

Karen Evans,
Protection Policy Adviser
Association of British Insurers
51 Gresham Street
London EC2V 7HQ

30 June 2010

Dear Karen

**ILAG response to ABI Statement of Best Practice for Critical Illness Cover
Consultation Paper**

ILAG welcomes the opportunity to comment on this Paper.

We are very supportive of what the ABI is trying to achieve in terms of clarity for the consumer. However, we do not see any evidence to suggest that the perceived issues seen with the current format of TPD would be any better addressed by the proposals within the Consultation Paper and so we are not able to support them.

In responding to the individual questions:

Q1. Do you agree that the ABI Statement should stipulate that TPD should be replaced by Irreversible Life-changing Disability, within CI policies, in the format of the ABI standard definitions, as a minimum standard as part of best practice?

On the evidence provided we do not feel that the proposals should form part of the ABI Statement. We feel that that the headings are unclear and there are some issues within the detailed wordings that, in our view, will confuse the consumer.

Q2. Do you have any evidence to suggest that the proposed new name, “Irreversible Life-changing Disability”, is unclear, misleading or should not be adopted?

We are unaware of any research other than that provided by the ABI into these wordings. This is not surprising given that this is the first time that the wordings have been included in the consultation process.

However our reading of the research presented suggest to us that we are no further forward in terms of clarity for the consumer when looking at the perceived issues with the current wordings.

We note that the research groups were very small and would question whether any meaningful conclusions could be drawn.

Telephone: 01844 273630
Mobile: 07950 327513
lynda.maynard@ilag.org.uk

Q3. Do you agree that the proposals for Irreversible Life-changing Disability should apply to both individual and group business?

Assuming that the statement of best practice applied to both individual and group as a whole then it would be logical to apply the definition across both. Nevertheless, our members believe that the existing approach has worked well and that to adopt the wording would detract from the excellent work that has been undertaken to date in providing clarity to employers and employees alike.

Q4. Do you have any suggestions, supported where appropriate by relevant evidence, to improve any of the proposed standard definition wordings?

From the consultation and the research, we would suggest the following:

If the choice is between 'irreversible life changing disability' or 'permanent disability' we believe, based on the ABIs research, that the latter would be a better heading. The key is making sure it is explained clearly within the condition itself.

We feel that 'essential duties' is somewhat ambiguous for a customer. There is no explanation of what this means. A better wording in our view is 'main and substantial duties'. This is in line with current wording used within income protection which seems to be understood and accepted by customers.

In the Group Risk market the term 'material and substantial duties' is well understood and is supported by an explanation along the lines of:

'Material and substantial means duties that are normally required for and/ or form a significant and integral part of the performance of the occupation and which cannot be reasonably omitted or modified by the member or their employer'.

We believe that, for the purposes of defining ability to work, the 'material and substantial duties' wording is much clearer than the proposed term of essential duties. In our view the 'material and substantial duties' wording is a practical and workable solution that is appropriate for both the Individual Protection and Group Risk markets.

The 'material and substantial duties' wording takes account of the duties that employers have to make reasonable adjustments to under the Disability Discrimination Act. If necessary the wording could be adapted for individual policies whilst still retaining consistency with the Group Risk approach.

Under the suited definition, it is not explained what is meant by level of remuneration. As it stands we believe that it could cause confusion for customers as it is not a term in common use today.

As one of the key drivers for this consultation is to improve the claims payment ratio of TPD, we would suggest that the 'any occupation' definition is particularly harsh.

It is difficult to see how anybody adopting this definition would ever be in a position to pay a claim.

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Under the work task definition the phrase 'any appropriate prescribed medication' is used. It is a little unclear what benefit 'any appropriate' adds to the definition or who would judge whether a medication was appropriate.

Under Terminal Illness benefit, the use of the phrase 'no known cure' seems very heavy handed, as there could be circumstances where a cure is known and is not necessarily suitable, or is not available in the UK.

We hope that these comments are useful.

We would be very happy to discuss our response in more detail with you.

Yours sincerely

Lynda Maynard

Administration Team

Telephone: 01844 273630
Mobile: 07950 327513
lynda.maynard@ilag.org.uk