


**Critical Illness Cover
– the future**

**Qualitative research amongst
policyholders**

15th August 2001

Presentation outline


- Background
 - Objectives
 - Methodology
 - Sample structure
 - Stimulus material
- Main findings
 - CIC policyholders – some overall characteristics
 - Why did they buy CIC?
 - What do they understand about CIC?
 - Exclusions
 - Alternative product structures/ additional services
 - Where does CIC fit in?
- Conclusions



Prepared by H2B |

Objectives

- To understand what consumers who have recently bought CIC think they have bought
 - How much do they know about their CIC products?
- To determine whether consumers understand the current 'one benefit size fits all' structure of CIC products
 - And whether they think it is appropriate
- To explore what the consumer understands of where CIC fits in
 - Is it a distinct product or integrated with other healthcare protection?



Prepared by H2B |

Methodology

- 35 depth interviews with policyholders
 - Sample devised to provide qualitative input across all types of customers
- Majority of respondents 'free found' by recruiters
 - Supplemented by contacts provided by Scottish Provident and Halifax Life
 - Incentive of £30
- 45 to 60 minute interview conducted in recruiters' homes
 - In London, Surrey, Manchester, Cardiff, Glasgow, Swindon & Leamington Spa
- Interviews conducted 23rd to 31st July 2001
 - by Gerry Barwell, Sue Hayward, Penny Horner and Pam Maclay of H2B



Prepared by H2B |

Sample – all holding CIC as individuals/ couples not through work

Lifestage	Held CIC cover for 6 months +	Recent purchasers (within last 6 months)
18 - 35 Singles/ coupled/ pre-family	6	5
25 - 45 Families	6	6
45 - 60 Older family/ post family	6	6

- 50/50 Male/ Female
- Spread of occupation/ social class groupings including self-employed
- At least 5 smokers
- Spread of providers/ sales channels



Prepared by H2B |

- Nearly all in current employment
 - 8 self employed
 - 4 retired/ semi-retired
- Most claimed to be in good health
 - Greater health concerns amongst older respondents/ smokers
- All home owners
 - Nearly all with mortgages - £10,000 to £200,000+
- All recruited as holding CIC of some type
 - Stand alone/ combined with other health/ mortgage protection
 - Combined with mortgage repayment vehicle (ISA/ endowment)
 - Possible that one or two had income protection which they thought was CIC
- Of those with partners around two-thirds held CIC on individual basis



Prepared by H2B |

Stimulus material

- Basic definition of Critical Illness Cover
- List of standard exclusions
- Alternative benefit structures to 'one size fits all'
 - Related to severity of condition
 - Time off work
 - Core conditions
- TPD – alternative definitions of extent of cover



Prepared by H2B |

Main findings



Prepared by H2B |

CIC policyholders overall

- Wide variation in need, motivation, understanding and attitude towards protection in general and CIC in particular
- Level of knowledge not determined by how recently the cover was arranged
 - Those with cover arranged within last 6 months just as likely to be hazy when questioned on detail
- Level of involvement in decision is key factor – is policy perceived as:
 - Protection for themselves/ family
 - Protection for lender (usually mortgage)
- For some CIC is a very important feature of their personal protection
 - Others see CIC as an affordable extra
- But patchy knowledge - even for those who view CIC as imperative



Prepared by H2B |

Why so little interest/ knowledge?

- Some embarrassment at gaps in knowledge of their CIC
 - Most had planned to find the policy before the interview but few had done so
- Little interest/ involvement in policy – no reason to read unless planning to claim
 - No wish to benefit from the cover
 - Real distaste at thought of reading details of serious illness and probable death
 - No desire to read any insurance document in detail (once in place)



Prepared by H2B |

Why buy CIC?



Prepared by H2B |

Triggers to purchase CIC

- Health issues
 - Incidence of serious illness in family/ amongst friends
 - Getting older/ worries over own health/ family medical history
- Increase in financial commitments/ dependents
 - Children/ planning a family
 - Increasing house prices/ larger mortgages
 - Requirement for two incomes/ increased risk
- Contact with advisers
 - Increasingly mentioning protection - some hard selling
- Change in circumstances
 - Divorce/ change of job
- Nature of work
 - Self-employed
 - Requirement by lender e.g for business loan
 - No back up from company benefits
 - Business protection – CIC/ key man cover




Prepared by H2B |

"I was a major risk taker until I was about say thirty. And then suddenly you do get to that point in time where you do start to question - what am I doing? Where am I going? People start to get sick around you. Invariably some tough stuff has happened. Well I think it's just all that big wake up call."


