



Association of British Insurers (ABI) proposal to amend the Critical Illness Insurance Statement of Best Practice

response from the Financial Ombudsman Service

Date 29 January 2014

The Financial Ombudsman Service welcomes the opportunity to respond to the current consultation.

about the Financial Ombudsman Service

The Financial Ombudsman Service was set up by Parliament to sort out individual complaints that consumers and financial businesses aren't able to resolve themselves. It is an independent service for settling complaints fairly, reasonably, quickly and informally, which is free to consumers. The business must be given the chance to look into a problem first – and they have eight weeks to consider it. If the business does not respond within eight weeks, or does not respond to the consumer's satisfaction, the consumer can go to the ombudsman service.

In the year 2012/2013, we received a total of 322 complaints about claims on critical illness insurance products. This was an increase from the past three years, where we had received an average of 265 complaints a year. Out of these 322 complaints, our uphold rate stood at 26%. This was a slight decrease from the average uphold rate of the three previous years, which had stood at 29%.

our response

The Ombudsman Service welcomes the attempt to provide more clarity for consumers. This is an exercise that the Association of British Insurers (ABI) has been doing regularly and we have participated each time we were given the opportunity to do so.

As we did not take part in the preparation of the Statement of Best Practice, we cannot be commenting on specific reasons underlying the precise changes to the clinical definitions. This response is an attempt to cast an independent eye on the suggested changes to the Statement of Practice released in 2011.

The Ombudsman Service recognises the need for keeping medical definitions up-to-date with recent medical developments. The medical sector keeps on developing and the medical insurance industry ought to evolve with these changes. Some recent developments in the medical sector have meant that early stages of certain conditions are no longer considered critical and we therefore accept the need for critical illness insurance products to reflect these changes.

We note that certain definitions have been changed so that the policyholder must meet a higher threshold of severity for the illness they wish to make a claim for. For example, the definition of kidney failure would now require *permanent* dialysis. Given these new changes, the Ombudsman ponders whether the Association of British Insurers has taken into account consumers' expectations when purchasing critical illness insurance – which may include an expectation that a broader spectrum of severity would be covered for each illness. This is especially in light of the availability of severity-based products on the market (which make graduated payments depending on the seriousness of the illness).

We also note that the disclosure section in the model key features has not changed since the previous Statement of Best Practice in 2011. Given our complaints experience shows that a number of consumers still do not fully understand the extent of disclosure required, it would seem to us to be a good opportunity to strengthen this wording further, and put a greater emphasis on accurate disclosure.

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