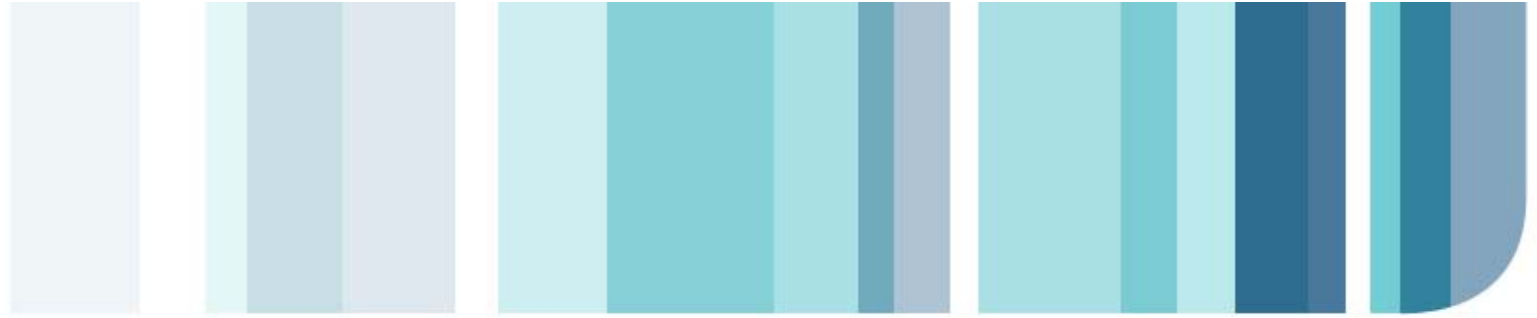


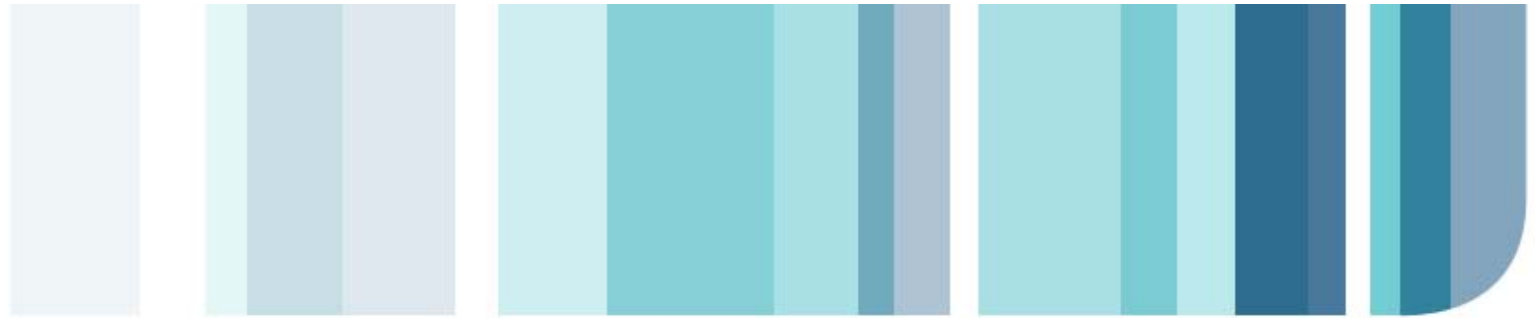
CURRENT ISSUES IN CRITICAL ILLNESS

- Richard Walsh
- Head of Health
- Association of British Insurers
- Institute of Actuaries Seminar
- 2 December 2004



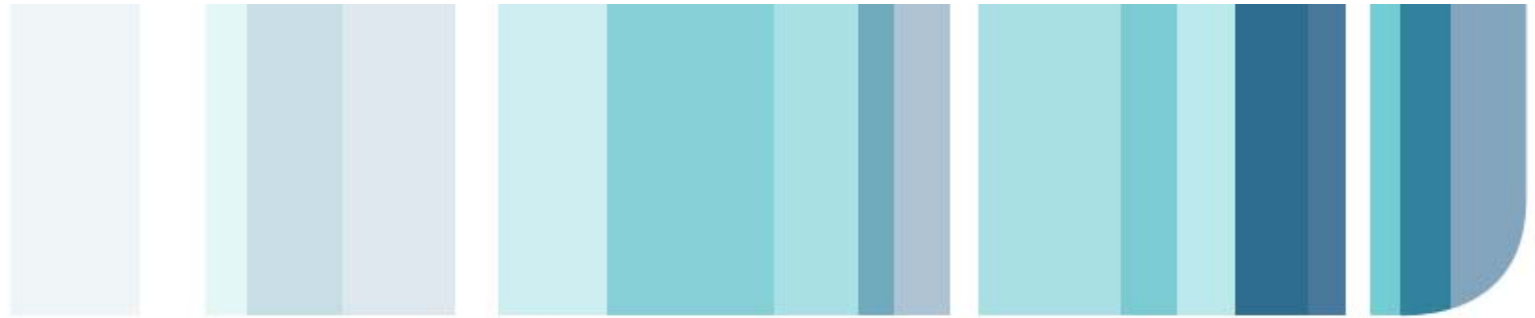
WHAT I WILL COVER

- History – 1998 and before
 - OFT market survey
 - OFT report
- ABI Statements of Best Practice – 1999 and 2002
- 2005 review
- Conclusions and the future



