e-Protection Review

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

Is PMI broken or just a racket new critical report asks?

Families in the UK pay the second highest premiums in Europe for their private medical insurance (PMI) yet the UK lags behind other countries in terms of innovation, a critical report from new PMI provider **Passport2Health** suggests.

According to the firm's CEO and founder Frank Levene (himself an ex-**Bupa** senior executive): "The UK healthcare system is faced with systemic and underlying fundamental problems and the inefficiencies associated with the State system have created demand for care in a private setting. But in reality, when it comes to buying private medical insurance, there is little choice and high premiums. Only 11% of the UK can currently afford private medical insurance. And despite a widespread view of the benefits, prices for PMI remain stubbornly out of reach of working families."

Passport2Health's 24 page report, *Private Medical Insurance—A Broken Model or Just a Racket?* shows that the UK has one of the lowest take-ups of PMI in Europe (only Italy, Hungary and Denmark are lower) at just 11% of the population. Yet, average annual premiums (source: Lawrence Somerset, LSE, 2009) were, at an average of £876 in 2006, only beaten by Germany (£1,880, where PMI is an alternative to the State system rather than supplemental to it). Average premiums were much lower in Italy (£535), The Netherlands (£249) and France (£154) for example.

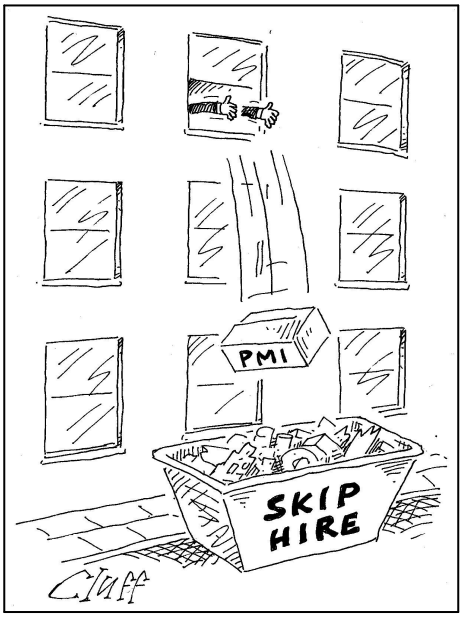
UK new business and lapse rates hover around 20-25% a year, the report says, reflecting the high levels of provider switching now common. The report does not say so, but high levels of lapses can result in lower levels of profitability for insurers and, to compensate, margins have to be raised or products redesigned to release profit earlier—neither of which is good news for consumers.

The report also notes that the average PMI customer earns over £50K a year, is aged 35-54, in socioeconomic class AB, working full time and married with a family. As a group therefore they represent what is now a minority and that must restrict the potential market for PMI. In particular, high premiums (and the average for individuals is now roughly double the £876 quoted above) and annual rises above inflation mean that PMI is gradually moving upmarket or, more accurately, disenfranchising even those on (*Continued on Page 2*).

Quotes of the month:

"Choosing a life on benefits when you're able to work is not an option. These [changed] rules send out a clear message to jobseekers. We will offer them the support they need to find work, but in return for receiving benefits they have responsibilities too. People cannot expect to keep their benefits if they do not hold up their end of the bargain." Minister for Employment Mark Hoban, 22 October.

"We see it as the role of the regulator to not only make the relevant markets work well but also to help firms get back to putting their customers at the heart of how they do business." Martin Wheatley, chief executive officer designate at the FCA (Financial Conduct Authority), 16 October.



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Inside this issue:

Key statistics:

- NHS RTT median wait England August 2012: 8.3 weeks (See Page 11)
- e-Protection Review Long Term Protection Sales Index: 122.1 (Quarter 2, 2012, compared to base 100 in Quarter 1, 2000).
- e-Protection Review Employment Index: 108.819 (To end August 2012, compared to January 2000, see Page 11).

(*Continued from Page 1*) above average incomes.

The fear of being priced out in future may also discourage some individuals from buying PMI, especially as in reality prices rise not just in line with overall claims costs, but also as they get older (older people tend to claim more and for larger sums). In the past some PMI insurers offered rates that did not rise with age, but such policies were more expensive initially and the model only works if there is a constant flow of new young customers each year.

Benefit inflation—the tendency to offer more services as standard—is also a factor that has led to premiums rising on average 2% a year ahead of inflation, as has a decline in the customer base (especially among non-company owned cover).

The report includes data on why people don't buy PMI but, frankly, the data is six years old and we would prefer to quote the findings in this year's Protection Review/**Hannover Life Re** *Consumer Survey* (see Page 36 of the 2012 *Protection Review* book), which found that 15% of people said PMI was too expensive and 16% that they could not afford it. We also found that, as with other protection insurances, a third of people (34% in the case of PMI) said they don't need it, 14% said they hadn't thought about it and 5% didn't trust insurance companies.

Increasing commission rates is identified as an issue, with rising gross margins but decreasing net operating margins suggesting a gradual increase in operating costs of the order of 48 basis points a year, the report says.

Private equity ownership of private hospitals is also identified as an issue, as such groups look to maximise profits.

The separation of property (buildings and infrastructure, typically held by a property holding company and leased to a separate operating company) and management can also lead to misalignment of interests between the two.

The current **Competition Commission** market investigation may result in beneficial changes there.

The report identifies five trends that are likely to shape the future of the industry and put further strain on the existing business model:

1. Continued cost inflation on the underlying PMI concept. Medical cost inflation is likely to continue, which could lead to 'full' PMI cover becoming unaffordable for many. It quotes **Towers Watson** 2012 data showing PMI medical costs as rising by 8.5% in 2010, 9.6% in 2011 and an estimated 9.9% in 2012.

2. Changes in public and corporate sector employee benefits and employment markets. Movement away from the public sector, with a consequent fall in benefits combined with firms' expected 4% increase in costs (due to pensions auto-enrolment) resulting in a move away from full cost PMI towards other employee benefits.

3. The continued growth of brokers in the retail sector. The involvement of brokers in the retail sector doubled in the three years to 2010 the report says. RDR changes effectively cutting commission income from other financial services products (e.g. pensions and investments) are leading to a resurgence in interest in PMI. However, this will result in more switching and higher sales costs for suppliers the report claims.

4. A return of the issues that dog the NHS. Reduced NHS funding, lower patient satisfaction levels and concerns around waiting and hygiene all have the potential to benefit PMI.

5. Increased use of overseas medical services. The number of people treated in hospitals outside their country of residence has trebled from around 20,000 to 60,000 in the past decade. The underlying compound growth rate is 11.2% the report says, although much of the growth is in dentistry and cosmetic surgery, both of which can be cheaper abroad. In the UK in 2011, some 63,000 sought treatment abroad, with top destinations being Belgium (16.2%), Hungary (14.5%), Poland (10.3%), the Czech Republic (9.0%), Turkey (8.8%) and Spain (7.1%).

Only 6.7% of those receiving treatment abroad had families who originated in the country of treatment, the report says.

The report concludes that only one of the five trends (NHS problems) is positive for the market. 'These trends point to a continued overall reduction in the numbers of PMI subscribers in both the company paid and the retail market beyond the extent of the current recession' it says.

Is the report's gloomy conclusion correct?

We take a more optimistic view, partly because the value of having PMI is now recognised and accepted by many people, especially as few now argue that private medicine is morally wrong—in contrast to the mid to late 90s when PMI levels were broadly the same as they are today.

The report suggests no solutions, although Passport2Health's concept of having treatment abroad is one option (although we are not convinced many people will choose to do so for traditional acute care). Menu style benefits, attacking medical costs at source and adding low cost high value third party benefits to improve health rather than cure disease are all possible solutions. As is using more health cash plan style benefits, restricting cover to exclude high cost treatments best provided within the NHS. Overall though, the paper adds usefully to the debate and can be downloaded from www.passport2health.co.uk.

Will more people choose to have health treatment abroad?

The *Treatment Abroad Medical Tourism Survey 2012* shows that most medical tourism from the UK is for cosmetic treatment (41.5%) or dental care (31.8%), followed by treatments for obesity (9.1%) and infertility (4.4%). Only 8.1% was for necessary medical treatment, including eye surgery (2.3%), orthopaedics (4.0%), cancer (0.8%), general surgery (0.4%) and gynaecology (0.4%).

However, 16% of UK adults say they would travel abroad for medical treatment if cost were lower. Drill down further and for the all-important A socioeconomic group, the figure rises to 32% although, curiously, it then falls to 12% for Bs before rising again to 18% for C1s and 16% for C2s.

Younger people (16-19s) would be most likely to travel abroad for treatment (29%, falling to mid to late teens for older age groups before dropping again to just 9% of the 65+ age group). Singles (23%) and the non-working (27%) were also most likely to want to travel.

The report also refers to a new EU directive, which comes into effect from October 2013, which will allow EU citizens to seek treatment in other EU states and to seek recompense from their domestic health provider. If that leads to greater demand to travel, the idea of routinely travelling further for treatment could grow, but it's a big 'if'.

MMR rules published

The **FSA** (**Financial Services Authority**) published its long awaited final *Mortgage Market Review* rules on 25 October. The new rules come into effect on 26 April 2014.

Among the changes now being formalised are that for all but the most straightforward transactions (and where the sum borrowed is not increasing), customers who are sold a mortgage on an interactive basis (i.e. face-to-face or over the phone) will need to be advised. Rules for high net worth and business customers borrowing against their home are relaxed however.

