

The Actuarial Profession  
redefining the future of life insurance

Income Protection **ipif** Task Force

The health of income protection, today and tomorrow  
Peter Le Beau, Teresa Fritz, Julie Hopkins and Neil McCarthy




---

---

---

---

---

---


---

---

The Actuarial Profession  
redefining the future of life insurance

Income Protection **ipif** Task Force

Income Protection – a life at the crossroads  
Peter Le Beau




---

---

---

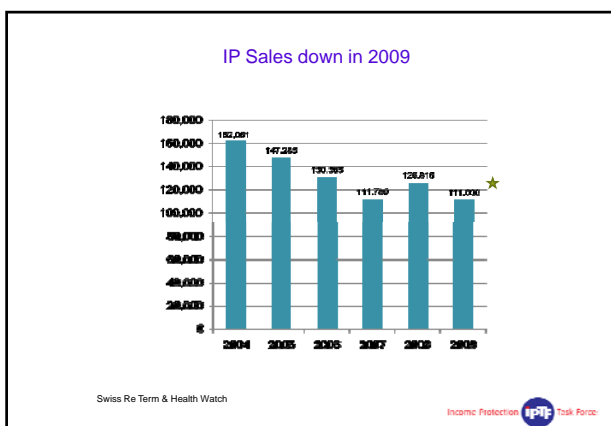
---

---

---

---

---




---

---

---

---

---

---

---

---

Inability of many people  
(advisers and public) to  
distinguish between IP  
and PPI



Income Protection  Task Force

---

---

---

---

---

---

---

---

Income Protection is hard to sell – and difficult to buy



Income Protection  Task Force

---

---

---

---

---

---

---

---

FSA's recent comment in their  
RDR paper suggests that they  
consider CI to have been sold  
where IP was the more  
appropriate sale.



There has been some excellent innovation in the IP  
sector, there needs to be more.

Income Protection  Task Force

---

---

---

---

---

---

---

---

## What has the Task Force ever done for IP?



Income Protection  Task Force

---

---

---

---

---

---

---

---

Consultants	Providers	Advisers	Reinsurers
CWC Research Alan Tyler Karin Lloyd Rona Doyle Health Claims Bureau John Gillman Le Beau Visage	Aegon SE Aviva Axa Sun Life BUPA Canada Life Cirencester Friendly Society Fortis Friends Provident Legal & General LV= Pioneer Friendly Society Pru Protect Royal Liver Royal London Unum Zurich	John Charcol Master Adviser LifeSearch Savills	Gen Re Hannover Life Re Munich Re SCOR Pacific Life Re Swiss Re

© 2010 The Actuarial Profession - www.actuarial.org.uk

Income Protection  Task Force

7

---

---

---

---

---

---

---

---

## Task Force Executive



Clive Waller



Peter Le Beau



Karin Lloyd



John Gillman



Alan Tyler



Roy McLoughlin

Income Protection  Task Force

---

---

---

---

---

---

---

---

### Key Streams of Activity Following Second White Paper in April 2009

- Roadshows - Being organised around the country to stimulate adviser interest and improve knowledge.
- Quality Standard – Several offices discussing implementation of an OFT code to reassure public/advisers and to differentiate from PPI.
- Claims Report – publication of regular claims report to illustrate aggregate claims figures and provide case studies of claims that are paid.
- Contact with Government – discussing production of an annual statement for each employer showing sick pay provisions.




---

---

---

---

---

---

---

### Conclusions

- Without the Task Force there would be little focus on IP
- Activity is coherent but a lot of companies have other priorities
- IP is a product with many real fans but they are in a minority
- The situation will probably change as the RDR unfolds




---

---

---

---

---

---

---

The Actuarial Profession  
making financial sense of the future

Health and care conference 2010  
Teresa Fritz – Which?



Why aren't consumers buying IP?

---

---

---

---

---

---

---

### New Which? research

New Which? Money article on IP will be published in June 2010. As part of the research we conducted a consumer survey.



We wanted to find out:

- How many Which? subscribers have IP?
- Why people aren't buying IP?
- What alternatives to IP would people use?

