

Swiss Re



# Welfare Reform

Impact and opportunity

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FOCUS 20 January 2011

## Agenda

- Welfare Reform Act 2007
- Sick note to fit note
- 21st Century Welfare
- Impact and opportunities
- Underwriting and Claims - Data
- The way ahead...
- Summary
- Any questions?



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- According to the CBI (Confederation of British Industries) how many working days are lost due to ill health per year?
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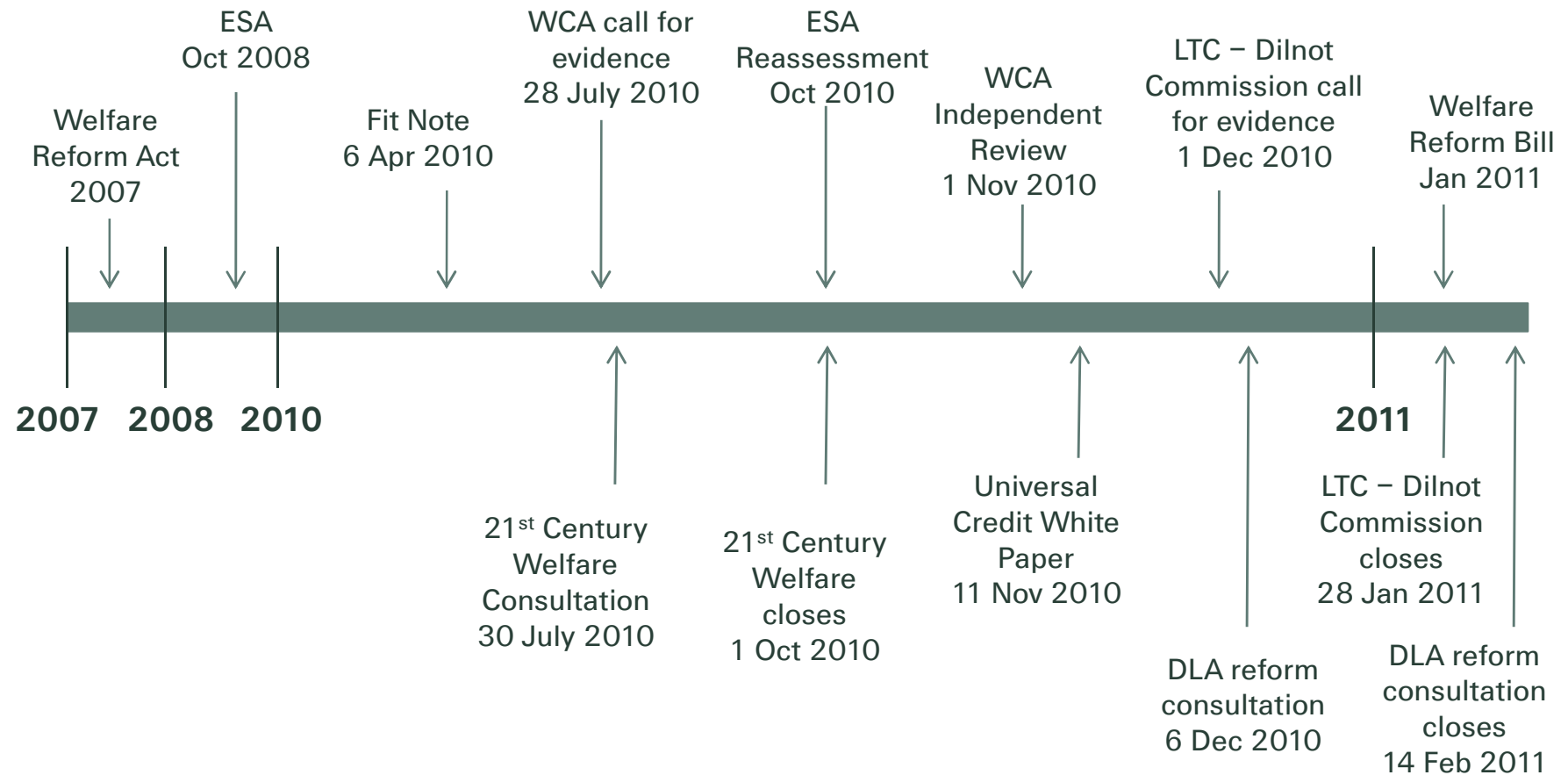
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Source: DWP Dec 2010

## Time line of events



# Welfare Reform Act 2007

Introducing ESA and the WCA





## Employment and Support Allowance (ESA)

- Introduction of ESA from October 2008
- Replaced incapacity benefit, income support paid on the grounds of incapacity and severe disablement allowance
- Reassessing all existing claimants from October 2010
- Work Capability Assessment (WCA)
- Work-related activity (WRA) component or support group component
- Conditionality i.e. participation in work focused interviews.
- Since launch, 65% of all completed assessments have been found fit to work
  - Work related group – 25%
  - Support Group – 10%
  - Fit for Work – 65%

A red stethoscope is coiled on a light-colored, possibly wooden, surface. The stethoscope's chest piece and binaurals are visible. To the right, a portion of a white laptop is visible. The background is slightly blurred, focusing attention on the stethoscope.