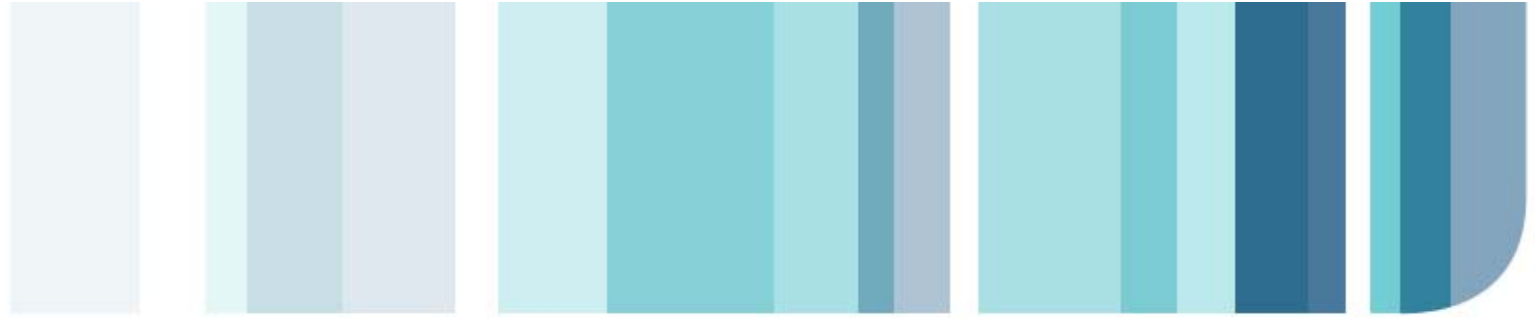
HISTORY – PRE-1998

- In insurance terms its new – introduced about 15 years ago
- Simple concept – pays out a lump sum if you get a serious illness
- But a complicated product because of defining “serious illness”
- Unlike IP – where claims are broad based (loss of earnings + too ill to work) – CI is narrow medical definition based



HISTORY – PRE 1998

- Competitive market – price AND definitions (ie levels of cover)
- BUT could consumers (or IFAs) really understand the differences in cover?
- The OFT didn't think so
- Could you? – here are a couple of examples taken from the OFT survey – cancer, coronary artery bypass surgery



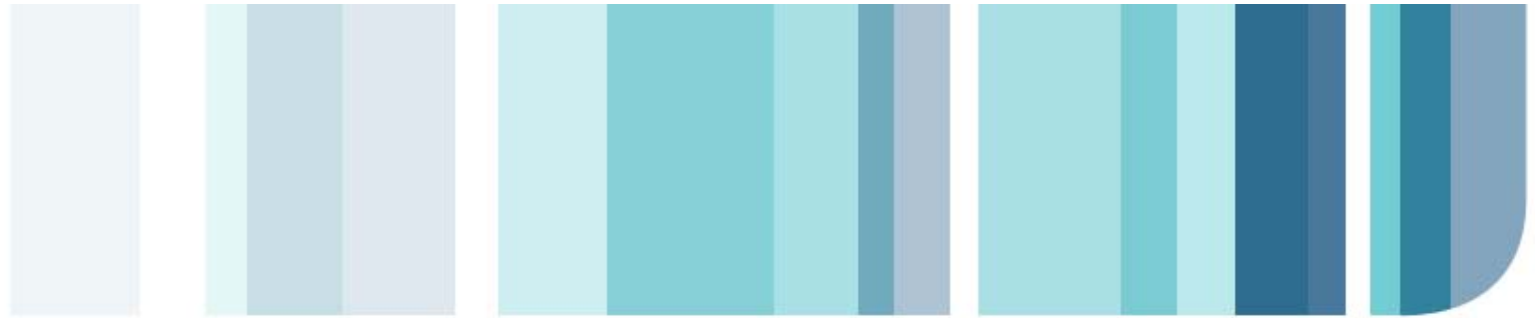
1998 SURVEY - CANCER

Cancer (version 1)

