

Questions and Answers

Why has it been necessary to change my premium?

When a life or critical illness insurance application is underwritten and the premium level is set, certain assumptions are made about the likely number and amount of future claims.

For critical illness cover, the level of claims has been significantly in excess of what we had expected. Although it was hoped not to be necessary to do so, we have therefore had to apply the clause in your policy terms and conditions, which allows us to increase your premium under these circumstances. This policy condition has been explained in your Key Features Document, a copy of which you received when you purchased your policy.

For life cover, the number of claims has generally been lower than expected and therefore the premium for many of these policies will be reduced.

For combined life and critical illness cover, the impact of the higher than expected critical illness claims outweighs the lower than expected death claims, therefore the premium for these policies has also increased.

Why has critical illness claims experience been worse than expected?

The main reason for claims experience being worse than expected is the high incidence of cancer claims. This is largely as a result of medical advances (particularly screening programmes), which have led to the earlier and more accurate diagnosis of critical illnesses. Better diagnostic techniques meant that more claims are being made much earlier than previously anticipated.

Is HSBC alone in suffering much worse claims experience than expected?

No, critical illness claims experience has been generally worse than expected across the industry. As a result, many companies have increased premiums for critical illness policies (some by as much as double). In addition, many companies have started to remove some of the illnesses covered from their policies. For your existing policy, we have not restricted the illnesses covered (nor will we in the future) and we have limited the premium increase as much as possible.

Is it likely that my premiums will increase again?

It is impossible to predict future claims experience accurately and if experience worsens from our new assumptions, it may be necessary to increase them again. Equally, if our claims experience improves, premiums could reduce in the future. In any event, we will not review your premium again for at least three years.

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Can I take out another policy elsewhere?

New policies are available with HSBC and other companies. However, your existing critical illness policy will probably provide greater cover than a new policy (since many companies have removed some of the illnesses covered from their definitions of critical illness).

Please note that if you do decide to replace your cover, it is important that you do not cancel your existing cover until your new policy is in force. This is because companies are becoming increasingly strict in terms of which applications they will accept and you may find that your cover is restricted or declined as a result.

Is HSBC profiting from making any increases?

No. HSBC will only increase the premiums you pay as a result of higher actual or expected claims on these policies. We will not increase your premiums for any other reason. Further, before making any increases HSBC seeks external independent opinion from professional actuaries to ensure that the increases applied are fair and reasonable. In addition, in the few cases that need very significant increases HSBC will limit the size of the increase and absorb the excess cost.

Finally, whilst the premiums on some policies are rising, on others the premiums will reduce. We believe this is the only reasonable approach and as we have previously indicated that premiums would be subject to review, any such review should always consider both increases and decreases.

If my premium has not changed, does this mean that the level of claims are as you had expected?

Generally, yes. However, where your premium would only need to change a very small amount (either up or down) we will maintain your current premium at its existing level.
