

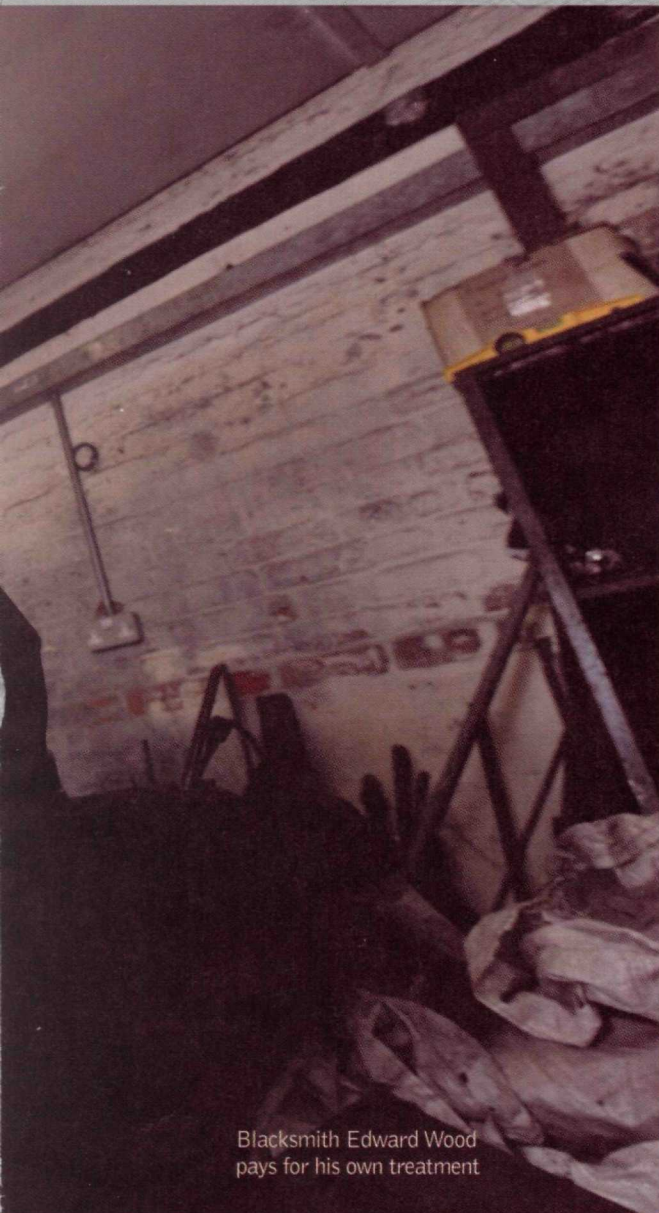
Hammered by medical in

Insurers are offering no-claims discounts to put people off claiming, and if they do claim, clobbering them with unaffordable charges

BY SALLY HAMILTON

IN THE MARX BROTHERS' FILM *Animal Crackers*, Groucho's character Captain Spaulding finds out that if he asks a band of musicians to play for him, it will cost \$10 an hour – and if he asks them not to play, it costs \$12 an hour. Equally perverse incentives may be in danger of taking hold in the UK's private medical insurance market as insurers wrestle to attract and retain business, while reducing their own costs.

Sceptics fear the steady proliferation of no-claims discounts on medical insurance, sometimes as juicy as 65% to 70% off the base premium, will mean that people who really need medical attention will decide



Blacksmith Edward Wood pays for his own treatment

TAKING THE 'SELF-PAY' ROUTE

If high insurance premiums and no-claims bonuses make you queasy, there are other options, not least taking advantage of the NHS, which for all its imperfections is free at the point of use. You could take out low-cost healthcare cash plans, which are a bit like savings plans that will help towards everyday medical treatments such as chiropody or physiotherapy.

However, you could also go private whenever you want, by paying for it yourself. Each year thousands of patients choose this 'self-pay' route and spend around £486 million on procedures, according to consultancy Laing and Buisson.

Patients can approach private hospitals or networks directly and negotiate a price, the cost of which can vary dramatically across the country and must usually be paid for up-front. You normally fix the price, so there'll be no extra to pay if complications arise.

Alternatively, you can use a specialist treatment-sourcing service such as Medical Care Direct, which can do the research and arrange the package for you, including all the costs plus its own fee, which is a percentage of the savings made. The service charges an annual membership fee for individuals of £35 (£25 if paid by direct debit). This fee covers you and up to four members of your household or family and friends.

Although it's a financial gamble to self-fund, those requiring just one or two procedures may find it pays off when compared with pricey insurance premiums. The average costs of typical treatments range from £700 for a gastroscopy, £1,600 for cataract removal to £10,450 for a hip replacement, depending on the specialist, location and the individual's needs.

