



The coming decade will see PMI insurers get increasingly risk averse. Advisers must be prepared for change says Mike Izzard, chairman of the Association of Medical Insurance Intermediaries

Pressure all round

We have entered a new year and a new decade and many protection advisers will be hoping it will be one at least as good for business as the first seven years of the previous one. The decade has started well, with the RDR appearing to by-pass the protection world and the experts tell us we are coming out of the recession as whispers of 'double dip' or 'W' profiles rapidly fade.

But is everything rosy in the world of the protection broker? Should they feel complacent that the worst of the downturn has passed them by, that the good times will come back and that the threat from comparison sites has all but diminished?

My own personal view as a PMI and protection broker is that the last couple of years have provided intense work loads but reasonably good revenues as clients have done what the state of the economy has forced them to do, namely try to maintain their level of cover whilst attempting to lower their premiums or at worst not let them rise with the ravages of medical claims inflation. In other words, the broker's main role has been maximising the client's premium cost to benefit ratio.

Group risk advisers, and indeed insurers, have got a whole range of other problems, with schemes shrinking and the relentless demand for reduced premiums. I have heard reports of portfolio sizes reducing in revenue terms as well as head count down by 10 per cent or more. Add to that the stress in the workplace as well as other factors, and you can also see the upward trend that is happening

with group income protection claims.

In my role as chairman of AMII, I can see that the commercial pressures in the market place are all too apparent as well. The demand for clients to obtain the best premium, allied to the broker needing to maintain revenues, means it is not unusual even on a moderately-sized SME scheme, to see two or three brokers competing and trying to get that commercial edge, and also to sometimes add a direct or an insurer-backed special arrangement in the mix as well. I have been told by PMI insurers that their quotation departments have seen an increase of three or four times in the number of requests from brokers desperate to hold on to or prise away a piece of business. All that does is drive up the insurers' costs and make our industry look like a production line instead of a professional, advice-led profession.

That brings me on to the situation of the insurers and how the new decade will work out for them. At the moment they are not feeling the effects of emerging from the recession as they have their own dynamics in the market place. First of all, they are experiencing increased costs, part of which on account of what I have already described, as well as an acute lack of investment income. But more importantly they are seeing a marked increase in the volume and cost of PMI claims. To the average observer it might seem that the NHS is adequately funded and working like a well oiled machine, but I am aware that Primary Care Trusts are already feeling the effects of reduced government fund-

ing, and as a consequence, the number of PMI claims is increasing. It is also apparent to me that although cancer treatments are well catered for within the NHS, other areas, very nearly as expensive, such as muscular skeletal, are increasingly being treated in the private sector. Add to that the pressures that the private hospital chains find themselves in, as over the last few years they have fallen into the ownership of private equity companies and you will see where the dichotomy of funding and commercial priority exist.

So what will the new decade bring us as PMI Brokers? I believe the greatest difficulty for both us and our clients will be insurers becoming more risk averse as it is inevitable that they must rebuild their balance sheets and prepare for ever increasing claims costs. What can brokers do to help? Well they can try and educate their clients that there is little point in dealing with more than two brokers and to manage their expectations of what they expect treatment wise and what they have to pay for it.

Finally I think brokers should work closer with insurers to help increase the professionalism of our sector of the market, by becoming more technically aware of recent changes and improvements in technology. To this end AMII is going to launch its PMI and Protection Qualification in July this year which although will not resolve all my concerns, will mean we are better prepared to cope with the challenges and opportunities that lie ahead.

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