

Inside Money: On the Critical List

Presenter: Lesley Curwen

Listener: Dean Turrell

Producer: Martin Bedford

Tx: Saturday 28th July 2007 1204

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THIS IS A TRANSCRIPT OF THE LONGER REPEATED VERSION

CURWEN: This is a tale about a type of insurance which is meant to give you financial comfort and security, at the worst time in your life. Critical illness policies are supposed to kick in when you find out you have a potentially fatal illness. Often these policies are sold while people are taking out a mortgage, and they promise to pay out a tax-free lump sum of money, if you're ever diagnosed as having certain serious illnesses such as heart attack or cancer. Often people see it as a way to pay off the mortgage, at a time where they can't work, and can't keep up their repayments.

TURRELL: Come on then, let's get you outside, there's a good lad...

SOUND OF DOG BARKING

CURWEN: That's Dean Turrell with his dog Buck. Radio Four listener Dean, who lives in Bolton, used to work in a high-pressure sales job. As a naturally cautious person, he wanted to protect himself and his wife Vicky against the unexpected.

TURRELL I have always felt insurance to be important. I've always insured myself from cars, motorcycles, then when we bought our first property, we had life insurance, critical illness policies, sickness and redundancy policies. I've always felt it was important to insure yourself, yes, because you never know what's round the corner

CURWEN: Dean and Vicky owned two properties, which they regarded as an investment for their old age, and each time they took out a mortgage, they were sold critical illness insurance. One policy was taken out with HSBC, in conjunction with a mortgage on a small property in Wales. The other policy was with Norwich Union, on their larger family home in Bolton. Dean, like millions of us, was willing to pay regular premiums into critical illness cover in exchange for peace of mind. Then came a day, in September 2004, when his world turned upside down.

TURRELL: I'd just started a new sales job seven days before. I was due to go out for my first meeting with the senior manager with a client. I woke up on the Tuesday morning at ten to six, I went to the toilet and I blacked out.

CURWEN: When Dean came round, he tried to carry on as normal. But twenty four hours later, in a blur of pain and sickness, he ended up in his local hospital.

TURRELL: I had just turned 40 three months before. I'm laying in a hospital bed. I'm, on oxygen, I'm on a blood pressure monitor 24 hours a day, I'm on drips, I'm being injected in both sides of the stomach to thin my blood, I'm being given tablets left, right and centre. I remember being wheeled down to the coronary care unit and Sarah, the sister, one of the sisters asking my wife, "Is he always this grey?" And my wife said, "no he's not." I think my wife actually thought I was going to die that night.

CURWEN: He'd had a heart attack. One of his arteries had become completely blocked, and it was touch and go. Dean was lucky, and after five days in hospital he was allowed to go home. But doctors warned him, he must change his lifestyle or face another, potentially deadly heart attack. With Dean unable to work, his wife Vicky became the main breadwinner. Naturally they were glad they'd taken out the two critical illness policies, and they got in contact with both insurers.

TURRELL: Filled in the forms. Both the HSBC and the Norwich Union came back wanting medical records from the hospital etc. I think round about the start of December of that year the HSBC phoned me up about your insurance claim Mr Turrell, it's been accepted.

CURWEN: Dean got a cheque for thirty-four thousand pounds from HSBC, which he used to pay off the mortgage on the property in Wales. But that still left the much larger claim on the Norwich Union policy, taken out when buying his home in Bolton.

TURRELL: Norwich Union seemed to be stalling. I kept phoning and hoping. They kept stalling me. So I had a very depressed winter. Life on hold. I was awaiting various medical procedures. I was advised by my GP not to go back to work, until we know exactly what the score is with all these procedures. So I was just hoping against hope that at least if they pay off it'll ease the burden financially.

CURWEN: Norwich Union had found something in Dean's medical records which wasn't on his application form. He'd been suffering from an eye condition, called ocular hypertension, a raised pressure inside the eyeball. Dean thought it was too minor to be relevant, and in fact, it does NOT feature in a list of 28 eye conditions which Norwich Union underwriters consider to be significant. But Norwich Union said that because of the "non-disclosure" of the eye complaint, his policy had been invalid all along.

TURRELL: It took a while to sink in, but almost immediately it made me feel very, very angry because they made me feel like I was hiding something and I didn't. I genuinely put that proposal form in good faith. I knew I had not deceived anybody.

CURWEN: Norwich Union were claiming that you had not disclosed something about your health?

TURRELL: Yes, the Norwich Union claimed that I had not disclosed an existing medical eye condition. But, there was no intention to deceive; I just was a bit naïve in the fact that I didn't answer the questions as fully as I would answer them now. I don't want anybody's sympathy but the way I saw it, I paid all my premiums, I paid my dues. I wasn't giving in. I wanted the money.

CURWEN: Dean's heart specialist provided evidence that there was no link between the minor eye condition and his heart attack. But claims managers at Norwich Union said that didn't matter. They insisted that if they'd known about the eye complaint, they would have charged Dean a higher premium; in essence, they would have written a totally different contract. Because he hadn't declared it – they said the contract was nullified. Dean felt indignant that his honesty had been called into question and he'd been denied a pay-out. Any consumer in this kind of position can appeal, through the Financial Ombudsman Service. That's what he did, and it was a long-drawn out process. At the first stage, the Ombudsman found in favour of the insurance company. Dean might have given up, but for the support of a lawyer.

MORTON: Yeah. I mean they'd written to you hadn't they, end of the year to say that they weren't minded to accept your arguments. But...

CURWEN: The lawyer was Paul Morton from Manchester firm, Brabners Chafe Street.

MORTON: Still the Norwich Union were not accepting what you said were they...

CURWEN: He's a leading litigation expert, who felt so moved by Dean's plight, he gave him advice free of charge.

MORTON: It was a sad sounding case and Dean had gone through a rough time. He obviously had had some bad news in that the Ombudsman had said that he wasn't going to rule in Dean's favour at that stage. He was my sort of age, my old man had had a heart attack and you sort of think for the grace of God go I.

CURWEN: Dean was obviously lucky to have you helping him. Most people don't have that or couldn't afford it. Do you think many people just give up?

MORTON: Yes I think they do. I think that most insurance companies when they're faced with paying out large amounts of money will put whatever realistic hurdles they can find in the way of those who are claiming the funds. They're going to ask you, put bluntly, to prove each and every element of that case which would lead to a payment of money. My experience of insurance companies is that they don't like paying out money, and they'll do their damndest to avoid doing so.

CURWEN With the help of Paul Morton, Dean re-submitted his case to the Ombudsman Service. At the start of this year, 3 years after his heart attack, the Ombudsman ruled in his favour; confirming that the eye condition wasn't significant, and Dean had had no intention to deceive. We asked Norwich Union for an interview about the case. The company said no. Dean was deeply disappointed. We were sent this statement instead.

STATEMENT: Mr Turrell's claim was declined by Norwich Union as we had believed that he had failed to disclose a case of ocular hypertension at the outset of his policy. This case has since been referred to the Ombudsman who upheld Mr Turrell's claim and Norwich Union has settled this claim in full.

CURWEN: Dean's reaction?

TURRELL: They're still not admitting they were in the wrong.

CURWEN: There is no apology in there.

TURRELL: I don't think the Norwich Union will apologise, because they won't admit they're wrong. At the end of the day, I was right, they were wrong. I firmly believed if it hadn't been the eye condition, they'd have wriggled anyway.

CURWEN: Norwich Union had to pay him a total of eighty-eight thousand pounds. Dean used it to pay off the mortgage on his Bolton home. He is continuing to recover, and after much searching, he's finally found a new job. But Dean still wants answers about the insurance product which caused him so much grief, so he decided to join Inside Money.

TURRELL: I'd like to find out just how big an issue this non-disclosure is. "Non-disclosure" - It's such a wide broad open issue to be able to refuse a claim. Where do you draw the line? You had a sore throat ten years ago. Do you declare it? I'd like to know how many other people have suffered this. How many other people are these companies not paying? Is this, with these big insurance companies, a numbers game? For every hundred claims, if only 50 of them they have

to pay – keep the other 50. Numbers game. You take it out with the greatest faith - never dream you're going to go down this route.

CURWEN: Of course Dean's experience was mixed – the smaller of his two critical illness policies had paid out without a hitch, although the larger one didn't. In fact, it's generally accepted that on average, one in every five claims are rejected – the industry itself admits that's too high. And indeed, publicity about failed claims has hit sales. Estimates suggest the number of policies taken out almost halved in recent years. Most are sold through brokers. We took Dean to a broker which specialises in selling the kind of insurance known as protection insurance – Lifesearch. It's unusual in selling these products on their own, not alongside mortgages.

