

[EXTRACT]

Advisers should look to PMI to help weather downturn

Despite the global downturn, one area of business that is proving remarkably resilient for intermediaries is sales of international private medical insurance (PMI) to expatriates.

Yes, we've all heard over-hyped stories of expats abandoning their cars at the airport and returning home in droves - but the reality is that the vast majority of expats are staying put and the demand for international PMI remains unabated. Unlike investments in pensions and savings plans which can be postponed until conditions improve, PMI for expats is not a discretionary purchase – it's a must have product.

Anyone taking an expatriate posting needs effective international PMI which will respond to a medical emergency and provide day-to-day medical care. While access to high quality private healthcare is readily available in most western countries, the cost of treatment can be prohibitive without insurance. Expat postings may also be to countries and regions where healthcare is more limited and access to emergency medical evacuation is essential.

Whilst a cursory glance at the products on offer can make them all seem similar, there are a wide range of benefits and cover options available and some plans can be tailored to the individual requirements of clients or corporate groups, meaning advisers can offer a valuable service by identifying the right plan and level of cover.

Underwriting

PMI offers a range of different approaches to underwriting and the type of cover available varies between corporate and individual plans.

Today the majority of plans are underwritten on a moratorium basis – this means that the buyer signs up without having to complete a lengthy application form detailing their medical history – but any pre-existing medical conditions will be excluded from cover for the period of the moratorium. Moratorium underwriting is by far the most straightforward way to buy cover, but do make sure that your client understands that if an existing condition flares up during the moratorium the insurer will not pay. Pre-existing conditions will be checked against the member's medical records in the event of a claim within the moratorium period. Take care to double check the length of the moratorium, two years is the norm, but longer periods could disadvantage your client in the event of a claim.

A limited number of providers still offer full medical underwriting of PMI – where all of the client's medical history is declared on a detailed application form. Some advisers argue that it provides greater clarity to clients with complicated medical histories about conditions which are covered or excluded at the outset - but the reality is that pre-existing conditions will still be excluded and this approach may result in the permanent exclusion of conditions which could be covered in time

under moratorium plans.

Group schemes can frequently be underwritten on a Medical History Disregarded (MHD) basis. This means that every member of that employer's group scheme is covered in full – irrespective of any pre-existing medical conditions. Insurers can afford to ignore pre-existing conditions on groups because the increased risk they are exposed to on claims from a small number of employees is balanced against a greater premium income from the total workforce. For this reason insurers demand that a minimum number of employees sign up to MHD schemes - usually a minimum of 10.

Individual MHD plans are rare because the insurer could be taking on an unknown level of risk on an individual with a poor medical record – however some providers will offer MHD to individuals if they are transferring from an MHD group scheme to an individual plan with the same insurer. This option is well worth considering for clients leaving group schemes if they would find it difficult to get cover elsewhere.

The other option for expats already covered on an international PMI scheme but wanting to switch to another provider is to look for plans offered on a CPME basis (Continuation of Personal Medical Exclusions). This simply means that any medical exclusion imposed by the existing insurer will also be excluded from cover by the new insurer.

Different insurers' approach to underwriting group schemes vary considerably – and specialist providers will frequently offer far better terms – or tailor bespoke plans designed for individual employers and affinity groups. By getting to know individual providers, you will be able to understand their approach to tailoring individual schemes and will be better able to advise your corporate clients.

Geographic cover

The geographic breadth of cover on plans can have a significant impact on cost and the starting point for advisers is to establish the geographic cover needed. Due to the high cost of treatment in the USA, worldwide policies can be very expensive and there is no need to provide this breadth of cover to expats who will not travel to the US. Some premium quality individual PMI schemes will offer cover to clients who travel occasionally outside their normal region for a limited number of days each year – and this can be a valuable additional benefit to clients who may travel occasionally to other areas of the world. Within group schemes it is generally possible to tailor geographic cover to suit different workers' postings – so the level of cover received matches the countries individuals will visit.

Premium cost management

Costs can also be managed through voluntary excesses or no-claims bonuses, which are available on some plans or by paying annually rather than monthly. Also make sure that clients are not paying for benefits they don't need – for example many plans automatically include maternity benefits, which will clearly not be needed in all cases. Others plans offer family friendly rates, so make sure that you client gets a policy which can be tailored to their needs.

Check the benefits

Take time to drill down into the details of the benefits. For example all quality International PMI plans offer emergency evacuation by air ambulance or scheduled airline to the nearest high quality medical centre, but not all will allow the patient to be accompanied by all their family members.

Also consider carefully the insurers' approach to offering ongoing treatment of chronic conditions. Some lower cost schemes exclude cover for chronic conditions which could leave your client facing big bills if they develop a long term illness during their expat posting. Other plans, particularly premium-quality products frequently offer more generous cover for chronic conditions.

Finally, consider additional benefits. For example, some international PMI plans are now available which respond to security emergencies as a result of political and civil unrest or catastrophic weather incidents. If your clients are likely to be based in less stable jurisdictions they will be grateful for the cover provided by emergency security service specialists, such as red24 (www.red24.com).

International PMI – the opportunity for intermediaries

Despite the worldwide recession, employees are continuing to send key workers on expatriate postings and many individuals are retiring overseas or emigrating to find a better lifestyle. As a result the demand for individual and group international PMI remains unabated and provides a lucrative market to advisers working in the offshore market.

Paul Weigall is head of sales for PMI provider Interglobal

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