% of nurses voted 'No' and 78% voted 'Yes' in a *Nursing Times* survey (5 June).

- In a press release on 28 June, the **Medical Defence Union** said that doctors who are open and honest with patients when something goes wrong should not be made scapegoats for system failures.

- A *Nursing Times* poll (28 June) showed 100% 'No' response when nurses were asked if the changes to the health bill go far enough to safeguard the NHS.

- Researchers from the **Newcastle, Warwick and Queen Mary, University of London** have found that the number of patients compulsorily detained in hospitals for mental illness in England over the last 21 years has risen sharply, at the same time as the number of mental illness beds has been cut back. Admissions between 1988 and 2008 rose 64% while provision of mental illness beds fell 62%. See: <http://www.bmj.com/cgi/doi/10.1136/bmj.d3736>.

- When asked if staffing levels have been cut in their workplace in the past year, 93% of nurses responding to a *Nursing Times* poll (12 July) said 'Yes' and 7% 'No'.

- The loss of Scottish nursing posts is accelerating, *Nursing Times* reported on 5 July. 700 posts in nursing and midwifery have been lost between October 2010 and April 2011 compared to 550 posts lost in the first nine months of 2010. In the year to April 2011 48% fewer agency staff were used and 13% fewer bank nursing staff.

- Glasgow research reported in the *Journal of the American Medical Association* (2011) 305: 2556-2564, shows that intensive statin therapy is linked with a slightly increased risk of new-onset diabetes when compared with moderate dose statin therapy. During trials 8.8% of patients on an 80mg daily dose developed diabetes compared with 8% of those given a 40mg dose.

- A Danish study of homeless adults between 1999 and 2009 (mean age under 40) has shown young homeless men could expect to die 22 years before their peers who were not registered homeless. The figure for young homeless women was 17 years, *BMJ* 2011; 342.d3826 reported on 22 June.

It won't happen to me

CWC Research has produced a new protection research study based on qualitative research among intermediaries. We look at the implications of its findings.

Protection business will form a key component of adviser firms' cashflows post-RDR (the **FSA's** Retail Distribution Review), according to a new adviser research study from **CWC Research**.

The qualitative analysis involved interviews with 100 intermediaries of all types including IFAs (independent financial advisers), tied advisers, mortgage brokers and bancassurers. Of those, 17 were CEOs or immediate reports of the largest IFA firms. The views of industry experts and regulators were also taken into account in the study. Among the key findings were:

1. Although the perceived wisdom is that the abolition of commission (on investment products, one of the key changes being introduced as part of the RDR) will benefit IFAs, every piece of serious research ever conducted on the issue of fees vs. commission suggests that few consumers will pay and very few will pay enough to give advisers a viable business.
2. CWC believes that most advisers (more than 50%) will in future adopt restricted status, enabling them to market particular providers' products only.
3. Advisers are split as to whether they believe protection will be key to their survival post-RDR. 35% fully agreed that it would, 35% partially agreed and 29% disagreed.
4. Current protection product distribution is ineffective. Past misselling brought about the death of endowment house purchase and personal pensions business, forcing advisers into investment-related and pre and post retirement planning for Baby Boomers, whilst ignoring the younger population who have a need for protection.

The research also found a disconnect between insurers (who would prefer online or phone applications) and advisers who prefer face-to-face customer contact and paper applications—even going forward.

CWC managing director Clive Waller said that the current application process is not fit for purpose when launching the research at **Swiss Re's** Gherkin offices in London on 14 July. He claimed that half of applications are completed on paper and then transposed to electronic systems, an inefficient and inaccurate process hardly changed from the levels seen four years ago.

One issue is that application forms (which can run to more than 30 pages) are not user friendly. Only 40% agreed that CI applications forms were OK for the layperson to complete, while 55% said they were not.

CI's prominence confirmed

The study also looked at products and its findings support the view that adviser networks tend to focus on critical illness insurance (CI) rather than income protection (IP).

Clive Waller (who is also co-chairman of the **Income Protection Task Force**, with Protection Review co-chairman Peter Le Beau) is a keen advocate of IP and when senior respondents were asked whether they would

give greater prominence to IP post-RDR, 59% fully agreed that they would. However, 12% only partially agreed and 29% disagreed.

When asked why they sold more CI than IP, responses included that it was easier to sell with mortgages; clients preferred it; it was easier to understand; it was easier to sell; lump sums better related to outstanding debts; easier to explain; CI is better known, and lump sums were more logical for mortgage brokers.

