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From financial insurance to health insurance

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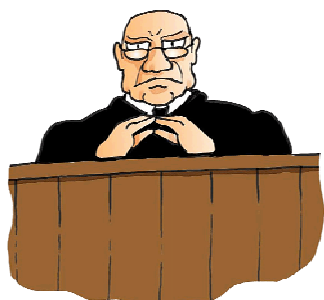
A market in transition...



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From judging...



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...and pricing



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To help...



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But we must speed up and improve the journey...



- ..bring it up-to-date and make it sexy

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Avoid: Quantophobia

'Excessive reliance on or use of facts and figures. The inappropriate application of such processes.'

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 Sponsorship
 Thought leadership
 Community
 Educational Meetings
 Education
 Working parties
 Volunteering
 Research
 Shaping the future
 Networking
 Professional support
 Enterprise and risk
 Learned society
 Opportunity
 International profile
 Journals
 Support



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Avoid: Cynic reputation

'...a man who knows the price of everything and the value of nothing'

Lord Darlington, Lady Windermere's Fan, Oscar Wilde, 1892



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Avoid: Letting down...

- The founders of protection insurance
- The Victorian social reformers behind IP
- Dr Marius Barnard, the inventor of CI
- Our customers
- Our potential customers
- Society



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30 second history: *short* term health insurance

- Charity and religion
- Victorian social reformers
- Mutuels, friendly societies
- Beveridge, Bevan and the NHS
- BUPA, PPP, Simplyhealth, Denplan and more
- Consolidation among cash plans
- PMI: 80s peak
- The commercials
- Healthcare trusts
- The decline of the personal market
- Wellness and lifestyle

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30 second history: *long* term health insurance

- Ancient Rome: burial clubs
- 1706: Amicable Society (Edmund Halley life tables 1693)
- Victorian social reformers: Holloway et al
- Mutuels (Equitable 1762), friendly society movement
- Beveridge, Bevan and the Welfare State
- From revolution to tradition
- DSFs shake up PHI, becomes IP in the 1980s
- CI from the mid 1980s
- Menu and packaged plans
- Wellness and lifestyle
- The decline of the personal market?

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They went their separate ways...



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We think in silos. Our customers don't...



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Visionaries: George Holloway



- Stroud MP and clothier
- 'Superannuation and Old Age Pensions' 1878
- 1d a day; 5s a week benefit

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Visionaries: Sir William Beveridge



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Visionaries: Protection insurance?

- Tom Baigrie
- Sir Mark Weinberg?
- Peter Le Beau?
- Dr Marius Barnard?
- The meerkat?
- You?





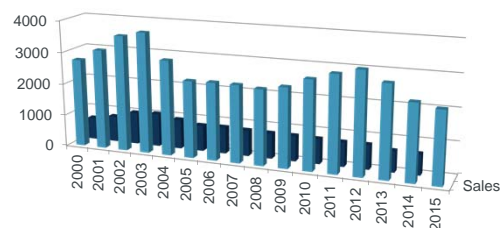
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Current state of the market

- 2015: worst year this century?
- Rising costs
- Distribution
- Sustained low interest rates
- Consolidation and accompanying fear
- Dearth of strong new entrants
- Over-e?
- Over-underwriting
- Nobody loves me, everybody hates me, guess I'll go eat worms...

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Worst year this century? (ABI data)



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Over-underwriting?

- Tool or stick?
- Gatekeeper or enabler?
- Preferred underwriting (by the back door)
- Differential pricing
- HCPs, ASU
- Guaranteed acceptance whole of life
- Group risks/risk equalisation/90s LTCI

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It's all about what the customer thinks



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The underwriting dentist...



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A better underwriting paradigm?

- Starting point: guaranteed acceptance; two year moratorium
 - Incentivise providing information by scrapping the moratorium
 - ...and adding benefits
 - ... and lowering the cost
- Now or later

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Conditions. A laughing matter?

'I know of this evil mine. The conditions there are dreadful...'

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Or a laughing stock?

'...worse even than the conditions in a critical illness insurance policy.'

The Reverend Godley Fecund, *A New Tricky Life Woefully Miseried Up*,
from *Bleak Expectations* by Mark Evans, 9 December 2010

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How do we change that?

Tier the information:

- Overview
- Add detail
- External validation
- Video links e.g. cancer
- Better than Plain English

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Whose definition would you trust?

- An actuary's?
- A lawyer's?
- A marketer's?
- A doctor's (CMO; Royal College; representatives)?
- An expert panel's?
- Comprised of stakeholders: medic; consumerist; actuary; lawyer; independent expert; IFA

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The old vision...

