

# MoneyMarketing

## Cover all the bases

23 March 2010

Our panel discuss recent industry action aimed at closing the protection gap

### The panel

**Peter Chadborn principal**, CBK Colchester  
**Alan Lakey partner**, Highclere Financial Services  
**Kevin Carr chief executive**, Protection Review

**The ABI has challenged the IFA community to come up with a new name for total permanent disability. What do you think the new name should be and why?**

**Chadborn:** If the name is to be changed, it should be to one consumers can easily relate to, which means not sounding like industry or medical jargon. It should also be unequivocally simple.

I am not convinced there is anything wrong with the current name and believe misunderstandings stem from the fact it is bundled with critical illness. IFAs can fall into the trap of mistakenly describing it as a catch-all solution and consumers can be confused into relating their disability symptoms to that of an illness. Illnesses are not necessarily permanent, whereas a successful TPD claim requires permanence.

**Lakey:** The main problem is with the word total. This term is deceptive because, apart from the discredited any occupation definition, all other variations relate to an ability to perform some specific task or occupation. Someone permanently disabled from performing his own occupation is not necessarily totally disabled.

An accurate description is essential in dispelling the perception that insurers always look to avoid paying out. Permanent inability would be a precise term to which a further explanation can be provided, depending on the terms - own occupation, suited or task-based.

**Carr:** The problem with TPD is that it is essentially I'll never work again cover dressed up to look like catch-all cover, which is fundamentally wrong. In this context, the word total is flawed and misleading and of all the possible suggestions discussed, dropping the word total probably makes the most sense. Two further phrases would also be beneficial. First, a short phrase in plain English along the lines of permanent disability - where you will never be expected to be able to work again - plus a list of conditions that are unlikely to be covered by TPD, such as stress, depression, broken legs and so on.

**Aegon has announced that following its successful trial of a tele-claims' process, the procedure will be fully introduced for critical-illness and terminal-illness claims. Is the move towards tele-claims a welcome development?**

**Chadborn:** I was initially sceptical, based on a client's reaction when learning this was the procedure for their CI claim. Despite it being a genuine claim that paid out, they were worried it would feel like an interrogation.

There is a distinct difference in client sentiment about teleinterviews when contrasting tele-underwriting and teleclaims. I am reserving judgement on tele-claims because, while I support it in principle, it will ultimately come down to the quality of the interviewer and whether the process endorses or dispels the client's initial sentiment that they are going to be interrogated during what is a sensitive time for them.

**Lahey:** This is a very positive step. I can recall a number of occasions when providers have created unacceptable delays by failing to send claim forms, thereby adding concern at a time of distress. It also fits with the surge in tele-underwriting and may lend itself to outside agencies taking on the task. This could prove particularly useful when a claimant has more than one plan.

The success will depend on the smoothness of the process, particularly the ease of negotiating call-centre exchanges and understanding foreign accents. A provider that gets that bit right will be almost there.

**Carr:** This is already common in other areas of insurance and I suspect it will follow a similar progression to teleunderwriting, where more and more firms offer the service until it becomes the norm.

Some companies already provide tele-claims, either inhouse or outsourced. However, as was also the case with teleunderwriting, the type and level of service that falls under the generic heading can vary between reading out a claim form over the phone to a more empathetic service provided by an independent nurse.

The benefits include quicker decision times, a better experience for the claimant and reduced medical evidence at claim stage. Recordings can also be used to improve future service and detect potential non-disclosure. That said, the process has to be fair. Tele-claims will work if it is fairly applied, unlike, say, payment protection insurance claims, where the objective is not to pay out.

**The political debate over the funding of long-term care rumbles on but seems to be boiling down to three main options - a state compulsory insurance scheme, a partnership scheme where basic state funding is topped up by private contributions, and private insurance. Is using private insurance to pay for LTC a workable option?**

**Chadborn:** This is an area where demand for advice and for broad options will increase exponentially. We are regularly involved in this area through solicitor contacts and it is blindingly obvious there is not enough consumer awareness of the options and that illinformed, irreversible decisions are commonplace.

Private insurance is an important and desirable option but, unfortunately, a lack of competition means the costs can be prohibitive. There desperately needs to be awareness of the need to take early advice, combined with industry initiative and new entrants. Dr Marius Barnard has accused the industry of failing those needing LTC and, based on the current state of this market, it is hard to disagree.

**Lahey:** Any insured scheme will always remain a niche area. Not only are we fighting public apathy but there are also the matters of cost and plan design. As with private medical insurance, the cost of LTC always outstrips inflation and reviewable cost plans fail to entice consumers or advisers.