- Being a malignant tumour characterised by the uncontrolled growth and spread of malignant cells and the invasion of tissue. This includes leukaemia and Hodgkin's Disease, but excludes:
 - a) Non-invasive cancer in situ, and
 - b) Any Skin Cancer other than Invasive Malignant Melanoma

Cancer (version 2)

- A malignant tumour characterised by the uncontrolled growth and spread of malignant cells and the invasion of tissue. This includes Leukaemia but excludes:
 - a) Non-invasive cancer in situ
 - b) Tumours in the presence of *HIV*
 - c) Any Skin Cancer other than invasive malignant melanoma



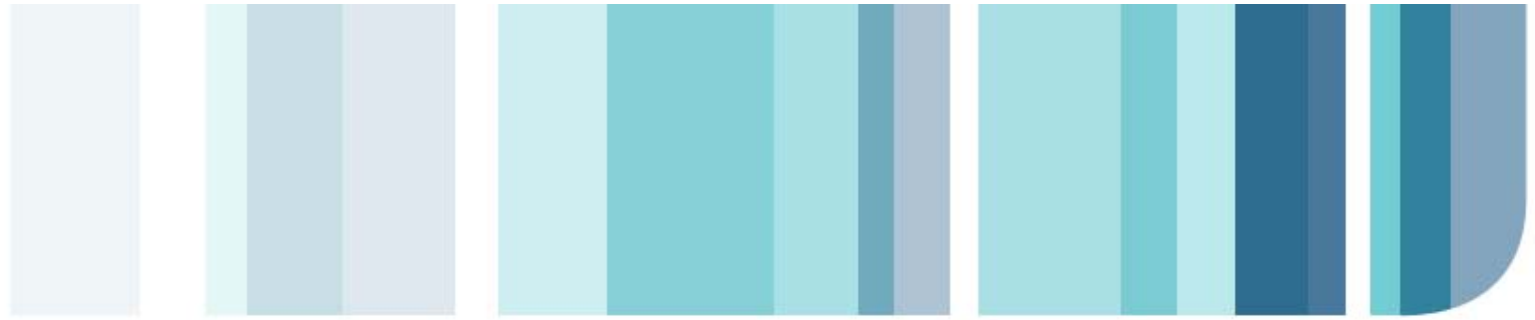
1998 SURVEY – CANCER CONTINUED

Cancer (version 3)

- A malignant tumour characterised by the uncontrolled growth and spread of malignant cells and invasion of tissue. The term cancer includes leukaemia but the following cancers are excluded:
 - a) Non-invasive cancer in situ
 - b) All forms of Lymphoma in the presence of any *HIV*
 - c) Kaposi's Sarcoma in the presence of any *HIV*
 - d) Any Skin Cancer other than invasive malignant melanoma

Cancer (version 4)

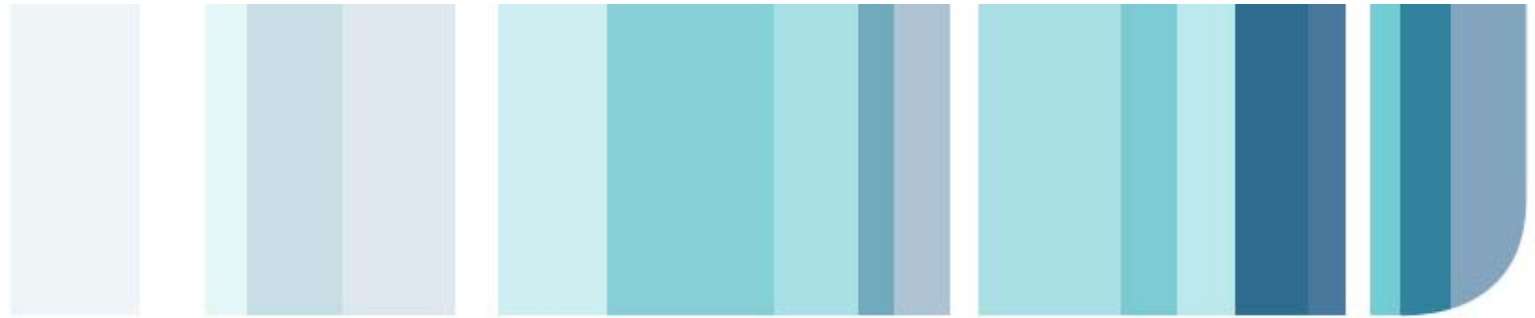
- The unequivocal diagnosis of a malignant tumour characterised by the uncontrolled growth and spread of malignant cells and invasion of tissue. This includes leukaemia but excludes non-invasive cancers in situ, tumours in the presence of any *HIV* and any skin cancer other than malignant melanoma.



