

# CIGNA INSURANCE SERVICES SPRING NEWSLETTER 2014



## Welcome from our new Chief Executive, Susan Stevenson

With much of Britain having been battered by storm force winds, torrential rain and flooding this Winter, our thoughts go out to all customers who have been affected by this wild weather.



On a brighter note, the UK economy has at last turned the tide with positive GDP growth boosted by a distinctly breezy housing market. However, with many household budgets still under considerable pressure, customers – particularly those in the mass market – are demanding simple affordable lifestyle protection solutions.

In this newsletter, we outline our thoughts on how the FCA market investigation into general insurance add-ons is leading to new and better ways of designing and delivering products for our customers. We share some of the key insights from our consumer research programme on travel, health and accident insurance.

As the NHS reforms and spending squeeze bites ever harder and waiting times for diagnostic tests continue to rise, consumer demand for affordable top-up products is rising. We outline how we are responding to this through new product development.

*“Consumer demand for affordable top-up products is rising”*

Finally, I would like to say how delighted I am to be joining Cigna Insurance Services at this exciting time. We enjoyed a successful 2013 that included 18 new business wins, including P&O Ferries for travel insurance and British Money for accident, sickness and unemployment (ASU).

We will build on this success and keep driving forwards to make sure we equip our partners with the very best range of products and additional services available in the market to serve customers across all of our specialist areas of insurance expertise: travel, health, life, accident and protection.

I hope you find the contents engaging and, as always, we look forward to working with you to address your customers' needs.



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We outline how the NHS spending squeeze is allowing us to serve the increasing number of customers who want affordable top-up cover to supplement their healthcare needs.

## Speak to us today

Contact Jody Baker, Head of Business Development, on 020 8652 1482

# INTRODUCING OUR NEW CHIEF EXECUTIVE OFFICER



## Cigna Insurance Services welcomes Susan Stevenson

**Susan Stevenson, has a background of more than 20 years in Financial Services and has a passion for creating unique value for customers through innovations in products, distribution and other areas of customer experience.**

Joining Cigna in 2009, Susan was Global Chief Marketing Officer for Health, Life and Accident internationally leading marketing and sales activities around the division. In January 2011, she was appointed Country Manager and CEO for Cigna in Hong Kong.

Prior to joining Cigna, Susan spent 18 years at American Express where she advanced through a number of marketing positions in UK, Europe and Asia Pacific.

### What attracted you to the UK?

The UK market is sophisticated and competitive. It is characterised by large numbers of financially educated customers and has an advanced regulatory environment.

For me, this creates the need to provide greater value for customers with new products and solutions. I am excited by the opportunity this presents to innovate and add value across our range of products and at all stages of the lifecycle, from point of sale, through to claim.

### What do you bring to the role?

Passion for the customer and a complete focus on doing what is right for them, based on good quality insight and a track-record of delivering value for customers. For me, this is the start and end-point of everything we do.

This is backed-up with a collaborative partnership approach and five years' of Cigna

experience, which provides continuity and allows us to leverage the benefits of Cigna's considerable global expertise and resources.

### What is your vision for the UK business and where do you want to take it?

My vision is to maintain and build Cigna's leading position in the travel market at the same time as establishing Cigna as a major provider of value-adding products and services in the health, life, accident and protection space.

### What is your number one priority on taking on the role at Cigna Insurance Services?

For me, as it is for Cigna as a whole, it is about putting our customers at the very heart of everything we do – every decision we make about products and services, how we distribute them and how we administer them and handle claims has to be built around the customer. My number one priority is to make sure this customer-centric approach pervades across the entire business.

### How do you view the opportunities and challenges in the UK market today?

There are a wealth of opportunities across all of our specialist markets – for example, people are travelling more and consumer demand for top-up health cover is growing. The challenges are mainly around how we deliver the products and services customers want and value within the ever-changing regulatory environment. And, to deliver these solutions within the constraints of family budgets so they are affordable.

### Where are you investing in the business?

Our big priorities are growing our digital capabilities and driving a programme of product development, underpinned by consumer research. I see these as key areas so we can deliver more of what our customers' want, where they want it and to be there for them 24/7.

# GENERAL INSURANCE ADD-ON REVIEW: OUR APPROACH TO PRODUCT DESIGN

The FCA's findings on its study into general insurance add-ons are due to be published early in 2014. In this article, we briefly explore some of the implications and put forward an approach which is intended to deliver fair value to all.

## Increasing regulatory concern

Back in 2012, the FCA expressed its concerns that consumers were experiencing poor outcomes when purchasing insurance cover as an add-on to a primary financial services product or non-financial product.