"It was part of the package. It was sold to me - not necessarily as part of a hard sell - it was sold to me just as being part of the package - 'This is what you want.'"

"I was forced into it really. After a little time of running the company, I had cash flow problems and wanted an overdraft facility. [the bank] said if you want the overdraft facility, you've got to have critical illness. ."

Prepared by H2B | 

Level of involvement at outset


	Active purchase	Passive purchase
N	Healthcare issues	Anxiety over inability to work/ earn
E	Cost of care	Financial security
E	Waiting lists	'roof over head'
D	Adapt home	Replacement income while off sick
D	Independence/ not a burden	Just another cost/ form
More likely to be:	<ul style="list-style-type: none"> Older Female Cancer 	<ul style="list-style-type: none"> Overstretched financially Expensive lifestyle Dependents One income (inc. single parent)
		<ul style="list-style-type: none"> Younger/ pre-family Male

Prepared by H2B | 

Cost issues at outset

- Process of determining level of benefit usually begins with financial need
 - Commonly determined by size of mortgage - straightforward
 - In some cases an additional sum is added
 - Greater uncertainty in determining likely cost of care, however
 - Sometimes total cover determined by affordability of monthly premium
- Cover then arranged to meet this (if single provider)
 - Or IFA/ own research to compare prices/ features
- Some evidence of:
 - Assessing risk to find appropriate level of cover rather than covering everything
 - Trade off with other types of cover - income protection/ PMI/ company benefits
 - Prioritising cover - main bread winner rather than joint cover for couple
 - Delay in starting cover - waiting until over initial expense of new home
- Some consider cover is expensive in absolute terms
 - But nearly all consider CIC to be important protection
 - Bigger issue is that this is 'dead money'

NB - All policyholders so clearly views do not provide a guide to impact on cost in potential market for CIC


Prepared by H2B | 

"This seemed to give a reasonable level of cover but didn't cover everything under the sun, so that we felt the premium wasn't too bad because most of the things that we were concerned about were covered in there."

"He just said 'this one is a good deal', worked out the monthly payments and that was it really."

"I could very easily go out and get something with, paying a bit more actually, if I went into the private sector, so I wouldn't think, the only time it would be a problem, is if I wasn't able to work, and if that was the case, it is likely that I would be sort of terminally or critically ill I guess, so I have got that cover, but I felt it wasn't necessary to take out the payment protection cover."

"I was looking at things in tandem. So if you get sick and you've got private healthcare there, it looks fantastic on paper doesn't it? How much for this and how much for that. But then when you actually go into a specialist hospital then you realise how much more their rates are, and how quickly your medical cover is going to run out. So it was - I kind of looked at things that would be an extension, so things work in tandem."




Prepared by H2B |

Ongoing cost issues

"It has been paid by direct debit from that day to this and that's it."


- Current monthly premium ranged from £7 to £80 per month
 - But not everyone knew what cover was costing them
- Costs appear to merge into sea of monthly direct debits
 - Emotional engagement with insurance products seems minimal – no investment content
- Once level of cover is determined most seem content to maintain this
 - Little desire to increase
 - Unlikely to divert this money to other protection products
 - If not paying for cover most believe money would be lost in general spending
 - * or perhaps into savings/ pension
- Cover linked to mortgage repayment likely to cease when mortgage paid off
- Some desire amongst those with stand alone CIC to keep into retirement
 - But query over affordability – awareness that costs will rise with age/ deteriorating health



Prepared by H2B |

Guaranteed rates

- Some knew they had a guaranteed premium
 - or at least that knew that premium hadn't changed since outset
- Many didn't know if the rate was guaranteed
 - Anticipated that costs would rise in line with inflation
- Principle of guaranteed rate a 'good thing'
 - Worth paying a little extra to keep in your control - 3% to 10%