There needs to be a complete rethink of the provision of care. There is a synergy with CI insurance and also using equity release to fund a single-premium plan. But, as with most crucial decisions, consumer indifference will ensure insured schemes remain the province of the minority.

**Carr:** Insurance can and should be part of the solution but it is likely there will also need to be a degree of compulsion.

The Office for National Statistics predicts the number of people in the UK aged 85 and over will more than double from 1.6 to 3.3 million within the next 25 years. Many will not be in good health but who will pay for their care? The issue has become a political football and some predict it will feature heavily in election debates but any reasoned debate may follow much later.

Whatever the outcomes, we could see the development of new and better insurance products kickstart a market that has been struggling for decades.

**ABI protection strategy committee chairman Richard Verdin recently said the ABI will take up the reins of the failed consumer protection and insurance engagement campaign. Do you think the ABI will fare any better?**

**Chadborn:** I was disappointed this campaign did not take off because it was well intended and had potential to do good. I would struggle to get excited about the ABI taking up the reins because it is, after all, a trade body representing its members. Its underlying objective in all matters must surely be to support the interests of the members, so I do not think this is necessarily the best footing on which to mount a consumer-focused campaign. If the industry at large (including IFAs) has equal input, then maybe the idea has merit but sceptics will say that vested interests will mean an imbalance in the motivations and outcome.

**Lakey:** Money was one of the main stumbling blocks and any initiative must accept that an advertising campaign requires substantial funding. I disagree with Richard that scare tactics must be avoided. As long as the message is clear and focused, I cannot see a problem with helping consumers exercise their minds. As an industry, we need to accept it is only by talking to potential purchasers that the protection gap will be reduced. Alerts via advertisements, letters or websites can only go so far. Too many consumers are unwilling to take the first step and any campaign must recognise this.

**Carr:** The ABI should be part of the solution, as should other bodies such as Aifa and the Protection Review, and I fully welcome their involvement. However, I am not sure this is a fair question as I suspect the ABI campaign could be quite different to the CPIEC version.

The original campaign was always going to be heavily focused on consumers, whereas the ABI may focus more on the industry. I do not agree with the view that telling people the truth has to be scary. Arguably, it is the fact that the financial services industry has not always told the truth that has damaged its reputation.

**The Legal & General protection IFA confidence index shows increased confidence in current protection sales and expectation for increased future sales. Does this reflect your experience? If so, why?**

**Chadborn:** Protection should be the cornerstone of all financial planning and advisers who adopt this ethos and concentrate on the added value within their recommendations, as opposed to just the cost, will have seen no fluctuation in protection sales.

IFAs relying on a mortgage sale to support a protection sale, and those concentrating more on the cost than the benefit, are likely to have seen a decline in sales over recent times and will obviously feel confident about future sales as the mortgage market recovers and the UK crawls out of recession. It is not rocket science.

**Lakey:** This is encouraging and reflects the intent of advisers as much as the general perception that we are finally emerging from economic woe.

Consumers seem more open to financial discussions of all sorts in comparison with 2009, reflecting the partial restoration of confidence and that some are better off due to low mortgage rates. Equally, unemployment is still rising and this might feed through and apply a balance to this buoyancy. Hopefully, the

recession has pointed many advisers back to the longneglected basics of financial planning, which is to protect what you have before aiming for future wealth.

**Carr:** Someone once said that you can prove anything with statistics, so, without seeing the raw data, it is always difficult to tell what is really going on. Protection sales figures were a little dispiriting last year but given the difficult economic climate and the growth of some newer and smaller providers along with these findings, we should all be more positive.

Protection insurance is not top of everyone's wishlist, with many people cancelling or switching existing protection policies to save money. However, there is also little doubt that almost as many people are engaging with the industry and a number of advisers report a growing interest in protection as a more back to basics, postboom mentality sets in. As we continue to move out of recession, the protection industry should continue to benefit, as will many families.

## Readers' comments (2)

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Jack Morris | 23 Mar 2010 5:19 pm

Have you lot got nothing better to do. The current name is as near as you are going to get. Leave it alone, it is okay.

If you want to do something useful, get after that insurance company that sells critical illness cover that hardly covers anything at all.

Some dodgy brokers steal your clients under false pretences, by offering clients C.I.C. at half the price of the real deal. That is something to get your teeth in to.

Jack Morris

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Anonymous | 24 Mar 2010 9:14 am

How about " total permanent disability" sounds quite descriptive

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