Interest only mortgages can continue, but only where there is a viable repayment plan not reliant on appreciating property prices. 'Flexibility' can still be applied to self-employed borrowers so far as evidence of income is concerned.

"At the heart of the new measures is an affordability test to check borrowers can meet the repayments of the mortgage they want", FSA MD (and CEO-designate of the **Financial Conduct Authority**) Martin Wheatley said. The new rules are set out *in PS12/16 Mortgage Market Review: Feedback on CP11/31 and final rules*, which can be downloaded from www.fsa.gov.uk.

Comment: *The FSA's original draconian rules have been toned down but this still represents a significant change in how lenders can lend. It is hoped that the now certainty about the rules will help the mortgage market grow which should, in turn, benefit the long term protection insurance market.*

L&G floats protection ISA in 35³

For some people, protection may make more sense than saving, and this raises the question whether there should be a protection equivalent of the savings ISA (individual savings account). That is one of the questions raised by **Legal & General's** new report '35³' published 1 Oct.

The report looks at the aspirations of the 'austerity generation' and contrasts today's 35 year olds with those who were 35 in 1977. Key findings include:

- Today's 35 year olds tend to have higher incomes but lower assets than their 1977 peers, largely due to salaries doubling but house prices trebling over the period.
- 35-44 year olds have had, on average, seven jobs in their career so far.
- Half of 35-44 year olds have had financial assistance from another member of their family. For 9 in 10 it has come from parents, being a gift for around half.
- To feel comfortable and safe, they would need just under £100,000 in the bank.
- A life changing amount of money would be £2.3m—higher than for any other age group.
- They would like their household retirement income to be £40,000 a year.

The report also asks whether the standard 25 year mortgage term is still appropriate, given that people are living and working longer but buy later in life. It also asks how financial services companies can best help people manage a retirement process that could last a decade. Today's 35 year olds also still unrealistically expect to retire at the same age as their parents the report notes. For more see www.legalandgeneralgroup.com.

Medicash says fraud up five times

Health cash provider **Medicash** reported on 1 October that it had seen fraud cases up 500% since 2009. Typical frauds include customers altering and forging receipts and people attempting to claim for people not covered by their policy.

Head of customer operations, Marj Murphy, also noted that fraudsters were becoming more sophisticated. She added: "Working with the Health Insurance Counter Fraud Group UK and under the Data Protection Act 1998, we continue to share information with other health insurance providers to assist the UK's health insurance industry in its fight against fraud."

Comment: *A very good article on health insurance fraud was published in this year's* Protection Review *book. Let us know if you would like a copy of it.*

Employee absence falls

Employee absence fell in 2011 from 7.7 to 6.8 days per employee per year, according to the latest **Chartered Institute of Personnel and Development** (**CIPD**)/ **Simplyhealth** *Absence Management* survey, which was published on 9 October.

However, stress-related absence appears to be rising, with 40% of employers reporting a rise over the past year and only 10% reporting a decrease. Stress continues to be the top cause of long-term absence.

Organisations that noted an increase in presenteeism were also more likely to report an increase in stress-related and mental health problems. CIPD research adviser Dr Jill Miller said: "We urge employers to examine whether lower absence levels within their organisations are as a result of more effective absence management or if they reflect the negative impact of presenteeism."

The number of firms saying they have a wellbeing strategy in place rose from 30% in 2008 to 55% this year.

Simplyhealth's people director, Helen Dickinson, said: "Early detection of health issues and ensuring the correct support is in place helps people with health problems stay in or return to work."

The report can be download from www.cipd.co.uk/research/absencemanagement.

£6Kpa spend on luxury essentials

The average UK household spends £6,194 a year on luxuries it counts as 'essentials' according to research for **LV=**. Research by **Cebr** and **Opinium** found there were a number of luxury items people classed as essentials and were unwilling to cut back on if they had to reduce spending. These included:

Lifestyle essential	Essential?	Not willing to cut
Holidays/breaks	44%	23%
Meals out in restaurants	27%	16%
TV subscriptions	22%	17%
Haircuts/hairdressing	18%	16%
Nights out in pubs/bars	18%	15%

Comment: *The reality is that if income fell through being unable to work, or a partner's death, tough economies would have to be made unless there was adequate insurance.*

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FOS PPI claims double in Q2

The number of complaints about payment protection insurance (PPI) made to the **Financial Ombudsman Service** (**FOS**) more than doubled between the first (April-June) and second quarters (July-September), the FOS announced in *Ombudsman News 105/September/October 2012*. The table below shows the number of complaints received in Q1 and Q2 for protection products, and the percentage of complaints upheld in Q2. Also shown is the ranking of that product e.g. IP was the 22nd most complained about product in Q2:

Product	Q2	Q1	% upheld
1. PPI	66,882	32,445	68%
12. Whole of life	657	530	23%
21. Critical illness ins	348	234	26%
22. Income protection	336	291	25%
30. PMI and dental ins	214	158	34%
32. Pet and livestock ins	207	221	58%
49. Personal accident ins	121	87	37%
Total (64 products)	102,516	57,076	48%

Comment: *The number of complaints received rose by almost 80% between the first and second quarters of its year and by 27% in the first half year. 91% of complaints from January to June were about 169 financial businesses (out of over 100,000 covered by the FOS scheme).*

Protection products generally fared reasonably well, although (ignoring PPI) many saw significant increases in complaints. We do not believe this is because industry standards have suddenly fallen but a combination of the recession and greater awareness (e.g. complaints handling companies' saturation marketing of late) has raised people's propensity to claim. Nevertheless, the trend is unwelcome and insurers need to redouble their efforts to minimise the risk of complaints being made against them.

FCA to 'reset' relationships

The new **Financial Conduct Authority** (**FCA**—which replaces the **FSA**) aims to learn the lessons of past regulatory issues such as PPI, CEO designate Martin Wheatley told delegates at a **Thomson Reuters Newsmaker** event in London on 16 October. He also promised the FCA would take earlier and more decisive action.

Taking a more conciliatory tone than in earlier remarks, he said: "The FCA offers a huge opportunity for the regulator and firms to start afresh, and work in partnership to reset how we deal with conduct in financial services." Later in the speech he added: "Making regulation work better for us is also about allowing firms to try new ideas and develop their business. Promoting competition will play an important part in this. We are not here to stand in the way of progress that will be of benefit to consumers. Our goals as the FCA are clear: we will work for an industry that is better at serving the needs of its customers."

Journey to the FCA has been published by the FSA setting out how the new regulator will operate and can be downloaded from www.fsa.gov.uk.

Comment: *Innovation is essential to progress and Mr Wheatley's comments are both timely and invaluable. He is fast establishing his positions but has a hard task to not just make regulation work better, but for it to be seen to be doing so.*

Cigna launches full refund dental

Cigna UK Healthcare has launched a full cover feature on levels 3 and 4 of its DentalCare plans—a first for the UK it says. However, dentists must sign up to its full cover arrangement and initially, all participating dentists will be in London. Dentists will be recruited through **Monroe Sutton**, the UK affiliate of **Carrington International Corporation**, the premier US marketer of dental, health and lifestyle discount plans.

Cigna has also launched an employee assistance programme (EAP) to complement its occupational health, medical and dental plan solutions. The EAP is delivered in conjunction with Workplace Options and uses an in-house team of phone counsellors, operating 24/7 through freephone, SMS text and confidential email.

In a third recent development, **Cigna International** has made a number of changes to its Global Health Options plan. It now covers treatment for all cancers, supportive treatment for chronic or incurable kidney failure and dialysis. Uninterrupted cover with automatic renewal is also available.

Are insurers ready for G-day?

Health Insurance magazine online published a useful guide to key life insurers' plans for G-Day (Gender Day, 21 December 2012, from when all rates must be non-gender specific on individual policies) on 23 October. It ranked companies by whether they had set a date for price changes and whether they offered a G-Day guarantee. Doubtless there will be further changes but this was the position then:

Insurer	Price date	Guarantee?
Aegon	Yes	No
Ageas Protect	No	Yes
Aviva	No	Yes
Bright Grey/Scot Prov	No	Yes
Friends Life	No	No

New Irish health plans launched

Aviva has launched two new health insurance plans in Ireland—Health Plan 02 and Health Plan 08. The plans cost €1,341.30 and €1,074.70 a year respectively. It also announced price rises of 4-7% from 15 October for all its health plans. **Vhi Healthcare** has also launched a new Irish health plan. Its PMI 32 12 costs €1,033 a year.

However, the Irish **Health Insurance Authority** (**HIA**) has published a survey which found that 2.14m people have health insurance in Ireland. That is 43% of the population, down from 46% in 2010. The overwhelming reason why people no longer had cover was cost.

The survey also found that health insurance was the second most valued employee benefit (behind only pensions) and that 29% of people believe it is the most important benefit (up from 18% in 2010). Younger people (aged 18-34) also said it was the most valued employee benefit.

Most people believed health insurance is a means to access healthcare services quicker and they consider health insurance to be a necessity rather than a luxury. Ireland now has four health insurers, and the survey found that 23% of people had switched insurer at some time.