Prepared by H2B |

Adviser role/ involvement

- Advisers are an important source of information about CIC
 - Some advisers place high priority on importance of CIC (particularly some IFAs)
 - No other obvious sources of information/ no advertising seen
- 'Plant idea' of need for CIC which consumers may not have considered independently
 - Often a delay while idea grows
- Planning skills valued
 - Helpful in identifying 'right' product (where a choice is offered)
 - Helpful in determining financial priorities/ budget
- Current growth in re-mortgage market has increased opportunities to discuss protection need
 - Many of these sales are bundled – no separate monthly payment
 - For a few it would seem no separate decision to purchase CIC was taken
- Adviser may provide a first point of reference
 - Evidence of detailed DIY research (Internet) – particularly women



Prepared by H2B |

"...I went to him and I said look, let's reduce my costs and he went on and he said I still think you need critical illness cover, he said forget the rest of it."

"...so he explained that because we were moving from an endowment to a repayment mortgage, that I wouldn't have the cover any more, and it would probably be a good thing to have it."

"I sometimes wonder if people really understand what they are taking out, I mean I have seen it with a lot of mortgages and with the mortgages, the financial advisers put all the add ons and you can see them talking to them. It is a case of I want this house, I want this mortgage and if I want that I need that and it just goes over their head, they don't listen to half of what they are being told they just say, 'Where do I have to sign?'"

"That was mostly done through web research. Because you can look at most company's policies and work out what am I getting on this and what I don't get on that. I do really read carefully what's included and what's not included."



Prepared by H2B |

What do policyholders understand?



Prepared by H2B |

Critical = point of crisis

- For most policyholders the belief is that Critical Illness will mean:
 - Suffering a terminal illness or another serious illness from which you are likely to die - or be seriously disabled
 - You will be unable to work/ earn
- Low expectation of being able to claim for an event with a low impact on quality of life
 - Some awareness of improving survival rates, however
- High expectation that health crisis will be heightened through inability to work

Very few are confident that they have a complete understanding of the definition which will apply to their own policy



Prepared by H2B |



Prepared by H2B |

Level of detailed knowledge

Policyholders usually know:

- Monthly cost
- When cover started
- Some major illnesses covered
 - Cancer, heart attack, stroke
- If life cover included
- If some type of disability cover included

Sometimes know:

- Value of sum assured
- Form of benefit – lump sum/ income
- If the benefit is paid to them or direct to lender
- Exclusions e.g. skin cancer
- What would constitute a valid claim

Often don't know:

- If rate is guaranteed, or not
- How much premium will rise
- Length of term of policy
- Likely requirement for medical
- Level of TPD covered
- Form of benefit for TPD
- Need to survive in order to claim CIC (if no life cover)
- How quickly claims would be met
- That policy would terminate on successful claim

But most felt confident that they had understood the cover when this was first arranged




Prepared by H2B |

"I can't remember if it is 30 or 45 days after diagnosis but knowing insurance companies it might be 145 days."

"I had a quick look through it all and thought 'seems alright', stuck it in an envelope and it has never seen the likes of day since."


"At the time I took out the policy, I was happy with it, otherwise I wouldn't have done it. What's gone on in the last few years? Zillions of things. Can I remember? No. So my understanding of it was pretty comprehensive when I took it out but it's not now."

Prepared by H2B | 

TPD


- **Greatest area of uncertainty even amongst most knowledgeable**
 - TPD often felt to imply severe disability – wheelchair/ bed bound
- **Most knew or assumed disability would be included but unclear on the definition that applied to their cover**
- **Much confusion about which was the highest level of cover when considering stimulus**
 - Activities of daily living felt to indicate the level of care that would be covered and therefore the highest level of cover

"It's because you are looking at the basics, and if you can't do any of those things, it's covering it at such, miniscule things, that it must cover everything else as well, that's why. That's how I see it. It's so small and specific. It is very confusing."

Prepared by H2B | 

What would they do with the money?

