

As published in CORPORATE ADVISER – SEPT 2010

During the time that has elapsed since I last contributed to a column for this magazine, the market environment for PMI and Healthcare generally has changed quite substantially. At that time in the early Spring I was predicting that Insurers were becoming more risk averse and the market was going to harden. What I hadn't really predicted was if the consolidation between Insurers would continue or that the consolidation between distribution channels would decrease. What has happened recently is that Pru Health has taken on the Standard Life Healthcare portfolio in one giant leap and has grabbed the market share in the low teens. I don't think anyone saw that one coming. Despite this consolidation the PMI Insurers are still facing a situation of a hardening market due to unemployment rising and the general economic climate and a potentially large claims spike due to the threat of under-funding of the NHS and the reality that is due in the October spending review.

I have spoken to more than one senior manager of PMI companies who by and large agree that the large increase in claims costs have been with us for some months or some appear to have been affected later than others but that they are seeing concrete evidence that this is happening. Basically policyholders of both individual and group schemes are using their PMI more often and for more complex treatments either because of an inherent fear that the NHS will not care out that treatment, the ever present threat of redundancy or that they may have to wait in the public sector. The cost of treatments are also rising owing to most of the private hospital chains being in the hands of financial speculators who demand high returns for their investment. I have always said that people do not always realise the cost of medical treatment and that although on face value PMI premiums appear expensive, they are definitely extremely good value. With the spending review coming this month, it is inevitable that there will be a change in funding for the NHS with possible primary care becoming partially responsible as fund-holders. This would indicate that there will be increased transparency at the initiation stage of a claim, and it is possible that there will be some directional element by the GP if that patient happens to have private healthcare.

As Brokers, we also face a challenging six months or so as the Government spending review will no doubt take money out of the system, whilst at the same time not giving it back in tax breaks for the PMI Industry. I feel that we shall be talking in a loud voice to a hard of hearing Government on this issue, but is it only me that thinks it a no brainer to allow tax incentives for an Employer to look after the medical needs to some degree of their employees, and to counter this loss to the Treasury by effectively reducing the number of people who would otherwise need to make use of the free at point of need services of the NHS.

Amongst the other problems that will have to be resolved by the PMI Insurers in due course is the lack of transparency with regard to claims data on small group schemes, occasional shortfalls on medical treatment costs,

benchmarking between Insurers on Cancer treatment costs taking in to account the rather odd decisions by the National Institute for Clinical Excellence (NICE) and the portability of member certificates including a secure medium to facilitate this. I think the most important one of these issues is the Cancer Treatment costs one, as Professor Karol Sikora has said publicly many times that there are many new and exciting treatments coming down the tracks that will help to extend the lives of many sufferers, only to become black-balled by NICE, not because they are unsuitable clinically, but because they will cost too much. I think it was at this point about escalating claims costs for PMI Insurers that I came in to this column!

What I do find as great hope for the future is that the PMI and Group Protection Industry representatives are sitting round the table talking about these and other problems with the apparent desire to resolve the issues currently are facing our industry. I have had the privilege and pleasure to sit on the AMII/BIBA Insurer panel where many of the contentious issues of the past are being discussed in an open and positive forum. I am not in a position to detail these issues until such time as a formal announcement is made, but it is my dream if I can use such an adjective, to add to that panel a representative from the GRID the Group Risk body and AIMIP, the International Insurers panel, and add the smaller Insurers in to the mix, and then we would have a working group that could really fly, and have the credibility to set the Agenda with the Government and Regulator, and not to just follow it.

I hope that this happens whilst I am still a practising Intermediary, so who will take up the challenge?