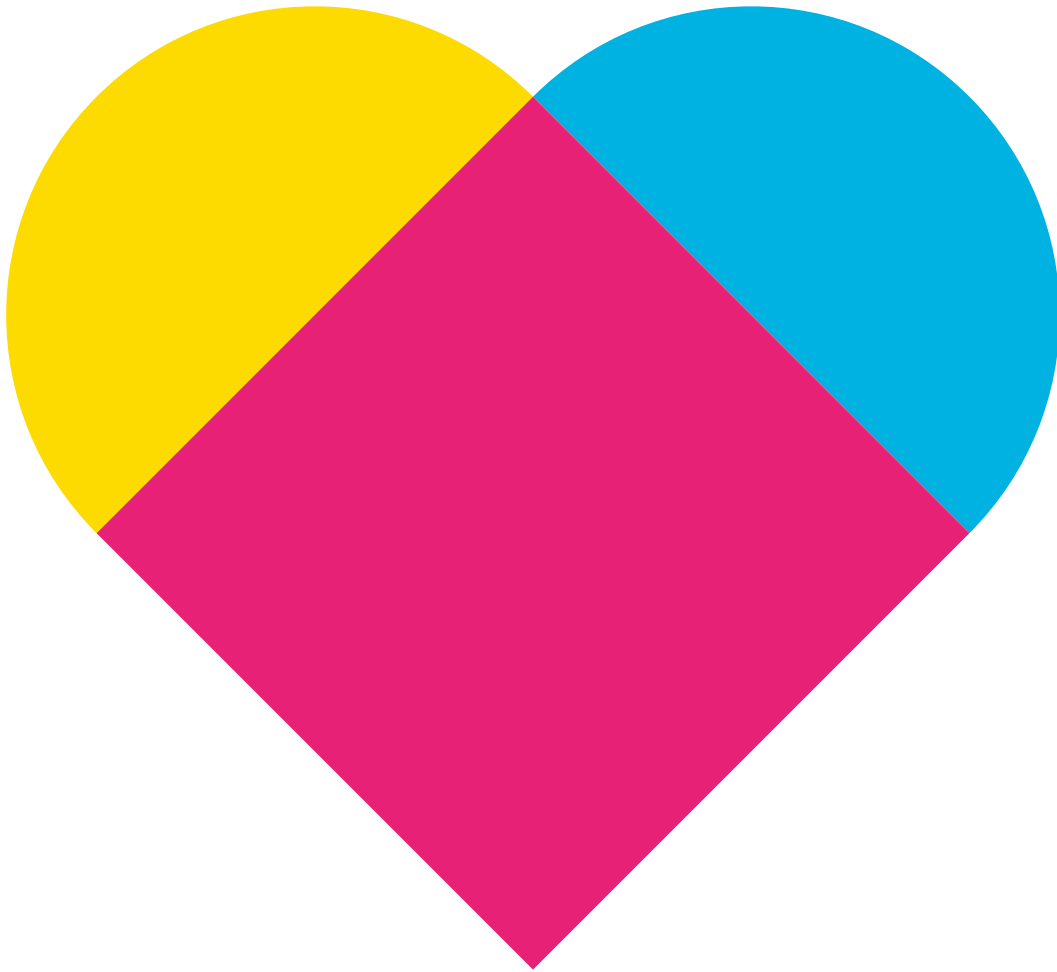


An Unhealthy Situation:

Tackling under-insurance among those with medical conditions



- ▶ The numbers are stark: 360,000 people in the UK are diagnosed with cancer every year¹; 540 people going to hospital with heart attacks each day²; nearly one million unable to work for a month or more³: In truth, we don't need the statistics, because almost everyone knows someone who's been affected by a sudden disease or injury that changes everything.

Financial advisers also know better than most that people are often poorly prepared for such misfortune. On the whole, we're more a nation of spenders than savers. A quarter of British adults have no savings at all and one in ten admitted they spend more than they earn⁴.

At the same time, we're seeing record numbers of self-employed workers⁵, home ownership is out of reach for many⁶ and household debt is worse than at any time on record⁷. As a result, the case for protection insurance has never been stronger – and it's even stronger for those who have medical conditions.