Two of the key areas under scrutiny were around value for money and customers' understanding of what risks add-on products do and do not cover.

The FCA wanted to assess whether competition is effective or not and as part of its investigations, it commissioned extensive consumer research.

## Improving the customer experience

With the FCA demonstrating a more pro-active and outcomes focused style of supervision one of the key dynamics is an increased focus on better understanding the overall customer experience and behaviour.

It is evident to us that in the light of previous FCA findings and significant fines imposed on some firms, many of the old models for insurance add-ons no longer stand the test of what is required to deliver fair customer value.

In our opinion, the starting point is to provide customers only with needs-based products they can use and benefit from (even if they do not actually claim), underpinned by the findings from robust consumer research.

They must be delivered transparently at all stages of the customer lifecycle, starting with the sales process where the level of information provided needs to be refined so that customers can better assess the extent to which they are being provided with the cover they expect.



The fact the FCA also asked whether customers are paying 'excessive prices' also puts an increasing focus on claims ratios and the price of the add-on compared to that for the equivalent cover available on a stand-alone basis.

Clearly, this is likely to put downward pressure on price and margins available in the supply chain. This will inevitably mean that one of the key impacts in delivering fair customer value is the extent to which the commercial aspects change for manufacturers and distributors alike.

Whatever the outcome, the reality is that the old ways of working have not always had the customer at the very heart and need to change; there is an immediate need to re-balance the equation to deliver fair customer value.

## Simple, affordable and accessible benefits

Two of the key aspects of the review – the need to deliver customers fair value and to make the sales process more transparent – are resulting in much re-thinking around the approach to add-on insurance products.

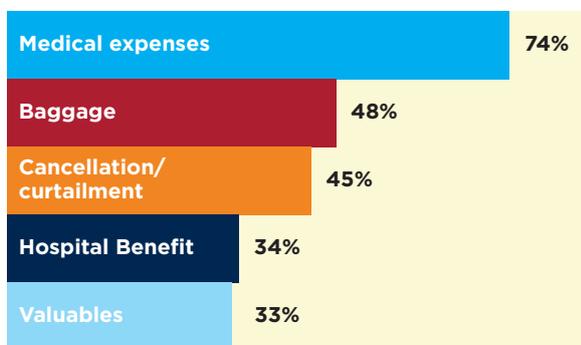
Cigna's approach is to build simple, affordable and accessible needs-based products, underpinned by good quality consumer research.

We believe that the sales process for add-ons will move increasingly to an opt-in basis, delinking the add-on from the core product purchase supported by enhanced levels of information to help customers better understand the scope of cover being offered to them before they buy.

We are confident that this will deliver fair customer value in the new regulatory regime and in doing so, provide affinity partners with sustainable, low-risk incremental ancillary revenue.

# A QUICK TASTER OF CIGNA INSURANCE SERVICE'S CONSUMER RESEARCH FINDINGS

The **FIVE** most important features consumers value in travel insurance (% of responses):



Key insights from our consumer focus groups on travel insurance

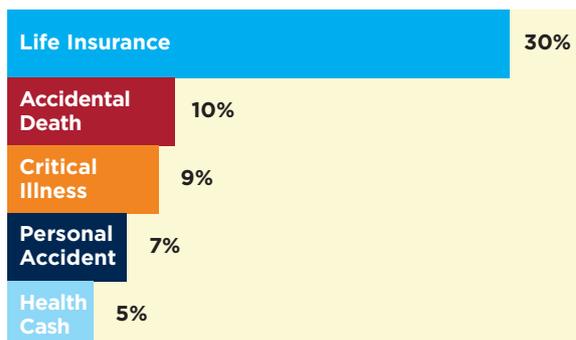
- Consumers are increasingly using the internet to plan and book their holidays
- When abroad, customers access information using a mix of digital and non-digital sources
- Trust underpins consumer engagement
- Medical cover is one of the PRIMARY drivers for buying travel insurance
- Customers want to have 24/7 access to claims handlers
- Consumers value convenience and accessibility to useful information
- People expect to be able to take control and tailor insurance cover around their needs
- Consumers demand less jargon and want the industry to speak to them in plain English