1998 SURVEY – CORONARY ARTERY BYPASS SURGERY DIFFERENCES HIGHLIGHTED

Coronary Artery Bypass Surgery (version 1)

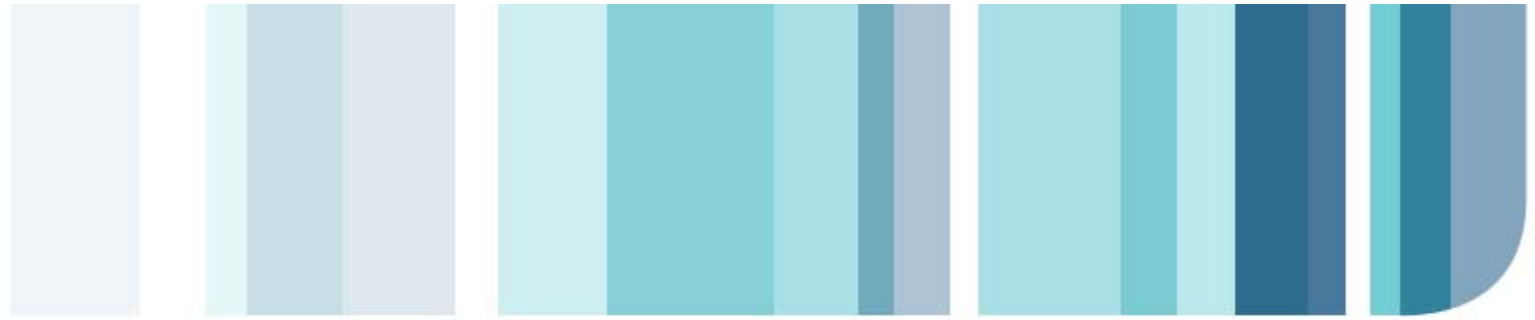
- The undergoing on the advice of a consultant cardiologist of open-heart surgery to correct narrowing or blockage of one or more coronary arteries with by-pass grafts but excluding balloon angioplasty, laser relief or any other procedures.



1998 SURVEY – CORONARY ARTERY BYPASS SURGERY – DIFFERENCES HIGHLIGHTED

Coronary Artery Bypass Surgery (version 2)

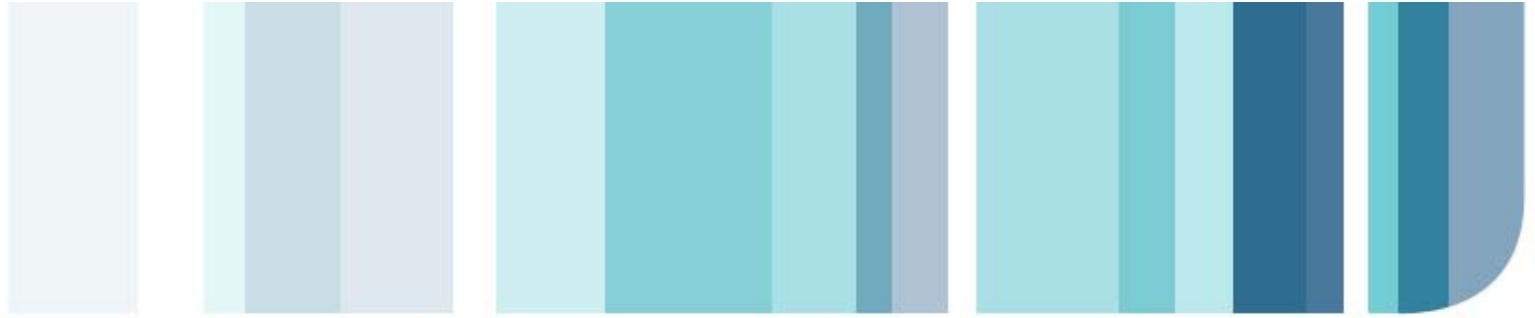
- The undergoing of open-heart surgery on the advice of a consultant cardiologist **registered in the UK** to correct narrowing or blockage of one or more coronary arteries with by-pass grafts but excluding balloon angioplasty, laser relief **or any other procedures**. If the degree of obstruction in two or more coronary arteries is at least 70% then treatment to two or more affected arteries by balloon angioplasty, atherectomy or laser is covered.



