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Access to insurance for consumers with long-term medical conditions: issues and discussion

Key points:

- At least 15 million people in the UK are currently living with at least one long-term health condition, expected to rise to 18 million within ten years.
- Cancer charities for example have reported that the level of demand for information and guidance about obtaining travel insurance particularly after a cancer diagnosis.
- **Commoditisation:** has resulted in cheaper products suitable for the vast majority of the population; but often excludes those in the minority that sit outside of them
- **Consumer understanding/decision-making:** people need to be educated to think health issues before they choose and pay for a holiday.
- **Signposting to specialist brokers:** affordable insurance does exist for people in these conditions, but it has become difficult to find through the usual means.
- **Perceptions of what is “fair”:** insurers attitudes towards certain risks can be counterintuitively disparate, and there needs to be more convergence.

Background

As the importance of having insurance in our daily lives increases, so too does the importance of giving people access to it. However, despite advances in technology, there is a growing group in society who are being left behind and therefore marginalised. This is especially the case for people with certain long-term medical conditions:

- At least 15 million people in the UK are currently living with at least one long-term health condition, expected to rise to 18 million within ten years
- 3 million people with disabilities have been turned down or charged extra for insurance
- 2.5 million people are living with cancer or are in remission, expected to rise to 4 million by 2030

Several stakeholders including consumer groups and cancer charities have highlighted these concerns. Cancer charities for example have reported that the level of demand for information and guidance about obtaining travel insurance particularly after a cancer diagnosis, may indicate that access is a significant problem. This may require more focus by the industry and the regulator.

Earlier this summer, the Financial Conduct Authority (FCA) published a *Call for Input* into access to insurance.¹ It focused on travel insurance for those living with or after cancer as an area where they are aiming to better understand the key issues for consumers, and where there may be a potential read across to other areas.

This work stemmed from an *Occasional Paper* published last year on access to financial services more generally.² It was launched at an event in Westminster bringing together a wide range of stakeholders including the sector, consumer groups and involved charities, and hosted with the Financial Inclusion Commission.

The FCA Occasional Paper aimed to stimulate ideas and foster a culture of access and inclusion throughout retail financial services, that embraces firms, regulators, government and consumer organisations. Importantly, this paper was commissioned to prompt debate culminating in a range of issues for the FCA to consider.

While the many of the issues raised in the Call for Input related to cancer, the discussion reflected the broader concerns about access for people affected by long-term medical conditions more generally.

It is against this backdrop that the FCA has published its Call for Input. Alongside the FCA's work, the Financial Inclusion Commission has also launched a separate piece of work on the related theme of Access to Home Insurance, with a view to understanding the access issues consumers can face in this area and exploring solutions.

The FCA call for input this year set out five overall questions that need to be better understood:

¹ Financial Conduct Authority, *Call for Input: Access to Insurance*, June 2017 www.fca.org.uk/publications/calls-input/access-travel-insurance-cancer

² Financial Conduct Authority, *Occasional Paper no.17: Access to Financial Services*, May 2016 www.fca.org.uk/publications/occasional-papers/occasional-paper-no-17-access-financial-services-uk

- What are the current challenges in providing travel insurance for consumers who have, or have had, cancer?
- What are the challenges consumers who have, or have had, cancer face in accessing the travel insurance market and in finding suitable travel insurance?
- What innovative practices are we currently seeing?
- What are the barriers to dealing with existing challenges or to innovation?
- What more can be done to improve the ability of consumers that have, or have had, cancer to obtain suitable insurance?

View from the Chartered Insurance Institute

As the leading professional body for insurance in the UK, the Chartered Insurance Institute has been undertaking its own efforts to improve access to insurance to the public, and has been working with firms, the regulator and the charitable sector to do this.

The CII has long been involved in efforts to improve public access to insurance:

- supporting initiatives led by the Government, the FCA and others to improve financial capability;³ and
- leading work with the profession and other stakeholders in identifying issues around understanding risks felt by women and their access to appropriate products, in our Insuring Women's Futures initiative.⁴

We support the FCA's efforts to raise the profile of these issues described above, and welcome the opportunity to assist by bringing together professionals from its membership to explore the technical issues around the problem and consider solutions in the public interest.

About the CII-FCA roundtable

On 4 October, the CII hosted a roundtable of insurance professionals, a cancer charity and the regulator to discuss the issues around this area. The purpose was to understand the technical issues and identify some possible approaches both the regulator and the profession could take.

Issues for discussion

The problem could be grouped into the following broad categories:

- Commoditisation
- Consumer understanding/decision-making
- Signposting to specialist brokers
- Perceptions of what is "fair"

Commoditisation:

- Risk segmentation has always been a fundamental element of insurance business.
- However, commoditisation of retail lines has resulted in risk characteristics that make the products suitable for the vast majority of the population; but exclude those that minority unfortunate enough to sit outside of them.

This was regarded in the roundtable as the root of many of the issues around access to travel insurance for long-term medical conditions. Commoditisation benefits most "mainstream" consumers in that they facilitate access to simple and relatively cheap products through a very straightforward buying process via price comparison websites (PCWs). However, there is a widely held concern is that this is heralding a "race to the bottom" in terms of value as well as price.