New e-Protection Review 'metal' review ratings launched

This month we add a new comparator to our product reviews (see pages 7 and 8). As well as the usual marks out of five for innovation and overall, we are adding a simple 'metal' descriptor. As before we will continue to review as many new products as we can each issue, regardless of their distribution channels (so do tell us if you know of a new product and think we may have missed it).

Products will be ranked Silver (generally products that score 3 or less), Gold (3 or 4) or Platinum (above 4).

The thinking behind this new descriptor is that most product design is pretty good these days. Years of regulation and competition and the importance of appealing to brokers and IFAs has led to that.

However, some 'could do better' (typically, the product itself is probably not bad but some major elements are not up to standard in our view) and so will rank Silver, while others go well above the market norm and add materially to the customer proposition (Platinum). In rare events, a product will get no metal rating if we think it has major and perhaps insurmountable deficiencies.

Of course, none of this replaces the duty of the intermediary to ensure their recommendations not only meets their clients' needs but are the best available. That can mean product A best suits client X, while product B suits client Y better.

Our reviews are also a 'snapshot' of a product and based on the best information we have at launch. An intermediary will typically get more information and the all-important price.

We do not rank products by price—partly because price competitiveness varies by factors such as age or occupation and also because price can be changed almost instantaneously by providers so what is accurate today could be out-of-date even before you read it.

What makes us able to offer review ratings anyway? First, editor Andy Couchman has reviewed hundreds of new products since 1994 and, over the years, we have continuously developed our views as needs and technology change. Quite simply, we have more experience in reviewing products than anyone else we know. Second, Andy's background as a product marketeer is well-known. In corporate life he developed and managed a range of products from life, CI and IP to PMI and long term care. Some of these were or became market leaders. Some were less successful (and we all typically learn more from our failures than from our successes!). Third, Andy holds appropriate professional qualifications (he's an FCII, a Chartered Insurance Practitioner and holds the Cert PFS qualification) and also regularly writes technical training material for a range of publishers and he authors two CII textbooks.

Ultimately, our reviews are simply guides to help point you in the right direction. The ultimate decisions and duty remain with you! However, we hope that you continue to find them useful and we always aim to give you more information and informed views on aspects of each new plan we review. But do let us know how we can improve further and what you would like to see included—whether you are an intermediary, product manager or wherever you sit in the industry.

UK out of recession in Q3

A larger than expected rise in GDP (gross domestic product) of 1% in the third quarter of 2012 was announced by the **ONS** on 25 October.

The estimate, which was almost double what some analysts had predicted, follows three quarters of decline as the UK struggled with a 'double dip' recession. The move out of recession had been expected, with employment figures (see Page 11) having consistently been better than many pundits had feared, for some months. The long term economic trend is of growth of around 0.6% per quarter.

Bupa calls for removal of taxes

Removing taxes on workplace health support could mean 3.8m sick days a year would be prevented, boosting the UK economy by £443m, **Bupa** claimed on 20 September.

Its report *Getting Britain Fit for Recovery* says the Government currently raises £150m by taxing employers' expenditure on workplace health support for basic rate taxpayers. Removing the tax burden would lead to 2.3m more workers receiving such support, reducing sickness absence by 3.8m days a year.

Workplace health services include occupational health, on-site health services, health assessments and health insurance.

Of firms that do not provide such services, 71% say that tax is a major consideration and 57% would seriously consider providing such benefits if all taxes were removed. See *www.bupa.com/getbritainfit* to download the report.

Comment: *We have highlighted before the layers of tax that can apply on PMI. Bupa's argument is that foregoing £150 in tax would result in an economic boost of almost half a billion pounds. Is that enough to get the Government to move? We doubt it, but commend it for raising, and costing, the issue.*

AXA PPP's Healthcare Pathway

AXA PPP healthcare has launched The Healthcare Pathway—a complete and sustainable approach for larger employers to improve employees' health and secure fast treatment. The five key features of the pathway are:

- Prevention. Provided through the AXA PPP Employee Health Gateway this is a personalised web-based service to encourage employees to become healthier and more productive.
- Guidance. Provided by a dedicated team of healthcare professionals and includes phone support.
- Fast access to medical care. Through open referral, giving a choice of three specialists.
- Treatment. Access to a network of over 120 hospitals and 15,000 specialists.
- Recovery. Phone support from a dedicated physiotherapy team and information through the gateway.

AXA PPP sales and marketing director James Freeston said the move was its response to tough times for employers and rising health costs. "Our response is to pioneer a better health journey," he said.

Comment: *If you have to control costs it makes sense to try to improve the customer journey too, and this initiative has the potential to do that.*

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Briefs:

• **Equityrelease.net** has launched a graphic informatic about equity release. *The Essential Equity Release Infographic* is targeted at older UK residents.

• **Simplyhealth** and **Nuffield Health** have launched a free back care awareness guide. It can be downloaded from *www.simplyhealth.co.uk/backcare*.

• More than 200 (217) British citizens have now died at **Dignitas** since the first ten years ago, **Dignity in Dying** announced on 25 October. 74% were women.

• **Exeter Family Friendly's** income protection range is now available through **Webline**, for the first time.

• **Friends Life** has enhanced its Group Income Protection (GIP) policy, with an increased standard maximum benefit, more lump sum options and a new option in response to changes to the Government's ESA benefit (Employment and Support Allowance).

• **Scottish Provident** is replacing its current Pegasus whole of life plan with a simpler version on 26 November. The new plan will offer guaranteed or reviewable premiums, but have no investment element, so making it suitable for non-COBS intermediaries.

• **BHSF** is planning to launch a new group whole of life plan in December (to existing customers, with a broader rollout early in 2013). The plan will offer £25K or £50K benefit and be underwritten at **Lloyd's**.

• **HSF health plan** has launched HSF Virtual Doctor, a webcam GP consultation service for its customers, who can have a virtual face-to-face consultation with a GP and get access to hi-tech graphics.

• **Zurich** CEO Gary Shaughnessy has called for tax breaks for protection. "Just as there are taxbreaks for saving in a pension or an ISA, the Government could introduce more tax advantages for protecting yourself and your family," he said in an interview reported in *Money Marketing* on 27 September.

• Broker trade body **BIBA** has proposed a new **Financial Services Compensation Scheme** (**FSCS**) funding mechanism to the **FSA**, which would see 'pure' insurance brokers in a separate category, not cross-subsidising larger and riskier groups such as credit brokers and insurers. The move is in response to the FSA's *CP12/16, FSCS Funding Model Review* consultation paper.

• A new US book *Universal Coverage of Long-Term Care in the United States*, comparing different countries' approach to long term care has been published. It can be downloaded from *www.russellsage.org*.

• It now looks likely that Solvency II will not be implemented before 31 December 2015, partly due to a number of outstanding technical issues. The issue is complicated by insurers needing to meet the new **PRA's** (**Prudential Regulatory Authority's**) earlier timetable on its solvency requirements.

• **Vebnet** has announced that it is the first UK-based reward and benefits provider to offer **Allianz Global Assistance's** Family Homecare Plan. This ensures employees will be helped if they have an accident or sudden illness. Partners and parents can also be added to the cover. The service includes domestic assistance; prescription collection; escorting to medical appointments; ironing and laundry; preparation of light meals, and shopping.

• 37% of British families have never discussed what happens if they die with a spouse or partner, according to research from **Tesco Bank Life Insurance**. It also found 40% of those with children under 18 have no life cover, with 60% citing various money worries as the reason why. A fifth (20%) said they didn't understand how life insurance works. 21% focused on daily rather than looking at their long term financial planning.

• Only 20% of UK bosses feel equipped to help employees back to work following illness, according to **Aviva**. 20% said they did not have the resource or expertise and 25% were concerned that they would have to carry on paying sick pay. 43% believe that employees should be auto-enrolled into a scheme that protects them financially in the event of long-term illness.

• **Defaqto** has launched a new RDR ready version of its Engage research software for financial advisers.

• Eight in ten (79%) people with depression experience discrimination *The Lancet* reported in October.

• **MorganAsh** has extended its services to now include tele-interviewing; medical evidence collection; GPR collection; tele-doctor; SARs; underwriting; providing underwriters; outsourcing new business; tele-claims; claims underwriting; claims management, and tele-underwriting and quote administration for pension annuities. This follows taking over staff and systems from **3d Risk Solutions** over the summer. It recently added **Foresters Life** to its client list too.

• **ALC Health** has launched a new customer online service, offering a smooth seamless process to pre-authorise treatment.

• Group risk insurer **Ellipse** moved to unisex rates in September, ahead of the 21 December G-Day deadline. It says that any group risk plan that attracts a P11D tax charge on the employee is caught by the Test-Achats ruling. It had previously been thought that all group risk plans were outside the ruling.

• **Legal & General** has formed a partnership with **Physioworld** to give its group income protection plan members access to over 100 physiotherapy clinics.

• **Scottish Provident** has revealed that in the first half of 2012 it paid 93% of its critical illness claims, with just 2% rejected for non-disclosure. Over £43m was paid out in total. The average claimant was 49 and average payout £84,743. Cancer accounted for 60% of claims.

• Someone who smokes 30 cigarettes a day could save £144,000 over 20 years if they quit smoking, according to leading smoking cessation company **QuitSmokingPal**. Smoking 20 cigarettes a day costs £2,920 a year. Even halving that would save £1,460pa—around the average cost of having all three of life/IP and CI cover or PMI.

