

Income Protection Task Force

Current Issues in Healthcare
"The Future for IP and CI"
Seminar



For you actuaries...

Which you you rather have?

1. £120,000
2. £8,052 per annum gross*
3. £20,000 per annum net



* If (1) invested in Northern Rock 1 year fixed rate bond



The protection hierarchy

- 95% of industry experts agree that IP is at the top of the protection hierarchy*
- Falling sales confirm that IP is still the Cinderella of the protection market

*Reinventing Income Protection Le beau Visage and CWC Research 2005



Where is the Task Force?

- We have created a trade press profile
- Coverage in the national press has increased dramatically
- There have been seven new product launches in the past year
- Sales are DOWN!



Why is Income Protection not sold?

Because

- It is called PPI dressed up as IP
- Banks are not keen to sell it*
- Mortgage brokers make more money selling mortgages
- CIC is seen as the disability solution
- The reward is too little and the effort too much
- It won't happen to us - apparently

*CWC Research 2007



Why is Income Protection not sold?

- In truth, because the people who should care, don't care!
 - ♦ The main market is young breadwinners and their partners
 - ♦ With income but no capital and debt
 - ♦ Who do they go to for financial advice?



Why is Income Protection not sold?

On at least 20 million occasions people have demonstrated that they accept the need to insure against loss of income



IPTF in 2008

- Action must be focused
 - ♦ We must get closer to government
 - ♦ Capitalise on the replacement of Incapacity Benefit with Employment and Support Allowance
 - ♦ This is an opportunity to increase public awareness



IPTF in 2008

- We must get closer to the regulator
- What will be the impact of :
 - ♦ New ICOB?
 - ♦ Treating Customers Fairly?
 - ♦ Retail Distribution Review?
 - ♦ Are they joined together?



IPTF in 2008

- We must embrace broader distribution:
 - ♦ Mortgage brokers
 - ♦ Banks
 - ♦ Trade associations
 - AIFA
 - PFS
 - IFP



IPTF in 2008

- We need to be first call for those wanting to know more about IP
- We need to get closer to consumer groups
- We should consider employer organisations
- We cannot ignore the group market



IPTF in 2008

- We must pull together
- Avoid self interest
- Focus on an increased market
- Rather than market share



Adviser

- Advisers must understand the nature and causes of long term disability
- And, the protection hierarchy



The reward

- Commission should be substantially increased, or
- Processing and underwriting effort substantially reduced
- Or, both



The product

Standardise (and maybe go to jail)

- Deferred period - days, weeks or months
- State benefit offset
- Occupation guides
- Offsets at claim time
- Claims statistics
- There is much opposition



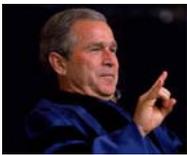
The product

- The normal benefit must be essential expenses
- Calculation can be part of the sales process



Essential expenses

- Only an idiot would start with maximum benefits



Underwriting

At outset

- Tele-interviewing
- Intelligent protection
- Occupation guide
- Expenses calculator



Underwriting

At claim

- Pay first - argue later
- Agree on income offsets
- Look to pay
- Work with appropriate agencies
 - ♦ Red Arc
 - ♦ Rehabilitation



Summary

- On over 20 million occasions the need to insure against loss of income was appreciated
- The premium rate on most of these occasions was obscene and the cover lousy
- Surely income protection with simple processing and the right reward should be a winner for adviser, provider and, most importantly, customer