

Critical Illness Cover, fitting square pegs into round holes - Money Marketing – December 2003

This week I am focusing on Critical Illness Cover (yawn.... not that again!). However I am not going to write about the issues because every man and his dog has done that, no the following is all about solutions.

The people that I would most like to read this column, apart from all IFAs, are those involved in product development, in particular those that say they are working on '2nd generation' Critical Illness (CI) products. That is not to say that I can't speak to each of them individually, but the message I have is best directed at them as a group, or 'herd' if that is a better collective noun.

Because I want the management within insurance companies to read this particular column I have employed a trick, which others may want to copy in the future, and that is to name every insurance company within the text of this article (see below). You see, I know that insurance companies employ agencies to scour the press for any mention of their name. These agencies then photocopy these articles, or news items, and place them all in a neat pack for the most senior managers at every life office to read (this works for any article, column, letter, in fact any text that is published by the press).

So, why do I really want them to read this particular column? Well they are all debating the Critical Illness issues in public, and not the solutions, whilst trying to persuade us of their proposed solutions in private. I think they are doing this in the belief that their solutions are at least a little unique, they are not. The behaviour is, I believe, driven by a desire to steal a march on the competition and I am certain they don't realise they are all saying the same things in private. This could be a good thing if the product ideas they are promoting are good ones - they are not (in my opinion). Why? Because they have all forgotten that *'Necessity is the Mother of Great Inventions'*, necessity in the sense of the customers need, not the re-insurers, and that square pegs do not fit into round holes.

Just about every 'private' conversation starts with them talking about reviewable definitions, quickly followed by "personally I don't think that's the right route". They then go on to describe a hybrid product that takes the worst characteristics of Income Protection (IP) and CI, which they plan to somehow smash together, and of course hope it sells well.

I think it is the wrong product, weighted in favour of the insurer. The sample pricing isn't good enough, it still has reviewable premiums and it doesn't come close to addressing the customer need.

For the 'collective' my solution is to take the best characteristics of IP and CI by providing a lump sum payment on successful claim (by far the majority of these are sold alongside mortgages), if the client prefers income there is always CI FIB. Claims should be measured against a pre-published set of tests to determine whether the impact of the illness or injury on the customer is sufficient to meet the product definition. Over time illnesses that are unheard of today will fall into the definition and as medical advances continue existing illnesses that become easily treatable and less serious fall outside of the definition - thus solving the 'lottery effect'.

So you need to get together and agree a template definition; avoiding confusion with 1st Generation products by calling it something different like **Catastrophic Illness Insurance** and away we go. If you work together to agree a template, the adviser will be able to compare easily and make recommendations, the pricing should be in line with current low start (sorry – reviewable) premiums, the benefits are clearly defined at outset and not in medical jargon, so you don't have to be a doctor to sell it or to understand what it is you are buying.

OK you may not like my solution, it isn't perfect but now is the time for you to talk to each other openly and in front of us, be brave, be prepared to make the odd mistake and remember if the people that developed the 1st Generation products had been as cautious and secretive as you then we wouldn't have had the benefit of the cover for the last 13 or so years.

I am not sure if the following really is Latin, but it will suffice as it conveys my entire message in two simple words 'Fingers Extractus'...please.

Now for that list of insurers - Bright Grey BUPA, Friends Provident Legal & General, Standard Life Skandia, Scottish Widows, Scottish Equitable, Scottish Provident, Liverpool Victoria, Norwich Union, Prudential, Zurich.

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