

**Teresa Fritz
Principal Researcher
Consumers'
Association / Which?**

WHICH?

**Surviving or Thriving?
The 2002 Healthcare Conference**

- ☛ New environment for society, consumers and industry
- ☛ Four major financial services related challenges facing UK
- ☛ CA's blueprint for consumer needs
- ☛ Views on current healthcare products

WHICH?

Word About CA

- ☛ Founded in 1957 to represent the interests of the consumer
- ☛ A not-for-profit organisation and a registered charity
- ☛ Independent, takes no advertising, accepts no money from government, trade or industry
- ☛ Funded by the sale of its magazines, books and other products. Most profitable is Which?
- ☛ 540,000 subscribers to Which? - Estimated 1 million readers per month

WHICH?

CA Is Committed To:

- ☛ Empowering consumers to make informed decisions
- ☛ Achieving measurable improvements in goods and services
- ☛ Campaigning on behalf of the consumer and seeks to influence policy and practices

WHICH?

The New Environment for Society, Consumers and Industry

WHICH?

Major Forces Affecting Society

- ☛ Primary demographic and socio-economic
- ☛ Political and individual attitudes, behaviour and expectations
- ☛ Commercial, economic and regulatory

WHICH?

Primary Demographic and Socio-economic Forces

- 🔊 Ageing population and support ratios, pressures on state budgets
- 🔊 Family structures, working patterns
- 🔊 Disparities in incomes and assets, debt explosion, housing market influences
- 🔊 Low levels of provision against liabilities and risks

WHICH?

Attitudes, Behaviour and Expectations

- 🔊 Balance of responsibility between society and individuals, and between generations;
- 🔊 Citizens' expectations in a modern economy
- 🔊 Confidence and trust in financial system

WHICH?

Commercial, Economic and Regulatory

- 🔊 Investment returns, inflation/bond markets
- 🔊 Retail markets - huge over capacity, stakeholder products, margin pressures in traditional banking product areas
- 🔊 Complex and onerous regulation blamed (not entirely justified), impact of EC rules
- 🔊 Impact of technology on distribution and exclusion

WHICH?

Four Major Financial Services Related Challenges Facing UK

WHICH?

4 Challenges

- ☛ Providing decent retirement income for all
- ☛ Protecting people against ongoing and longer-term risks and shocks
- ☛ Funding access to decent health, social and long-term care
- ☛ Promoting access and competition, preventing greater financial exclusion

WHICH?

Meeting the Needs of All Consumers

- ☛ 3 main tiers developing:
- ☛ Excluded - needs met primarily by state
- ☛ Comparatively wealthy - needs and wants met primarily by private sector
- ☛ Mass middle market - needs and wants met by combination as circumstances change
- ☛ Crucial to consider both existing and new consumers

WHICH?

Ca's Blueprint for Consumers' Needs

WHICH?

Ca's Blueprint for Consumers' Needs

- ☞ VFM, quality, flexible products
- ☞ Consumer focused, unbiased advice
- ☞ Consumer skills/information
- ☞ Corporate governance, integrity, accountability
- ☞ Real and effective competition
- ☞ Simpler, tougher regulation and legislation
- ☞ Redress

WHICH?

Ca's Framework for Assessment

- ☞ Key questions
 - ☞ Commodity - complex product
 - ☞ Short-term - long-term
 - ☞ Discretionary - core welfare
- ☞ CA uses risk-based approach (potential detriment) for prioritisation
- ☞ Effective, proportionate solutions

WHICH?

Ca's Framework for Assessment

- ☛ Not commodities, but core welfare needs
- ☛ Right to expect same standards in terms of access to professionals, quality products and services
- ☛ Can't just leave to market forces to determine consumers needs, and mechanisms for delivery

WHICH?

Consumer Influence Can Be Strengthened in 4 Main Ways

- ☛ Education: FSA doing great work but slow burner
- ☛ Information solutions: works in simple sectors, or when used by trusted intermediaries, peer group pressure
- ☛ Trusted intermediaries: ifa's or powerful intermediaries with influence/buying power, eg trade unions, trade associations, CA, employers, mutuals, central government
- ☛ Targeted product regulation to protect consumers and promote improvement

WHICH?

CA's Preferred Approach

- ☛ National financial advice network (NFAN)
- ☛ General financial planner (community based, organisational based, industry)
- ☛ Stakeholder products, core needs
- ☛ Risk based product regulation, not compliance based
- ☛ Promote thriving independent advice sector

WHICH?

Consumers' Association's Views on Current Healthcare Insurance Sector

WHICH?

The Products

- ☛ Pmi
- ☛ Hospital cash plans
- ☛ Income protection
- ☛ Long-term care
- ☛ Critical illness

WHICH?

PMI

- ☛ Last which? Report September 2000
- ☛ Took months to research
- ☛ Exclusions caused worry
- ☛ Reading of small print essential
- ☛ Conclusion.....?

WHICH?

PMI

- 👉 We found it almost impossible to compare products - consumers have no hope
- 👉 Very complex product with no 'shopping around' potential

WHICH?

Hospital Cash Plans

- 👉 Last Which? Report February 2002
- 👉 Useful 'extra'
- 👉 No huge detriment
- 👉 Potential for 'shopping around'
- 👉 Conclusion.....?

WHICH?

Hospital Cash Plans

- 👉 Simple and useful product for those that want it

WHICH?

Income Protection

- ☛ Last Which? Report August 2002
- ☛ We see as core need
- ☛ Equally important for single person, with or without dependants
- ☛ Relatively easy to compare if low-risk occupation group - not so for higher-risk groups
- ☛ Not happy with renewable - advised to go for guaranteed or if not possible, reviewable
- ☛ Some concerns about advice - how many people are over insured?
- ☛ Conclusion.....?

WHICH?

Income Protection

- ☛ Essential core need product
- ☛ Confusing rules for maximum benefit
- ☛ Idea for 'stakeholder' product

WHICH?

Long-term Care

- ☛ Last Which? Report January 2002
- ☛ Issue of immediate needs overtook report and 'future needs' products transferred to fact sheet
- ☛ Products didn't feel like value for money
- ☛ ADLs cause concern
- ☛ Conclusion.....?

WHICH?

Long Term Care

- Future needs products need overhaul
- Too many variables in this market - big potential consumer detriment

WHICH?

CIC

- Last which? Report January 1997
- New report due next year
- Could be useful cover - but life insurance and income protection must come first
- Balance of power too much in industry's favour
- Big concerns about mis-selling

WHICH?

CIC

- "The market is booming primarily due to the buoyant housing market and because independent financial advisers are finding it harder to sell investments and so are focusing on protection"

- Conclusion.....?

WHICH?

CIC

- 💡 Sales up because of industry - not consumer needs
- 💡 Complex product - difficult for consumers to be clear about when they will be eligible to claim - too much jargon
- 💡 Oversold above core needs
- 💡 Still unregulated - industry bonanza until 2003?

WHICH?

Current Healthcare Products?

- 💡 Lack of consumer-facing thinking
- 💡 Too complex - limited 'shopping around'
- 💡 Sold - not bought
- 💡 Potentially huge consumer detriment
- 💡 Employer sales must be the way forward

WHICH?

Conclusion

- 💡 This is a defining moment for society and industry, right choices have to be made
- 💡 If industry is to play bigger role, confidence and trust must be warranted
- 💡 Effective structures and regulation can add value, and cut costs
- 💡 We want to see the best winning and the worst paying the price, invitation to work together

WHICH?