• Correction. Last month a typo meant we said **Simplyhealth's** total donations to **Heart Research UK** were capped at £300,000. The correct figure is £30,000. Apologies—but also well done, because that target was met in just four weeks and Simplyhealth has now raised the cap to a fantastic £150,000. Well done!

• Don't forget the **Protection Review** annual conference and dinner both take place on 11 July 2013 at **The Landmark**, London. Plans are already well underway to make it the best event yet, to celebrate ten years of Protection Review. See *wwwprotectionreview.co.uk* for more.

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Pick of the month

This month's products include not just a new HCP for students from Bupa, but also its new range of PMI plans for businesses. Health Shield Elements is another HCP, this time targeted at SMEs.

Our pick of the month though is our first Platinum award winner and goes to PruProtect for its highly targeted IP plan for doctors.

Bupa Business Health Solutions

On 21 September, **Bupa** announced the launch of a new range of private medical insurance (PMI) plans for firms of all sizes. The three plans launched are:

• Foundations. This plan offers three levels of cover. The three are i) Diagnosis (prompt expert diagnosis but no treatment and roughly 60% cheaper than traditional PMI), ii) Treatment (specialist private treatment but no diagnosis and 40% cheaper) and iii) Combined care (both, with treatment through Bupa's 'network of experts' and 30% cheaper). Open referral is available on all versions. One major exclusion is cancer, unless the NHS is unable to provide the recommended treatment.

• Business Fit. Available to companies with 20+ employees, this plan covers a range of treatments (including cognitive behavioural therapy, counselling, psychiatric consultations and diagnostics) for mental health and full physiotherapy for musculoskeletal conditions—two of the biggest causes of sickness absence. A full GP/nurse phone consultation service is included. The cost is around £120 a year for each employee covered.

• Bupa Select and Superior. Bupa Select for SME provides comprehensive PMI cover and is available in Key, Enhanced and Complete versions. Bupa Select for Corporate is similar, but aimed at businesses with 250+ employees. Bupa Superior is a global policy offering worldwide cover for key personnel. Superior is offered in conjunction with **ihi Bupa**, part of **Bupa International** and is a top of the range plan aimed at UK employees, but allowing global treatment. Although this solution can be costly, that cost needs to be compared to the total cost of employing that person rather than what would be a target price for every employee.

Comment: *The sheer breadth of Bupa's new plans means we don't have space to go into much detail on each plan. Suffice it to say that Bupa has recognised that cost is now a major issue in PMI and resolved to offer a range of plans that are not only more business focused than before, but also more targeted to meet employers' needs and wants (rather than insurers' views of what they should have).*

In particular Business Fit is unusual in that it just targets two conditions—mental health and musculoskeletal. The thinking is that such plans can be made available to all employees, with perhaps only senior managers and specialists covered by more comprehensive PMI (for which its new plans can meet the need). This can make the intermediary's job harder as the range of possible solutions is now wider, but it also means better solutions and wider PMI coverage potentially.

Product design points: *Multiple product launches can gain maximum publicity but may also put most strain on development teams. In practice though, 'clean sheet' product ranges can allow more innovation and better propositions overall, with less risk of overlap. The real downside is whether you have the resources to carry out such a large undertaking.*

Plus points: *Three new plans, and various additional options; Better targeted to business needs; The Bupa name.*

Not so plus points: *Greater complexity; Bupa is not flavour of the month with many intermediaries.*

Website: *www.bupa.com*.

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

Bupa Student Health Expenses

Bupa Student Health Expenses is a health cash plan targeted at students, their parents and other relatives who may want to pay for it. Available in two levels (Level 10 and Level 20) the plan offers the following maximum annual benefits. All benefits pay up to 100% of the cost, unless otherwise stated:

Benefit	Level 10	Level 20
Physiotherapy (75% of cost)	£100	£150
Bupa Fitness Assessment	£100	£100
Bupa Essential Health Assessment/GP Health Check	£100	£100
Bupa Great Run entrance fees	£50	£50
Consultation and diagnostic tests (max 75% up to)	£100	£250
Dental	£40	£80
Optical	£40	£80
Prescriptions	£20	£40
Annual discount on Bupa PMI and other benefits	£50	£50
Personal accident insurance up to	£12,000	£12,000
Total potential annual savings	£600	£900

Customers also get access to a student and parent helpline and counselling helpline and support (up to six telephone counselling sessions) that includes 24 hour access to GPs and nurses. PMI and other discounts are provided through a member card. The personal accident insurance is worth up to £150 a year, Bupa says.

Students must be between 18 and 69 years of age and be at a UK university in full-time education. There is an initial 13 week qualifying period for all benefits except the student and parent HealthLine. Level 10 plans cost £9 a month, Level 20 plans £13 a month.

Comment: *The concept of this plan is excellent—worried parents will happily pay to ensure their offspring are able to get good healthcare while away from home (often for the first time).*

However, there are some concerns. First, the plan does not include PMI benefits, even as an option (it does offer a discount on other Bupa plans though). It does not include travel insurance or cover for gap years and does not apply to part-time or college (or other non-university) students or those studying abroad. The student also has to find 25% of any consultation and physio costs—which many cash-strapped students simply won't or can't do.

Benefit levels are not generous either—a Level 10 plan will not even pay for a dental checkup (and some students will get free dental care anyway), and even a Level 20 plan won't pay for a pair of glasses for many fashion conscious students.

Prescription costs won't apply to students in Wales and those who qualify for means-tested free prescriptions. A lot of brokers simply won't know these things and so risk looking foolish in front of some smart-arsed 18 year old! All of these things are fixable, but the list (and we could go on…) adds up to a missed opportunity.

Product design points: *Offering £50 off Bupa's excellent Great Run entrance fees looks like a good idea until you examine it. Certainly, it helps build up a 'you could get £x a year' total to help sell the plan, and helps illustrates its value for money. However, some of the runs are over-subscribed, so you can only get the benefit if your entry is accepted.*
If you are turned down, Bupa saves £50 and you can't get maximum value out of your plan. A trivial point? Maybe, except that this is a plan targeted at professional readers of smallprint (students) and it creates a conflict of interest. In practice Bupa is not the sort of organisation that would even try to save money this way (the event organisers presumably deciding on sporting grounds whose entries are accepted) but why create the dilemma in the first place?

When designing any product, it's often the small things that can make or break a product, so it is important to look at each benefit and test whether there could be underlying issues. If there are, at the very least, explain your thinking, don't leave it for others to discover it.

Plus points: *An HCP aimed at students and worried parents; good range of benefits.*

Not so plus points: *Low benefit levels; not every students qualifies to have the plan; 75% limit on physio and consultancy; some customers will not be able to claim under every benefit in practice; is this the first plan where only lottery winners (e.g. getting your Great Run entry accepted) can ever get the maximum benefit from their plan?*
Website: *www.bupa.co.uk*.
Rating (max 5): Innovation: 3. Overall: 2.5. **Silver**.

Health Shield Elements

Elements is a **Health Shield's** new company paid health cash plan aimed at SMEs. The plan is offered in two versions—Elements and Elements Plus. Each is available in four levels. Max annual benefits for Level 1 and 4 plans are:

Benefit	Level 1	Level 4
Dental, 100% of cost up to	£65	£215
Optical, 100% of cost up to	£65	£215
Chiropody, 100% of cost up to	£60	£215
Specialist consultations, ECG, X-ray, pathology fees and		
MRI scans, 100% up to	£215	£450
Health & wellbeing, 100% up to	£75	£215
Health screening, 100% up to	£55	£210
Dental accident, 100% up to	£200	£880
Physiotherapy, chiropractic, osteopathy, acupuncture and		
homeopathy: 100% up to	£170	£520
Personal accident insurance, up to	£5,000	£5,000

Elements Plus has the same benefits, but adds an employee assistance programme, costing 15p a week more (for all levels). Children's benefits are around half the adult benefit, except for specialist consultations, where they are the same. Other benefits include special rates for fitness benefit and online health risk assessments, and 24/7 helpline and GP consultations.

Plans cost £1.35 a week for Level 1, £2.60 for Level 2, £4.10 for Level 3 and £5.60 a week for Level 4. Dependent children under 18 are covered free (the annual benefit levels are shared between them). Adding a spouse/partner takes the premium to slightly more than double the single person cost. The Health & Wellbeing benefit includes 19 alternative therapies. Cover is worldwide and employees can top-up by paying to move to a higher level of cover.

Comment: *Health Shield's similar Essentials plans offer lower premiums and a different benefits mix. These new plans offer an EAP option and the minimum premium is now over £1 a week– the level which looks good on the marketing blurb but which probably hasn't done the HCP industry a great deal of good, because it is simply too low for long term viability.*

Overall. Elements is simple, with a good range of benefits and economically priced.

Product design points: *Can you set a minimum premium too low? Offering plans below particular price points e.g. £1 a week or £10 a month, looks good as a banner headline but does it really attract more people to buy? And, if so, might too many people buy at that level rather than at a more suitable (and sustainable) level? To some extent, if you are good at upselling and cross-selling, that may not matter. But, if you're not (and we would argue we have some way to go as an industry in this area…) it may be better to do as Health Shield has, and pitch your minimum above some competitors—if you are convinced that the package overall is enough to attract more people not just to be interested, but to actually buy.*

Plus points: *Pays 100% of costs up to annual limits; choice of levels; optional EAP; Employees can top-up themselves.*

Not so plus points: *Minimum now above the magic '£1 a week' level; higher price points than Essentials plans; Children's benefits have to be shared among all children.*
Website: *www.healthshield.co.uk*.
Rating (max 5): Innovation: 3. Overall: 3.75. **Gold**.

