

TPD: RIP or what's in a name?

We have written before about the review of Total and Permanent Disability (TPD) being coordinated by the Association of British Insurers (ABI) in the UK.

By way of a recap, this process started with a consultation paper that suggested replacing TPD with a number of distinct conditions. This idea was subsequently rejected and the solution proposed was to retain the cover provided by TPD but rename the product and better educate consumers and advisers as to the extent of cover. This review is now coming to a close with the publication of a new consultation paper.

The latest paper suggests that the name TPD is replaced by 'Irreversible life-changing disability'. This name has been informed (sic) by consumer research and should be a step in the right direction to bring clarity to what is covered and what is not. There are definitions of disability for own, suited and any occupation with also two task-based definitions

- Unable to carry out your own occupation ever again
- Unable to carry out a suited occupation ever again
- Unable to carry out any occupation ever again
- Unable to do three specified work tasks ever again
- Unable to look after yourself ever again

One change that concerns us, and is acknowledged in the consultation paper, is the fact that in the two proposed new task-based definitions, disability resulting from a mental health condition is not covered. The definition talks about **'loss of the physical ability'** to carry out three of the specified tasks.

Is this fair and reasonable and will consumers understand the limitations of the cover not only at claim time but when they are sold the cover?

If the new definitions for task-based disability effectively exclude claims for mental health

causes, then will this be reflected in providers underwriting philosophy? In other words would a history of depression be ignored when considering an application for cover to be issued using a task-based definition of disability?

More worrying to us is the proposed introduction of a general exclusion on the occupation-based definitions along the line of 'disabilities for which the relevant specialists cannot give a clear prognosis are not covered'.

We wonder how this wording might be interpreted when considering a claim from someone with chronic fatigue syndrome, fibromyalgia or our old friend chronic regional pain syndrome. We can see that a claim from someone in their 20s might be rejected as they would fall foul of this clause and also the need to show that their disability would last throughout life with no prospect of improvement. However adjudicating a claim for someone aged 55 with one of these conditions might be more difficult especially if the insurer is seen to be using the 'small print' to their own advantage.

Are the aforementioned conditions truly reversible and if someone has suffered for five or ten years without improvement then does that prove irreversibility?

It will be interesting to see how this latest consultation paper is received and the resulting educational material. Let's hope it goes a long way to turning around the perception of a product that has historically had an unacceptably high rate of declined claims.

As we have said before, we applaud the decision to take action but maybe the industry needs to accept that TPD is fundamentally flawed and conclude that it will never be an intellectually satisfying product.

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