- **Policyholders have given little consideration to what they would do with the money if they made a claim**
 - **Clearly do not want to think too much about this**
 - **Most expect to use money to pay their outgoings while they are not working**
 - Perhaps also to pay towards cost of treatment
 - May or may not pay off the mortgage – depending on seriousness of the situation
 - **Hopefully enjoy the time they have left**
- **Vagueness stems also from uncertainty over when the insurance company would pay out and on what basis**

Prepared by H2B | 

Exclusions

- All are cynical about the concept of exclusions – seen as a way for the company to avoid paying a claim
 - But most standard exclusions shown seemed acceptable
 - i.e. suicide, self inflicted injury (although concerns that mentally ill may be disadvantaged)
 - Some expect far stricter exclusions e.g. no payment if you recover from the illness
 - Some anticipate exclusions for:
 - Mis-information/ lies told on application form
 - Reckless acts – perhaps sporting injuries
 - HIV as a result of lifestyle
- Biggest negatives relate to
 - The requirement to survive for a set number of days (where no life cover)
 - The requirement to inform the insurance company within a set time period



Prepared by H2B |

Requirement to survive for x days

- All hated the requirement to survive for set number of days (i.e. where no life cover)
 - Typical insurance company meanness/ seems arbitrary
- Confusing exclusion for those who assume critical = terminal
 - Anticipate that many with these conditions would die quite quickly

NB: 14 days used as an example on stimulus



Prepared by H2B |

"If you die within 14 days ... I think maybe they should have some sort of life protection added to it."

"You tell me? I can understand if it was taking it out within 14 days, but this is if it was diagnosed. I can't understand that. What about people who have a brain haemorrhage, does that mean it's not covered?"

"That is a strange sentence because, well I suppose, I got the life insurance attached to it, but if you didn't, it is quite implicating, if I survive 14 days after the diagnosis of critical illness, so if you have the life insurance attached to it, then maybe if you did have a heart attack and die, your survivors wouldn't have anything anyway, you have been paying all that time, that is quite bad. I didn't realise that."



Prepared by H2B |

Requirement to notify within set period

- No apparent reason for this requirement to be imposed
 - With severe conditions e.g. coma/ severe stroke may not be in a position to claim
 - Family may not know that cover is in place
 - Looking for insurance documents not a top priority at time of crisis
- Potentially unenforceable

NB: 13 weeks used as an example on stimulus



Prepared by H2B |

"I think it is quite short really, 13 weeks, if someone is knocked side ways by having, I mean they have been diagnosed with having a critical illness but still feel relatively fine and still want to carry on working or whatever but not even think to themselves I have got a policy somewhere, now what does it say, I think it should be, why do they need a time limit, if they are insuring you for a critical illness when does it matter if you claim, if you are diagnosed 6 months earlier but you don't claim for 6 months aren't they better off, you haven't actually claimed for 6 months."

"That is very unfair, because there maybe events that prevent you from doing it....Particularly with stroke victims who are in hospital, they can be in there for several months, particularly if they have like a rehabilitation programme. That seems pretty unfair, Because you are not going to think, oh my god, get me the Halifax advisor here now, you know. It is the last thing, you are going to think about it with everything else going on"



Prepared by H2B |

Alternative product structures



Prepared by H2B |

Views on 'one size fits all'

- Where CIC has been arranged independently of mortgage most policyholders understand 'one size fits all' is the current position
 - If cover had been arranged on this basis most feel this is logical and what they would prefer
 - Those with policies bundled with mortgage repayment more likely to expect monthly payments to be covered while unable to work
- A 'worsening of terms' of existing policies would not be welcome
 - but some appeal in considering ways of making CIC cheaper
- Given the different product terms/ understanding of existing cover by respondents detailed consideration of the alternative structures may be superficial
- The 'one size fits all' approach is attractive for its simplicity



Prepared by H2B |

Benefits related to severity of the event

- Only a few could see the appeal of cover continuing following a claim
- Rating of impact of different events is subjective
 - Life threatening events could be covered by simple life cover
 - **Disabling event thought likely to have a greater impact on lifestyle**
 - 50% payout not very appealing
- Too much scope for interpretation/ second opinions/ delay
- More beneficial for company than policyholder



Prepared by H2B |

"Who is to say a heart attack is worse than losing your sight?"

"One of the attractions of CIC is that it pays out almost immediately. Alright 14 days, 28 days, but in terms of insurance companies that is a quick pay out. If you are going to get into variable payments depending on the level of seriousness of your illness there is going to be more time taken to deliberate over the seriousness of your condition."