When it came to underwriting, 44% of respondents totally agreed that a tele-interviewer should phone clients to obtain medical underwriting data and 26% partially agreed. 30% disagreed.

But, despite the advantages of tele-underwriting disadvantages included inconvenience (the call may not be at a convenient time, may be at an unsociable hour or the caller may not make it clear who they are and why they are phoning). Some clients also felt uncomfortable giving confidential medical information in this way. Some advisers also felt that they were better able to prompt their clients for replies.

Price vs. recommendation

The study found that there was 'absolutely no correlation' between the price (the relative competitiveness of the premium quoted) of a protection product and how often they recommended it. When asked why they did not recommend the cheapest premiums the reasons given included:

- Conditions covered: 49%.
- Admin: 19%.
- Underwriting: 17%.
- Brand: 9%.
- Guaranteed premiums: 5%.
- Claims record: 3%.

One worrying finding was advisers' lack of knowledge about the causes of ill health and disability. Two in five (41%) admitted that they did not know; 40% said stress; 31% musculoskeletal; 14% heart attacks; 14% cancer; 4% accidents; 3% stroke, and 4% other.

The report concludes that the FSA (Financial Services Authority) has a different agenda to the Government, which is looking to cut welfare spending. It adds that distribution is dysfunctional and our customers do not trust us, because of past misselling scandals.

However it is not all bad news. The opportunity exists for the industry to work with legislators, regulators, the media and consumers. But, product, process, distribution and customer all need to be aligned. Get it right, and there is an opportunity to radically increase protection sales. In turn that will itself enable continued product and process implementation.

That could add up to 'a golden age for critical illness and income protection insurance'. Clive Waller concluded that: "We are currently caught between the outdated habits of yesterday and a brave new world of systems and social networks. The nature of distribution takes little account of the needs of product manufacturers or customers. Everyone knows it can be done so much better, but no one is willing to be the first mover. RDR will almost certainly be the driver." See www.cwcresearch.co.uk.

What people really think

One of the features in the annual Protection Review book is the market research we commission with **Hannover Life Re (UK)**. One particular aspect is the trends that are now emerging in this, the third year the research has been carried out.

Knowing what our customers really think is an important element in the marketing mix—for both insurers and intermediaries. However, research can be hugely expensive, may be inconclusive and, unless attitudes are monitored over time, it is difficult to measure what customers are now thinking compared to historical practices to follow changing behavioural patterns.

The research carried out by Protection Review and Hannover Life Re (UK) is independent and aims to avoid all of these issues and, since we published our first findings in Protection Review 2009, the research has proved to be a very popular element of each year's book.

Alternatives to protection insurance have fallen

One of the questions we include in our annual poll is 'If you were off work for a long period of time through illness or accident, which of the following would you rely on to help you manage financially?'

This year, 54% of people of the 1,000 UK adults polled by **ICM** in April responded that they would rely on their savings. Although that is valuable information in its own right, it becomes even more significant if we look at how people answered the same question in 2010 and in 2009. And its value is further enhanced when we look at other alternatives too:

As Hannover Life Re (UK) points out in the book (see Page 268): 'The reduction in figures overall reflects an increased awareness among consumers that they would struggle financially if they were off work for long periods of

Alternative to protection	2011	2010	2009
Savings	54%	67%	64%
Partner/spouse	46%	57%	58%
Family/parents	35%	50%	52%
State benefits	36%	49%	51%
Employer cover	31%	53%	47%
Protection products	19%	38%	39%
Sell my home/car	18%	29%	30%
Credit card	12%	14%	9%
Don't know	13%	2%	0%

time due to illness or accident'.

The finding supports the 'gut feel' that, while many consumers are clearly struggling to cope with the effects of the economic downturn, they are perhaps thinking more about the need for protection and are more realistic about who they could turn to if the worst happened. However, the challenge for the industry is how to turn that greater awareness into action.

The results are backed up by another question we asked. When asked if they believed the State would look after them adequately if ill or unable to work, only 35% said 'Yes' this year. When we asked the same question in

2010, 53% said 'Yes'. Clearly, the Government's plans to cut spending are having an effect on what people expect.

Despite a raised awareness of protection, this year's poll confirmed what we already know: that most consumers are not regularly looking to buy cover. While just 32% said they had never looked into buying life insurance, that figure rose to 65% for critical illness insurance, 70% for private medical insurance and 76% for income protection.

