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Intermediaries and providers committed to success of cash plan market post-recession

- Cash plans have 'come into their own' during downturn
- But fresh thinking needed to grow the market in long run

Health cash plans could provide employers and intermediaries with a lifeline during the recession, but providers and advisers are acutely aware that they will have to continue to work hard – and closely together – to keep up the momentum when the upswing in the economy eventually arrives.

Participants in this year's *Health Insurance* Silver Briefing debate on cash plans agreed that the recession has given intermediaries and providers the perfect opportunity to explain to employers the value that the product can offer.

Wayne Pontin, business development director of Jelf Wellbeing, an intermediary, said that there has "never been a better opportunity" to sell cash plans.

"In the protection market during a recession people are either looking to trade down their top level of cover or to protect people after downsizing, so I think the opportunities are enormous," he said.

Sue Weir, chief executive of cash plan provider Medicash, said cash plans "come into their own" during a recession because intermediaries want to give more value to their clients.

"They can do that by building a relationship through offering other products that the companies may not have considered before, one of which could be a health cash plan," she explained.

Bob Catchpole, a consultant at Atlas Consulting, is another intermediary who has capitalised on the recession as an opportunity to write more business.

"We can encourage clients to look at something like a cash plan, perhaps in lieu of a pay increase or part of a pay increase, or part salary review," he said. "Because it's such a low-cost benefit, they can see the value of it."

However, all participants in the debate, including Catchpole, accepted that any market that benefits from a recession needs to think longer term about its sustainability. Pontin himself led the way by suggesting that it was "sad" that the cash plan market needs a recession to thrive.

"Is it not time providers looked at their products and said, 'Is this what the public wants?'" he asked. "The couple of recessions that we've had, we've seen the same old thing being trotted out, the cash plan's come back in; the only reason is because they're cheap. I challenge providers to innovate now so that when there isn't a recession, when we come out of it, you're still selling cash plans in some quantity."

INNOVATION AND FLEXIBILITY

Innovation was a key theme throughout the debate, with participants agreeing, in the main,

that providers are coming up with flexible propositions to meet the demands of employers in all economic conditions.

Susan Brooks, business development consultant at Lorica Consulting, said the bespoke, flexible offerings now available on the cash plan market help to address corporates' concerns "much more effectively" than in the past. However, she said that the attraction to employers and employees of the mainstay benefits of cash plans, such as reimbursements for optical and dental care, should not be underestimated.

"I agree there needs to be innovation there, but equally, corporates can see the benefit straight away with optical and dental," Brooks said. "I think it sends a positive message to the workforce of the corporate as well, especially in these hard times."

An improving NHS is also doing little to dampen demand for cash plans, participants agreed.

Jill Davies, chief executive of cash plan provider Westfield Health, said the sector has "always" adapted according to whatever the health service has – or has not – offered, supporting it over the years.

"I don't think falling waiting lists will impact tremendously on cash plans because if you're getting into hospital quicker, we're paying out more hospital nightly allowances," she said. "If someone goes into hospital now they will have to pay to park, pay to get access to a telephone or pay to have a TV, so people may need help to meet these bills."



PARTICIPANTS IN THE DEBATE SAID MORE NEEDS TO BE DONE TO COMMUNICATE THE WIDE RANGE OF BENEFITS, SUCH AS TELEPHONE HELPLINES, THAT CASH PLANS OFFER



"If you're giving added value to your customer, you're more likely to cement that relationship"

Sue Weir, Medicash

Product flexibility was another key issue raised by participants. David Wilson, intermediary sales manager of Simplyhealth, another provider, said that he has witnessed "quite a change" in the market in terms of product design and flexibility, as it has responded to employers' demands more effectively.

"We have seen evidence of that," he said. "That's been a driver that has pushed corporate sales along over the last year."

However, some participants expressed frustration at the failure of the cash plan market as a whole to communicate the breadth of benefits that are now on offer, from GP helplines, to employee assistance programmes and more.