Medical screening itself is also commoditised, with many insurers outsourcing to screening providers such as Healix. If cancer diagnosis and survivability rates are to climb as high as Macmillan are suggesting, the notion of "mainstream consumers" (those with no pre-existing conditions) will have to be reviewed.

Discussed solutions and issues

Given the likelihood of increasing cancer diagnosis and survivability, might it be worth introducing longer-term travel insurance policies?

- These could use risk modelling techniques and probabilities used in the life sector.
- Longer-term policies would attract consumers who are healthy at time of application, even though their situation or circumstances could change during the policy period.
- This would allow the products to be pooled and then priced accordingly.
- Obviously this still does not alleviate the problem of people already diagnosed with medical conditions.

Consumer understanding of risks

An underlying theme was consumers not understanding the risks involved, and thus not being able to make informed decisions on destinations etc, if they are able to.

For medical insurance, there is a vast range in risk cost depending on destination, resulting in a not unreal possibility that the pricing of the risk exceeds the cost of the holiday itself.

One strong determinant is the cost of emergency repatriation. An overseas holiday faces the prospect of requiring expensive air ambulance services (assuming that the claimed medical

³ See for example our response to the most recent HMT/DWP consultation on public financial guidance: Sep 2017: www.cii.co.uk/42016. See also Chartered Insurance Institute, *Money's too tight to mention: will the IPOD generation ever trust financial services*, Oct 2008 www.cii.co.uk/9904

⁴ CII, *Risk, exposure and resilience to risk in Britain today: women's risks in life – an interim report*, Dec 2016. www.insuringwomensfutures.co.uk/wp-content/uploads/2017/01/Risks-in-Life-Report.pdf See also the broader campaign on www.insuringwomensfutures.co.uk

condition even permits any form of travel by air). On the other hand, a more local or Continental trip allows for cheaper repatriation by ground transportation.

Another consideration is the cost and quality of medical care in the host country. This might be mitigated if prompt emergency repatriation is possible, but is worsened if it is not. It could even incur additional costs for example if the claimant had to be transported to a nearby country with better medical care, this assumes that any form of transport with the condition is even possible. On the other hand, a more local trip to another country which has high-quality and affordable health care reduces this risk pricing.

Understanding the terms and conditions

This is exacerbated by the allied issue around understanding of terms and conditions, especially in relation to disclosure for those with medical conditions.

One suggestion was simply increasing transparency of what is and is not covered to reduce surprises for these types of customers. It depends heavily how pre-existing or previous conditions are worded at application and then within the policy documentation.

Discussed solutions and issues

Consumers with long-term medical conditions need to re-think the sequence by which they plan holidays. Most people consider travel insurance as tertiary to the travel itself: they plan when and where to go on holiday, book the trip, and only then choose the insurance. In fact, the decision on insuring should precede the destination choice.

Encouraging and educating consumers to think of insuring the holiday prior to final booking.

- Trip providers such as tour operators, booking companies (eg Expedia or TripAdvisor) and airlines could require customers to provide an insurance policy number prior to finalising and paying for travel. For example, introduce a ten-day cancellation period during which time insurance details must be provided. But who would enforce this?
- However some insurers discourage early arrangement of insurance and ask for insurance to be arranged nearer the time of travel.
- Moreover, what about people travelling not for strictly leisure but to visit family abroad or conduct family business? Consumers are not always able to choose where they go away, such as visiting family living abroad.
- Or for people undertaking any form of business travel? Could this bar cancer sufferers/those in remission from holding jobs that require such travel?

Signposting and specialist brokers

The fact is that there are many insurers prepared to price reasonably for consumers with long-term conditions, they are just difficult to find through the usual means.

The move towards commoditisation means that those who fail this screening need to avoid the false expectations offered by the mainstream commoditised market, and be signposted quickly to specialist brokers.

The thinking here is not just about connecting consumers with appropriately underwritten products; but more importantly to facilitate conversations with experts who could explain the underwriting issues and help find solutions.

The challenge is to educate and signpost consumers to avoid PCWs and approach specialist brokers, but how can such signposts work effectively in practise?

Discussed solutions and issues

Hospitals and cancer clinics could offer information to prospective consumers, but the act of insurance introducing raises regulatory complexities and therefore is discouraged. Moreover, travelling on holiday is not foremost on the mind of a cancer clinic visitor.

- Charities could provide a signposting service, and many already offer some rudimentary information. However
- This requires routine updating which is beyond the resource means of many charities.
- Could technology provide a solution? Perhaps aggregators specially designed for people with unusual medical conditions?

Perceptions of what is “fair”

Despite the commoditisation of insurance and convergence of risk screening mechanisms, there seems considerable—and to many counter-intuitive—inconsistency in risk screening and pricing approaches, suggesting a limited knowledge of the range of medical conditions among insurers.

One example of this are the differing views of risk carried by those in remission from cancer. Many screening systems ask if the customer is taking any medication and often immediately screen if responded in the affirmative. Some insurers view the taking of cancer remission medications as a signal of a patient carrying a risk of cancer resurgence and therefore exclusionary risk. Others recognise that long-term medications are a sign that condition is being successfully treated.

Next steps

There are no specific actions that the CII is committing to, but we will continue to be active in discussions and reflect this as part of our wider access to insurance and Insuring Women’s Futures work. We are also willing to consider participating or supporting industry or other initiatives if asked.