© 2010 The Actuarial Profession - www.actuarial.org.uk

12

### Why aren't consumers buying income protection?

Fewer than 10% of Which? members have IP

Most common reasons for not buying IP:

- People feel they don't need it (42%)
- That it's too expensive (24%)

### What are they using instead?

We asked what people would do if they were unable to work through illness or accident?

- 62% said they would use their savings
- 25% said they would rely on the state
- 16% said they would rely on family
- 10% said they would sell their homes



### So why aren't consumers buying income protection?

- Is it that consumers need educating?
- Is it that consumers need better products?
- Is it that consumers need cheaper products?




---

---

---

---

---

---

---

### Which? Money Helpline

Which? Money Helpline launched June 2009

- Over 7000 calls to date
- Free to Which? subscribers
- No limit to length of call or number of times members can call
- Staffed by eight full time qualified advisers
- All areas of personal finance covered – including protection




---

---

---

---

---

---

---

### Which? Money Helpline

What are people calling about?

- |                   |                           |
|-------------------|---------------------------|
| • Savings 35%     | • Banking 4%              |
| • Investments 17% | • Annuities 2.5%          |
| • Pensions 7.5%   | • General Insurance 2.5%  |
| • Tax 6.5%        | • Travel Money 2.5%       |
| • Mortgages 5%    | • Financial Complaints 2% |
| • Debt 4%         | • Personal loans 1.5%     |
| • Credit Cards 4% | • Equity Release 1.5%     |
|                   | • Long Term Care 1%       |

Where does protection sit in this list?




---

---

---

---

---

---

---

### Which? Money Helpline

Protection calls represent 3% of the overall calls.

- Below savings, investments mortgages, tax, pensions and debt.
- Above loans, annuities, general insurance, equity release, long term care and travel money

But still not enough




---

---

---

---

---

---

---

### Which? Money Helpline?

What protection questions do consumers have?

- What type of policy do I need? (lots of confusion between CIC, ASU, PPI, MPPI – very little awareness of IP)
- How much cover do I need?
- Can I get a better premium (mainly relating to life cover and PMI)
- Do I need the policies I have been sold?
- Have I been mis-sold? (mainly relating to PPI)




---

---

---

---

---

---

---

### Case study - Dennis

Dennis is 47, employed carpenter. He has been left struggling to pay his mortgage and other bills after a serious motor accident just before Christmas.

Dennis and his wife had been given protection advice by their mortgage adviser when they re-mortgaged in 2007. IP was identified as need in fact find as Dennis' employer has no sick pay scheme and he would receive state benefits only. Protection policies put into place costing £105 a month had life insurance, critical illness and 'payment protection cover'.

---

---

---

---

---

---

---

### Case study - Dennis

In fact the 'payment protection cover' was waiver of premium. No IP, MPPI or even PPI had been included, despite the adviser identifying a serious need for this type of cover.

We negotiated with Dennis' lender to accept greatly reduced mortgage payments until he can get back to work (not expected until October at earliest). His wife is working overtime to pay other bills. We are also helping Dennis to take a complaint against his mortgage adviser

---

---

---

---

---

---

---

### Why aren't consumers buying IP?

- 'Live' information we are receiving through the helpline tells us that IP is not on consumers' radar – very little understanding of the product or what it does
- Confusion about what different protection policies do is still prevalent
- Those people who are aware of IP think it is too expensive – very little awareness of short term IP or age-related policies
- All this despite the industry talking about why IP isn't selling for several years!

---

---

---

---

---

---

---

### Why aren't consumers buying IP?

#### Do consumers need educating?

- Yes but this is nothing new. Which? is doing its best but can't do it on its own

#### Do consumers need better products?

- Yes, but there are some very good IP products out there and some recent welcome innovations so this shouldn't stifle sales

#### Do consumers need cheaper products?

- No – there are products available to suit most pockets

#### So why aren't consumers buying IP?

---

---

---

---

---

---

---



## Why aren't consumers buying IP?

Very simply –

Because you're not selling it to them




---

---

---

---

---

---

---

The Actuarial Profession  
making financial sense of the future

Health and care conference 2010  
Julie Hopkins - Hannover Life Re (UK) Ltd



The health of income  
protection, today and tomorrow

---

---

---

---

---

---

---

## Agenda

- Current product construction
- Underwriting - Issues and practicalities
- Claims - What happens in practice
- Product development

© 2010 The Actuarial Profession www.actuarial.org.uk




---

---

---

---

---

---

---

### Current product construction

- Definition of disability
  - Own occupation – doesn't always mean your job
  - Suited definition – tricky to explain – doesn't mean jobs you have done
  - Any occupation – FOS says means 'any suited' to them
- Rehabilitation benefit – another proportionate payment - not access to rehabilitation
- Use of general policy exclusions
  - customer understanding?
  - a thing of the past?