Colin Boxall of ADVO Group, an intermediary, said that sometimes the "non-traditional" cash plan benefits can be "tucked away" in provider literature.

"Perhaps you should make a little bit more about it," he suggested to providers at the debate. "Some of these softer options like GP advice services, which are very low cost to put onto your policies, can make the difference between which provider we choose to recommend to clients."

However, both Boxall and Atlas Consulting's Catchpole said that it was important that the mainstay benefits of cash plans were not devalued.

"Some of the softer options can be perceived value rather than actual value," Catchpole said. "Be careful that you don't overlook the fact that the main core benefits are the most important thing. In my view, that protects your client."

The link between cash plan benefits and private medical insurance (PMI) was also explored, with participants explaining that in many ways cash plans are proving more popular.

"We have a law firm as a client that offers both PMI and a cash plan, depending on salary," Boxall said. "It actually finds that it's sometimes difficult to get people off the cash plan onto PMI because of the immediate perception of value that the cash plan provides."

Boxall and other participants, however, said it was important to note that both products should be seen as complementary and not simply a choice of "either-or".

"As an intermediary it's a case not of that the health cash plan would usurp the PMI, it would be alongside it and add to it," said Medicash's Sue Weir. "So potentially it's additional commission for the intermediaries, not a replacement commission."

Some intermediary participants suggested, however, that the effort they have to put in to earn a fair remuneration for recommending a cash plan is perhaps mismatched.

Jelf's Pontin said there is a "dichotomy" whereby the average PMI commission for an intermediary is often 15%, whereas the average cash plan commission is 10%.

However, Premier Choice Group's Tom McGuinness, a fellow adviser, said that cash plans can still be profitable for intermediaries.

"Commission on death in service schemes could average 4% and intermediaries still accept that," he said.

Medicash's Weir added: "It's also about building on that relationship. If you're giving added value to your customer, you're more likely to cement that relationship."

INTERMEDIARY-PROVIDER DYNAMIC

The vital relationship between intermediaries and providers also came under the microscope during the debate. While encouraging evidence of both parties working in partnership with one another emerged, concerns were also raised that providers could do more to help intermediaries in their day-to-day business.

Although he welcomed the efforts that most cash plan providers have undertaken to support advisers, Paul Swanson of Healthwise said there should be more trust between the two parties, not least when it comes to sharing data on scheme performance.

"Providers feel guarded about giving intermediaries the information because it could obviously be passed to other parties," Swanson explained. "But they can put in enough safeguards to protect themselves in that respect, as have PMI providers, or even offer it on a trial basis where you can only do, say, ten quotes before giving feedback to the insurer."

Simplyhealth's Wilson agreed that engaging with the intermediary in the right way is essential for the cash plan proposition to succeed. Intermediaries must themselves continue to have regular dialogue with clients going forward, too.

"It's an ongoing communication," Wilson said. "If an intermediary puts a scheme in place, files it and forgets about it, goes back at renewal and there isn't that ongoing client management relationship, exchanging the information in the way you describe, then your client becomes vulnerable because somebody else can do it. Management information is important with cash plans too."

THE LONG-TERM

Information about financial solvency and security of cash plan providers was also cause for debate, especially given the fragility of some financial services institutions in recent times.

Pontin said that Jelf operates its own solvency committee and all of the providers that it recommends have to go through solvency checks, otherwise the adviser will not recommend them.

Jill Davies of Westfield Health said that the heritage of cash plan providers should also give employers added reassurance.

"When an organisation has been around for 90 years it does have an advantage," she said. "People do think that you've got reputation, integrity, excellent service and so on. Then you can show that you're secure in your books and your reputation is enhanced further."

Philip Wood said that although the risk régime and the capital adequacy requirements for all insurers is going to be "phenomenal" in the future, Health Shield, for one, is "already ahead of the game" in line with regulatory solvency requirements.

"We're making sure that whatever business we write is not to the detriment of our members in the long-term business model," he said. ☺