"How does that work. To get the other 50% do you have to lose the other arm?"



Prepared by H2B |

Benefits related to time off work

- Logical approach for some who anticipate benefit will provide replacement income
- Possibly open to abuse
- Proposed structure (50% upfront) does not fit view of payment as income replacement
- Not enough to repay mortgage where this is seen as main priority



Prepared by H2B |

Benefits limited to the core conditions

- Clearest in terms of what is offered
- Felt to cover main risks – but should also include disability to have appeal
- Underlying fear, however, that would be prey to something not on the list
 - (but an issue shared with existing products)



Prepared by H2B |

Other spontaneous suggestions

- Lender to provide a 'cover note' for 6 months
 - Requirement to go back to review protection once over the hassle of moving house
- A two tier policy
 - Core conditions (plus disability)
 - Fully comprehensive
- 'Endowment' type policy
 - Some investment value if no claim is made



Prepared by H2B |

Appeal of additional services

- A fine line between what would be perceived as a genuine offer of help and what would be classed as 'hounding'
 - May provide a differentiator but not a reason to buy
- Additional help/ support post claim may have appeal
 - Very sensitive and individual claims handling seen as important
- Acceptance that help lines may have a role in providing
 - Information on medical conditions/ sources of help – but not advice
 - Information on support groups
- Some cynicism about ability/ motivation of insurance companies to provide other services, however
 - Distrust of health checks widespread – perhaps a way of getting rid of high risk cases



Prepared by H2B |

"Very nice if they could do that. Anything that is genuinely helping and genuinely not seen to be in their own interest, that's great, that's a really nice thing to do."

"I'm not sure that they should be offering alternative services, you hear so much about the poor service you get from the insurance industry, if they can't cope with their own business could they actually cope with.....I suppose in the ideal world they should actually be set up to offer more."

"If it meant they would do the health checks just to see whether or not they paid you, I would be offended, but if it was because they were going to continue doing it after they paid, and were actually genuinely interested in your long term health, that is different. If they were doing it because they were trying to get you on the road to recovery because they didn't want to pay out, then you know, then that is hounded."

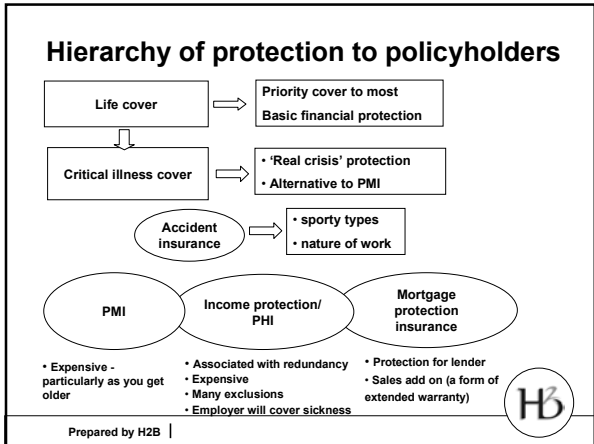


Prepared by H2B |

Where does CIC fit in?



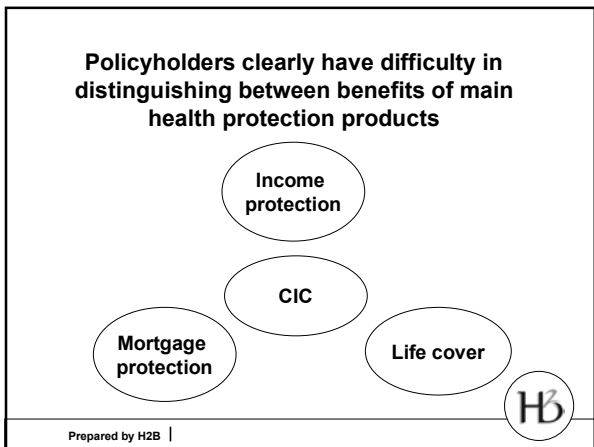
Prepared by H2B |



"Even though it's possibly the policy that I've taken out most latterly, the critical illness actually, with a sensible head on, is the most important. Because the income protection is a really nice cushion. But at the end of the day as long as you've got your health you can get out and work.....Whereas the critical illness cover, you are up a gum tree aren't you? If you're diagnosed with any of those things that they're including."