And not just the big ones like cancer and heart disease. Almost 4.6 million people have been diagnosed with diabetes in the UK, for example⁸. Nine out of 10 of those will be suffering from type 2 diabetes, and typically see their life expectancy reduced by up to 10 years, according to research published by Diabetes UK. Meanwhile, the majority of adults in the UK are overweight or obese, leading to a host of other health problems⁹.

These people are at particular risk and badly in need of protection. New research presented here, however, shows that they're no better protected than anyone else. And if we're going to change that, advisers have a big role to play.



1. <https://www.cancerresearchuk.org/health-professional/cancer-statistics-for-the-uk>
2. <https://www.bhf.org.uk/what-we-do/our-research/heart-statistics>
3. <https://www.gov.uk/government/news/a-million-workers-off-sick-for-more-than-a-month>
4. <https://www.independent.co.uk/news/uk/home-news/british-adults-savings-none-quarter-debt-cost-living-emergencies-survey-results-a8265111.html>
5. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>
6. <https://www.theguardian.com/money/2018/feb/16/homeownership-among-young-adults-collapsed-institute-fiscal-studies>
7. <https://www.theguardian.com/money/2018/jul/26/household-debt-in-uk-worse-than-at-any-time-on-record>
8. <https://www.diabetes.org.uk/professionals/position-statements-reports/statistics>
9. <https://www.bbc.co.uk/news/health-43697948>

▶ Leaving it to chance

We surveyed 2,000 people across the UK, including more than a quarter with a serious medical condition: type 2 diabetes, obesity, cancer or a heart condition. We found many lacked any protection at all.

Among cancer sufferers, for example, two thirds didn't have a single protection product: life insurance, income protection or critical illness cover. Coverage rates for the latter two were in single figures.

And the story is similar for those with any of the conditions we named. Little more than a quarter (27-28%) in each case have life cover; very few have anything else.

Those with heart disease were more likely than others to have critical illness cover (10%), but less likely to have income protection (6%). In every other case, the proportions covered ranged from 7% to 9%.

Figures like these prove that the much discussed "protection gap" is a serious problem for those who arguably need a safety net most of all.



| | Type 2 diabetes | Obesity | Cancer | Heart conditions |
|------------------------|-----------------|---------|--------|------------------|
| Life Cover | 28% | 27% | 28% | 27% |
| Income Protection | 9% | 7% | 8% | 6% |
| Critical illness cover | 9% | 9% | 9% | 10% |
| No cover | 61% | 60% | 66% | 65% |
| Don't know | 4% | 5% | 0% | 1% |

► Affordable cover

Perhaps equally shocking is that there's no good reason why this gap exists.

The survey shows that it's not because underwriters are turning down these people. In the case of those with type 2 diabetes, cancer or obesity, only 1% of

respondents said they'd used a broker but couldn't get insurance. For heart disease, it was none.

And it's not because cover is too expensive, either.



When it comes to monthly premiums, between 38% (for those with cancer) and 53% (for those with obesity) were paying less than £25 a month. Generally, premiums were £50 or under in seven out of ten cases (70%-71%). The exception was cancer sufferers, where it was still six out of ten (61%).



It is true that this is slightly above the average for those in the survey without any medical issues, where half paid under £25 and eight of ten paid £50 or under. But it's not a massive disparity and, given the increased risk of many of those with these medical conditions, not unreasonable either.



| | Diabetes | Obesity | Cancer | Heart | None |
|-------------|----------|---------|--------|-------|-------|
| < £25 | 43% | 53% | 38% | 43% | 50% |
| £26 - £50 | 28% | 18% | 23% | 27% | 30% |
| £51 - £100 | 14% | 20% | 16% | 18% | 12% |
| £101 - £150 | 11% | 8% | 10% | 10% | 5% |
| £151 - £200 | 4% | 0% | 11% | 2% | 2% |
| £201 - £500 | 0% | 1% | 0% | 0% | 1% |
| Over £500 | 0% | 0% | 3% | 0% | 0% |
| Mean (£) | 46.00 | 44.02 | 70.32 | 45.05 | 41.78 |

► Valued protection

And buyers seem to agree, showing a high regard for the value of their cover. Those with medical conditions were more likely than others to strongly agree that having protection insurance gave them greater peace of mind: 38% of those with heart conditions and cancer, and 36% of those with type 2 diabetes strongly agreed, for instance, against 29% of those without any of the conditions.

