

# WHAT HAVE WE LEARNT FROM THE PAST 20 YEARS IN THE PROTECTION MARKET?



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The Protection Market has seen a lot of changes and heard a number of opinions, but what have we learnt? We've asked Johnny Timpson our Protection specialist to share his thoughts on a few important things we've learnt over the past two decades.

## THE "PROTECTION GAP" CAN SEEM DAUNTING, SO BE FOCUSED

There is an often quoted industry figure that estimates the size of the UK "protection gap" to be £2.6 trillion\*. Such figures can

have a debilitating effect, by suggesting it is a problem that's simply too large to solve. Instead, we have focused on some key areas where we feel we can make a difference. This has been primarily through raising awareness, educating people, and building advocacy, through a regular flow of claims statistics and thought leadership. This is backed up with our own research, as well as highlighting what has been done by health charities. Macmillan's recent "No small change" report, which focuses on the financial cost of cancer, being a great example of the latter.

We've helped lead the industry to bring about change that benefits all. I've participated in a number of trade bodies which have supported and driven change on topics such as non-disclosure, the introduction of annual benefit statements, and the "7 families" project. 7 Families being where charities, providers, reinsurers and financial advisers came together in a common cause to raise awareness of the financial impact of long term illness or disability demonstrating the value of financial resilience in helping get people back to work.

The first incarnation of 7 families may have come to a natural conclusion, but watch this space. Personally, I'm also looking forward to working more on the CII's "Insuring Women's Futures" and continuing to highlight the impact the recent welfare reforms will have on protection.

## IS THERE STILL A PLACE FOR CRITICAL ILLNESS COVER?

People asked this of Dr Marius Bernard, the inventor of Critical Illness cover, every year from 1983 until his death in 2014. Marius helped us develop our Bancassurance critical illness offering in the early 2000's, and became a close friend and mentor. So you won't be surprised to hear that I agree with what he always answered – "yes".

There was a need for Critical Illness cover then, and there is still one now. Clients are still four times more likely to suffer a serious illness than die before the age of 65. However with medical advances meaning you are more likely to survive a critical illness, the way this cover works continues to evolve. With more people surviving critical illnesses the focus is now on the quality of life, and that quality comes at a cost to the individual, their family, employer and the State.

Our changing world of work, housing market, occupational and welfare benefit provision plus levels of debt are putting an ever increasing pressure on the individual's capacity to earn. However, disruption to this earning capacity due to a life changing and/or limiting medical diagnosis gives rise to a need for financial resilience and appropriate protection and I'm confident, as we are seeing in markets around the world, that critical illness insurance will have a part to play in this.

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With Critical Illness cover, some in the industry still engage in a “conditions race”, but we’ve decided as a provider to not take part. When we refreshed our critical illness definitions on our intermediary product earlier this year, we did so to ensure our cover became more comprehensive, but less complex, and more focused on where it matters the most. We did this by introducing one simple, comprehensive and clear additional payment for cancers in situ requiring surgery, combined Alzheimer’s and Dementia definitions, and increased the upper age limit for children’s cover up to their 22nd birthday to align with the state definitions for child benefits (in relation to full time education). This is an approach we’ll definitely look to continue in the future.

## WE’RE HERE TO PAY CLAIMS

It’s that time of year where the industry publishes their most important stats, those on claims. After all, paying claims is the most important thing that we can do as providers. It’s fair to say that over the last 20 years the industry has been on a bit of a journey around this. Before the ABI published its statement of best practice on non-disclosure 10 years ago, we were too focused on the black and white reasons why we could decline a claim. Post-statement of best practice there has been a complete transformation to a more customer focused approach.

Our claims statistics back this up. In 2016 Scottish Widows paid out 98% in Life and Critical Illness Claims, a total of £211.6m. This equates to £811k every single working day, and means that we helped 9,599 customers and their families last year\*\*. Statistics such as these should lead to increased customer confidence, but the public, when asked, still thinks we only pay out between 71% and 80%\*\*\* of claims. We need to all work harder to get this positive claims message across.

With the claim stage being the most important part of the customer journey, this means we all need to get this right. That’s why our claims handlers, who’ have specialisms in a variety of different conditions and illnesses, will be on hand to take end to end ownership of each claim. Whilst our Grey Claims panel looks again at any contested claim, as ultimately we want to pay out wherever possible.

## KEEPING ADVISERS HAPPY IS SIMPLE

We understand your needs are straight-forward. You want to be able to protect your clients as quickly and easily as possible, and to do this, you want us to be simple to deal with and provide truly end to end support to you and your clients alike.

With Scottish Widows we do this with our pre-sale underwriting support, both on and offline, with our medical and financial underwriting rules which maximise straight through processing rates and the dedicated case management we offer for referred cases, as well as the post-sale support we offer advisers through retention and the issuing of annual plan summaries.

We also know in a heavily price competitive market, advisers appreciate something extra. Which is where Scottish Widows Care, provided in partnership with RedArc, comes in. The practical and emotional support this can give clients and their family can be all important. My experience of the 7 Families project has truly shown me the importance that financial resilience support can play in people’s lives.

So, what does the future have in store for us? Advances in technology will no doubt lead to developments in underwriting and product design, so it’s sure to be an exciting and fast moving time. But as long as we don’t forget we’re here to help get Britain better protected, we should do okay. Here’s to the next 20 years.

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\* source: Association of British Insurers (ABI), 2012

\*\* source: Scottish Widows claims stats, 2016.

\*\*\* source: Pacific Life Re, 2015