

RE-DEFINING STANDARD AND IMPAIRED RISKS

Underwriters could be forgiven for wondering whether half the adult population is taking antihypertensives, is on statins for hypercholesterolaemia or is mildly hypothyroid. And whether the other half is on antidepressants.

Clearly reality is not so extreme, but these are very common disclosures on application forms nowadays. The first three examples are evidence that the NHS is finally fulfilling its role as a health service as opposed to a sickness service. GPs are carrying out more screening, especially at older ages and in patients evaluated to be potentially at risk of a medical condition associated with significant mortality and morbidity.

A clearly visible and indisputable trend is the rise in the prevalence of obesity. Research suggests there are more overfed than underfed people in the world and that serious overweight, with its attendant long-term risks such as diabetes, hypertension, vascular disease and cancer, represents a growing threat to health in the developed world. Already diabetic clinics here in the UK are encountering type II disease in teenagers.

The welcome trend towards routine health screening has several implications for life companies. First, health maintenance and disease prevention should reduce mortality and morbidity. Second, it is a reminder of how developments in medical science and changes in the nature of healthcare can have important implications for life and health insurance. One example is the way that earlier detection of disease and associated risk factors is making the pricing of critical illness cover so difficult over the longer term.

But another is that we should start to question what constitutes a 'standard' risk. Research suggests, and is reflected in rating guidelines, that those with well controlled hypertension, lipid levels maintained at normal levels, etc generally represent no or at worst a negligible extra risk. In the context of what life companies consider to be normal risks, that's fine. But it is hard to believe that these individuals do not represent significantly higher risks than those *who have also been screened, but with negative results*. And maybe the same sort of judgment can be applied to mild depression: those finding life hard to deal with are not quite the same risks as those who are coping well.

The sharp rise in the prevalence of obesity means that applicants have to be pretty portly to attract a rating; average weights for a given height have risen, meaning that insurers' definition of a 'normal rates' BMI has been revised upwards. But research shows that the ideal BMI, from a mortality/morbidity standpoint, is between 20 and 24.

Fact is that the 'traditional' normal rates lives are no longer the homogeneous group they used to be. Their medical histories range from uneventful to complex (but still not rateable by today's usual criteria). Through gathered risk information, we know far more about these individuals than before. Because of better education, increased health awareness and more sharing of information between doctors and patients, they know more about themselves (which also means the anti-selection risk is greater). And people's health is much more determined by lifestyle choice (tobacco, alcohol, diet, exercise, etc).

So whether the definition of the 'standard' risk? Consumers, including better-risk individuals, may not be clamouring for a review of the way insurers price life and health risks – or at least they are not yet – but there are strong arguments for altering the pricing basis for protection plans to reflect both the diversity of risk and the powerful impact of lifestyle choice.

Importantly, change does not necessarily mean a move to 'preferred-risk' North American-style.

But it does potentially open up opportunities for new products and new customer propositions. And new ways of gathering risk information too. Some exciting new developments need not be too far away.

Life and health insurance have to work in harmony with and adapt as necessary to their environment. As medicine progresses, so must the industry.