BAIGRIE: Dean, Tom Baigrie.

TURRELL: Good afternoon Tom, nice to meet you.

CURWEN: Tom Baigrie is the chief executive of Lifesearch.

TURRELL: Tom, you know of my struggle with the Norwich Union, but another company who I had a critical illness policy paid up. So is critical illness a bit of a lottery?

BAIGRIE: It shouldn't be a bit of a lottery. But I can understand how it happens. It happens because not many members of the public truly understand the need for thoroughness in completing medical application forms, which can run to 30 plus pages, in fact normally does. You have to cover every medical condition that the insurer might possibly, even vaguely possibly be interested in. With critical illness that is just about everything. Now if you say it's a huge memory test and therefore this is likely to be a problem, then I agree with you. The difficulty bluntly is that if you build policies that don't need that level of disclosure, then you have to charge ever higher premiums.

TURRELL: What do you think of how the policies are sold in general?

BAIGRIE: Very often - in fact I think most often - it's sold as a secondary part of another sale, one perhaps linked to a mortgage. It's tagged on at the end, often by people whose main expertise is not in the area of arranging such policies. That I think is a real problem.

CURWEN: So is critical illness cover the policy that most people should reach for?

BAIGRIE: The policy that they should buy first is income protection. That pays out if you can no longer earn or do your job through disability. That is the basic cover that everyone should have.

Those who have that cover should consider, if they can afford it, adding critical illness cover to that protection. And the reason for that is that what income protection does is pay an income for as long as you can't work. What critical illness cover does is pay a lump sum when you are diagnosed as having something very, very serious. But that something may not put you off work. But it may make you not want to work and if you stop work because you don't want to then obviously income protection won't pay, but critical illness will.

TURRELL: There's been a lot of publicity on cases like mine. What effect is that having on the insurance companies?

BAIGRIE: A very considerable effect. All of us in the marketplace simply hate the concept that we are selling these policies and not paying out when they should. The insurance companies, with the Ombudsman, have made huge strides. I don't think contracts with the sort of sums assured that we deal in will ever be dispute free, but the industry is trying very hard particularly these last few years to get better at this.

CURWEN: In fact, the insurance industry last year consulted widely on what changes should be made to the way critical illness policies are sold and administered. The Association of British Insurers which represents the majority of UK's insurance companies, has drawn up new guidelines which became binding on ABI members earlier this year. They made changes to address that issue of non-disclosure which affected Dean – through more focussed questions on forms, and clearer warnings about what happens if you don't reveal everything. And they've made changes on another front. Half of the claims which get rejected, do so because people find that their illness isn't on the insurer's list of qualifying conditions, or it isn't severe enough. It can be a devastating blow.

ADVERT: When Andrew was diagnosed with cancer, he expected to lose his hair. He even expected to lose some weight. But he never expected to lose his home. You won't believe the things that cancer can take away. One in seventeen people...

CURWEN: That's a radio advert from the leading cancer charity, Macmillan Cancer Support, offering advice through its helpline, for cancer patients with financial as well as medical problems. We took Dean to meet Ayesha Owusu-Barnaby, Head of Campaigns at Macmillan.

TURRELL: Ayesha, what sort of problems relating to critical illness insurance do people come to you with?

OWUSU-BARNABY: People tell us about two main problems; either it's argued by the insurance company that they haven't disclosed information when they try to make a claim on their policy. The other

problem that people tell us they have is actually convincing the insurance company how ill they are. For example, we had a gentleman who contacted us. He'd been told that he was terminally ill, but that he had two years to live. The insurance company argued that unless he was given six months to live, he wasn't going to get a payout on his policy. Eventually the company did relent and paid out, but he was told that he may actually have to pay some of the money back if he lived beyond the initial six months.

TURRELL: I find that unbelievable. If you're terminally ill you're terminally ill, surely. I am genuinely shocked by what I just heard.

CURWEN: How have the insurance companies generally behaved once these cases have come to your attention? Have they been sympathetic?

OWUSU-BARNABY: I think you get a mixture, to be honest. But you know there's a reputational issue here. I think that's what companies need to be aware of. If they want to continue to sell more policies, they need to get the process right. You shouldn't be having to prove how ill you are. If you've got something from a doctor that says that you're terminally ill or you know you've got a diagnosis, the companies need to take that on board and be more sympathetic.

CURWEN: The insurance companies would say that everything you need to know about critical illness does appear somewhere in the policy, perhaps in the small print. Don't people have a responsibility on their own part?

OWUSU-BARNABY: We all have a responsibility when we take out policies, but I do think that insurance companies need to recognise that some of the documents they produce are quite long and complicated and people buy things in stressful situations. For example, you take out a critical illness policy when you're buying a house. That's hard enough to deal with. You know one of the things that we've said to the ABI is that we think there has to be more clarity because people don't understand. I've had countless conversations with people and said you know, "Would you tell the insurance company about X?" and they say no because they don't think it's relevant. So there is a duty on the insurance company to explain in detail to people what they're buying and that sometimes is about talking to people.

TURRELL: Are things improving?

OWUSU-BARNABY: Well we hope so but we'll have to wait and see so we're keeping a watching brief.

CURWEN: According to Macmillan Cancer Support then, the jury is still out on the insurance industry's reforms of critical illness cover.

What's the picture from the independent body which resolves disputes like Dean Turrell's? We took Dean to the headquarters of the Financial Ombudsman Service, which had played such a key role in his long fight with Norwich Union. Waiting in the lobby, he told me how it felt to be there.

TURRELL: It's a surreal feeling, I've seen that logo on so many envelopes that have come through the post, sort of looked at them with bated breath and it's just very weird to sit here and see that logo and actually be here.

CURWEN: Dean was happy about the outcome of his case - but the Financial Ombudsman Service is not a consumer champion – it is an independent adjudicator. Each year it deals with half a million enquiries about all kinds of financial products, and settles a hundred thousand disputes. In the past, it has expressed concerns about critical illness insurance, but in its latest annual report, the Ombudsman Service recorded a fall in the number of disputes related to this sort of cover. The Chief Financial Ombudsman, Walter Merricks gave Dean his view on critical illness claims.

MERRICKS: It would be wrong to say that the way the industry's handling these is all absolutely fine. We receive quite a large number of complaints about critical illness policies and indeed other health insurance policies of one kind or another. We think there are quite significant improvements the industry could make and indeed I think they are making right now. We've pointed out a number of things to them about how they could improve both the way policies are sold and how claims are handled. Because I think a lot of people when they take out a critical illness policy don't have a very good idea about what would happen if they made a claim and the fact that as soon as they make a claim, the first thing that's going to happen is that their insurer's going to start asking for their medical records. Now if people understood that, perhaps it would be a lot more comfortable all round.

TURRELL: My case was about non-disclosure. I mean should consumers be expected to declare every minor illness they've ever had?

MERRICKS: I think it's a really good question. Some of the questions that people are asked on these forms do almost appear to ask you for an entire life history of health and every visit you've ever made to the doctor ever in your life. Now that clearly can't be right. Insurers do have to have some way of asking questions that are going to be sensible and relevant for them, so that they understand whether they're insuring somebody who is an immediate major risk where they naturally would expect to charge a higher premium but on the other hand not making it a sort of major memory test for a consumer in trying to think, did I go to the doctor about this four years ago or five years ago, when actually I think the message for consumers I would say is if

you're not sure, don't tick the box without more thought and don't be rushed.

CURWEN: What about the other side of the problem from non-disclosure where somebody's illness doesn't qualify on the insurer's list of qualifying critical illness?

MERRICKS: Well that's part of the problem about the structure of critical illness insurance in the first place. It is a list of specified illnesses and you know you're either in there or you're not. But it does give rise to these rather ghastly thoughts that you know you have the wrong sort of heart attack or the wrong kind of cancer. But it is the nature of critical illness. It's not a form of income protection. That's a different way of protecting yourself, but if you choose the critical illness type of policy, then you either fall in it or you don't.

TURRELL: I've heard cases are falling. Why is that?

MERRICKS: Well it would be nice to feel that the industry has understood a bit better what are the pitfalls in selling critical illness policies and cases that we see certainly present evidence that things are getting a little better, but still there's some way to go for the industry in trying to explain these things better.