© 2010 The Actuarial Profession • www.actuarial.org.uk

14

---

---

---

---

---

---

---

---

### Current product construction

- Increasing cover
  - Automatic annual increases
  - Less frequent routine increases – for example X% every 3
  - Guaranteed Insurability Benefits
- Typically no requirement to link to actual earnings at time of increase
- Financial evaluation at time of claim – do you get what you pay for?



© 2010 The Actuarial Profession • www.actuarial.org.uk

15

---

---

---

---

---

---

---

---

### Underwriting

#### Commonly Held Beliefs

- Over complicated
- Delays issue
- Too many clients rated
- Too many exclusions applied

#### Requirements

- Manage risk experience
- Write profitable business
- Be clairvoyant



© 2010 The Actuarial Profession • www.actuarial.org.uk

16

---

---

---

---

---

---

---

---

## Underwriting

### Realities

- Crucial to get relevant information first time
- Common to need more from GP after GPR
- Tele-interview works
- Consider if insured always sign exclusion offer?

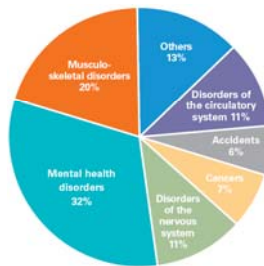


### Difficulties

- Musculoskeletal problems versus Applicant perception of risk
- Importance of proof of income at application stage
- Job title versus Actual Duties when assigning occupation class

© 2010 The Actuarial Profession • www.actuarial.org.uk

## Typical IP Claim Portfolio



Source: Income Protection Task Force using CM data

© 2010 The Actuarial Profession • www.actuarial.org.uk

## Claims

### Challenges

- Assessing Own or Suited Occupation definition at outset or moving from own to suited during claim
- Financial assessment
  - self employed,
  - partners, directors,
  - dividends, other insurances
  - continuing income –redress of benefit
- Residency (within EU), obtaining satisfactory claims evidence & managing the claim



© 2010 The Actuarial Profession • www.actuarial.org.uk

## Claims

### Challenges

- Managing claims once they have received Early Retirement due to health
  - during and after the deferred period
- Where there are multiple medical and non medical parties
  - GP, Specialist, employer, occupational health, DWP involved, but not all the parties are speaking with each other
  - Would like central point of contact to avoid this fragmented approach, after all we are all aiming for the same goal
- Not unique to IP, there is also non disclosure and subjective conditions

© 2010 The Actavis Foundation • www.actavis.org.uk

---

---

---

---

---

---

---

---

## Product Development

### Enhancing the Offering

- Allowing more to have 'own' occupation
- Moving closer to Group IP definition i.e. your own job - as long as not doing any other job
- Pay 'proportionate' benefits for longer



© 2010 The Actavis Foundation • www.actavis.org.uk

---

---

---

---

---

---

---

---

## Product Development

### Enhancing the Offering

- Explain to claimants
  - what will happen, what you are doing and why
- Tele-claims processes work
- Build in access to rehabilitation 'pot'
- Support once back in work
  - Advice, counselling, mentoring
- Have some form of benefit guarantee



© 2010 The Actavis Foundation • www.actavis.org.uk

---

---

---

---

---

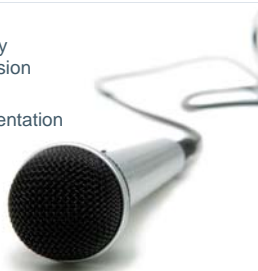
---

---

---

### Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged. The views expressed in this presentation are those of the presenters.



