



INCOME PROTECTION CLAIMS PAID ARE AT A RECORD LEVEL, BUT PAYING CLAIMS ISN'T ENOUGH

The latest data from the Association of British Insurers (ABI) on the number of income protection claims paid, shows that insurers are paying a higher proportion of claims than ever before. With over 88% of claims paid, customers should be reassured that their claims will be dealt with fairly.

When the ABI published its protection claims figures this year, results from the Association of Financial Mutuals (AFM) were included for the first time. That certainly increased the proportion of claims paid, since AFM members paid more than 94% of claims in the year.

But AFM members swelled the results in a different and more significant way, because more than half of the individual income protection claims reported in the year were by AFM members. What makes this even more significant is the fact that AFM members currently manage less than 20% of all income protection products in the UK.

Put another way, you are eight times more likely to have a claimable event if you hold income protection with a mutual than you are for one of the bigger providers.

There are numerous reasons for this, of which the fact that mutuals pay a higher proportion of claims is the least important. Mutuals design products which people

are more likely to be able to claim against, and market them to people who are more likely to need to claim.

With regard to product design, many AFM providers offer products that you can claim on without an extended excess period - ideal for the self-employed or for people without adequate sick pay from work.

As regards marketing, mutuals have increased market share in recent years because they are more inclined to take on customers with pre-existing conditions, and because their underwriting policies may be more flexible.

The Money Advice Service indicates on its website that every year more than 1 million people are unable to work due to a serious illness or injury. Most of those lack income protection cover, and within the industry we actively debate whether this is because they don't trust insurers to pay claims, the cover is too expensive or because they believe it won't happen to them.

In my view, those are legitimate issues for the sector to pay attention to. But, most importantly, we need to ensure the design of products enables people to claim when they need to, and allows more of them to access the cover they need.

In the meantime, a more predictable way of finding cover to meet the needs of yourself or your clients is likely to come from a mutual. By a factor of eight.

Martin Shaw is Chief Executive of the Association of Financial Mutuals (AFM)