CURWEN: The Chief Financial Ombudsman had acknowledged the insurance industry is trying to improve its handling of claims, and is making applying for critical illness cover less of a memory test than it has been. Our listener, Dean Turrell was not yet convinced about whether those attempts were working, and whether they go far enough. Remember that one in five claims are thrown out by the insurers. He was worried that some people, while they were sick or dying, were losing out on money they had counted on. He wanted to put those concerns directly to the industry body the Association of British Insurers. We met Nick Starling, the ABI's Director of General Insurance and Health.

TURRELL: I was let down by critical illness insurance when I needed it most, and at a time when I was least able to put up a fight. What are you doing to make sure other people don't have to go through this?

STARLING: Well critical illness insurance is a valuable product. We think it's important that people understand it well and that they are guided into making a proper application for it.

TURRELL: But what are you doing to make sure other people don't have to go through what I did?

STARLING: Well we've published two recent documents. We have a statement of best practice on critical illness cover and we

have guidance on application forms. We think the key in application forms is to make sure that the questions that are put are well understood. They're not too open, so that people understand exactly what they've been asked to put in and so that they're less likely to make mistakes. What we need to be quite clear is that people know precisely and exactly what they've been asked about and that is what the application form design guidance is designed for, and we've worked with the Ombudsman on that.

TURRELL: What about the problems of definitions of illness?

STARLING: Well the statement of best practice does have definitions and guidance on definitions which have been discussed with various authorities and the common definitions ought to make it clear what is covered and what isn't covered.

CURWEN: Do you think there has been a problem in the past though?

STARLING: Well clearly we have a situation where one in five cases are turned down, now that's too high. Now by definition that means there has been a problem and we think that by getting better on definitions, getting better on applications, we will be able to get those figures down and that's to the benefit of everyone.

TURRELL: What about all the millions of policies taken out before these changes? Does that mean these people are at a disadvantage ?

STARLING: I don't think these people are at a disadvantage. Eighty per cent of people get payouts without any problem. In some cases the payouts don't happen because that particular illness is not covered. But they're not at a disadvantage. But we think that if there's any doubt, they should just get in touch and just make sure they're clear on what they have.

TURRELL: My insurance company put up a wall when they were dealing with me. Should they not be more sympathetic to people making claims?

STARLING: This is a product which is designed to deal with people when they're in a very difficult situation in their life and that means that I would hope that our members always do act fairly and quickly and responsively and I'm sorry if there's been situations where that's not happened. But I think we can all aspire to a situation where consumers are looked after as sensitively and carefully as possible.

TURRELL: Do insurance companies have quotas, do they pass a certain amount of claims and fight on the rest?

STARLING: No they don't.

CURWEN: But that's a common perception.

STARLING: I understand it may be a common perception. As I said earlier, obviously too many claims are declined but there's no question of our member companies having quotas which they've got to meet in terms of declination and/or allowing claims. It's a valuable product and insurers want to pay out on that product. They're not in the business of picking holes, they want to make sure that there are valid policies out there and when the conditions are fulfilled, they pay out on them.

CURWEN: The body representing insurers had admitted to Dean that the number of failed claims is too high – but made it clear that it's trying to fix the problems. New policies should be sold with clearer information. But what about the millions already in place? After we recorded the interview with the ABI, Norwich Union – the insurer at the centre of Dean's dispute – announced it was inviting 5000 customers to review the information they'd originally provided, to prevent future claims being rejected because of non-disclosure. But so far it's just a pilot scheme and Norwich Union is only one of many companies in this market. Dean Turrell had lived and breathed the subject of critical illness insurance during his own battle to get the payout he was owed. In the end, what did he think of the insurance industry's reforms?

TURRELL: No real concern has been answered. Declarations of illnesses, definitions of illnesses, nobody that we spoke to over the last two days has convinced me it's still not a very grey area.

CURWEN: The Association of British Insurers did tell you that it's told its members to change the ways they do things. How did you feel about that?

TURRELL: The changes weren't conclusive to me. I think it is going in the right direction, but it's nowhere near as far down the road or at the final stop as people have possibly tried to lead us to believe.

CURWEN: You've said you think that insurance companies impose quotas on claimants, a certain number of claims get through, a certain number don't. You called it a numbers game. The Association of British Insurers said that doesn't happen.

TURRELL: They're not going to admit that happens. I still believe it happens. I believe the black and white cases get passed and paid straight away, and then going back to the grey areas, is where it becomes a numbers game. I don't believe that, with the best will, in the world every insurance company wants to pay every critical illness claim they get in. They wouldn't make a living at the end of the day if that's what they were doing.

CURWEN: Are you still bitter about how you were treated?

TURRELL: Yes, I am still bitter about the way I was treated. My honesty and integrity was called into question. I've never received an apology. So yes I'm very bitter.

CURWEN: But you did get your payout?

TURRELL: Yes, but at a cost. A cost of stress, a cost to my personal life. I got my payout, but I deserved my payout, I didn't deserve all the grief that went with it.

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TURRELL: I'd just started a new sales job seven days before. I was due to go out for my first meeting with the senior manager with a client. I woke up on the Tuesday morning at ten to six, I went to the toilet and I blacked out.

CURWEN: When Dean came round, he tried to carry on as normal. But twenty four hours later, in a blur of pain and sickness, he ended up in his local hospital.

TURRELL: I had just turned 40 three months before. I'm laying in a hospital bed. I'm, on oxygen, I'm on a blood pressure monitor 24 hours a day, I'm on drips, I'm being injected in both sides of the stomach to thin my blood, I'm being given tablets left, right and centre. I remember being wheeled down to the coronary care unit and Sarah, the sister, one of the sisters asking my wife, "Is he always this grey?" And my wife said, "no he's not." I think my wife actually thought I was going to die that night.

CURWEN: He'd had a heart attack. One of his arteries had become completely blocked, and it was touch and go. Dean was lucky, and after five days in hospital he was allowed to go home. But doctors warned him, he must change his lifestyle or face another, potentially deadly heart attack. With Dean unable to work, his wife Vicky became the main breadwinner. Naturally they were glad they'd taken out the two critical illness policies, and they got in contact with both insurers.

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MORTON: It was a sad sounding case and Dean had gone through a rough time. He obviously had had some bad news in that the Ombudsman had said that he wasn't going to rule in Dean's favour at that stage. He was my sort of age, my old man had had a heart attack and you sort of think for the grace of God go I.

CURWEN: Dean was obviously lucky to have you helping him. Most people don't have that or couldn't afford it. Do you think many people just give up?

MORTON: Yes I think they do. I think that most insurance companies when they're faced with paying out large amounts of money will put whatever realistic hurdles they can find in the way of those who are claiming the funds. They're going to ask you, put bluntly, to prove each and every element of that case which would lead to a payment of money. My experience of insurance companies is that they don't like paying out money, and they'll do their damndest to avoid doing so.

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CURWEN: Dean's reaction?

TURRELL: They're still not admitting they were in the wrong.

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TURRELL: I don't think the Norwich Union will apologise, because they won't admit they're wrong. At the end of the day, I was right, they were wrong. I firmly believed if it hadn't been the eye condition, they'd have wriggled anyway.

CURWEN: Norwich Union had to pay him a total of eighty-eight thousand pounds. Dean used it to pay off the mortgage on his Bolton home. He is continuing to recover, and after much searching, he's finally found a new job. But Dean still wants answers about the insurance product which caused him so much grief, so he decided to join Inside Money.

TURRELL: I'd like to find out just how big an issue this non-disclosure is. "Non-disclosure" - It's such a wide broad open issue to be able to refuse a claim. Where do you draw the line? You had a sore throat ten years ago. Do you declare it? I'd like to know how many other people have suffered this. How many other people are these companies not paying? Is this, with these big insurance companies, a numbers game? For every hundred claims, if only 50 of them they have

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CURWEN: Of course Dean's experience was mixed – the smaller of his two critical illness policies had paid out without a hitch, although the larger one didn't. In fact, it's generally accepted that on average, one in every five claims are rejected – the industry itself admits that's too high. And indeed, publicity about failed claims has hit sales. Estimates suggest the number of policies taken out almost halved in recent years. Most are sold through brokers. We took Dean to a broker which specialises in selling the kind of insurance known as protection insurance – Lifesearch. It's unusual in selling these products on their own, not alongside mortgages.

BAIGRIE: Dean, Tom Baigrie.

TURRELL: Good afternoon Tom, nice to meet you.

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TURRELL: Tom, you know of my struggle with the Norwich Union, but another company who I had a critical illness policy paid up. So is critical illness a bit of a lottery?