In other words, if the industry is to take advantage of people's greater awareness of the need for protection, we cannot simply rely on consumers themselves deciding to do something about it. Indeed only 11% had looked into buying life insurance in the past six months, a figure that fell to just 6% for CI, 5% for PMI and 3% for IP.

That information is valuable to insurer marketers who can now plan how to 'nudge' consumers into wanting to take action. It also suggests to intermediaries that a marketing campaign to ask potential customers about their protection needs is likely to bear fruit too.

How syndicated research can help even further

Despite the value of our annual consumer research study, many insurers in particular will want to go further. Our research of their needs has highlighted a number of issues and concerns:

- Many said they would want to poll consumers more than once a year. Half-yearly was a popular choice.
- When analysing the results, it was useful to get expert input into not just what the research appeared to be saying but also how that might help them.
- Cost was a major issue—especially now that budgets are under great stress. A simple way to achieve that is through forming a syndicate so that the cost is effectively spread across a number of providers. Perhaps surprisingly, the breadth of the life and health insurance industry means that there is no real disadvantage to other organisations sharing the findings. Indeed, many we spoke to liked the idea of being able to discuss the results with their peers as well as internally with their colleagues.
- The opportunity to add a question, with the results only available to them had great appeal too.

New research syndicate open now

Based on these findings and on other feedback, Protection Review and Hannover Life Re (UK) have now developed a new syndicated research product. The first wave of research will be carried out by ICM in September and the first two subjects to be covered will be gender and lifestyle spending habits. Both topics will then be re-polled in later waves and new topical areas added in later waves too.

Each year we will produce a detailed research report for members providing further insights (including from a range of industry experts) and we will hold a research symposium in January 2012 to further discuss the findings.

Perhaps the most surprising element of the syndicate is the cost. Thanks to Hannover Life Re (UK)'s support, the all inclusive price is just £1,999 plus VAT a year and if you need to fit that into this year's or next year's budget, we can help there too.

Please contact us to find out more. E-mail peter@lebeauvisage.co.uk, kevin@kevincarrconsulting.co.uk or andy@andycouchman.com or phone Peter on 07799 074020.

People news

• **Ageas Protect.** Actuary Mike Urmston has been appointed chairman, Darren Springs (ex **RIAS**) operations director and Andy Milburn (ex **Munich Re**) head of marketing (interim).

• **AMII (Association of Medical Insurance Intermediaries).** Lindsey Joseph of **LRBC Corporate Healthcare Solutions** has been appointed secretary/membership secretary (taking over from **PHP's** Paula Aitken). Graeme Godfrey of **Best Go Private** and Brian Walters of **Regency Health** have joined as executive committee members.

• **Aviva UK Health.** Alastair Wighton has moved from general manager of its occupational health arm to head of clinical services.

• **Friends Life.** Jamie McIver has been appointed sales director for individual business, Iain Mallon head of individual protection strategy and new proposition implementation, Steve Casey head of marketing and proposition development and Mike Taylor chief underwriter.

• **Lorica.** As part of a restructuring, sales director Nick Bushell has taken on responsibility for its online flexible benefits team. Matt Duffy has been promoted to head of online benefits. Louise Flowers has taken on the new role of head of risk and wellbeing. Chris Downing has been promoted to head of client delivery. Toby Murphy-Coles has been appointed commercial director.

• **Openwork.** Chief operating officer Mary-Anne McIntyre has been promoted to chief executive, replacing Martin Davis who is now CEO of **Cofunds**.

• **Simplyhealth.** David Cobley has joined as pricing and underwriting director. A qualified actuary, he was previously a risk director at **Lloyds Banking Group**. Natalie Kircher has joined from brand consultancy **Headstream**, as its first ever social media manager.

• **Zurich UK Life.** CEO Michael Brennan is retiring on 31 August. His successor is now being sought.

• Where have all the up and coming young marketing actuaries gone? We've heard a couple of concerns from headhunters and others recently about the lack of marketing actuaries coming through. Is this yet a worry to the industry? Should it be? Do let us know your views.

Employee Benefits/Friends Life Group Risk research 2011

Estimated cost of providing health-related benefits

% of payroll	2011	2010
Less than 1%	21%	25%
1%	17%	12%
2%	7%	8%
3%	10%	9%
4%	16%	3%
5%	6%	4%
6-10%	5%	2%
More than 10%	6%	1%
Do not know	9%	36%

Source: *Employee Benefits* magazine, 4 July 2011, based on 356 organisations polled by the magazine.

