

Consultation response

REVIEW OF THE ABI STATEMENT OF BEST PRACTICE FOR CRITICAL ILLNESS COVER

Response from the Money Advice Service

December 2017

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1. About us

- 1.1. The Money Advice Service (MAS) is a UK-wide, independent service set up by Government to improve people's ability to manage their financial affairs. Our free and impartial money advice is available online and by phone or webchat.
- 1.2. As the statutory body for financial capability, MAS has led work with financial services firms, the third sector, government and regulators to develop the Financial Capability Strategy for the UK¹. This 10-year strategy aims to give people the ability, motivation and opportunity to make the most of their money.
- 1.3. We are funded by a statutory levy on the financial services industry, raised by the Financial Conduct Authority.
- 1.4. We have a statutory function to assist members of the public with the management of debt. Our latest data shows 8.3 million adults in the UK are living with over-indebtedness².
- 1.5. The *Financial Guidance and Claims Bill 2017*, which makes provision for the establishment of a new Single Financial Guidance Body which will replace MAS, TPAS and Pension Wise was introduced in the House of Lords on 22 June 2017. It is currently due for second reading in the House of Commons early in the new year.

¹ Money Advice Service, *Financial Capability Strategy for the UK*, (October 2015)

² Money Advice Service, *Press release: 'One in six people in the UK burdened with financial difficulties'*, (19 September 2017)

2. Executive summary

- 2.1. We welcome the opportunity to respond to this consultation. We recognise the role of critical illness insurance in providing valuable financial support to individuals and households to protect themselves and their families against key risks.
- 2.2 Given prevailing issues of engagement and trust in the insurance sector, any informational guide that can help consumers navigate what is often a complex and confusing landscape are to be welcomed. We believe the Guide can play an important role in helping individuals compare products in the market and make informed choices about whether they require Critical Illness insurance, and if so, to what level.

3. Response

1. Do you agree that the name of the document should be changed to 'ABI Guide to Minimum Standards for Critical Illness Cover'?

- 1.1. We believe that the majority of the information in the Guide relates to minimum required definitions, rather than standards per se, though we appreciate that by enforcing set definitions, a certain level of standard setting is implied. As the Guide does not require insurers to include exclusions from the critical illness cover they offer, the title could be confusing to consumers and as such we do not agree with the proposed name change.
- 1.2. It may also be worth considering the utility of the Guide going beyond minimum standards to give indications of best practice, as this would almost certainly be helpful to consumers.

2. Do you agree that it is right to include a narrative in the new guide explaining the product, the Guide, and the key changes?

- 2.1. We agree that a narrative function in the Guide would be useful for consumers. Whilst the information in the guide is extremely valuable, the presentation is quite technocratic and dry for a consumer audience. The narrative goes some way to addressing this, but we would still question whether many consumers would be able to engage with the content sufficiently for it to meaningfully inform their understanding of the risks they face and how to protect against them.
- 2.2. In addition, we believe narrative would have a deeper impact if it includes wider discussion of how critical illness cover fits in with a range of other protection insurance products, including income protection. In approaching the question of how to manage and protect against risks, consumers can often focus in too quickly on more well-known products, like life cover and critical illness, without considering what other types of protection might be more relevant to their circumstances. Educating consumers on the need for a holistic approach and the necessity of making trade-offs on the type of cover most suitable for their needs would be useful.
- 2.3. If this is not something that the ABI considers within their purview, then there may be value in working with a consumer-orientated organisation, such as the Money Advice Service, to produce a document that more explicitly addresses consumer concerns and extends beyond the critical illness cover market.

3. Do you agree that the minimum standard for loss of limb should be enhanced to pay out on claims for only one limb?

- 3.1. Yes, we agree. The exclusion of single limb injuries is a good example of the kind of practice that could lead to mistrust of the insurance industry or particular products, and rectifying this and giving clearer guidance is to be welcomed. Whilst it is not common practice to use this clause anymore, the publication of a new standard should ensure that the old definition is excised from future policies.

4. Do you agree that the model wording for HIV should be removed?

4.1. This is not fully within our capacity to comment on, though our general view is that the more information and standards that are available, the better. Whilst it may be that the industry is moving away from considering HIV as a Critical Illness, having a definition in place would provide utility for those firms that choose to offer it, as well as providing increased certainty for consumers.

5. Do you agree that the model wording for Terminal Illness benefit should be removed from the Guide?

5.1. Providing there is a solid evidence base that claims are made with reference to one of the definitions of a specific condition, rather than with reference to Terminal Illness, we see no reason for objecting to this. However, the use of a catchall generic term may have utility.

6. Do you agree that the 'Any Occupation' wording for Total Permanent Disability should be removed?

6.1. As option 1 set out in the Guide covers "own occupation", we have no objection to the "Any Occupation" wording being removed.

7. Do you agree with the expanded list of generic terms in the new Guide?

7.1. Yes, this is helpful.

8. Do you agree that the sections in the descriptions on CI and examples of key facts documents should not be included in the new Guide?

8.1. No. We believe that providing examples of key facts documents is useful, and should not be removed.

9. Are there any other comments you would like to make on the proposed Guide?

9.1. We believe that in a guide of this nature it is important to give adequate coverage to what is excluded from the definitions of Critical Illness, so consumers can make an informed choice about whether a policy is right for them. Given it is industry standard to exclude both mental health and back problems from Critical Illnesses, it would add clarity if these exclusions were clearly and explicitly addressed.