Edward Wood (left) from Ipswich, Suffolk, used to have private medical insurance, but after his health deteriorated as he grew older it became unaffordable. Now in his mid-70s, the former blacksmith, who still works each day making ornamental wrought-iron items, has paid for several of his own consultant appointments and treatments.

"A few years ago, I needed a hernia operation. The NHS said I would probably have to wait a year. So instead I used Medical Care Direct to find me a suitable nearby consultant and hospital," he says. "The operation was done within three weeks and cost about £1,000, which I felt was very reasonable. The surgeon also said the hernia had deteriorated in those three weeks, so I was happy to have it done quickly."

There is a fear that older people won't claim on their insurance just to save cash

Insurance?

to save money and not ask for help. The situation could be particularly serious in the case of the elderly because they are more likely to need to make a claim, and if they do, will see their discounts evaporate – and their premiums rocket.

Penny O'Nions, principal at Buckinghamshire-based medical insurance intermediary the Onion Group, says: "The problem is that when anyone with a no-claims discount plan makes a claim, their premium not only goes up at renewal because of losing the discount but also because they are older. Eventually, older people can find premiums are too high and end their cover."

O'Nions is wary of no-claims deals, especially as they inevitably tempt consumers who feel financially strapped but are reluctant to relinquish their cover.

"When you make a claim you immediately go down a few steps on the discount ladder and your premium rises – but it's difficult to move elsewhere as you now have a pre-existing condition," she says.

This discount carrot certainly seems to be working in favour of the insurers, however. AXA PPP, for example, says the majority of its new policyholders opt for its no-claims plan, which provides a maximum 50% off.

COMPULSORY NO-CLAIMS DISCOUNTS

However, although taking out no-claim discount policies is to a large extent optional, a compulsory trend is now emerging. For example, Aviva (previously Norwich Union) has offered no-claims discounts since the mid-1990s, but controversially started moving all its existing customers onto no-claims discount plans two years ago.

One furious fifty-something customer from west London, who prefers not to be named, says: "My wife



"No-claims bonuses are a marketing ploy," says Diane McLanachan from Havant

HUGE PREMIUM HIKE AFTER MAKING A CLAIM

DIANE MCLANACHAN, (above), 59, from Havant in Hampshire, is a self-employed personal development training and life coach, and has held a private medical insurance plan for as long as she can remember. "I used to work for IBM until the early 1990s and always had PMI through it," she says. "When I started working for myself I wanted to continue cover because I knew if I was ill and unable to work while waiting for treatment, I would have no money coming in and would need to get back to work as soon as possible.

"I was with AXA PPP for several years, but after making a claim for a ripped tendon in my shoulder in 2009, which amounted to about £3,866 in medical fees, I saw my premiums shoot up from about £130 to £208 a month," Diane says. The premium jumped because of a reduced no-claims discount, plus she was a year older.

"I decided to shop around. In the end, I chose a shared-responsibility plan with WPA, which costs me £78 a month." Diane pays 25% of any claim up to an agreed maximum of £250 in a year, after which WPA meets the rest. She could opt for a higher contribution (up to a maximum of £3,000) to reduce her premium further. Although she knows that any claims linked to her torn tendon will be excluded, she says: "With the savings I make on the monthly costs, I can easily pay for any physio I might need." She feels her new deal is more transparent.: "No-claims bonuses are a marketing ploy."

and I have been with Aviva for over 15 years, paying year in and year out. My beef is it has moved the goalposts – ostensibly with the intention of keeping costs down. It forgets that its long-term customers, who are of course getting older, are being unfairly penalised. I predict that by the time we've made three claims, our charges will be unaffordable, especially as they rise anyway as you age.

"We can't move elsewhere because of pre-existing conditions, so our only option was to reduce the level of

cover dramatically, which brought down premiums by £150 a month. Lost business for Aviva or good business for Aviva?"

This customer's pessimistic view is that the insurer's strategy is designed to push out the older customer.

Amber Scott, a spokesperson for Aviva, denies the provider has switched customers as a means to edge out expensive older policyholders, and says that many of Aviva's older clients have been happy to retain their policies.

"In the past, it was just an age-related premium, which meant when people reached 65 they experienced really high premium increases," she

says. "A lot of people were saying it wasn't fair when they hadn't claimed. They wanted us to reward them."

Average private medical premiums paid by individuals (not corporate plan-holders) in the UK stand at £1,527 a year, over a third more than in 2000, according to consultancy Laing & Buisson's Health & Care Cover UK Market Report, published in July 2010. However, this disguises the fact that customers aged 70 and over typically face far higher premiums. According to the