BAIGRIE: It shouldn't be a bit of a lottery. But I can understand how it happens. It happens because not many members of the public truly understand the need for thoroughness in completing medical application forms, which can run to 30 plus pages, in fact normally does. You have to cover every medical condition that the insurer might possibly, even vaguely possibly be interested in. With critical illness that is just about everything. Now if you say it's a huge memory test and therefore this is likely to be a problem, then I agree with you. The difficulty bluntly is that if you build policies that don't need that level of disclosure, then you have to charge ever higher premiums.

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BAIGRIE: The policy that they should buy first is income protection. That pays out if you can no longer earn or do your job through disability. That is the basic cover that everyone should have.

Those who have that cover should consider, if they can afford it, adding critical illness cover to that protection. And the reason for that is that what income protection does is pay an income for as long as you can't work. What critical illness cover does is pay a lump sum when you are diagnosed as having something very, very serious. But that something may not put you off work. But it may make you not want to work and if you stop work because you don't want to then obviously income protection won't pay, but critical illness will.

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TURRELL: Ayesha, what sort of problems relating to critical illness insurance do people come to you with?

OWUSU-BARNABY: People tell us about two main problems; either it's argued by the insurance company that they haven't disclosed information when they try to make a claim on their policy. The other

problem that people tell us they have is actually convincing the insurance company how ill they are. For example, we had a gentleman who contacted us. He'd been told that he was terminally ill, but that he had two years to live. The insurance company argued that unless he was given six months to live, he wasn't going to get a payout on his policy. Eventually the company did relent and paid out, but he was told that he may actually have to pay some of the money back if he lived beyond the initial six months.

TURRELL: I find that unbelievable. If you're terminally ill you're terminally ill, surely. I am genuinely shocked by what I just heard.

CURWEN: How have the insurance companies generally behaved once these cases have come to your attention? Have they been sympathetic?

OWUSU-BARNABY: I think you get a mixture, to be honest. But you know there's a reputational issue here. I think that's what companies need to be aware of. If they want to continue to sell more policies, they need to get the process right. You shouldn't be having to prove how ill you are. If you've got something from a doctor that says that you're terminally ill or you know you've got a diagnosis, the companies need to take that on board and be more sympathetic.

CURWEN: The insurance companies would say that everything you need to know about critical illness does appear somewhere in the policy, perhaps in the small print. Don't people have a responsibility on their own part?

OWUSU-BARNABY: We all have a responsibility when we take out policies, but I do think that insurance companies need to recognise that some of the documents they produce are quite long and complicated and people buy things in stressful situations. For example, you take out a critical illness policy when you're buying a house. That's hard enough to deal with. You know one of the things that we've said to the ABI is that we think there has to be more clarity because people don't understand. I've had countless conversations with people and said you know, "Would you tell the insurance company about X?" and they say no because they don't think it's relevant. So there is a duty on the insurance company to explain in detail to people what they're buying and that sometimes is about talking to people.

TURRELL: Are things improving?

OWUSU-BARNABY: Well we hope so but we'll have to wait and see so we're keeping a watching brief.

CURWEN: According to Macmillan Cancer Support then, the jury is still out on the insurance industry's reforms of critical illness cover.

What's the picture from the independent body which resolves disputes like Dean Turrell's? We took Dean to the headquarters of the Financial Ombudsman Service, which had played such a key role in his long fight with Norwich Union. Waiting in the lobby, he told me how it felt to be there.

TURRELL: It's a surreal feeling, I've seen that logo on so many envelopes that have come through the post, sort of looked at them with bated breath and it's just very weird to sit here and see that logo and actually be here.

CURWEN: Dean was happy about the outcome of his case - but the Financial Ombudsman Service is not a consumer champion – it is an independent adjudicator. Each year it deals with half a million enquiries about all kinds of financial products, and settles a hundred thousand disputes. In the past, it has expressed concerns about critical illness insurance, but in its latest annual report, the Ombudsman Service recorded a fall in the number of disputes related to this sort of cover. The Chief Financial Ombudsman, Walter Merricks gave Dean his view on critical illness claims.

MERRICKS: It would be wrong to say that the way the industry's handling these is all absolutely fine. We receive quite a large number of complaints about critical illness policies and indeed other health insurance policies of one kind or another. We think there are quite significant improvements the industry could make and indeed I think they are making right now. We've pointed out a number of things to them about how they could improve both the way policies are sold and how claims are handled. Because I think a lot of people when they take out a critical illness policy don't have a very good idea about what would happen if they made a claim and the fact that as soon as they make a claim, the first thing that's going to happen is that their insurer's going to start asking for their medical records. Now if people understood that, perhaps it would be a lot more comfortable all round.

TURRELL: My case was about non-disclosure. I mean should consumers be expected to declare every minor illness they've ever had?

MERRICKS: I think it's a really good question. Some of the questions that people are asked on these forms do almost appear to ask you for an entire life history of health and every visit you've ever made to the doctor ever in your life. Now that clearly can't be right. Insurers do have to have some way of asking questions that are going to be sensible and relevant for them, so that they understand whether they're insuring somebody who is an immediate major risk where they naturally would expect to charge a higher premium but on the other hand not making it a sort of major memory test for a consumer in trying to think, did I go to the doctor about this four years ago or five years ago, when actually I think the message for consumers I would say is if

you're not sure, don't tick the box without more thought and don't be rushed.

CURWEN: What about the other side of the problem from non-disclosure where somebody's illness doesn't qualify on the insurer's list of qualifying critical illness?

MERRICKS: Well that's part of the problem about the structure of critical illness insurance in the first place. It is a list of specified illnesses and you know you're either in there or you're not. But it does give rise to these rather ghastly thoughts that you know you have the wrong sort of heart attack or the wrong kind of cancer. But it is the nature of critical illness. It's not a form of income protection. That's a different way of protecting yourself, but if you choose the critical illness type of policy, then you either fall in it or you don't.

TURRELL: I've heard cases are falling. Why is that?

MERRICKS: Well it would be nice to feel that the industry has understood a bit better what are the pitfalls in selling critical illness policies and cases that we see certainly present evidence that things are getting a little better, but still there's some way to go for the industry in trying to explain these things better.

CURWEN: The Chief Financial Ombudsman had acknowledged the insurance industry is trying to improve its handling of claims, and is making applying for critical illness cover less of a memory test than it has been. Our listener, Dean Turrell was not yet convinced about whether those attempts were working, and whether they go far enough. Remember that one in five claims are thrown out by the insurers. He was worried that some people, while they were sick or dying, were losing out on money they had counted on. He wanted to put those concerns directly to the industry body the Association of British Insurers. We met Nick Starling, the ABI's Director of General Insurance and Health.

TURRELL: I was let down by critical illness insurance when I needed it most, and at a time when I was least able to put up a fight. What are you doing to make sure other people don't have to go through this?

STARLING: Well critical illness insurance is a valuable product. We think it's important that people understand it well and that they are guided into making a proper application for it.

TURRELL: But what are you doing to make sure other people don't have to go through what I did?

STARLING: Well we've published two recent documents. We have a statement of best practice on critical illness cover and we

have guidance on application forms. We think the key in application forms is to make sure that the questions that are put are well understood. They're not too open, so that people understand exactly what they've been asked to put in and so that they're less likely to make mistakes. What we need to be quite clear is that people know precisely and exactly what they've been asked about and that is what the application form design guidance is designed for, and we've worked with the Ombudsman on that.

TURRELL: What about the problems of definitions of illness?

STARLING: Well the statement of best practice does have definitions and guidance on definitions which have been discussed with various authorities and the common definitions ought to make it clear what is covered and what isn't covered.

CURWEN: Do you think there has been a problem in the past though?

STARLING: Well clearly we have a situation where one in five cases are turned down, now that's too high. Now by definition that means there has been a problem and we think that by getting better on definitions, getting better on applications, we will be able to get those figures down and that's to the benefit of everyone.

TURRELL: What about all the millions of policies taken out before these changes? Does that mean these people are at a disadvantage ?

STARLING: I don't think these people are at a disadvantage. Eighty per cent of people get payouts without any problem. In some cases the payouts don't happen because that particular illness is not covered. But they're not at a disadvantage. But we think that if there's any doubt, they should just get in touch and just make sure they're clear on what they have.

TURRELL: My insurance company put up a wall when they were dealing with me. Should they not be more sympathetic to people making claims?

STARLING: This is a product which is designed to deal with people when they're in a very difficult situation in their life and that means that I would hope that our members always do act fairly and quickly and responsively and I'm sorry if there's been situations where that's not happened. But I think we can all aspire to a situation where consumers are looked after as sensitively and carefully as possible.

TURRELL: Do insurance companies have quotas, do they pass a certain amount of claims and fight on the rest?

STARLING: No they don't.

CURWEN: But that's a common perception.

