

Accessible insurance: how can disabled people get a better deal from the insurance market?

Teresa Perchard

Commissioner, Scope Extra Costs Commission



- Scope, the disability charity has established a year long independent Extra Costs Commission to look at how the extra costs of goods and services disabled people face can be driven down. An interim report was launched in March and a final report is due in June 2015.
- Disabled people find that their cost of living, is a significant problem: 69% of disabled people struggle to afford bills and commitments.
- Despite the estimated £212bn value of the ‘purple pound’ disabled consumers are not getting the best service or best deals: 49% of disabled consumers say they do not have all the information they need when making a purchase and 75% of disabled people and their families have withdrawn from purchases because they have been treated so badly.
- The Commission is investigating a range of goods and services from disability aids and adaptations to energy. Insurance stands out as being a service disabled people say they are just unable to afford.
- The Commission is considering a range of practical solutions which would empower disabled consumers to find better deals and help businesses to understand and serve disabled consumers better. The Commission wants to hear from businesses who are interested in meeting this challenge.
- On insurance the Commission also asks if the market is working effectively for disabled consumers and is considering whether the the financial services regulator, FCA should investigate the market.

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CII Introduction: pricing techniques are one of the reasons why general insurance is able to distribute risk across society, usually by encouraging behaviour that reduces claim likelihood. However many find themselves on the wrong side of the pricing equation, and sadly one group that finds itself constantly paying over the odds owing to circumstances beyond their control are people with disabilities. As Teresa Perchard summarises from a recent report from the Scope independent Extra Costs Commission, the cost of insurance for such basic things as motor and travel can actually border on the prohibitive. She suggests what the profession could do to address this, and also considers other measures and if necessary, interventions that could help to make insurance more accessible.

Research by the disability charity Scope estimates that on average, disabled people spend £550 a month on disability-related expenditure, including higher heating bills, buying specialised equipment, paying for taxis to get around or covering higher insurance premiums.¹

Government action to address these extra costs has focused on raising the income of disabled people through the welfare system, through extra costs payments (Disability Living Allowance, Attendance Allowance and the Personal Independence Payment). Until now, very little has been done by government, or any other group, to tackle the root causes of the problem – by looking at how to reduce disabled people’s outgoings in the first place.

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This is a missed opportunity. As long as the gap in the cost of living between those with and without disabilities is so wide, it makes it harder for disabled people to contribute equally to society. It makes it harder for disabled people to save and build for the future. It ignores the potential for businesses and the economy of a large and growing consumer base whose earnings are eaten up simply by the basic cost of living. It stores up economic trouble for the future: the proportion of people in their 50s who are disabled or who have long-term health problems is predicted to increase from 43% in

2004 to 58% in 2020.² We cannot afford to price out this proportion of the population.

Last year Scope, the disability charity, launched a year long independent Extra Costs Commission to investigate these issues further and identify ways that the extra costs disabled people face could be driven down. Led by Robin Hindle Fisher, the group of Commissioners have:

- reviewed all the previous research on extra costs faced by disabled people;
- gathered new evidence from consumers about their experiences from a commissioned survey and focus groups; and
- engaged with businesses, trade associations and regulators.

We have found that overwhelmingly disabled people want change. They want change from feeling that they struggle to afford their bills and commitments and too that they are not getting the best deal or service the market has to offer. Poor service that has led 75% of disabled people and their families to withdraw from purchases because they have been treated so badly.

We have identified a number of markets where we think change is both needed and possible – energy, clothing and bedding; specialised equipment; taxis and private hire vehicles and insurance. Some of our proposed solutions could deliver change for disabled people across most of these markets and some markets require specific actions and interventions.

Why insurance?

Insurance protects consumers against financial shocks – a particularly acute need for many disabled people who have lower average incomes with which to afford their higher costs. Disabled people tend to have lower levels of savings and wealth available for a rainy day. Insurance was the financial service most frequently mentioned in response to our call for evidence, with many in our focus groups saying they found insurance so expensive it was simply unaffordable. Responding to our call for evidence disabled people expressed frustration with their experience of seeking insurance. Some respondents felt that they had been dealt a real injustice in the way that the market operates, with

¹ Brawn, E., *Priced Out*, Scope, 2014.

² Pillai R. et al: *Disability 2020: Opportunities for the full and equal citizenship of disabled people in Britain in 2020*, IPPR, 2007.

travel and motor insurance the most common areas of complaint. The following are just a few of the experiences reported to us by disabled people:

‘Cover for my son’s condition made the insurance more than 5 times what it would have been – even though his condition is extremely unlikely to have caused any additional risk.’

‘Our annual travel insurance is £220 for our family of four. If our daughter had no disability it would be a quarter of this price!’

‘Had to give up my life insurance policy due to costs imposedtrying to patch that hole costs around £400 – £500 per month, probably more realistically £1000 – £1,200 per month.’

‘I have a ball on the steering wheel costing £25...every single insurance company tried to charge me more because my car is adapted. I phoned one of them and demanded why they wanted to charge me £££s more, they said it was to cover the cost of repairing the adaptation.’

‘We do not get the opportunity to shop around for insurance on the car – due to modifications for the wheelchair a lot of companies won’t even quote.’