PruProtect Income Protection for doctors

As our stats page (Page 15) shows, there are almost a quarter of a million doctors on the **GMC's** register. Over 100,000 are female (who have traditionally had to pay 50% + more for income protection cover) and most doctors (over 155,000) are under 46. That adds up to a big market for income protection (IP)—if the cover is right.

The problem is that writing IP has always been complex. A significant factor is that how much sick pay the NHS pays a doctor depends on how long they have been employed by the NHS.

So, if they become ill and cannot work, over their first five years a doctor gets full pay for one month followed by half pay for two months in their first year, rising to five months for both after four years and six months for both after five years. When it comes to advising doctors, IFAs have often had to choose the 'wrong' deferred period at outset or else change the deferred period over time.

PruProtect's solution is a deferred period for doctors that automatically changes over time, in line with the NHS sick pay structure. The insurer has also produced a useful sales aid to explain how this works, including a FAQs (frequently asked questions) section.

The new option applies to NHS employed doctors only (so care is needed if using a portal or even PruProtect's own quotes system).

Self-employed doctors and the private income of other doctors are outside the arrangement.

The plan itself includes up to £2,000 of specialist care and support, a two month back to work benefit, extra income for a permanent disability and guaranteed income if verified at outset.

Comment: *One group that should benefit post G-Day is females buying IP cover. One of the most highly paid and numerous groups who could benefit are Britain's 100K plus female doctors. That adds up to an opportunity and PruProtect's changeable deferred period solution looks to be ideal.*

By linking the deferred period to the NHS sick pay scheme, the plan clearly meets the client's need, although we suspect the technical, systems and pricing implications of such an obvious solution have been far from easy to resolve. But it has, and that makes this a great and timely solution.

Product design points: *How far should a product designer be prepared to come up with special features to appeal to a particular market? So far as doctors are concerned, they are numerous (1% of the workforce, roughly), intelligent and well-paid. Many IP insurers have treated doctors poorly (I hated it when, as a product marketer, I was asked about how best to write IP for a doctor, not least because my company wasn't able to offer a tailor-made solution) and many IFAs will probably not understand all the intricacies of writing IP for this group of customers.*

PruProtect's solution not just meets the needs of NHS doctors but the timing looks good too, and potentially opens up the female doctor market for IP. Moreover, some competitors, at least, will simply be unable to adopt the same technical solution, at least not without major IT expense.

Plus points: *Variable deferred period linked to NHS sick pay makes this clearly a highly targeted product option; available as part of a now well-established IP plan; G-Day makes the timing of the launch perfect.*

Not so plus points: *Matching IP benefits to a doctor's income and needs remains technically challenging and IFAs would be wise to undergo intensive training if planning to target this market; doctors' non-NHS earnings may necessitate an additional solution (and matters are further complicated by issues such as employing locums).*

Website: *www.pruprotect.co.uk*.

Rating (max 5): Innovation: 4.5. Overall: 4.5. **Platinum**.

Medical…

Independent hospital activity up

A new report from **Laing & Buisson** shows record activity in UK private and voluntary (independent sector) hospitals, with 1.64m patients admitted for surgical treatments in 2012, equivalent to some 14.5% of total surgical admissions in all NHS and independent UK hospitals.

Most of this activity was driven by increased NHS admissions, with spending on acute medical care by private patients being flat since 2005.

Estimates from the first half of 2012 are that 1.2m surgical admissions in independent hospitals were on a day case basis and 400,000 on an overnight basis. Revenues generated from independent acute medical hospitals barely grew over the past two years (0.7%: total £4.14bn) and the hospitals' private patient revenues fell back by 3% in 2010 and 2011. However, although NHS spending has quadrupled since the mid 2000s, its real growth of 7% (2010) and 5% (2011) is slowing.

Private Acute Medical Care UK Market Report 2012 costs £775 for hard copy, see: *www.laingbuisson.co.uk*.

US doctor movement against unnecessary care is launched

A newly launched movement in the US, led by prominent doctors is challenging the harms of overtreatment of patients, *BMJ* 2012; 345: e6230 reported on 2 October.

Patients are being kept alive with invasive treatments to stave off the inevitable by just a few days instead of being offered palliative care and the harms of overtreatment are not restricted to the dying, as overaggressive treatment is estimated to cause 30,000 deaths a year among **Medicare** recipients.

Unnecessary interventions are estimated to account for 10-30% of spending on healthcare in the US annually. A two day conference gave examples of overtreatment ranging from overuse of screening to questionable surgery and said the culture may be driven by the fact that US doctors do not get paid for telling people that watching and waiting may be the best course.

BMJ review of prediction models for the risk of developing type 2 diabetes

Early identification of those at risk of type 2 diabetes, which is a large burden on healthcare worldwide, has long been recognised as being important for targeted prevention strategies.

Independent validation studies of prediction models for the risk of developing the disease are also important to test the performance of the model, as performance is generally overestimated in the population in which it is developed. Surprisingly, the performance of less than a quarter of the prediction models was externally validated.

A study of 38,379 people aged 20-70 with no diabetes at baseline (the full EPIC-NL cohort), 2,506 of whom made up a random subcohort, found that most basic prediction models (12 identified by the researchers), performed well at identifying those at high risk of developing type 2 diabetes in an independent population.

13 extended models identified that used biomarkers such as glucose concentration, classified cases slightly better than basic ones. During a median follow-up of 10.2 years there were 924 cases of type 2 diabetes in the full EPIC-NL cohort and 79 in the random subcohort. The C statistic for the basic models ranged from 0.74 (95% confidence interval 0.73 to 0.75) to 0.84 (0.82 to 0.85) for risk at 7.5 years. For prediction models including biomarkers the C statistic ranged from 0.81 (0.80 to 0.83) to 0.93 (0.92 to 0.94). Most models were found to overestimate the actual risk of diabetes. See: *BMJ* 2012; 345: e5900.

Medical briefs:

• A Danish study of more than 10,000 adults followed for over ten years has found that only intense exercise makes a difference to the development of risk factors for heart disease and stroke. An hour's stroll makes little difference, whereas fast walking or jogging can cut the risk by up to 50%. See: www.tinyurl.com/9srgt8x.

• A new antibiotic was launched in the UK in early October, *Nursing Times* reported on 16 October. Ceftaroline (Zinforo) can be used to treat complicated skin and soft- tissue infections (cSSTIs) such as MRSA and also community acquired pneumonia.

• *The Talking Toolkit* from **Bupa** contains practical tips and guidance to help carers communicate with dementia patients. See: www.bupa.co.uk/understanddementia.

• A study from the Universities of **Bristol** and **the West of England** found more than half of 43 patients with chronic pain had either stopped or reduced their medication use in the 11 months after starting lessons in the Alexander Technique. See: www.tinyurl.com/8cv66jj.

• Total knee replacements undertaken each year in the US increased by 161.5% from 1991 to 2010 with the rise being blamed on an ageing population, obesity and expanding indications for surgery the *BMJ* has reported. Primary knee replacement rates per capita in the population doubled from 31.2 per 10,000 to 62.1 per 10,000, and rates of revision went up by 59.4% during the same period. See: *BMJ* 2012; 345: e6597.

• Revised guidelines suggest that doctors should think twice before prescribing beta blockers to other high risk groups other than those with heart failure and for secondary prevention after a recent myocardial infarction (MI). See: *BMJ* 2012; 345: e6612.

• With 7.6m working days lost each year in the UK due to work-related musculoskeletal disorders **Simplyhealth** and **Nuffield Health** have produced a guide on musculoskeletal conditions. This can be downloaded from www.simplyhealth.co.uk/backcare.

• Cranberry juice is unlikely to prevent cystitis, an updated systematic review from the **Cochrane Library** says. Women would have to consume two glasses of cranberry juice a day for long periods to prevent one urinary tract infection and the researchers concluded that current evidence did not support a preventive role for cranberry juice, the *BMJ* reported on 17 October.

• A new world-class **School of Veterinary Medicine** will be launched at the **University of Surrey** in 2014, constructed around the theme that human and animal health is intrinsically linked, it was announced on 24 October. It will become only the eighth veterinary medicine school in the country.

• **Genomic Health Inc** has developed a genetic test (Oncotype DX) that claims to give patients their personal risk of breast cancer recurrence and likely chemotherapy benefits. See www.unilabs-his.co.uk.

• The **European Association for Osseointegration** (**EAO**) has launched a new website and guide for patients considering dental implants. Might have been more helpful if the press release included the website address (it's www.eao.org/patients) and wasn't sent to us until 12 days after the site launched though...

Political briefs:

• Jobseekers who break the rules e.g. by refusing a job offer, can be sanctioned and receive a ban on claiming JSA from from four weeks for a minor offence up to three years for more extreme cases, the **DWP** announced on 22 October. It added that sanctions had been applied to 495,000 claimants last year, including 72,000 who had refused an offer of employment.