"I think obviously with the exception of redundancy (which touch wood won't happen), from the medical side I now think I'm covered for most eventualities - I could be struck down by some disease that isn't covered - but all the major things you think about I think I am financially protected or I think my family is financially protected."

Prepared by H2B |



Some persistent doubts

- Related to cover
 - Fear of contracting a critical illness not on the list
 - Need to survive x days to make a valid claim – WHY?
 - Are you really covered for what you think you are?
 - Have terms changed since taking out the policy?
- Insurance companies thought likely to find ways of wriggling out of paying
 - Exclusions in place to catch people out
 - Small print
 - Press stories
- Lack of claims experience – anticipate:
 - Delays in payment
 - Second opinions sought
- Some negative views of advisers (whose interests are they serving)
 - But seen as having important role in prompting you to buy



Prepared by H2B |

"... on a closer investigation there was an awful lot of companies that just had so many disclaimers and so many oh but you know, not if there's a y in the month, or something like that."

"They are very good at taking it from you, but you don't hear much about people getting paid out, do you?"

"That sometimes worries me that they would go to your doctor's notes and say 'Oh, but you didn't tell us about this'. And you were not trying to pull the wool over their eyes."



Prepared by H2B |

Alternatives to CIC

- Felt that few people have independent means to avoid financial hardship if hit by a critical illness
 - People in this situation are 'struggling'
- Would need to rely on:
 - savings
 - equity in house
 - state benefits
 - Family – financial and practical help
- CIC felt to be most important for those
 - With dependents
 - With no investments/ savings to fall back on
 - With poor family medical history
 - With large mortgage – particularly main wage earner
- But important for most people while still needing to work




Prepared by H2B |

".. the person I know now, is in a very similar position to me, same type of work, didn't have a pension, but it sort of showed how quickly the whole thing can fall down around you. With the pressure of being ill in itself, psychologically, to have the additional financial pressure, it must be a nightmare. That is really why I did it."

"I think you become a burden on somebody if you haven't got something like this or the potential to become a burden."


"I would think they would claim disability living allowance. I suppose people would go without"



Prepared by H2B |


What prevents people from arranging CIC?

- **Agreement that key factors are:**
 - **Cost**
 - And may be greatest barrier to many who need it most (family/ mortgages)
 - Some resistance to paying for something you don't want to pay out – dead money
 - **Lack of awareness that this type cover is available**
 - **No perception of risk/ impact of suffering a critical illness**
- **Perhaps also confusion:**
 - **Overlap between different types of health protection – may believed adequately covered by something else**
 - **Detailed wording and exclusions – may feel there is little chance of making a successful claim**



Prepared by H2B |

Conclusions



Prepared by H2B |

Communication issues

- Communication of TPD definitions should be re-evaluated
- Wider communication of benefits of CIC would be appropriate
 - Wider advertising/ generic communication
 - Worksite marketing – in with pay slips
 - Affinity groups/ sports clubs
 - Health care establishments
 - More creative/ graphic communication – video/ e-commerce
- Improvements in information sought by some:
 - Standard presentation of product details to allow product comparison
 - Content and layout
 - Very clear on what is covered and what is not
 - Ongoing communication of benefits/ nature of product throughout term
 - Reminder of coverage/ provide opportunity to review level of cover
- Plain English required throughout
 - Simple explanations of essential features



Prepared by H2B |

Conclusions

- Confusion across entire health protection category (with the exception of life cover)
 - Where do products overlap?
 - Where are the gaps I will fall through?
- CIC provides important protection and reassurance for those who have considered the implications of serious illness and wish to cover:
 - The resulting inability to earn
 - The costs of care/ treatment
 - To secure the family home
- Once CIC has been bought few have any desire to review cover/ look in detail at policy



Prepared by H2B |

- There is a very strong association of 'critical' with 'terminal'
 - For some implicit that benefits will be payable even if you die
 - Requirement to survive for x days conflicts with this belief
- Perhaps scope for developing products related to either
 - The costs of care
 - Maintaining income
- Continuing role for lenders in prompting consideration of need for cover



Prepared by H2B |

"I will have to read my policy when I get home."

Prepared by H2B | 