**30%**

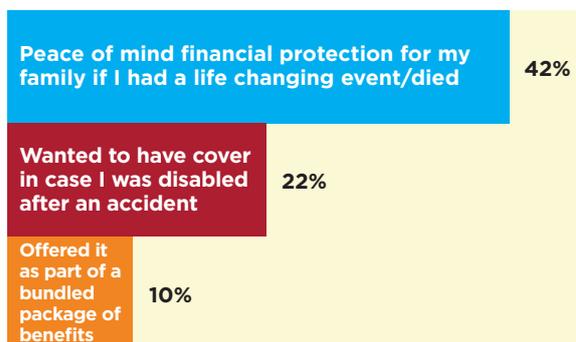
NHS Waiting Times

The percentage of consumers who are concerned about the time taken to get a medical condition diagnosed by the NHS

The percentage of the UK population who own health, life and accident products



Top **THREE** reasons why consumers purchase Personal Accident insurance cover:



Source: Cigna Insurance Services consumer research (2013 and 2014)

## To find out more

To find out more details and to learn how we are using the research findings to equip our partners with the very best needs-based products in the market, call **Jody Baker, Head of Business Development, today on 020 8652 1482**

Download a copy of Cigna's *Mind the Gap: protecting the health of our customers when the NHS falls short* report at <http://www.cignainsurance.co.uk/sites/default/files/pdf/FirstAssist-Consumer-Research-Report-Summer-2013.pdf>

# CONSUMER PESSIMISM OVER THE NHS HIGHLIGHTS MAJOR OPPORTUNITIES FOR PARTNERS

UK consumers strongly believe in the right to healthcare that is free at the point of use. But, they are deeply concerned about the state of the NHS and want to take greater responsibility for their healthcare costs.

Cigna Insurance Services is extending its suite of simple, affordable and accessible top-up supplemental health products to address these areas of concern.

## Consumers are worried about the NHS

Last year, Cigna Insurance Services conducted major research surveying more than 500 adults and holding a series of focus groups at which participants discussed their views. The aim was to establish consumer's expectations of what the squeeze on the NHS might mean for them and how they are likely to respond.

Almost half of consumers (48%) expected to see the NHS deteriorate over the next 12 months. People expect to wait longer for diagnosis and treatment, to find it harder to access non-emergency treatments and to see the quality of after-care services such as physiotherapy decline.

## Waiting lists for diagnostic tests are rising

The NHS Diagnostic Waiting Times and Activity Data report for December 2013 shows that the total number of people on the waiting list for any diagnostics test over the three-year period to December 2013 has risen by 35%.



Source: NHS England, December 2013



## Affordable top-up cover

A key finding from our consumer research was the extent to which consumers are prepared to take greater control over their healthcare costs. Exactly half of consumers said they would be prepared to buy insurance that covers gaps where the NHS is receding.

The key is to recognise that consumers want affordable top-up cover that enables them to operate within the NHS system, co-funding their care in order to ensure a better overall experience, rather than expensive PMI which enables them to by-pass the NHS altogether.

For example, Cigna's **Priority Diagnostics Plan**, enables customers to see a specialist consultant straight away once they are referred by their GP. Having received a speedier diagnosis than would otherwise have been the case – addressing the key worry about waiting times which concerns 30% of all UK consumers – they then return to the NHS for treatment.

There are no shortages of opportunities to offer other similar low-cost, simple and accessible products to cover other areas of concern – which is why so many partners see the low-cost health market as a key area to serve their customers' needs and in which to grow.

As the NHS continues to struggle, it is those low-cost top-up products that address these concerns most directly which will succeed: put simply, consumers want and are increasingly prepared to buy cover that enables them to get their lives back to normal as quickly as possible. We are rising to the challenge and meeting this need.

# FIND OUT MORE ABOUT CIGNA INSURANCE SERVICES

Formerly FirstAssist Insurance Services, Cigna Insurance Services is one of the UK's leading providers of specialist insurance services.

For over three decades, Cigna has been a 'silent partner' in our markets – working behind many of the UK's largest brands. We deliver specialist and bespoke insurance solutions, which add value to customer relationships, help partners extend their customer propositions and in the process generate many millions of pounds of additional income for our partners and fair outcomes for customers who enjoy their products.

In that time, we have built an enviable reputation as one of the UK's leading providers across our core areas of insurance expertise: travel, health, accident, protection and legal protection.

Driven as a specialist business by an entrepreneurial, commercial management team, we provide a unique range of products and flexible marketing solutions for banks, insurers, affinity organisations, corporations, intermediaries and small and medium-sized enterprises.

We provide a high quality level of customer service to around two and a half million customers.

With over 160 individually tailored schemes through major UK brands, we know one size does not fit all. From the commercial arrangements to the regulatory relationship, from a full service stand-alone product proposition to wholesale risk provision, we will custom-design the perfect solution to meet your customers' and business needs.

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