1998 SURVEY – CORONARY ARTERY BYPASS SURGERY – DIFFERENCES HIGHLIGHTED

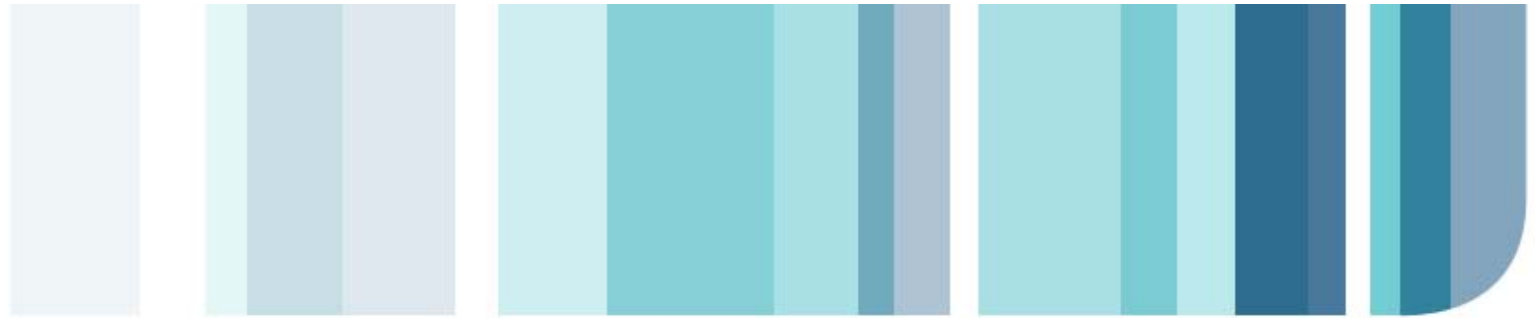
Coronary Artery **Disease** Requiring Surgery

- The undergoing of open-heart surgery to correct narrowing or blockage of one or more coronary arteries with bypass grafts **in persons with limiting anginal symptoms** but excluding techniques such as balloon angioplasty or laser relief of an obstruction. The procedure should be carried out on the advice of a consultant cardiologist



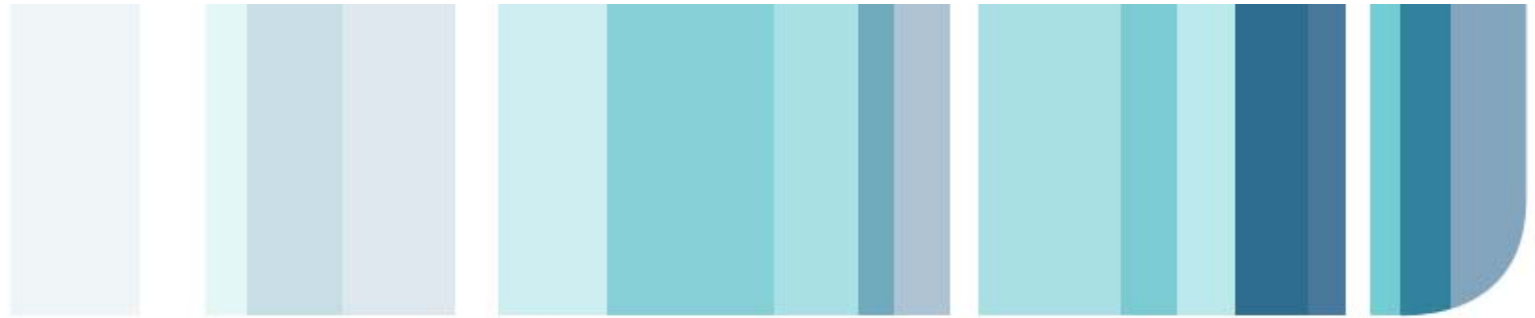
1998 SURVEY

- And that is just a couple of examples
- If you add in the rest of the core definitions
- And add in the “extras”
- Around 150 different definitions
- So what did the OFT decide/believe?



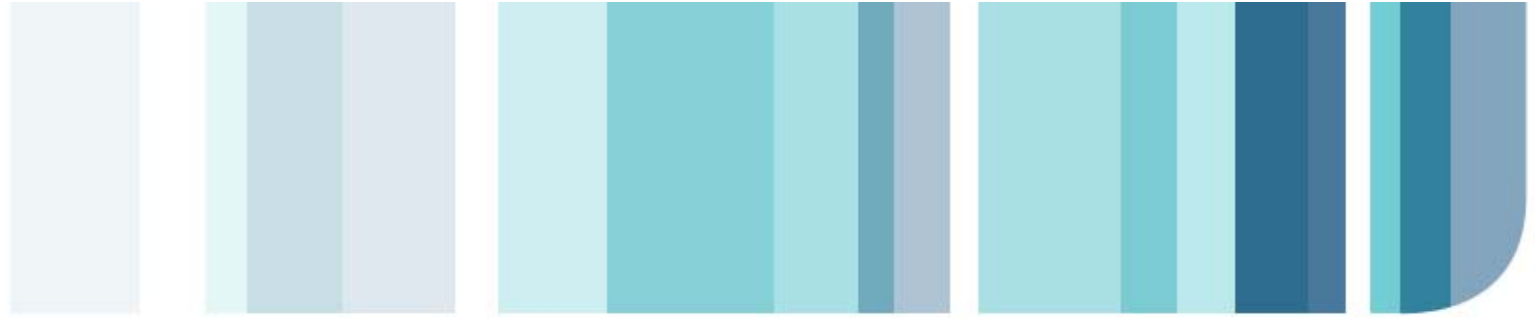
SUMMARY OF OFT 1998 REPORT

- Definitions vary company to company, some for historic reasons, some “to make it difficult to compare with competitors”
- The lay person would find it very confusing if they were to try and make comparisons
- There should be a common set of policy definitions, conditions and exclusions – but can offer MORE cover – to help consumers understand what is on offer and how it stacks up against opposition
- CI insurers are required to justify their products against the standard