STARLING: I understand it may be a common perception. As I said earlier, obviously too many claims are declined but there's no question of our member companies having quotas which they've got to meet in terms of declination and/or allowing claims. It's a valuable product and insurers want to pay out on that product. They're not in the business of picking holes, they want to make sure that there are valid policies out there and when the conditions are fulfilled, they pay out on them.

CURWEN: The body representing insurers had admitted to Dean that the number of failed claims is too high – but made it clear that it's trying to fix the problems. New policies should be sold with clearer information. But what about the millions already in place? After we recorded the interview with the ABI, Norwich Union – the insurer at the centre of Dean's dispute – announced it was inviting 5000 customers to review the information they'd originally provided, to prevent future claims being rejected because of non-disclosure. But so far it's just a pilot scheme and Norwich Union is only one of many companies in this market. Dean Turrell had lived and breathed the subject of critical illness insurance during his own battle to get the payout he was owed. In the end, what did he think of the insurance industry's reforms?

TURRELL: No real concern has been answered. Declarations of illnesses, definitions of illnesses, nobody that we spoke to over the last two days has convinced me it's still not a very grey area.

CURWEN: The Association of British Insurers did tell you that it's told its members to change the ways they do things. How did you feel about that?

TURRELL: The changes weren't conclusive to me. I think it is going in the right direction, but it's nowhere near as far down the road or at the final stop as people have possibly tried to lead us to believe.

CURWEN: You've said you think that insurance companies impose quotas on claimants, a certain number of claims get through, a certain number don't. You called it a numbers game. The Association of British Insurers said that doesn't happen.

TURRELL: They're not going to admit that happens. I still believe it happens. I believe the black and white cases get passed and paid straight away, and then going back to the grey areas, is where it becomes a numbers game. I don't believe that, with the best will, in the world every insurance company wants to pay every critical illness claim they get in. They wouldn't make a living at the end of the day if that's what they were doing.

CURWEN: Are you still bitter about how you were treated?

TURRELL: Yes, I am still bitter about the way I was treated. My honesty and integrity was called into question. I've never received an apology. So yes I'm very bitter.

CURWEN: But you did get your payout?

TURRELL: Yes, but at a cost. A cost of stress, a cost to my personal life. I got my payout, but I deserved my payout, I didn't deserve all the grief that went with it.

Inside Money: On the Critical List

Presenter: Lesley Curwen

Listener: Dean Turrell

Producer: Martin Bedford

Tx: Saturday 28th July 2007 1204

Rpt: Monday 30th July 2007 1502

THIS IS A TRANSCRIPT OF THE LONGER REPEATED VERSION

CURWEN: This is a tale about a type of insurance which is meant to give you financial comfort and security, at the worst time in your life. Critical illness policies are supposed to kick in when you find out you have a potentially fatal illness. Often these policies are sold while people are taking out a mortgage, and they promise to pay out a tax-free lump sum of money, if you're ever diagnosed as having certain serious illnesses such as heart attack or cancer. Often people see it as a way to pay off the mortgage, at a time where they can't work, and can't keep up their repayments.

TURRELL: Come on then, let's get you outside, there's a good lad...

SOUND OF DOG BARKING

CURWEN: That's Dean Turrell with his dog Buck. Radio Four listener Dean, who lives in Bolton, used to work in a high-pressure sales job. As a naturally cautious person, he wanted to protect himself and his wife Vicky against the unexpected.

TURRELL I have always felt insurance to be important. I've always insured myself from cars, motorcycles, then when we bought our first property, we had life insurance, critical illness policies, sickness and redundancy policies. I've always felt it was important to insure yourself, yes, because you never know what's round the corner

CURWEN: Dean and Vicky owned two properties, which they regarded as an investment for their old age, and each time they took out a mortgage, they were sold critical illness insurance. One policy was taken out with HSBC, in conjunction with a mortgage on a small property in Wales. The other policy was with Norwich Union, on their larger family home in Bolton. Dean, like millions of us, was willing to pay regular premiums into critical illness cover in exchange for peace of mind. Then came a day, in September 2004, when his world turned upside down.

TURRELL: I'd just started a new sales job seven days before. I was due to go out for my first meeting with the senior manager with a client. I woke up on the Tuesday morning at ten to six, I went to the toilet and I blacked out.

CURWEN: When Dean came round, he tried to carry on as normal. But twenty four hours later, in a blur of pain and sickness, he ended up in his local hospital.

TURRELL: I had just turned 40 three months before. I'm laying in a hospital bed. I'm, on oxygen, I'm on a blood pressure monitor 24 hours a day, I'm on drips, I'm being injected in both sides of the stomach to thin my blood, I'm being given tablets left, right and centre. I remember being wheeled down to the coronary care unit and Sarah, the sister, one of the sisters asking my wife, "Is he always this grey?" And my wife said, "no he's not." I think my wife actually thought I was going to die that night.

CURWEN: He'd had a heart attack. One of his arteries had become completely blocked, and it was touch and go. Dean was lucky, and after five days in hospital he was allowed to go home. But doctors warned him, he must change his lifestyle or face another, potentially deadly heart attack. With Dean unable to work, his wife Vicky became the main breadwinner. Naturally they were glad they'd taken out the two critical illness policies, and they got in contact with both insurers.

TURRELL: Filled in the forms. Both the HSBC and the Norwich Union came back wanting medical records from the hospital etc. I think round about the start of December of that year the HSBC phoned me up about your insurance claim Mr Turrell, it's been accepted.

CURWEN: Dean got a cheque for thirty-four thousand pounds from HSBC, which he used to pay off the mortgage on the property in Wales. But that still left the much larger claim on the Norwich Union policy, taken out when buying his home in Bolton.

TURRELL: Norwich Union seemed to be stalling. I kept phoning and hoping. They kept stalling me. So I had a very depressed winter. Life on hold. I was awaiting various medical procedures. I was advised by my GP not to go back to work, until we know exactly what the score is with all these procedures. So I was just hoping against hope that at least if they pay off it'll ease the burden financially.

CURWEN: Norwich Union had found something in Dean's medical records which wasn't on his application form. He'd been suffering from an eye condition, called ocular hypertension, a raised pressure inside the eyeball. Dean thought it was too minor to be relevant, and in fact, it does NOT feature in a list of 28 eye conditions which Norwich Union underwriters consider to be significant. But Norwich Union said that because of the "non-disclosure" of the eye complaint, his policy had been invalid all along.

TURRELL: It took a while to sink in, but almost immediately it made me feel very, very angry because they made me feel like I was hiding something and I didn't. I genuinely put that proposal form in good faith. I knew I had not deceived anybody.

CURWEN: Norwich Union were claiming that you had not disclosed something about your health?

TURRELL: Yes, the Norwich Union claimed that I had not disclosed an existing medical eye condition. But, there was no intention to deceive; I just was a bit naïve in the fact that I didn't answer the questions as fully as I would answer them now. I don't want anybody's sympathy but the way I saw it, I paid all my premiums, I paid my dues. I wasn't giving in. I wanted the money.

CURWEN: Dean's heart specialist provided evidence that there was no link between the minor eye condition and his heart attack. But claims managers at Norwich Union said that didn't matter. They insisted that if they'd known about the eye complaint, they would have charged Dean a higher premium; in essence, they would have written a totally different contract. Because he hadn't declared it – they said the contract was nullified. Dean felt indignant that his honesty had been called into question and he'd been denied a pay-out. Any consumer in this kind of position can appeal, through the Financial Ombudsman Service. That's what he did, and it was a long-drawn out process. At the first stage, the Ombudsman found in favour of the insurance company. Dean might have given up, but for the support of a lawyer.

MORTON: Yeah. I mean they'd written to you hadn't they, end of the year to say that they weren't minded to accept your arguments. But...

CURWEN: The lawyer was Paul Morton from Manchester firm, Brabners Chafe Street.

MORTON: Still the Norwich Union were not accepting what you said were they...

CURWEN: He's a leading litigation expert, who felt so moved by Dean's plight, he gave him advice free of charge.

MORTON: It was a sad sounding case and Dean had gone through a rough time. He obviously had had some bad news in that the Ombudsman had said that he wasn't going to rule in Dean's favour at that stage. He was my sort of age, my old man had had a heart attack and you sort of think for the grace of God go I.

CURWEN: Dean was obviously lucky to have you helping him. Most people don't have that or couldn't afford it. Do you think many people just give up?

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TURRELL: Ayesha, what sort of problems relating to critical illness insurance do people come to you with?