Moreover, those with cover seem to accept the arguments for it. About three quarters or more (73%-83%) of those with medical conditions agreed that protection insurance was essential for those with children. Again, that's in line

with the findings for those without one of the conditions (77%).

The results strongly suggest that, for those who seek it, affordable, good value cover is available.

► The role of the adviser

Whatever the reasons for the low take-up of protection insurance, we know that advisers will have a central role to play if it's going to change.

In about a third of cases, those with a protection policy bought it through an adviser, either directly or by being referred to a specialist broker. This was about the same as the average for those without medical conditions, who, interestingly, were also about as likely to have been referred onto a specialist broker.

What's more, they're doing a good job. Among those with type 2 diabetes, 96% found their adviser to be very useful (59%) or even essential (37%), with similar figures for those with

heart disease. For cancer sufferers, the proportion was lower (77%), but still above the proportion for those without conditions (71%). In addition, more than seven out of ten (72%) of those with a medical condition said they'd recommend their adviser to a friend or family.

Clearly, there is a high level of trust in advisers, and that means they are well placed to help encourage those with medical conditions to consider protection. The question is how can we support more to do so.



| | Diabetes | Obesity | Cancer | Heart | None |
|-----------------------|----------|---------|--------|-------|------|
| Through usual advisor | 24% | 15% | 24% | 21% | 27% |
| Specialist broker | 10% | 19% | 8% | 7% | 8% |
| Direct from insurer | 61% | 55% | 62% | 69% | 58% |
| Not sure | 5% | 11% | 5% | 3% | 7% |

▶ Missing out

This isn't a simple issue. The impaired life and specialist protection market can be complex and is evolving. For many advisers, it's not mainstream, and they're rightly cautious to avoid advising where they don't feel confident.

In a separate survey of advisers, we examined some of the reasons for the reluctance to discuss protection needs with those who had medical conditions. The results show that there is some uncertainty among advisers when it comes to cover:



- Three in ten advisers don't feel very (23%) or at all (7%) confident advising on protection needs when the client suffers or has suffered from a serious medical condition
- Only 14% feel very confident to do so.
- A third also lack confidence engaging with insurers when it comes to selecting the right protection policies for these clients. Again, only 12% feel very confident doing so.

As a result, three in ten (30%) advisers say they don't proactively advise on protection cases where the client has a serious condition. A further one in ten (9%) say they usually refer these clients to a specialist adviser.

▶ Tricky conversations

In some cases, we also know that advisers feel awkward asking questions about their clients' health. If they're overweight or have another serious condition, there's the potential to be seen as insensitive or even offensive. Asked to rate the extent to which such awkwardness was a barrier to advising clients, a quarter gave a score of three (20%) or four (6%) on a scale, where five constituted a large barrier, and one no barrier at all.

Advisers also say that clients frequently don't know their medical history, with 42% rating this as three or more.

Awkwardness and clients' ignorance pale in comparison to advisers' perceptions on the market for impaired lives, though.

More than half of advisers say it's too difficult to get protection for clients with serious medical conditions, for instance, with 55% rating it a serious barrier with a score of four or five. A quarter (25%), meanwhile, say insurers don't want this business, so they don't tend to advise on it (again rating this four or five). Only 4% and 9%, respectively, dismissed these issues as no barrier at all.

If advisers don't think there's any chance of getting protection for clients with medical conditions, they're understandably going to avoid bringing it up. But they'd be wrong.



► Informed choices

In fact, in many if not most cases, protection for those with serious medical conditions is available, affordable and valuable.

It might be at a higher premium – though often not as high as clients expect. Or it might have exclusions, but will still provide valuable cover for other injuries or unrelated causes of ill health from which an existing condition grants no immunity. But it is often still available and worth considering.

What's more, the market is evolving. Specialist insurers and products are proving what is possible with cover focused on applicants with more complex medical conditions.

Some, including The Exeter through Managed Life, offer potential premium discounts for positive management of chronic health conditions, like type

2 diabetes. Equally, our approach to underwriting on Real Life opens up life cover that may be difficult for an adviser to place elsewhere.

It's also important to note that it's not just the market that's changing, but the UK population, too. Medical advances and other changes mean that the number of people with many of these conditions is increasing.

Advisers who ignore the needs for protection are therefore not only in danger of letting down a growing section of the client base, but may also find that they are ultimately failing their business.

The good news, however, is that – by working together – we can make it a healthy market for everyone.

