

Spotting the Stars – Money Marketing – April 2009

The latest obsession to enter the life of my 6 year old son is the collecting and swapping of football cards. He spends hours each week poring over the statistics of players from every Premiership team, debating the relative merits of each with his fellow collectors.

The method of comparison is, at best, limited, with some footballers scoring highly thanks to their goal scoring prowess whilst others gain a lower ranking, despite no doubt being equally crucial to the dynamic of their squad.

Nevertheless every player has been judged and graded, for better or worse, and it is by this measure that they are compared, coveted or dismissed.

In this regard it is not a dissimilar method to our own industry practice of rating Critical Illness providers; a range of criteria is considered and each product is then awarded its allocation of stars. Thus consumers and advisers can see instantly which provider offers the “better” cover.

Just like the football cards this method is never going to be perfect, since simple tweaks such as adding in cover for extra conditions can increase your rating – irrespective of whether this extra cover will lead to many more claims being paid.

Advisers are particularly mistrusting of these ratings. One firm with which I deal conducts their own rigorous research into providers’ different Critical Illness propositions each year, before deciding which cover they deem superior.

The issue has the potential to become even more subjective as providers continue to innovate around the Critical Illness genre. How, for example, should a rating system attempt to compare Serious Illness cover with CI?

Fans of Serious Illness contracts will say that the product is demonstrably broader in its scope than traditional CI cover, whilst its detractors will claim that it is overcomplicated and difficult to compare against its more established counterpart.

The SIC versus CIC debate is now starting to make waves, with Aviva having publicly questioned the merits of the SIC plan paying out proportionate amounts, which will only ever add up to the total sum assured anyway. PruProtect countered by pointing out that their product provides wider cover and, if their reinstatement option is selected, could pay out more than the original sum assured.

What is certainly clear is that competition in the CI/SI arena is fierce, and more providers are starting to look closely at adding severity based cover to their arsenal (BUPA being the latest to add some partial benefit payments into their product).

The ABI have gone on record recently as saying they would like to see the rating systems reflect the quality of the product, with “additional points in the scoring system to reflect the true value of the cover”.

Whatever the outcome, a grading system will always be a guide rather than a definitive means of comparison. The role of the adviser in being able to distinguish star players from reliable stalwarts remains key.

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