OWUSU-BARNABY: People tell us about two main problems; either it's argued by the insurance company that they haven't disclosed information when they try to make a claim on their policy. The other

problem that people tell us they have is actually convincing the insurance company how ill they are. For example, we had a gentleman who contacted us. He'd been told that he was terminally ill, but that he had two years to live. The insurance company argued that unless he was given six months to live, he wasn't going to get a payout on his policy. Eventually the company did relent and paid out, but he was told that he may actually have to pay some of the money back if he lived beyond the initial six months.

TURRELL: I find that unbelievable. If you're terminally ill you're terminally ill, surely. I am genuinely shocked by what I just heard.

CURWEN: How have the insurance companies generally behaved once these cases have come to your attention? Have they been sympathetic?

OWUSU-BARNABY: I think you get a mixture, to be honest. But you know there's a reputational issue here. I think that's what companies need to be aware of. If they want to continue to sell more policies, they need to get the process right. You shouldn't be having to prove how ill you are. If you've got something from a doctor that says that you're terminally ill or you know you've got a diagnosis, the companies need to take that on board and be more sympathetic.

CURWEN: The insurance companies would say that everything you need to know about critical illness does appear somewhere in the policy, perhaps in the small print. Don't people have a responsibility on their own part?

OWUSU-BARNABY: We all have a responsibility when we take out policies, but I do think that insurance companies need to recognise that some of the documents they produce are quite long and complicated and people buy things in stressful situations. For example, you take out a critical illness policy when you're buying a house. That's hard enough to deal with. You know one of the things that we've said to the ABI is that we think there has to be more clarity because people don't understand. I've had countless conversations with people and said you know, "Would you tell the insurance company about X?" and they say no because they don't think it's relevant. So there is a duty on the insurance company to explain in detail to people what they're buying and that sometimes is about talking to people.

TURRELL: Are things improving?

OWUSU-BARNABY: Well we hope so but we'll have to wait and see so we're keeping a watching brief.

CURWEN: According to Macmillan Cancer Support then, the jury is still out on the insurance industry's reforms of critical illness cover.

What's the picture from the independent body which resolves disputes like Dean Turrell's? We took Dean to the headquarters of the Financial Ombudsman Service, which had played such a key role in his long fight with Norwich Union. Waiting in the lobby, he told me how it felt to be there.

TURRELL: It's a surreal feeling, I've seen that logo on so many envelopes that have come through the post, sort of looked at them with bated breath and it's just very weird to sit here and see that logo and actually be here.

CURWEN: Dean was happy about the outcome of his case - but the Financial Ombudsman Service is not a consumer champion – it is an independent adjudicator. Each year it deals with half a million enquiries about all kinds of financial products, and settles a hundred thousand disputes. In the past, it has expressed concerns about critical illness insurance, but in its latest annual report, the Ombudsman Service recorded a fall in the number of disputes related to this sort of cover. The Chief Financial Ombudsman, Walter Merricks gave Dean his view on critical illness claims.

MERRICKS: It would be wrong to say that the way the industry's handling these is all absolutely fine. We receive quite a large number of complaints about critical illness policies and indeed other health insurance policies of one kind or another. We think there are quite significant improvements the industry could make and indeed I think they are making right now. We've pointed out a number of things to them about how they could improve both the way policies are sold and how claims are handled. Because I think a lot of people when they take out a critical illness policy don't have a very good idea about what would happen if they made a claim and the fact that as soon as they make a claim, the first thing that's going to happen is that their insurer's going to start asking for their medical records. Now if people understood that, perhaps it would be a lot more comfortable all round.

TURRELL: My case was about non-disclosure. I mean should consumers be expected to declare every minor illness they've ever had?

MERRICKS: I think it's a really good question. Some of the questions that people are asked on these forms do almost appear to ask you for an entire life history of health and every visit you've ever made to the doctor ever in your life. Now that clearly can't be right. Insurers do have to have some way of asking questions that are going to be sensible and relevant for them, so that they understand whether they're insuring somebody who is an immediate major risk where they naturally would expect to charge a higher premium but on the other hand not making it a sort of major memory test for a consumer in trying to think, did I go to the doctor about this four years ago or five years ago, when actually I think the message for consumers I would say is if

you're not sure, don't tick the box without more thought and don't be rushed.

CURWEN: What about the other side of the problem from non-disclosure where somebody's illness doesn't qualify on the insurer's list of qualifying critical illness?

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CURWEN: The Chief Financial Ombudsman had acknowledged the insurance industry is trying to improve its handling of claims, and is making applying for critical illness cover less of a memory test than it has been. Our listener, Dean Turrell was not yet convinced about whether those attempts were working, and whether they go far enough. Remember that one in five claims are thrown out by the insurers. He was worried that some people, while they were sick or dying, were losing out on money they had counted on. He wanted to put those concerns directly to the industry body the Association of British Insurers. We met Nick Starling, the ABI's Director of General Insurance and Health.

TURRELL: I was let down by critical illness insurance when I needed it most, and at a time when I was least able to put up a fight. What are you doing to make sure other people don't have to go through this?

STARLING: Well critical illness insurance is a valuable product. We think it's important that people understand it well and that they are guided into making a proper application for it.

TURRELL: But what are you doing to make sure other people don't have to go through what I did?

STARLING: Well we've published two recent documents. We have a statement of best practice on critical illness cover and we

have guidance on application forms. We think the key in application forms is to make sure that the questions that are put are well understood. They're not too open, so that people understand exactly what they've been asked to put in and so that they're less likely to make mistakes. What we need to be quite clear is that people know precisely and exactly what they've been asked about and that is what the application form design guidance is designed for, and we've worked with the Ombudsman on that.

TURRELL: What about the problems of definitions of illness?

STARLING: Well the statement of best practice does have definitions and guidance on definitions which have been discussed with various authorities and the common definitions ought to make it clear what is covered and what isn't covered.

CURWEN: Do you think there has been a problem in the past though?

STARLING: Well clearly we have a situation where one in five cases are turned down, now that's too high. Now by definition that means there has been a problem and we think that by getting better on definitions, getting better on applications, we will be able to get those figures down and that's to the benefit of everyone.

TURRELL: What about all the millions of policies taken out before these changes? Does that mean these people are at a disadvantage ?

STARLING: I don't think these people are at a disadvantage. Eighty per cent of people get payouts without any problem. In some cases the payouts don't happen because that particular illness is not covered. But they're not at a disadvantage. But we think that if there's any doubt, they should just get in touch and just make sure they're clear on what they have.

TURRELL: My insurance company put up a wall when they were dealing with me. Should they not be more sympathetic to people making claims?

STARLING: This is a product which is designed to deal with people when they're in a very difficult situation in their life and that means that I would hope that our members always do act fairly and quickly and responsively and I'm sorry if there's been situations where that's not happened. But I think we can all aspire to a situation where consumers are looked after as sensitively and carefully as possible.

TURRELL: Do insurance companies have quotas, do they pass a certain amount of claims and fight on the rest?

STARLING: No they don't.

CURWEN: But that's a common perception.

STARLING: I understand it may be a common perception. As I said earlier, obviously too many claims are declined but there's no question of our member companies having quotas which they've got to meet in terms of declination and/or allowing claims. It's a valuable product and insurers want to pay out on that product. They're not in the business of picking holes, they want to make sure that there are valid policies out there and when the conditions are fulfilled, they pay out on them.

CURWEN: The body representing insurers had admitted to Dean that the number of failed claims is too high – but made it clear that it's trying to fix the problems. New policies should be sold with clearer information. But what about the millions already in place? After we recorded the interview with the ABI, Norwich Union – the insurer at the centre of Dean's dispute – announced it was inviting 5000 customers to review the information they'd originally provided, to prevent future claims being rejected because of non-disclosure. But so far it's just a pilot scheme and Norwich Union is only one of many companies in this market. Dean Turrell had lived and breathed the subject of critical illness insurance during his own battle to get the payout he was owed. In the end, what did he think of the insurance industry's reforms?

TURRELL: No real concern has been answered. Declarations of illnesses, definitions of illnesses, nobody that we spoke to over the last two days has convinced me it's still not a very grey area.

CURWEN: The Association of British Insurers did tell you that it's told its members to change the ways they do things. How did you feel about that?

TURRELL: The changes weren't conclusive to me. I think it is going in the right direction, but it's nowhere near as far down the road or at the final stop as people have possibly tried to lead us to believe.

CURWEN: You've said you think that insurance companies impose quotas on claimants, a certain number of claims get through, a certain number don't. You called it a numbers game. The Association of British Insurers said that doesn't happen.