• In September there were 182 breaches of the NHS MSA (mixed sex accommodation) guidelines in English NHS hospitals the **Department of Health** (**DH**) reported on 18 October This compares to 160 in August.

• In August 2012 there were 269 cancelled urgent operation in the NHS in England, compared to 320 in July 2012 and 254 in August 2011 the **DH** announced on 28 September. Cancelled urgent operations have varied between 254 and 419 in the previous 12 month period.

• Tim Kelsey, a director of the **NHS Commissioning Board** that will take over responsibility for the day-to-day running of the health service next April, is pushing for the NHS to become paperless by the end of 2015, *Nursing Times* reported on 16 October.

• Data released by the **NHS Information Centre** in late September shows there were 632 fewer full-time equivalent registered nurses employed in June than in May and health visitor numbers are down by 89 from 8,190 in May to 8,101 in June. Over the past 12 months, the number of nurses working in the NHS in England has fallen by 1,860 full-time equivalent posts, *Nursing Times* reported on 2 October.

• New Care Services Minister, Norman Lamb, has said there is "no rush" to push ahead with the long term care funding proposed in Andrew Dilnot's care plan published in July last year, *Money Marketing* reported on 20 September. Advisers fear the plan, which calls for a £35,000 lifetime contributions cap for social care costs and could cost the Government £1.7bn a year, may be kicked into the long grass.

• **NICE (The National Institute for Health and Clinical Excellence)** has published guidance for clinicians on managing Crohn's disease in adults and children. See: www.nice.org.uk/CG152.

• **NICE (the National Institute for Health and Clinical Excellence)** has said that suspected neutropenic sepsis should be treated as an acute medical emergency with antibiotics given immediately. The guidance was issued in September to reduce unnecessary deaths and improve outcomes for cancer patients with the condition. Deaths from neutropenic sepsis in England and Wales have risen from around 300 in 2001 to around 700 in 2011. See: www.nice.org.uk/CG151.

• The **UK Medicines and Health Products Regulatory Agency** (**MHRA**) is trying to determine whether electronic cigarettes (e-cigarettes) should be treated as medical products and regulated accordingly, the *BMJ* has reported (bmj2012; 345:e6417). Any product that contains nicotine that claims to help people give up smoking is judged by the MHRA to be a regulated product, but manufacturers are careful not to claim this and fear that regulation would put many smaller firms out of business and reduce the beneficial effects of smokers switching.

Unemployment falls further

Unemployment fell from 2.59m in May-July to 2.53m in June-August, according to the latest *Labour market statistics* bulletins, released by the **ONS** on 17 October 2012.

During the same period, employment rose from 29.56m to 29.59m. 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 108.708 to 108.819. 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 (JSA) claimants stayed at 1.57m in August. The latest unemployment rate is now 7.9%, or 4.8% for JSA claimants. Earnings in the three month period to end August (including bonuses) rose from 1.5% to 1.7% higher than a year before.

On 16 October the ONS also announced that in September the Retail Prices Index (RPI) fell to 2.6% compared to a year before (down from 2.9% in August), while the Government's preferred Consumer Prices Index (CPI) was also down, from 2.5% to 2.2%. This compares to an annual inflation target of 2.0%.

Health checks do not reduce mortality, says Cochrane review

A Cochrane review that included 14 trials involving 182,880 people, nine of which studied the risk of death and included 155,899 participants has concluded that general health checks do not reduce mortality and should not be included as part of a public health programme, *BMJ* 2012; 345: e7001 reported on 17 October.

Peter Mace, assistant medical director at **Bupa Health and Wellbeing UK**, which offers private health checks said Bupa avoided tests that gave ambiguous or meaningless results and that their health assessment aim was to keep people healthy and give them a clear opportunity to make positive lifestyle changes.

BMA to allow private opt out?

In November the **BMA's** governing council will consider whether to ask patients to support a boycott of private providers in an attempt to disrupt the Government's competition agenda in healthcare, *BMJ* 2012; 345.e7002 reported on 16 October. Patients would hand a card to their doctor if they would rather not be given the option of private providers. But David Worskett, director of the **NHS Partners Network** said: "The overwhelming majority of the public do not mind who provides their care as long as it is of high quality and free at the point of delivery."

Return to work for patients - GP requirements eased

The **General Medical Council** has eased the requirement for doctors 'to encourage patients with long-term conditions to stay in, or return to, employment'. According to the GP news service *Pulse*, the duty of doctors will be to encourage 'fulfilling activity' including voluntary or paid work to their patients. Final guidance is expected in November and will be enforced next year.

Patient safety incidents down

Excluding mental health patients, 746 patients died as a result of patient safety incidents between October 2011 and March 2012 and 3,188 suffered severe harm, down from 926 and 3,398 respectively over the same period in the previous year, according to data from the **National Reporting and Learning Service (NRLS)**, *Nursing Times* reported on 25 September. This fall in numbers may be due to some community services moving out of the NHS so that these incidents are no longer reported to the NRLS. Most incidents (26%) were as the result of slips, trips or falls.

Free Scottish care questioned

The Labour Party has set up a commission to investigate the provision of free prescriptions, support for the elderly and university tuition fees in Scotland after its Scottish leader, Johann Lamont, questioned their long term sustainability and attacked the 'something for nothing' culture which provided these benefits irrespective of ability to pay.

Free personal and nursing care costs are rising by around 15% a year and free prescriptions and eye tests cost the Scottish Government £150m a year.

Hospital RTT waiting times fall

The median Referral to Treatment (RTT) wait for NHS hospital admission in England fell from 8.5 weeks in July to 8.3 weeks in August according to a **Department of Health** Statistical Press Notice released on 18 October. For non-admitted patients the median wait rose from 4.1 weeks to 4.3 weeks. The 95th percentile time wait for patients entering an RTT pathway rose from 20.8 weeks to 20.9 weeks for admitted patients but stayed at 15.7 weeks for non-admitted patients.

The number of patients meeting the 18 week target remained at 92.7%. Health Secretary Jeremy Hunt noted that 100,000 fewer people were waiting longer than 18 weeks than a year earlier and those waiting over a year were at the lowest level ever recorded, and down by over 16,000 compared to May 2010.

What a new mag doesn't say...

A critical look at the October issue of *What Doctors Don't Tell You,* by Glasgow GP Margaret McCartney, suggests that although the publication is right to criticise medicines, the same standards must be applied to all interventions including 'alternative' therapies.

McCartney says that the limitations and uncertainties that arise in research are not consistently explained.

The article, in *BMJ* 2012; 345: e6817, suggests that the magazine's liability statement – 'the publishers cannot accept any responsibility for any damage or harm caused by any treatment, advice or information contained in this publication' – should perhaps be better printed on the cover, in an unmissable font.

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Blogs

In this section of e-Protection Review we feature some of the blogs that were first published on the *www.protectionreview.co.uk* website. You'll find blogs covering a very wide range of issues, products and markets. That's the aim. We want every blog to challenge and question, to inform and to stimulate. Our bloggers are a mixed bunch (we mean that nicely) but they are all people we like listening to and learning from. We hope you will too.

This month we feature three blogs. First, on 25 September, Phil Veale suggests that when the going gets tough, the tough get going...

It's a difficult time for most providers. There are significant current and potential changes in the industry. We have RDR, MMR, Solvency II, gender-neutral pricing, auto enrolment and NEST, for example.

Change can be seen as an opportunity or threat. How we deal with the situation is key. You can be revolutionary or reactionary.

In my view sitting back and waiting for situations to evolve should not be an option. At the least it shows a lack of imagination, and also allows others to gain competitive advantage. Situations, particularly in our industry it seems, will change, so perhaps providing an environment for development of products and their delivery, always allowing for scarce resource. Resource is stretched and costly and consequently needs careful management.

So where does this take us?

There is the EU influence, so some might say there is little we can do there. Perhaps, perhaps not. It is not going to go away, so it has to be faced up to. We do have a good industry with good people within it. It is tough, though. But when the going gets tough the tough get going!

Then there is the FSA, who you'd expect to understand our industry, but the jury is out on that one I'd suggest. I do have an issue with our distributors on RDR and to a lesser extent MMR. They seem more concerned how the changes affect them rather than customers. It's not so much about where we are now but where we are going.

The landscape is changing and there has to be a recognition of a new environment. Customers on the other hand don't have day to day interaction with the industry and don't have a benchmark of the transaction process. As long as it is clear to them what the basis is, this is sufficient.

It's the same with gender-neutral pricing. Yes, it's mad, but customers will react to the proposition they are given, not what it was.

With the industry in a state of flux, where does that leave product development? Some providers are taking the opportunity to refresh current propositions including non-financial (these may be easier to develop and provide 'added value'); some are 'running to stay still' as they address the legislative changes. Cards close to the chest mean serious developments are difficult to judge, understandably, but let's hope product ranges are getting some attention. You could argue that by and large a product is a product, although I still can't understand why income protection is still the poor relation when there are evidently sensible developments that can be made.

And dare we mention Simple Products? Something else to look forward to.

Yes, business as usual has to be maintained, but there are lots of opportunities to move forward.

Phil Veale is director at Chiltern Consulting. See *www.chiltern-consulting.co.uk*. Next, on 9 October Margaret Kirby blogged on the Jackson Reforms.

Those of you who have had the unfortunate pleasure of being on the receiving end of a litigious claim will be pleased to learn that Lord Jackson's proposed reforms to the costs of civil litigation will have a beneficial outcome for insurers.