# Sick note to fit note

DWP's Statement of Fitness for Work

## Sample statement of fitness to work

**Statement of Fitness for Work  
For social security or Statutory Sick Pay**

Patient's name

I assessed your case on:

and, because of the following condition(s):

I advise you that:

☐ you are not fit for work.

☐ you may be fit for work taking account of the following advice:

If available, and with your employer's agreement, you may benefit from:

☐ a phased return to work ☐ amended duties

☐ altered hours ☐ workplace adaptations

Comments, including functional effects of your condition(s):

*Sample*

This will be the case for  or from  to

I will/will not need to assess your fitness for work again at the end of this period.  
(Please delete as applicable)

Doctor's signature

Date of statement

Doctor's address

Med 3 04/10

- 6 April 2010
- new options
- removed fit for work
- more space
- tick boxes to aid return to work
- 3 months issue limit

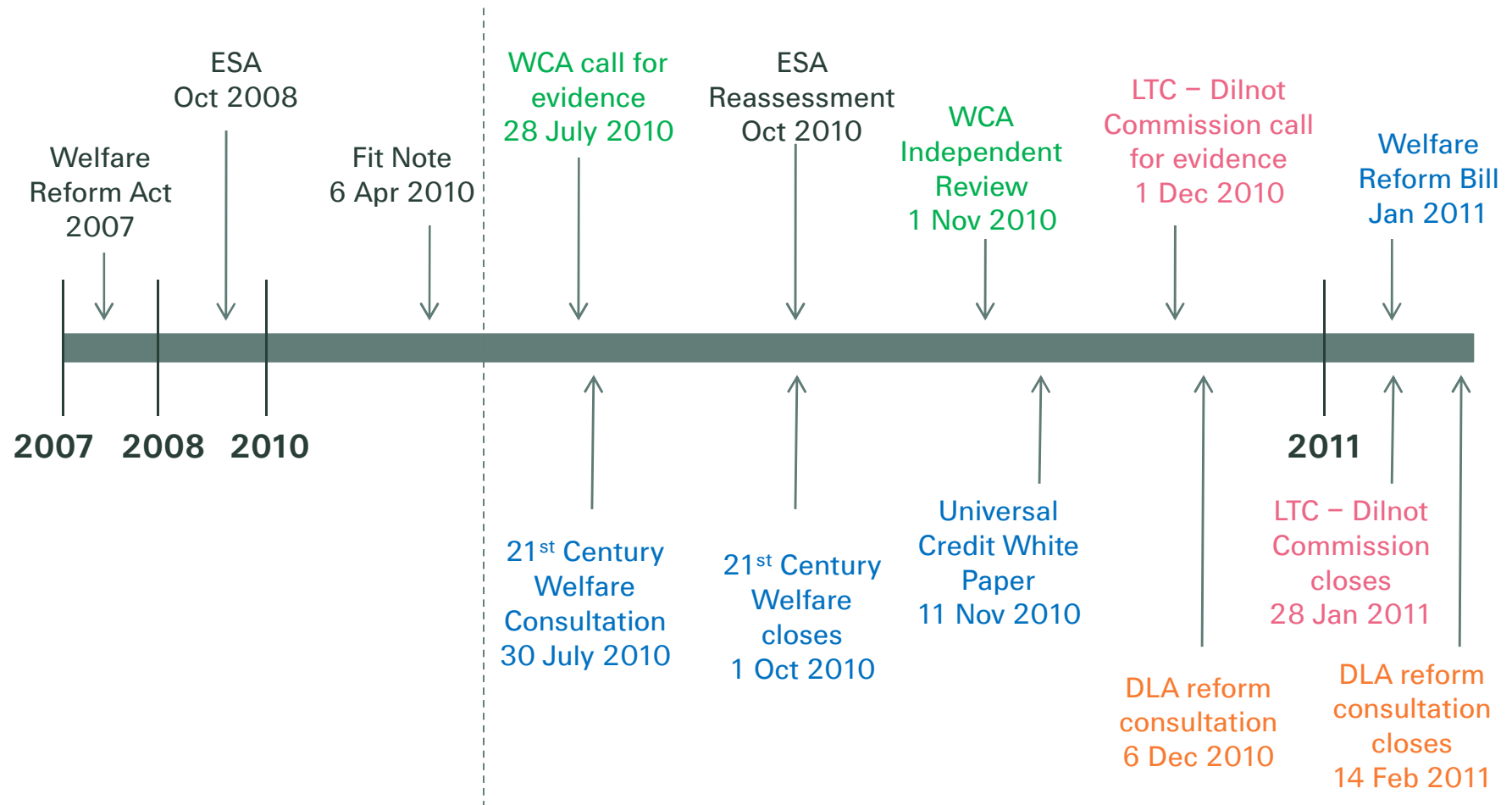


# 21st Century Welfare

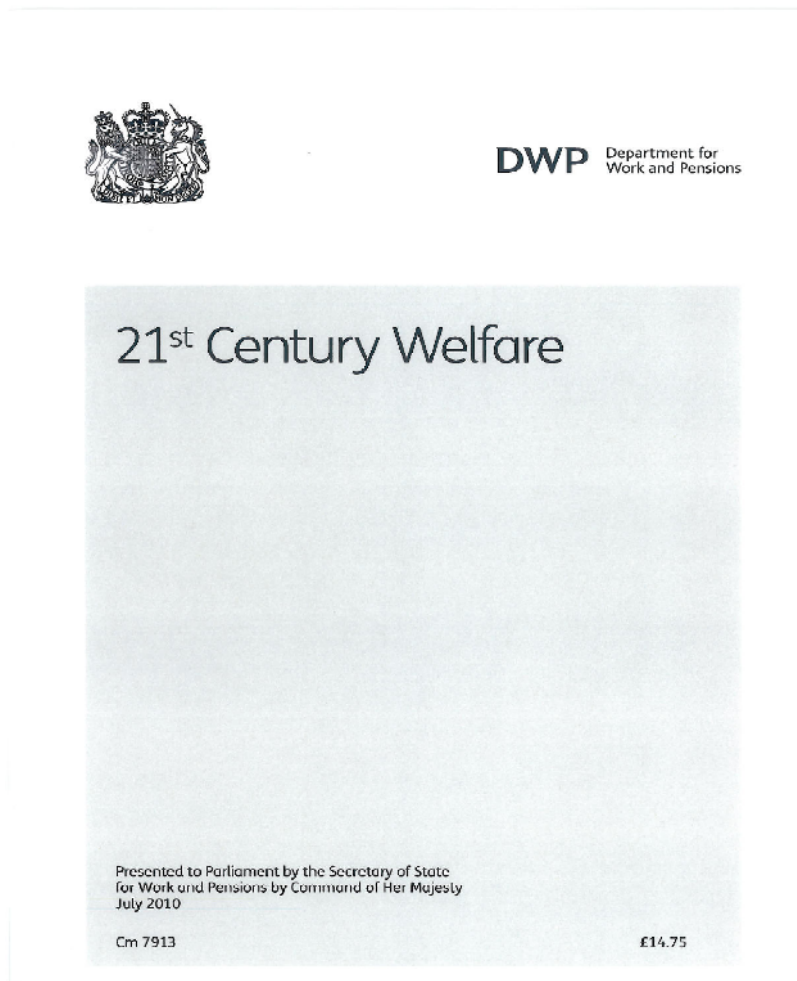
Welfare Reform proposals from the coalition government



## Time line of events



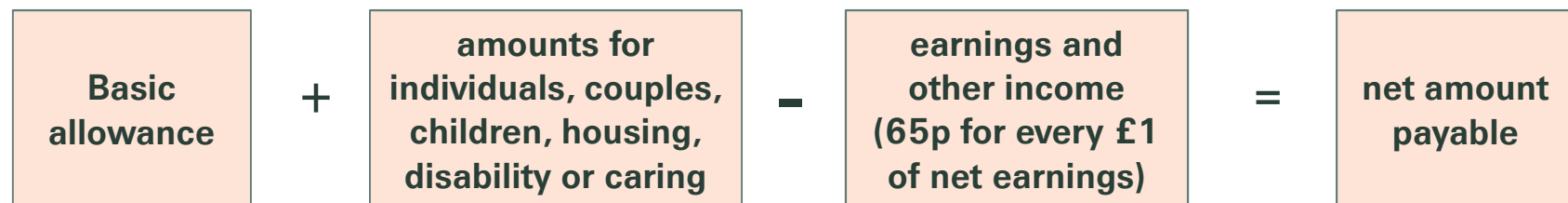
## Consultation paper



- Consultation paper issued on 30 July 2010, seeking views to inform the Government's thinking on reforms to the benefits and tax credits system
- Laid out a number of proposals to change the benefits system, making it simpler and more efficient
- Fewer benefits and focus on ensuring that work always pays and is clearly seen to pay
- Consultation closed 1 October 2010, the outcome of which have been published in a White Paper - "Universal credit: welfare that works" on 11 November 2010
- Swiss Re responded via the ABI