ABI RESPONSE – STATEMENT OF BEST PRACTICE 1999

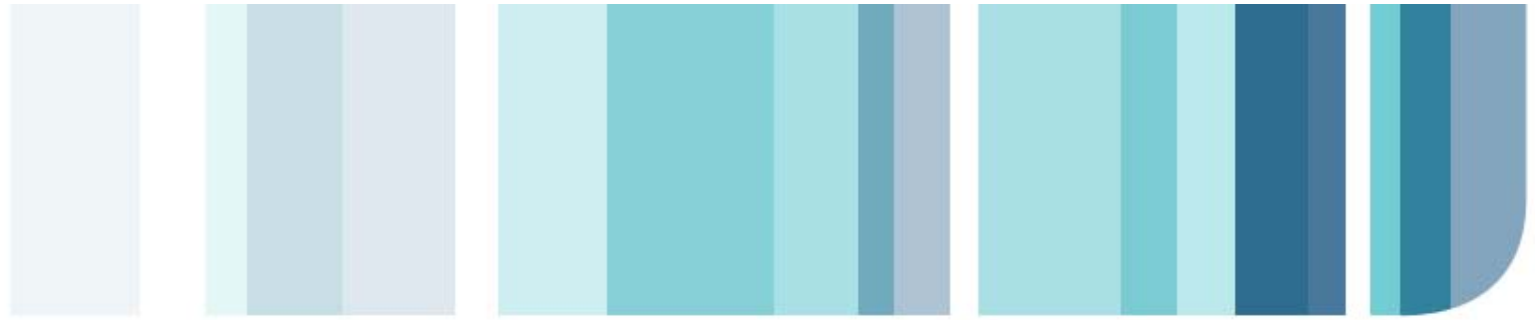
- Binding on industry and approved by OFT
- Must cover cancer (55% claims), heart attack (17%) and stroke (8%)
- Virtually all also cover other “core” conditions and most offer other additional conditions – whatever is offered must meet the standard definition or be better
- Standard exclusions wordings
- Model KFD – applying beyond RS companies
- Reviewed every 3 years



1999 CANCER DEFINITION

Cancer (version 3) - **AMENDED**

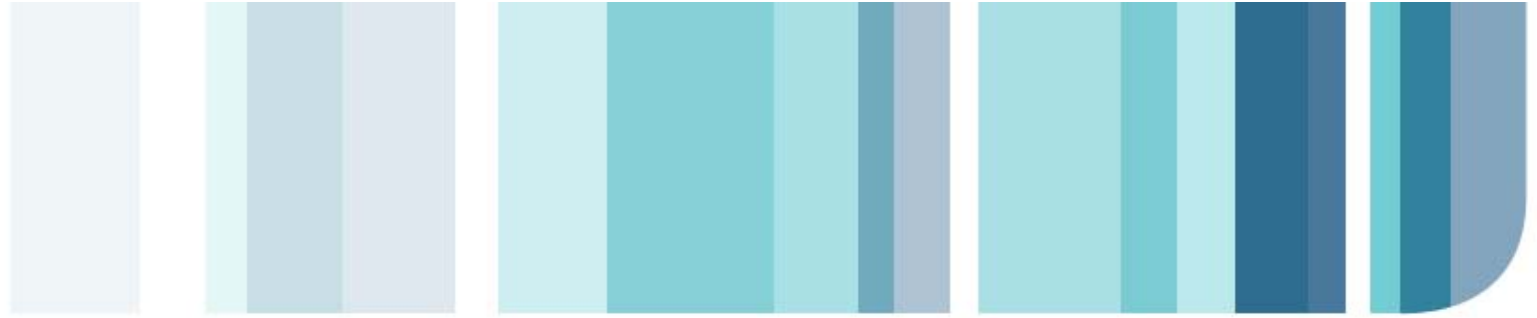
- A malignant tumour characterised by the uncontrolled growth and spread of malignant cells and invasion of tissue. The term cancer includes leukaemia and Hodgkin's disease but the following are excluded:
 - a) All tumours which are histologically described as pre-malignant, as non-invasive or as cancer in situ
 - b) All forms of Lymphoma in the presence of any *HIV*
 - c) Kaposi's Sarcoma in the presence of any *HIV*
 - d) Any Skin Cancer other than (invasive deleted) malignant melanoma