In November 2008 Lord Justice Jackson was appointed to lead a fundamental review of the rules and principles governing the costs of civil litigation and to make recommendations in order to promote access to justice at proportionate cost – 'The Jackson Review'. This led to the *Legal Aid, Sentencing and Punishment of Offenders Act 2012* which is due to come into force in April 2013 and will hopefully see the end to the recoverability of success fees.

At the moment, many insurers are forced to settle claims – not because they are liable, but because they know the claimant (their client) may have the benefit of a conditional fee agreement with their solicitor. This means that in some cases, the solicitor will charge a 100% success fee on top of their hourly charge out rate. In the life and disability market it is very rare that less than a 100% success fee would be charged as many 'claimant' solicitors, unversed in life and disability disputes, find the law pertaining to such disputes complicated and risky, or, looking at it from another angle, they simply aren't experienced in these claims and feel they should charge such fees given it's a niche area of law. Therefore, it doesn't take a mathematician to work out that potential legal costs could soon outweigh the value of the claim, meaning that if there was a hint of a risk to insurers, they would generally settle rather than face huge legal costs.

What was the alternative? They would pay the claim if they thought the claimant would issue proceedings, as they knew the cost implications could be seen as completely disproportionate to the value of the claim. So what will this impending reforms mean to insurers?

- The client will have to pay conditional fees from their damages.
- Clients operating under conditional fee agreements will, for the first time in over a decade, have a direct interest in what their solicitor is charging.
- As this could lead to an increase in solicitor/own client disputes, it is believed that the reforms will discourage solicitors from taking on more complex cases (and many solicitors see life and disability claims as complex).
- Many people believe the changes will tilt the playing field in favour of defendants [insurers].
- Some predict that fierce competition between law firms will drive down the level of success fees.
- Potentially less spurious litigious claims will be made.
- There will be more opportunity for insurers to negotiate/settle on reasonable terms.

The proposed reforms can only be good news. I envisage that there will be less claims litigated and more opportunity to having meaningful 'without prejudice' discussion or mediations. I don't think however it will lead to more claims being referred to the **Financial Ombudsman Service** (**FOS**) as this has always been an avenue for claimants to explore before litigating.

Margaret Kirby is a solicitor at Kirbys Solicitors and is founder of the charity Legacare (UK) Ltd—see *www.kirbyssolicitors.lscwebdesigns.com*.

Our third blogger, on 16 October, was Roger Edwards, managing director at Bright Grey **and** Scottish Provident**. In a first for Protection Review blogs, this took the form of a Podcast (with** The Money Debate **and sponsored by** Space 01**), with Roger being interviewed by leading journalist John Lappin. If you haven't seen it yet, just click onto *www.space03.co.uk/public/podcast/rogeredwards.mp3*.**

This format allows us to run much longer pieces and perhaps to explore issues in greater depth too. We don't see that as an alternative to traditional short bogs; more as a supplement to that to achieve different objectives. What do you think though? Tell us what you think—just email *info@andycouchman.com* and let us know.

Our final blog is not one we have run at *www.protectionreview.co.uk* but was on Money Marketing's website (*www.moneymarketing.co.uk*) on 23 October. It's by our CEO Kevin Carr. Incidentally, at Protection Review we believe passionately in saying what we think. That sometimes means we say things some people don't want to hear or that go against the consensus view.

We even disagree among ourselves from time to time—but that doesn't stop us saying what we individually think! So, we hope you can never accuse us of being bland or toeing the corporate line. Instead, we say what we believe and aim to tell it as we see it—and if we get anything wrong we'll always look to correct that too. It's all part of our belief that open and honest communication is the way to go. Kevin's blog is one we all agree with and we hope you do too...

So the **FSA** (**Financial Services Authority**) was overburdened. Yep, perhaps they were too busy keeping the garden tidy while the house burned down.

Lord Adair Turner has said one of the major flaws in the regulatory structure which failed to avert the financial crisis in the UK was the FSA was "asked to do too much".

"A lot of apparently very clever people got it very wrong, and the ordinary citizen suffered. We have to do better in future," he added.

This got me thinking. According to reports, setting up the new regulatory authorities could cost up to £150m.

So, where might one start?

1. One of the first tasks could be to set up a department to monitor, fully understand and report back on what is being written about in the personal finance and business press. A team of ex-editors and journalists, quite possibly an ex-IFA or two, and maybe even a few experienced and consumer minded PR people would make an excellent team. After all, many of the scandals of the last twenty years were written about many years, if not decades before they really began to hurt people.

What do journalists know? Well, as with all walks of life it depends which ones you ask. But generally speaking they can spot a rip off from a country mile away.

2. Secondly, we could build a similar team to focus on consumer groups. A department to work alongside and understand the ever changing concerns held by **FOS**, **Which?**, **Citizens Advice** and so on.

Both departments would provide early warnings about potential issues and how to resolve them before they become too big. Perhaps, then, we might be able to prevent the next mis-selling scandal rather than quietly letting it happen before championing the compensation culture after the event.

3. For step three we might develop a policy that sees people who understand a market continue to work on that market, not leave or switch around.

It strikes many people that a key problem with financial services regulation over the years is that people keep moving around. Once they begin to understand a market they tend to move on and someone else takes over. Do we need a strategy where the people making the rules stay in the same department and see it through?

What we might not want are people who join the FSA primarily to get 'FSA' on their CV with a view to departing a few years later. I'm told that's exactly why some people join the FSA.

Of course, if I really had £150m one might consider an offshore trust which can loan back the money free of tax. But that would just be morally repugnant of course. Albeit legal. Oh the irony.

Kevin Carr is CEO of Protection Review.

Half of small trade business owners rely on their partners

About half (46%) of all small trade businesses rely on their partner's help in the business and 19% employ them as a receptionist, according to research by **Direct Line for Business**. The findings illustrate the need for protection cover for partners (many of whom are not fully financially compensated or paid at all) as well as owner/managers:

Responsibility	**% partner takes responsibility**
General business admin	48%
Receptionist	19%
Legal and accounting services	14%
Sales/marketing/new business	8%
PA	7%
IT	2%

The research was carried out at small trade businesses employing less than five people and having average turnover of around £124,000 and was published on 22 August.

Comment: *Business protection insurance often focuses on larger businesses, yet the needs of smaller businesses can be just as important and, needs do not just include the obvious keyperson and partnership/share protection needs.*

Chief Ombudsman dismisses 'trying it on' claims

CEO and chief ombudsman at the **Financial Ombudsman Service** (**FOS**) Natalie Ceeney, issued a press statement on 12 October dismissing the suggestion that more people are now 'trying it on' when it comes to complaints. The full text of her open letter is shown below:

'It's not news that we're receiving record levels of complaints. And the media is never short of stories about the widespread lack of trust in financial services - and real-life examples of where financial institutions have got things badly wrong.

But recently, I've noticed a shift in the way this is reported and commented on. Alongside concerns about the banks' sales approach and incentives, I've noticed more talk of 'fraudulent claims' - with some reports that people are claiming for policies they never actually had. All this fuels the argument that society's in the grip of 'compensation culture' - and that this culture is growing in financial services.

I can't speak for other areas - and I'd imagine that people involved in delivering other services to the public may have a different perspective. But I'm not seeing anything that suggests that consumers are more likely to make a speculative claim now than in the past.

We have the legal power to dismiss complaints made by consumers who are being 'frivolous and vexatious'. We take this power seriously - and we use it. But outside mass disputes - like PPI - we don't find many of these cases.

I'd also expect to see our 'uphold rates' affected by such a culture shift. But they're stable - and we actually upheld slightly more complaints last year than we did the year before. It's true that we're busier than ever, but the mounting number of cases reaching us isn't just down to PPI. We're also seeing more complaints about other things - and we're upholding roughly the same proportion as we always have.

So if the perception of a compensation culture isn't supported by consumer behaviour, where has it come from? I would argue that the answer lies partly with financial businesses themselves. Faced with considerable evidence of bad practice - and hefty costs to put it right - it's tempting to deflect some of the responsibility back onto the consumer. Add to this the ever-present advertising by claims management companies - which bolsters the idea that people will willingly 'have a go' - and the picture is complete.

But how has the claims management sector managed to gain such a foothold? Largely because of the mistakes made by financial businesses, and the fact that nobody moved quickly enough to put things right.

Many consumers have been wronged already. Some of these people are now being exploited by companies offering to help them get their money back. To accuse people of 'trying it on' feels like another blow.

But as long as we're still getting those text messages telling us to claim money back from the PPI policy we've never even heard of, this idea that we're in the grip of compensation culture is unlikely to go away.'

People news

• **Ageas Protect**. Steve Casey has been appointed head of marketing and proposition, replacing Andy Milburn. He was previously head of marketing and intermediary proposition development at **Friends Life**.

• **Aviva**. John Lawson has been appointed head of policy, corporate. Previously head of pensions policy at **Standard Life**, he joins in January, reporting to Graham Boffey, MD of Aviva's corporate benefits division.

• **BIBA**. CEO Eric Galbraith is to step down next year, having spent ten years in the role at the broker body.

• **Engage Mutual**. Nigel Masters has been appointed a non-executive director. He is also a director at **NMActuarial.**

• **HCA International**. Mark Varian has been appointed group sales and marketing director. He was previously head of marketing and communications at **Ramsay Health Care UK**.