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. The Dilnot Commission has recommended a LTC lifetime cost cap of how much?
2. According to a UK Government announcement the Test-Achat decision applies to a) all policies b) only new policies or c) only existing policies?
3. How many nurse jobs could disappear over the next decade according to the RCN's worst case scenario?
4. What is the most common way people would cope if they could not work because of illness or accident a) State benefits b) partner/spouse or c) savings?
5. What happened to the number of HCP contributors in 2010 a) they fell b) they stayed roughly the same or c) they increased?

Contact us and subscriptions

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

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

AlertMe's alternative census

A poll of 2,000 family households by **Populus** in June 2011 for home energy management company **AlertMe** found that in 2011 the average UK family:

- Rises at 6.57am.
- Drives a silver Ford Focus and also has 0.5 of another car too.
- Lives in a semi-detached house on a main street.
- 53% have a mortgage and, on average, have paid off 32% of their mortgage.
- Spends £76.02 on the weekly shop, £12 on alcohol and £15 on entertainment,
- Over 57% say they have been affected by the economic downturn and 68% that they now have less money in their pocket as a result of the recession.
- 28% say that one or both parents are now working fewer hours each week and 52% say that at least one person in the household did not get the pay rise they were hoping to get last time.
- Has £3,280 in savings.
- Takes two ten day holidays a year in the UK.
- Has three evening meals together three days a week at 5.54pm. Has a family breakfast twice a week.
- Spends nine hours a day watching TV, which is their favourite entertainment. Favourite TV programme is BBC TV's Dr Who.
- Has two nights out a month with friends.
- Has a big family outing once a month.
- Spends nights out as a couple every few months.
- Gets home from work at 5.15pm.
- Goes to bed at 10.39pm.
- Has two neighbours that they speak to.
- Spends 4 hours 24mins a week on chores (mostly done by mum).
- Has 1.6 arguments a week.
- Spent £559 on home improvements in the past year.
- Adults carry £10.31 in a purse or wallet.
- The vast majority class themselves as 'happy' and 70% say their family is 'completely normal'.

Source: www.alertme.com.

Comment: *This is an interesting view of the typical British household. It shows that whilst many families have been affected by the economic downturn, most still describe themselves as happy and are reasonably comfortable financially. It also illustrates an underlying need for protection insurance.*

Mid year population estimates 2010

- In mid-2010 the UK's population was 62.260m, up 0.8% (470,000) on the previous year and the highest annual growth rate since mid-1962.
 - Average population growth from 2001 to 2010 was 0.6%, compared to 0.3% between 1991 and 2001 and 0.2% between 1981 and 1991.
 - Half (52%) of the growth from mid 2009 to 2010 was due to more births than deaths.
 - The number of migrants into the UK was broadly similar to the previous six years at 574,000.
 - There were 1.4m people aged 85 or over in mid 2010, accounting for 2.3% of the total population, compared to 1.1% in 1981 when there were 0.6m. Of those 85+, 33% were men, compared to 23% in mid 1981.
 - The highest annual percentage population change between mid 2001 and mid 2010 was 0.7% in Northern Ireland, compared to 0.6% in England, 0.4% in Wales and 0.3% in Scotland.
 - Regionally for the same period highest growth was 0.9% in the East, 0.8% in the East Midlands, 0.7% in London, the South East, the South West and Yorkshire and The Humber, 0.4% in the West Midlands and 0.3% in the North East and North West.
 - Average annual population growth in the EU was 0.4% from 2001 to 2010 (1.4% in Spain and 0.7% France).
 - The median age in the UK in mid-2010 was 39.7 years, compared to 37.9 years in 2001.
 - In mid-2010 there were more people of pensionable age (12.2m) than under 16s (11.6m—a pattern first seen in 2007). In mid 2010, 20% of the total population were of pensionable age.
- Source: *Annual Mid-year Population Estimates, 2010*, ONS Statistical Bulletin, 30 June 2011.

Civil partnerships UK 2010

- In 2010 there were 6,385 civil partnerships, up 1.7% compared to 2009.
 - For the first time in the UK there were more female than male civil partnerships.
 - The average (mean) age of men forming civil partnerships was 50.6 years, and for females was 38.4 years.
 - The provisional number of civil partnership dissolutions granted in the UK in 2010 was 509.
- Source: *Civil partnerships in the UK, 2010*, ONS, 7 July.

Protection Review: financial services consultancy and communications solutions

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

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

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