Research conducted for Scope by Ipsos MORI found that 22% of disabled people feel that they pay more for insurance,³ and a further 8 per cent said they had been turned down for insurance, of whom the majority felt that this was due to their disability or pre-existing health condition.⁴

Our research indicates that there are two and a half million disabled people who feel they pay too much and at least half a million unable to get insurance who attribute this directly to their disability.

The insurance industry has told us that in many cases, disability is not taken into account in pricing some types of insurance, and that disabled people are on a level playing field with other consumers. However, our research indicates that there are 2.5 million disabled people who feel they pay too much and at least half a million unable to get insurance who attribute this directly to their disability. This is why the Commission thinks it is important to look at how insurance could become more accessible and affordable for disabled people.

³ Ipsos MORI, *Disabled People and Financial Wellbeing*, 2013.

⁴ *Ibid.*

The Commission recognises that higher prices may legitimately reflect higher risk: adapted vehicles or expensive disability-related equipment could legitimately justify higher motor or home insurance premiums on the grounds of higher replacement cost. However, those costs need to be balanced against any lower risks of loss or damage occurring with adapted vehicles.

The insurance market arguably has a sufficient diversity of providers that a competitive market is possible. Insurers can point to the incentives to price accurately assuming economically rational behaviour in a competitive market. Some insurers have put effort into making their services accessible. One insurer told us that the tool it uses to price travel insurance is subject to constant refinement by a team of doctors and nurses to ensure that decisions reflect the most up to date medical knowledge. Nevertheless, very high prices for some consumers could also be caused by market failure.

The Commission recognises that insurance businesses are not all seeking to serve the whole of the market, or their business model may focus on high volume/standardisation so as to reduce costs of underwriting. These products may be among the most heavily advertised and best known services. For disabled consumers, the challenge is then to find the products suitable for their needs, at a price they can afford. A challenge which is heightened by the fact that 30% of people with disabilities have never used the internet.

Possible solutions?

The Commission is advocating action in three areas:

- Consumer empowerment
- Supporting business to change
- Market intervention

Consumer empowerment

We have found a very strong appetite amongst disabled people for information about better deals, access to ‘people like me’ peer review and potentially collective purchasing schemes. Nearly 90% of disabled people said they would like to be able to join a discount scheme with people like them.

Disability organisations could play a leading role here to gather, filter and create information and choice tools for disabled people who are their service users and

supporters. This could go further to create collective purchasing services and affiliate or discount schemes.

Those disability organisations could also play a much stronger role in signposting and encouraging their service users to switch and shop around, particularly in the energy and insurance markets where there are a number of comparison and switching services in place which could better assist disabled people.

Supporting business to change

We know that some arrangements for insurance can deliver very well for disabled people. RSA Insurance provides a product linked to the *Motability* scheme that helps disabled people to lease cars, scooters or powered wheelchairs. This ‘collective purchasing’ arrangement achieves low prices and high customer satisfaction ratings (+80 on the Net Promoter Score, an indicator that looks at how far customers who promote a supplier outweigh detractors). So how can innovation to deliver a better deal be spread more widely?

Businesses may need help to get to know and understand better the needs and requirements of disabled people and, in the case of insurance, the risks they actually represent. We think disability and consumer organisations should co-ordinate to give a stronger consumer voice for disabled people encouraging them to give feedback to and seek redress from businesses.

Disability charities could also work with businesses and government to improve and develop data and insight into disabled people as consumers and help businesses to appreciate the market spending power disabled people represent, as well as improving their knowledge of this group of consumers. Finally we positively encourage the development of tools to enable businesses to show that they are serving disabled consumers effectively – for example awards for innovation or excellence or an accreditation scheme.

Market intervention

We welcome the positive engagement we have had from insurers. However, we are not confident that all is well on access and pricing of insurance for disabled consumers. Greater use of signposting may not be enough to address this protection gap or deliver the best possible deals for this group of consumers. For this reason we are exploring the case for specific measures, or increased regulatory scrutiny.

For example, where a disabled person is either refused insurance or offered it at a high cost, should insurers be obliged to signpost customers to insurers that offer fair quotes, or to an effective brokerage service that they can easily use?

And should the Financial Conduct Authority investigate how effective competition is in the insurance market for disabled people? A regulatory investigation could take into account the extent to which disabled consumers are financially excluded from an insurance perspective.

Next steps

The Commission’s final report will be published in June 2015. We still want to hear from consumers and businesses on our ideas for change – especially if you can help to make change happen so that disabled consumers get a better deal.

For more information and to contact the Commission, see: www.extracosts.org

If you have any questions or comments about this Thinkpiece, please contact us: thinkpiece@cii.co.uk; +44 (0)20 7417 4783.



Teresa Perchard is an experienced consumer advocate and non-executive Director. She was Lay Director on the Personal Finance Society Board from 2009 to March 2015 and helped to establish their Consumer Insight Panel, which she continues to Chair. In addition to her work this year as a Commissioner with the Scope independent Extra Costs Commission, she is a Trustee of the Fair Banking Foundation; a member of the Advisory Panel for the Chartered Banker Professional Standards Board; a board member of the Northern Ireland Authority for Utility Regulation; a board Director of Smart Energy GB; and a member of the Council for Licensed Conveyancers. Teresa was Director of Policy and Advocacy at Citizens Advice for 13 years until June 2013, and she has also held senior policy roles with the Office of Rail Regulation, Office of Water Services and the National Consumer Council.