TURRELL: They're not going to admit that happens. I still believe it happens. I believe the black and white cases get passed and paid straight away, and then going back to the grey areas, is where it becomes a numbers game. I don't believe that, with the best will, in the world every insurance company wants to pay every critical illness claim they get in. They wouldn't make a living at the end of the day if that's what they were doing.

CURWEN: Are you still bitter about how you were treated?

TURRELL: Yes, I am still bitter about the way I was treated. My honesty and integrity was called into question. I've never received an apology. So yes I'm very bitter.

CURWEN: But you did get your payout?

TURRELL: Yes, but at a cost. A cost of stress, a cost to my personal life. I got my payout, but I deserved my payout, I didn't deserve all the grief that went with it.

Inside Money: On the Critical List

Presenter: Lesley Curwen

Listener: Dean Turrell

Producer: Martin Bedford

Tx: Saturday 28th July 2007 1204

Rpt: Monday 30th July 2007 1502

THIS IS A TRANSCRIPT OF THE LONGER REPEATED VERSION

CURWEN: This is a tale about a type of insurance which is meant to give you financial comfort and security, at the worst time in your life. Critical illness policies are supposed to kick in when you find out you have a potentially fatal illness. Often these policies are sold while people are taking out a mortgage, and they promise to pay out a tax-free lump sum of money, if you're ever diagnosed as having certain serious illnesses such as heart attack or cancer. Often people see it as a way to pay off the mortgage, at a time where they can't work, and can't keep up their repayments.

TURRELL: Come on then, let's get you outside, there's a good lad...

SOUND OF DOG BARKING

CURWEN: That's Dean Turrell with his dog Buck. Radio Four listener Dean, who lives in Bolton, used to work in a high-pressure sales job. As a naturally cautious person, he wanted to protect himself and his wife Vicky against the unexpected.

TURRELL I have always felt insurance to be important. I've always insured myself from cars, motorcycles, then when we bought our first property, we had life insurance, critical illness policies, sickness and redundancy policies. I've always felt it was important to insure yourself, yes, because you never know what's round the corner

CURWEN: Dean and Vicky owned two properties, which they regarded as an investment for their old age, and each time they took out a mortgage, they were sold critical illness insurance. One policy was taken out with HSBC, in conjunction with a mortgage on a small property in Wales. The other policy was with Norwich Union, on their larger family home in Bolton. Dean, like millions of us, was willing to pay regular premiums into critical illness cover in exchange for peace of mind. Then came a day, in September 2004, when his world turned upside down.

TURRELL: I'd just started a new sales job seven days before. I was due to go out for my first meeting with the senior manager with a client. I woke up on the Tuesday morning at ten to six, I went to the toilet and I blacked out.

CURWEN: When Dean came round, he tried to carry on as normal. But twenty four hours later, in a blur of pain and sickness, he ended up in his local hospital.

TURRELL: I had just turned 40 three months before. I'm laying in a hospital bed. I'm, on oxygen, I'm on a blood pressure monitor 24 hours a day, I'm on drips, I'm being injected in both sides of the stomach to thin my blood, I'm being given tablets left, right and centre. I remember being wheeled down to the coronary care unit and Sarah, the sister, one of the sisters asking my wife, "Is he always this grey?" And my wife said, "no he's not." I think my wife actually thought I was going to die that night.

CURWEN: He'd had a heart attack. One of his arteries had become completely blocked, and it was touch and go. Dean was lucky, and after five days in hospital he was allowed to go home. But doctors warned him, he must change his lifestyle or face another, potentially deadly heart attack. With Dean unable to work, his wife Vicky became the main breadwinner. Naturally they were glad they'd taken out the two critical illness policies, and they got in contact with both insurers.

TURRELL: Filled in the forms. Both the HSBC and the Norwich Union came back wanting medical records from the hospital etc. I think round about the start of December of that year the HSBC phoned me up about your insurance claim Mr Turrell, it's been accepted.

CURWEN: Dean got a cheque for thirty-four thousand pounds from HSBC, which he used to pay off the mortgage on the property in Wales. But that still left the much larger claim on the Norwich Union policy, taken out when buying his home in Bolton.

TURRELL: Norwich Union seemed to be stalling. I kept phoning and hoping. They kept stalling me. So I had a very depressed winter. Life on hold. I was awaiting various medical procedures. I was advised by my GP not to go back to work, until we know exactly what the score is with all these procedures. So I was just hoping against hope that at least if they pay off it'll ease the burden financially.

CURWEN: Norwich Union had found something in Dean's medical records which wasn't on his application form. He'd been suffering from an eye condition, called ocular hypertension, a raised pressure inside the eyeball. Dean thought it was too minor to be relevant, and in fact, it does NOT feature in a list of 28 eye conditions which Norwich Union underwriters consider to be significant. But Norwich Union said that because of the "non-disclosure" of the eye complaint, his policy had been invalid all along.

TURRELL: It took a while to sink in, but almost immediately it made me feel very, very angry because they made me feel like I was hiding something and I didn't. I genuinely put that proposal form in good faith. I knew I had not deceived anybody.

CURWEN: Norwich Union were claiming that you had not disclosed something about your health?

TURRELL: Yes, the Norwich Union claimed that I had not disclosed an existing medical eye condition. But, there was no intention to deceive; I just was a bit naïve in the fact that I didn't answer the questions as fully as I would answer them now. I don't want anybody's sympathy but the way I saw it, I paid all my premiums, I paid my dues. I wasn't giving in. I wanted the money.

CURWEN: Dean's heart specialist provided evidence that there was no link between the minor eye condition and his heart attack. But claims managers at Norwich Union said that didn't matter. They insisted that if they'd known about the eye complaint, they would have charged Dean a higher premium; in essence, they would have written a totally different contract. Because he hadn't declared it – they said the contract was nullified. Dean felt indignant that his honesty had been called into question and he'd been denied a pay-out. Any consumer in this kind of position can appeal, through the Financial Ombudsman Service. That's what he did, and it was a long-drawn out process. At the first stage, the Ombudsman found in favour of the insurance company. Dean might have given up, but for the support of a lawyer.

MORTON: Yeah. I mean they'd written to you hadn't they, end of the year to say that they weren't minded to accept your arguments. But...

CURWEN: The lawyer was Paul Morton from Manchester firm, Brabners Chafe Street.

MORTON: Still the Norwich Union were not accepting what you said were they...

CURWEN: He's a leading litigation expert, who felt so moved by Dean's plight, he gave him advice free of charge.

MORTON: It was a sad sounding case and Dean had gone through a rough time. He obviously had had some bad news in that the Ombudsman had said that he wasn't going to rule in Dean's favour at that stage. He was my sort of age, my old man had had a heart attack and you sort of think for the grace of God go I.

CURWEN: Dean was obviously lucky to have you helping him. Most people don't have that or couldn't afford it. Do you think many people just give up?

MORTON: Yes I think they do. I think that most insurance companies when they're faced with paying out large amounts of money will put whatever realistic hurdles they can find in the way of those who are claiming the funds. They're going to ask you, put bluntly, to prove each and every element of that case which would lead to a payment of money. My experience of insurance companies is that they don't like paying out money, and they'll do their damndest to avoid doing so.

CURWEN With the help of Paul Morton, Dean re-submitted his case to the Ombudsman Service. At the start of this year, 3 years after his heart attack, the Ombudsman ruled in his favour; confirming that the eye condition wasn't significant, and Dean had had no intention to deceive. We asked Norwich Union for an interview about the case. The company said no. Dean was deeply disappointed. We were sent this statement instead.

STATEMENT: Mr Turrell's claim was declined by Norwich Union as we had believed that he had failed to disclose a case of ocular hypertension at the outset of his policy. This case has since been referred to the Ombudsman who upheld Mr Turrell's claim and Norwich Union has settled this claim in full.

CURWEN: Dean's reaction?

TURRELL: They're still not admitting they were in the wrong.

CURWEN: There is no apology in there.

TURRELL: I don't think the Norwich Union will apologise, because they won't admit they're wrong. At the end of the day, I was right, they were wrong. I firmly believed if it hadn't been the eye condition, they'd have wriggled anyway.

CURWEN: Norwich Union had to pay him a total of eighty-eight thousand pounds. Dean used it to pay off the mortgage on his Bolton home. He is continuing to recover, and after much searching, he's finally found a new job. But Dean still wants answers about the insurance product which caused him so much grief, so he decided to join Inside Money.