1999 CORONARY ARTERY BYPASS SURGERY

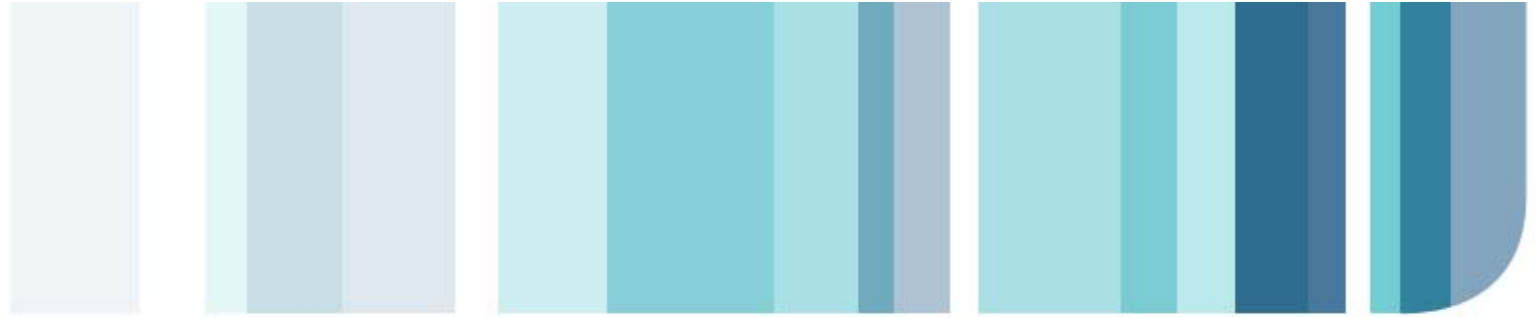
Coronary Artery Bypass Surgery (virtually version 1)

- The undergoing of open heart surgery on the advice of a Consultant Cardiologist to correct narrowing or blockage of one or more coronary arteries with by-pass grafts but excluding balloon angioplasty, laser relief or any other procedures.
- ie – a more limited definition than versions 2 and 3



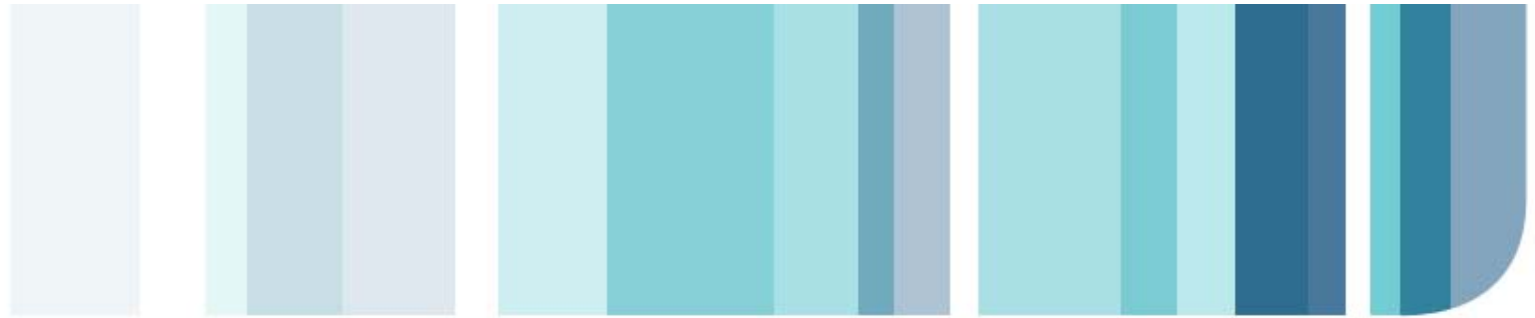
IMPACT OF THE STATEMENT

- Consumer, broker and media, confidence maintained
- Growing market for CI
- FOS use ABI definitions
- Costs contained – as definitions are minimums
- Review process allows for continued debate BUT
- Now “locked into” one solution