• **Health Claims Bureau**. Karen Gamble has been appointed head of client relations. She was previously with intermediary **Heath Lambert**.

• **InterGlobal**. Rosanna Turner (ex **William Russell**) has been appointed group head of marketing, and Harvey Thorpe (ex **AXA**) as group e-commerce manager.

• **JLT Benefit Solutions**. Mark Wood has been appointed CEO and takes over from Duncan Howarth, who is the new CEO of **JLT Asia**.

• **Lockton**. The US employee benefits consultancy's new UK division is being headed up by Mike Tyler, who was previously MD of Buck Consultants' Health & Productivity business. Lockton expects to build a full service capability by January.

• **Medicash**. Damon Grant has joined as broker development manager. He was previously tied agent manager and consultant at **Bupa**.

• **PruHealth**. Nicky Pepper has been appointed to the newly created role of head of corporate client management. She was previously with **Cigna Healthcare**.

• **Reliance Mutual**. Clive Allison has been appointed head of member recruitment to oversee product launches and distribution channels.

• **Simplyhealth**. Sales and marketing director Jack Briggs has left the company, *Health Insurance* reported on 23 August.

• **Sun Life Direct**. Dean Lamble has been appointed managing director; he was previously distribution development director and earlier head of strategy at **Aviva**. He replaces Mark Howes, who has moved to take on responsibility as MD for AXA's direct life and health protection businesses, including Sun Life Direct, **Health-on-Line** and **AXA PPP** individual health business lines.

• **Unum UK**. Peter O'Donnell, previously senior vice president and chief financial officer, has replaced Jack McGarry as CEO. Mr McGarry is returning to the US to manage Unum's closed book of business. Peter O'Donnell was previously in senior financial roles at **RSA**, **Aviva** and **Prudential**. Unum UK's new CFO is Stephen Harry, who was previously deputy in that role.

• **Xafinity Consulting**. Richard Halley has been appointed principle lead for its healthcare consulting division. He was previously with **Bupa**.

Road traffic casualties 2011

• In 2011 in Great Britain there were 203,950 casualties of all severities, down 2% on 2011.

• 1,901 people were killed (up 3%).

• Of those, 280 were estimated to be drink drive related (15% of all fatalities)

• 23,122 people were seriously injured (up 2%).

• The biggest cause, according to police reports was 'Failed to look properly'.

• Exceeding the speed limit was 'a factor' in 5% of accidents, but 14% of fatalities.

• Motor vehicle traffic was up 0.2% in 2011.

• The estimated total economic welfare cost of all road traffic collisions was £15.6bn.

Source: *Reported Road Casualties in Great Britain: 2011 Annual Report. Department for Transport, 27 September 2012. See www.dft.gov.uk.*

GMC list of Registered Medical Practitioners, September 2012

The **General Medical Council** (**GMC**) keeps statistical information about doctors on its List of Registered Medical Practitioners (LRMP), the General Practitioners (GP) Register and the Specialist Register. Last updated in September 2012, key facts from the GMC include:

• As at September 2012, there were 252,888 doctors on the LRMP (including 7,981 provisional).

• Of those, 237,559 were licensed.

• There were 62,541 GPs on the GP register and 73,909 specialists on the Specialist Register.

• 143,779 doctors were male (56.9%) and 109,109 were female (43.1%). 47.5% of GPs were female, but only 30.7% of specialists. The gender gap is closing.

• 4.4% of doctors (11,138) were over 65.

• 63.6% of doctors qualified in the UK, 9.9% in the EEA and 26.5% internationally.

• The largest specialties were anaesthetics (10,041 doctors), general (internal) medicine (8,735), general psychiatry (5,396), paediatrics (5,009), clinical radiology (4,556) and general surgery (4,174).

• Historically, the number of doctors on the LRMP registered at 31 December was 245,918 in 2011, just below the peak of 247,530 in 2008. However, that compares to just 205,829 in 2001.

• 12,264 doctors were added in 2011. This is below 2003's peak of 18,647 new doctors but above the recent low of 9,999 in 2001.

• The number of doctors on the Specialist Register has increased each year since the 41,269 recorded in 2001. Source: *www.gmc-uk.org/doctors/register/search_stats.asp*.

Leading networks' ARs Q2 2012

The top five networks had the following number of appointed representatives (ARs) registered with the **FSA** in the second quarter of 2012, *Mortgage Strategy* reported on 30 July:

Network	Number of ARs	+/-
Sesame	1,287	-1
Personal Touch FS	1,037	0
Openwork	935	+6
Intrinsic	811	+51
Tenet	462	-3

NHS dentists pay 2010/11

• Average pay for a self-employed dentist with an NHS primary care contract fell by £19,900 to £117,200 in 2010/11. Non-contract holders earned £62,900.

• 60% earned less than £75K; 1.1% earned £300K+. Source: Health and Social Care Information Centre press release, 28 August 2012.

MRSA and C diff deaths 2011

• The number of death certificates mentioning MRSA in England and Wales in 2011 was 364, down from 485 in 2011.

• The number of deaths involving clostridium difficile (C diff) in 2011 was 2,053, down from 2,704 in 2010. Source: ONS statistical bulletins, 22 August 2012.

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Each issue we choose ten stories from across the industry that have appeared in the trade monthlies, weeklies, online or in the national press. They are not necessarily the biggest stories, just those that most grabbed our attention.

As every month, it is worth noting just how many of the sample are good news stories, although pessimists may see it differently! Targeting stories to the right media (while not forgetting the scattergun approach) and pressing home continuing stories are important too.

1. *Advisers fear Dilnot delay. Money Marketing's* Paul Thomas posted on 11 October how the Government is postponing making any funding decisions on long term care. Frustrating but understandable; but where does that leave our industry and, more importantly, our customers (who are also voters, let's not forget)?
http://www.moneymarketing.co.uk/protection/advisers-fear-dilnot-delay/1059313.article.

3. *NHS appears to be failing on depression. Cover's* Naomi Osinnowo reported on 18 October that depression cases in the UK are up 14% in the past three years and that even this is probably an understatement. GP spending on depression is up 10% and **Simplyhealth** points out how its plans can help—a good example of finding a positive but genuine angle on an otherwise bad news story.
http://www.covermagazine.co.uk/cover/news/2218316/nhs-failing-on-depression.

4. *Older women with breast cancer set to quadruple by 2040.* Tessa Norman's piece for *Health Insurance* on 16 October reports big expected increases in incidence, but also in survival. How you view this story depends on whether you're a half empty or half full sort of person. To us it sounds like a important opportunity for insurers to develop appealing solutions, even though it also means some difficult issues to try to resolve too.
http://www.hi-mag.com/health-insurance/product-area/pmi/article409513.ece.

5. *CII: FCA must give examples of 'good' practice. Cover's* Nicola Brittain reported on 19 October **CII** director Steve Jenkins' view that the new regulator's more 'hearts and minds' approach needs examples of what 'good' looks like. He also spoke of an industry evolving fast, including the rise of the professional paraplanner.
http://www.covermagazine.co.uk/cover/news/2218531/cii-fca-must-give-examples-of-good-practice.

6. *Consumers seek reassurance from advisers over financial gain: study.* On 17 October, *Health Insurance's* Tessa Norman reported a **Standard Life** poll that reassurance they were doing the right thing was more important than financial gain for people.
http://www.hi-mag.com/health-insurance/product-area/life-critical-illness/article409682.ece.

7. *Protection commission to help advisers with RDR transition.* Donia O'Loughlin's *FT Adviser* piece on 15 October reports **Swiss Re's** view that the RDR and MMR should lead to more protection opportunities.
http://www.ftadviser.com/2012/10/15/insurance/health-and-protection/protection-commission-to-help-advisers-with-rdr-transition-YUqpHyz1ECfsbZHHBoBuWL/article.html.

8. *Private medical cover is 'beyond the reach' of most.* Shirin Aguiar-*Holloway's FT Adviser* article on 10 October reports **Passport2Health's** view that high PMI costs is an opportunity to develop cheaper solutions.
http://www.ftadviser.com/2012/10/10/insurance/life-assurance/private-medical-cover-is-beyond-the-reach-of-most-ih4cMZGviOgLMo7f2YPq3J/article.html.

8. *Cost of insurance set to soar following European court ruling.* Writing in the *Independent* on 20 October, Paul Thomas includes some good examples of how the paper's readers will be affected and includes some good quotes, including from our own Mr Carr.
http://www.independent.co.uk/money/insurance/cost-of-insurance-set-to-soar-following-european-court-ruling-8218946.html.

9. *Two months left to beat EU rule change raising insurance costs by 25%.* Another important 'countdown' article, this from *The Telegraph's* Ian Cowie on 18 October.
http://blogs.telegraph.co.uk/finance/ianmcowie/100020841/two-months-left-to-beat-eu-rule-change-raising-insurance-costs-by-25pc.

10. *Exeter Family Friendly launches new look website.* Factual, focused and free publicity—this news story probably came from a press release and illustrates how important it is to get all news across to the right media, as *Mortgage Introducer* picked it up and ran it on 25 September.
http://www.mortgageintroducer.com/mortgages/244461/261/Protection/Exeter_Family_Friendly_launches_new_look_website.htm.

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