TURRELL: I'd like to find out just how big an issue this non-disclosure is. "Non-disclosure" - It's such a wide broad open issue to be able to refuse a claim. Where do you draw the line? You had a sore throat ten years ago. Do you declare it? I'd like to know how many other people have suffered this. How many other people are these companies not paying? Is this, with these big insurance companies, a numbers game? For every hundred claims, if only 50 of them they have

to pay – keep the other 50. Numbers game. You take it out with the greatest faith - never dream you're going to go down this route.

CURWEN: Of course Dean's experience was mixed – the smaller of his two critical illness policies had paid out without a hitch, although the larger one didn't. In fact, it's generally accepted that on average, one in every five claims are rejected – the industry itself admits that's too high. And indeed, publicity about failed claims has hit sales. Estimates suggest the number of policies taken out almost halved in recent years. Most are sold through brokers. We took Dean to a broker which specialises in selling the kind of insurance known as protection insurance – Lifesearch. It's unusual in selling these products on their own, not alongside mortgages.

BAIGRIE: Dean, Tom Baigrie.

TURRELL: Good afternoon Tom, nice to meet you.

CURWEN: Tom Baigrie is the chief executive of Lifesearch.

TURRELL: Tom, you know of my struggle with the Norwich Union, but another company who I had a critical illness policy paid up. So is critical illness a bit of a lottery?

BAIGRIE: It shouldn't be a bit of a lottery. But I can understand how it happens. It happens because not many members of the public truly understand the need for thoroughness in completing medical application forms, which can run to 30 plus pages, in fact normally does. You have to cover every medical condition that the insurer might possibly, even vaguely possibly be interested in. With critical illness that is just about everything. Now if you say it's a huge memory test and therefore this is likely to be a problem, then I agree with you. The difficulty bluntly is that if you build policies that don't need that level of disclosure, then you have to charge ever higher premiums.

TURRELL: What do you think of how the policies are sold in general?

BAIGRIE: Very often - in fact I think most often - it's sold as a secondary part of another sale, one perhaps linked to a mortgage. It's tagged on at the end, often by people whose main expertise is not in the area of arranging such policies. That I think is a real problem.

CURWEN: So is critical illness cover the policy that most people should reach for?

BAIGRIE: The policy that they should buy first is income protection. That pays out if you can no longer earn or do your job through disability. That is the basic cover that everyone should have.

Those who have that cover should consider, if they can afford it, adding critical illness cover to that protection. And the reason for that is that what income protection does is pay an income for as long as you can't work. What critical illness cover does is pay a lump sum when you are diagnosed as having something very, very serious. But that something may not put you off work. But it may make you not want to work and if you stop work because you don't want to then obviously income protection won't pay, but critical illness will.

TURRELL: There's been a lot of publicity on cases like mine. What effect is that having on the insurance companies?

BAIGRIE: A very considerable effect. All of us in the marketplace simply hate the concept that we are selling these policies and not paying out when they should. The insurance companies, with the Ombudsman, have made huge strides. I don't think contracts with the sort of sums assured that we deal in will ever be dispute free, but the industry is trying very hard particularly these last few years to get better at this.

CURWEN: In fact, the insurance industry last year consulted widely on what changes should be made to the way critical illness policies are sold and administered. The Association of British Insurers which represents the majority of UK's insurance companies, has drawn up new guidelines which became binding on ABI members earlier this year. They made changes to address that issue of non-disclosure which affected Dean – through more focussed questions on forms, and clearer warnings about what happens if you don't reveal everything. And they've made changes on another front. Half of the claims which get rejected, do so because people find that their illness isn't on the insurer's list of qualifying conditions, or it isn't severe enough. It can be a devastating blow.

ADVERT: When Andrew was diagnosed with cancer, he expected to lose his hair. He even expected to lose some weight. But he never expected to lose his home. You won't believe the things that cancer can take away. One in seventeen people...

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CURWEN: The Chief Financial Ombudsman had acknowledged the insurance industry is trying to improve its handling of claims, and is making applying for critical illness cover less of a memory test than it has been. Our listener, Dean Turrell was not yet convinced about whether those attempts were working, and whether they go far enough. Remember that one in five claims are thrown out by the insurers. He was worried that some people, while they were sick or dying, were losing out on money they had counted on. He wanted to put those concerns directly to the industry body the Association of British Insurers. We met Nick Starling, the ABI's Director of General Insurance and Health.

TURRELL: I was let down by critical illness insurance when I needed it most, and at a time when I was least able to put up a fight. What are you doing to make sure other people don't have to go through this?

STARLING: Well critical illness insurance is a valuable product. We think it's important that people understand it well and that they are guided into making a proper application for it.

TURRELL: But what are you doing to make sure other people don't have to go through what I did?

STARLING: Well we've published two recent documents. We have a statement of best practice on critical illness cover and we

have guidance on application forms. We think the key in application forms is to make sure that the questions that are put are well understood. They're not too open, so that people understand exactly what they've been asked to put in and so that they're less likely to make mistakes. What we need to be quite clear is that people know precisely and exactly what they've been asked about and that is what the application form design guidance is designed for, and we've worked with the Ombudsman on that.

TURRELL: What about the problems of definitions of illness?

STARLING: Well the statement of best practice does have definitions and guidance on definitions which have been discussed with various authorities and the common definitions ought to make it clear what is covered and what isn't covered.

CURWEN: Do you think there has been a problem in the past though?

STARLING: Well clearly we have a situation where one in five cases are turned down, now that's too high. Now by definition that means there has been a problem and we think that by getting better on definitions, getting better on applications, we will be able to get those figures down and that's to the benefit of everyone.

TURRELL: What about all the millions of policies taken out before these changes? Does that mean these people are at a disadvantage ?

STARLING: I don't think these people are at a disadvantage. Eighty per cent of people get payouts without any problem. In some cases the payouts don't happen because that particular illness is not covered. But they're not at a disadvantage. But we think that if there's any doubt, they should just get in touch and just make sure they're clear on what they have.

TURRELL: My insurance company put up a wall when they were dealing with me. Should they not be more sympathetic to people making claims?

STARLING: This is a product which is designed to deal with people when they're in a very difficult situation in their life and that means that I would hope that our members always do act fairly and quickly and responsively and I'm sorry if there's been situations where that's not happened. But I think we can all aspire to a situation where consumers are looked after as sensitively and carefully as possible.

TURRELL: Do insurance companies have quotas, do they pass a certain amount of claims and fight on the rest?

STARLING: No they don't.

CURWEN: But that's a common perception.

STARLING: I understand it may be a common perception. As I said earlier, obviously too many claims are declined but there's no question of our member companies having quotas which they've got to meet in terms of declination and/or allowing claims. It's a valuable product and insurers want to pay out on that product. They're not in the business of picking holes, they want to make sure that there are valid policies out there and when the conditions are fulfilled, they pay out on them.

CURWEN: The body representing insurers had admitted to Dean that the number of failed claims is too high – but made it clear that it's trying to fix the problems. New policies should be sold with clearer information. But what about the millions already in place? After we recorded the interview with the ABI, Norwich Union – the insurer at the centre of Dean's dispute – announced it was inviting 5000 customers to review the information they'd originally provided, to prevent future claims being rejected because of non-disclosure. But so far it's just a pilot scheme and Norwich Union is only one of many companies in this market. Dean Turrell had lived and breathed the subject of critical illness insurance during his own battle to get the payout he was owed. In the end, what did he think of the insurance industry's reforms?

TURRELL: No real concern has been answered. Declarations of illnesses, definitions of illnesses, nobody that we spoke to over the last two days has convinced me it's still not a very grey area.

CURWEN: The Association of British Insurers did tell you that it's told its members to change the ways they do things. How did you feel about that?

TURRELL: The changes weren't conclusive to me. I think it is going in the right direction, but it's nowhere near as far down the road or at the final stop as people have possibly tried to lead us to believe.

CURWEN: You've said you think that insurance companies impose quotas on claimants, a certain number of claims get through, a certain number don't. You called it a numbers game. The Association of British Insurers said that doesn't happen.

TURRELL: They're not going to admit that happens. I still believe it happens. I believe the black and white cases get passed and paid straight away, and then going back to the grey areas, is where it becomes a numbers game. I don't believe that, with the best will, in the world every insurance company wants to pay every critical illness claim they get in. They wouldn't make a living at the end of the day if that's what they were doing.

CURWEN: Are you still bitter about how you were treated?

TURRELL: Yes, I am still bitter about the way I was treated. My honesty and integrity was called into question. I've never received an apology. So yes I'm very bitter.

CURWEN: But you did get your payout?

TURRELL: Yes, but at a cost. A cost of stress, a cost to my personal life. I got my payout, but I deserved my payout, I didn't deserve all the grief that went with it.