- Strength and security
- Reliable
- Money when you need it most
- Simple: you pay; we pay

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But the old vision became...

- Strength and security **Equitable; misselling**
- Reliable **1 in 5 CI claims not paid; smallprint**
- Money when you need it most **We still do**
- Simple: you pay; we pay **30 page applications; 40+ CI conditions; 132 page T&Cs**

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The old model:

Cash first, service if it works for us

...is busted



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Why would anyone choose:

- Other than the cheapest term insurance policy?
- Or a CI policy with fewer conditions covered?
- Or IP to age 65 when that means many more ratings?
- Or a model that incentivises answering questions by only ever offering worse terms?

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Research
Thought leadership
Thought process
Community
Seasonal Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support



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Paying more claims is not the answer

- Last year we sold 2.228m long term policies
- ...and paid 129,136 claims
- ...but
- ...in 2003 we paid 175,120 claims on 2.717m 'toxic' MPPI policies

Sources: CML 2006; ABI 2016

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The old vision is...



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So we need a new vision...

1. Don't get ill
2. If you do, get the best treatment
3. And the best recovery and the best help for you and yours

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Only then...



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New vision:

Service first; cash supported
From passive to dynamic




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Dynamic service

- You don't need to claim to benefit
- 24/7 x 365 days a year
- You and your family
- The customer drives
- ...but we can chauffeur if needed



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Seven Families: Paul Pickford



- Brain stem stroke; 14m hospital; paralysed
- 'We didn't get off to the best of starts' Vicky
- 'I have not been affected cognitively' Paul

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Jeff Prestridge on Tracey Clarke...

'You only need to speak to Tracey to realise how rejuvenated she is as a result of the mix of financial support and professional assistance.'

FT Adviser, 16 December 2015






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What can we offer?

- Information online
- Nurse-led help (RedArc)
- Medical 2nd opinion (Best Doctors)
- EAPs (all group risk insurers)
- Helplines (all PMIs)
- GP helpline
- 1:1 counselling
- Eye tests; online healthchecks; discounted healthscreens
- LegaCare
- Health and fitness discounts (Vitality)
- When I've gone list (Royal London)
- Wills and trusts

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The gaps...

- 1 in 5 workers lack a safety net (Scot Wids, Nov)
- Paid for healthcare the most valued employee benefit (Benenden, Dec)
- Number of households relying on IP falls by 25% (HSBC, Mar)
- Third of workers without sick pay (LV= June)
- 1 in 3 employers say more staff are going into work despite being ill (CIPD, Oct)
- Soaring funeral costs leading people into debt (Select Committee, April)

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The gaps (2)

- Accident or illness would leave a third of parents on benefits (LV=, March)
- 7 in 10 return to work with rehab service (Unum, April)
- Employee participation in health programmes remains low (Towers Watson, April)
- Consumers want us to be: 'above all trustworthy, diligent, accurate, reliable and honest,' Tom Baigrie, LifeSearch, Cover, May

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The squeezed State and the state of the squeeze...

- Up from 13 to 39 weeks before SMI kicks in
- Universal Credit
- Frozen benefits from April 2016
- Low interest rates pushing employees to work past 65 (Canada Life, April)
- IPT – from 6% to 9.5% to 10%
- 2008 is still here...

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IPT in Europe

Country	Life	Health	Accident	Motor
Austria	4%/11%	1%	4%	11%
Belgium	2%	9.25%	Varies	9.25%
Denmark	Exempt	1.1%	1.1%	42.9%
France	Exempt	7%	9%	18%
Germany	Exempt	Exempt	19%	19%
Ireland	1%	3%	3%	Exempt
Italy	Exempt	2.5%	2.5%	12.5%
The Netherlands	Exempt	Exempt	Exempt	21%
Spain	Exempt	Exempt	6%	6%

- Source: www.insuranceeurope.eu Protection Review Big Read

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Will IPT affect us?

- ? On long term products
- Is 10% the limit?
- To justify the cost we must increase the value
- Lower premiums is nice but it's not the answer

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Some themes

- An over-focus on money is costing us
- Albeit, money remains important
- But if money is all we have to offer, customers will stop buying and IFAs will stop selling
- 'Customers don't buy mortgages, they buy homes...'
- We already have many of the building bricks
- ...but not in the right order
- We need to focus on the customer and put them first

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In summary...

- The old model is broken
- Our customers don't trust us and never will
- Challenges should not stop innovation
- We are slowly developing a new model
- Based around service first; cash supported
- We need to increase pace; articulate the benefits

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Sell the sizzle (and the aroma)



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Let's wake up and smell the bacon!*
Thank you...

Andy Couchman

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www.protectionreview.co.uk
www.7families.co.uk
*or guernsey

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