2002 REVIEW

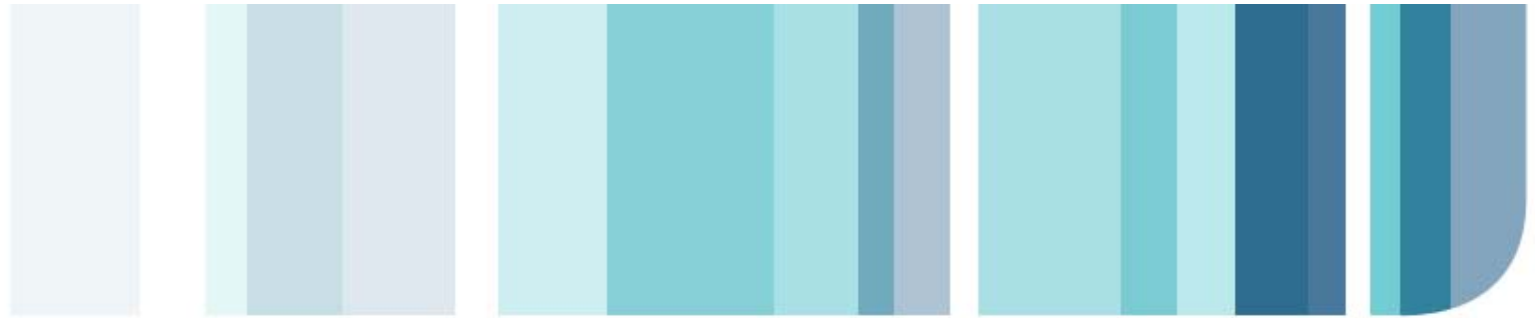
- Medical advances
 - potential screening for low level prostate cancer
 - New diagnostics for heart attacks
- Best medical advice
- Best pricing advice
- Consultation
- Maintain existing solution – again a minimum definition – some companies still offer full prostate cover



2002 NEW CANCER DEFINITION

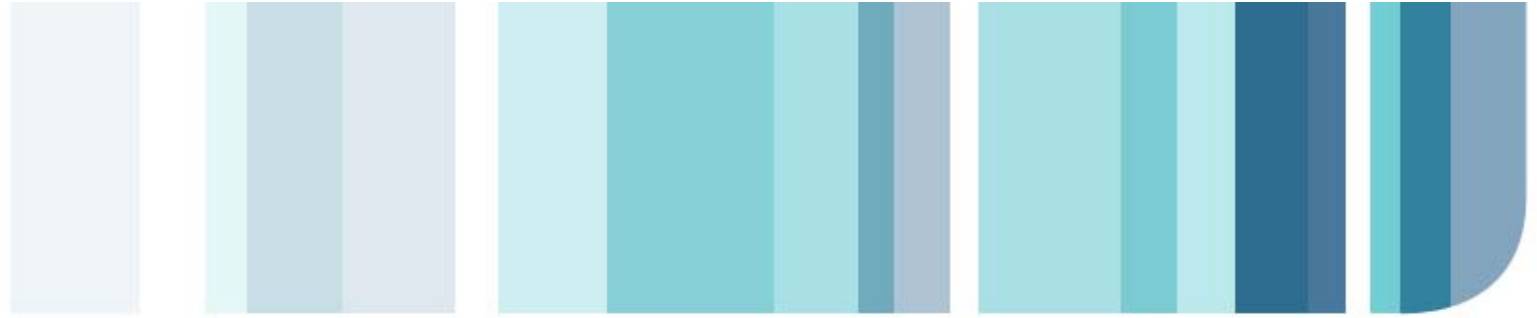
Cancer

- Any malignant tumour characterised by the uncontrolled growth and spread of malignant cells and invasion of tissue. The term cancer includes leukaemia and Hodgkin's disease but the following are excluded:
 - ■ All tumours which are histologically described as pre-malignant, as non-invasive or as cancer in situ.
 - ■ All tumours of the prostate unless histologically classified as having a Gleason score greater than 6 or having progressed to at least TNM classification T2N0M0.
 - ■ All forms of lymphoma in the presence of any Human Immunodeficiency Virus.
 - ■ Kaposi's sarcoma in the presence of any Human Immunodeficiency Virus.
 - ■ Any skin cancer other than invasive malignant melanoma.



MEANWHILE.....

- Concern about unpredictability of future advance – if two significant changes can happen in three years what about the next 20? – cost implications
- Moving from serious illness to “windfall”
- Withdrawal of (or higher prices for) guaranteed rates
- FOS:
 - Onerous contracts
 - Legality of reviewable rates
- Influence of re-insurers – and some leaving or coming into market
- FSA regulation – sales advice
- The claims are a coming! More disputes on medical wordings



2005 REVIEW

- It is review time
- New medical advance – bowel cancer screening?
- Full consultation exercise
- IoA event
- ABI industry event 19 January 2005
- OFT views?
- Also new key players – FOS and FSA



CONCLUSIONS AND THE FUTURE

- No going back to “free market”
- A huge market which many are happy with
- Misselling anything worse? IFA, FOS, FSA concerns + the CI “brand”
- Competition Law – concerted action to make things worse open to challenge
- Costs and Reserving implications?
- Media response
- The claims are still a coming.....