© 2010 The Actuarial Profession • www.actuaries.org.uk




---

---

---

---

---

---

---

---

The Actuarial Profession  
making financial sense of the future

Health and care conference 2010  
Neil McCarthy – Direct Life & Pensions Ltd



**The foundation of everyone's  
financial planning?**

© 2010 The Actuarial Profession • www.actuaries.org.uk

---

---

---

---

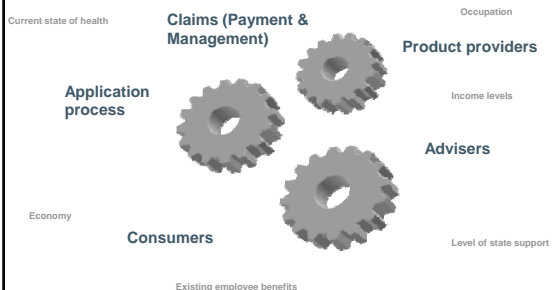
---

---

---

---

### Current influences on sales process



© 2010 The Actuarial Profession • www.actuaries.org.uk




---

---

---

---

---

---

---

---

## Consumers



- Little awareness / understanding – product & cost
- Concerns – Death, Tax, Health, Unemployment ....living
- Short term PPI.....bought to cover loans etc
- Long term Income Protection
- Access to advice
- Access to information
- Trust.....advisers, providers, claims payment
- .....Why wouldn't you buy it?



© 2010 The Actuarial Profession • www.actuarial.org.uk




---

---

---

---

---

---

---

---

## Product Providers



- Many offer – and a few specialise
- Specialism drives behaviour
- Great presentations, sales aids, podcasts
- New innovations
- What are they selling on? Definitions, features, price, support
- But.....
- Cinderella product
- Adviser confidence / engagement in selling IP

© 2010 The Actuarial Profession • www.actuarial.org.uk




---

---

---

---

---

---

---

---

## Advisers



### Realities

- Sold not bought
- Holistic advice v own perceptions

### Difficulties

- Confidence – Training and attitude
- Own occupation, self employed, underwriting, integration with "changing" state benefits,
- Lump sum CI v monthly IP
- Sales process

© 2010 The Actuarial Profession • www.actuarial.org.uk

---

---

---

---

---

---

---

---

### Advisers – their sales process

Home Stationery Cupboard Contact Us About Us Training Videos LHMQuote Roadshows Enquiries: 01243 231 400 Mr A Ward is happy to help

Use the arrows to ensure the benefits are in the correct priority order **Selected Benefits**

Priority 1 - Repay the mortgage if Mr Phil Jaynes dies.  
 Priority 2 - Repay the mortgage if Mrs Donna Jaynes dies.  
 Priority 3 - Cover mortgage payments upon Mr Phil Jaynes being unable to work due to a long term illness.  
 Priority 4 - Cover mortgage payments upon Mrs Donna Jaynes being unable to work due to a long term illness.  
 Priority 5 - Provide a continuing income to the child dependants of Mr Phil Jaynes on death.  
 Priority 6 - Provide a continuing income to the adult dependants of Mr Phil Jaynes on death.  
 Priority 7 - Cover household expenses upon Mr Phil Jaynes being unable to work due to a long term illness.  
 Priority 8 - Repay the mortgage if Mr Phil Jaynes becomes critically ill.  
 Priority 9 - Repay the mortgage if Mrs Donna Jaynes becomes critically ill.  
 Priority 10 - Provide contingency critical illness cover for Mr Phil Jaynes.  
 Priority 11 - Provide contingency critical illness cover for Mrs Donna Jaynes.  
 Priority 12 - Provide contingency life cover for Mr Phil Jaynes.  
 Priority 13 - Provide contingency life cover for Mrs Donna Jaynes.  
 Priority 14 - Provide an income to cover the mortgage payments upon Mr Phil Jaynes being made redundant.

DECLINE - Existing Cover in Place      DECLINE - Not Required

Declined - Existing Cover in Place

Declined - Cover Not required or Not Available to Select

Cover household expenses upon Mrs Donna Jaynes being unable to work due to a long term illness.

Monthly Budget

Enter the total budget for your protection needs £

---

---

---

---

---

---

---

---




---

---

---

---

---

---

---

---