

# Private thoughts on insurance

Association of Medical Insurance Intermediaries chairman Mike Izzard tells Tom Washington how private medical insurance is maintaining its status as a prized asset of reward

Private medical insurance (PMI) seems to be a perk employers are prepared to tinker with. Last month, *Employee Benefits* reported that Kellogg's had switched its PMI from a healthcare trust arrangement to a fully-insured scheme, while Punch Taverns did the exact opposite – both to make savings.

These are two clear examples of how, while they might be searching for ways to manage the costs of this healthcare benefit, employers are determined not to remove it altogether. After all, PMI is seen as core to a competitive reward package, particularly for senior employees.

Mike Izzard, chairman of the Association of Medical Insurance Intermediaries (Amii), says: "The small to medium-enterprise (SME) market, strangely enough, is quite buoyant at the moment. We are being asked 'can you save us money?', and some employers are trading down or moving to managed care

options if necessary, but we are not seeing many drop-offs or lapses."

Izzard says although fully-insured schemes are right for some employers, a trust is a better option for others. "My opinion is a trust is a good concept for an organisation that has around 1,000 lives on a scheme and has a very good third-party administrator to run it for them. It is basically a stripped-down, component-structure policy as you have the administration fee and claims fund separate. Sometimes employers can save money and it means a better scheme for employees."

With saving money being the order of the day, does Izzard see relatively low-cost healthcare cash plans as a threat to PMI? "No, not at all. I see cash plans as a soft landing for schemes that have to come out of PMI altogether. If the employer cannot afford a PMI scheme, the best alternative is to have a good cash plan. It is perfectly adequate, but the employee must be told by the employer that this is not full-fat PMI any more, it is very much a skinny one."

## Too many brokers

Izzard believes some of the cash-saving methods currently being applied are not necessarily the right ones. Some employers are deploying three, four or five brokers to work on the same piece of business, he says.

"Some SME employers are looking to save money in very odd ways, which intrigues and baffles me in equal measure. If employers have got two good independent brokers looking at the market, they should be able to come up with all the options available, present their cases accordingly and possibly find different commission rates or fees.

"But some are over-egging the pudding with too many brokers, and it is putting insurers under enormous pressure. They are getting quote requests for the same bit of business that is going round exponentially."

Izzard says that although service levels in ▶

## CAREER HISTORY



Mike Izzard, chairman of Amii, has been managing director of his own PMI provider brokerage, Premier Choice Group, since 1996.

Premier Choice consists of six companies, each specialising in an area of employee benefit protection.

After gaining experience within some of the main PMI providers early in his career, Izzard then worked for Norwich Union and the Medical Insurance Agency.

Looking to Amii's future, the next year will see a greater

focus on training and competence, he says.

Izzard is working with the Chartered Insurance Institute (CII) on a new benchmark accreditation training course and examination for the PMI industry, with Amii at the forefront of developing the syllabus and the CII invigilating the coursework and examinations.

"In the long term, I'd like to see PMI practitioners take the examination and see all insurers' service and client-facing staff take it," he says.

## Amii at a glance

**The Association of Medical Insurance Intermediaries (Amii) is a trade association for specialist independent intermediaries based in the UK whose business is individual and group private medical insurance (PMI).**

**Established in December 1998 as a trade body, the association promotes and maintains high standards of professional and ethical conduct among its members, and aims to increase awareness of the role of PMI advisers. All Amii members are authorised and regulated by the Financial Services Authority (FSA) to sell general insurance products.**

**Members must adhere to the FSA Principles of Business, which set out the standards that all members must meet when**



**they are dealing with employers.**

**Amii also runs an annual conference and exhibition for its members. This year, about 200 intermediaries attended the Promoting Professionalism-themed event, where 25 providers and service suppliers were present, along with industry experts speaking on the latest developments and issues in the PMI sector.**

**Earlier this year, Amii's work involved approaching private medical insurers and the British Insurance Association to form a discussion panel to focus on the issue of transparency of claims information in PMI schemes. Izzard says: "The only way to improve the flow of information is for all the relevant parties to get together. I sincerely hope the industry responds well."**

the PMI industry are good, the same cannot be said for the group risk market. "It's a big issue at the moment," he adds. "It's getting better, but couldn't get any worse."

### Accuracy levels

Research released by Mercer last month showed progress was being made. The *Group Risk Survey*, based on data taken between November 2008 and May 2009, showed accuracy levels of accounts averaged just 74%, but in May 2009 the accuracy level was 82%, up from 80% last year. There was also a 9% improvement in the time it took group risk insurers to request medical underwriting information after receiving an initial declaration-of-health form, with the process now taking two-and-a-half weeks. In May 2008, the average was just under four weeks.

One criticism of the group risk industry is there is no real impetus for providers to get things done and dusted by the renewal date in the same way other insurance markets operate. "The renewal dates are completely alien to the Financial Services Authority's (FSA) regulation process," says Izzard. "Group risk is still an insurance policy at the end of the day and the employer should have contract certainty. They have not got it at the moment. I have known group risk renewal dates be flexible by nine or 10 months, which you just would not get with PMI.

"[Industry body] Group Risk Development is grappling with this issue. Employers cannot get renewal information, data accuracy is poor, and so on. It is very frustrating."

The 1% increase in employer national insurance to 13.8% in April 2010 will impact

on P11D taxable benefits, of which PMI is one. This increased cost, along with medical inflation showing no sign of slowing, means the price of supplying healthcare benefits to staff is rising. Izzard says the government is sending out the wrong message by putting a greater cost burden on employers, dissuading them from providing health perks at a time when pressure needs to be removed from the struggling National Health Service (NHS).

### Gone bust

But Izzard does not think this will have a long-term impact on PMI. "Employers and employees still value PMI in the marketplace," he says. "UK plc has effectively gone bust over the next few years and the government will not be able to fund the NHS to the degree it needs to be. That means more emphasis on workplace health provisions.

"Generally, I think we are working through a purple patch for PMI intermediaries. With the NHS under severe pressure and with a growing, ageing population, I think PMI will be a sought-after benefit. We have to make it more accessible, more cost-effective and make advisers better able to advise on it." ■



**"With the NHS under severe pressure and with a growing, ageing population, I think PMI will be a sought-after benefit. We have to make it more accessible, more cost-effective and make advisers better qualified to advise on it"**

*Mike Izzard, Association of Medical Insurance Intermediaries*

▶▶ **Group Risk Development interview:**  
<http://bit.ly/14ojNs>