## White Paper – "Universal credit: welfare that works"

- Sets out the Coalition Government's plans to reform the welfare system by creating a new Universal Credit (UC):

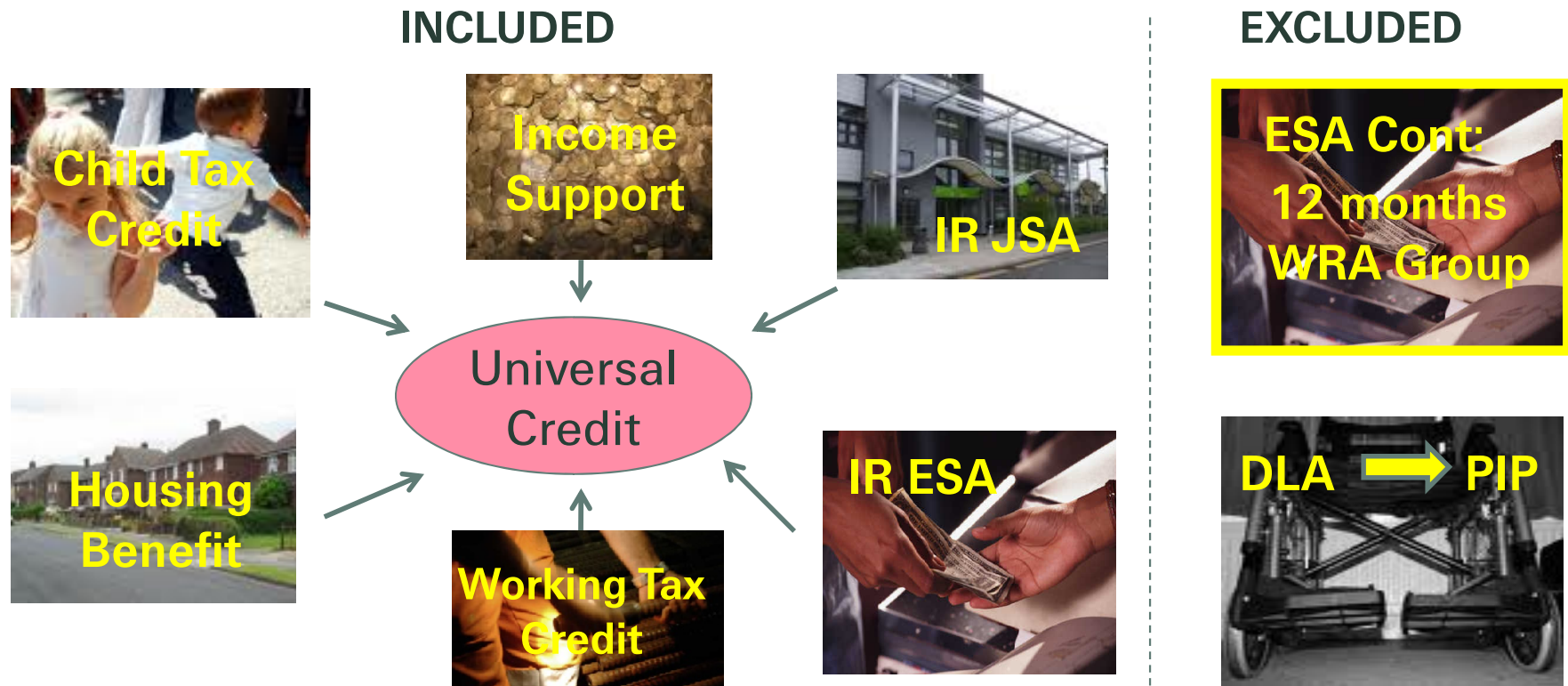


Based on current  
benefit and tax  
credit rules

Consistent and  
reasonable rate of  
withdrawal

- incentive to return to work reinforced through system of disregards and conditionality
- household benefit payments capped
- delivered through new IT system, using up to date earnings from employer to calculate the UC on a household basis

## Universal Credit - the details

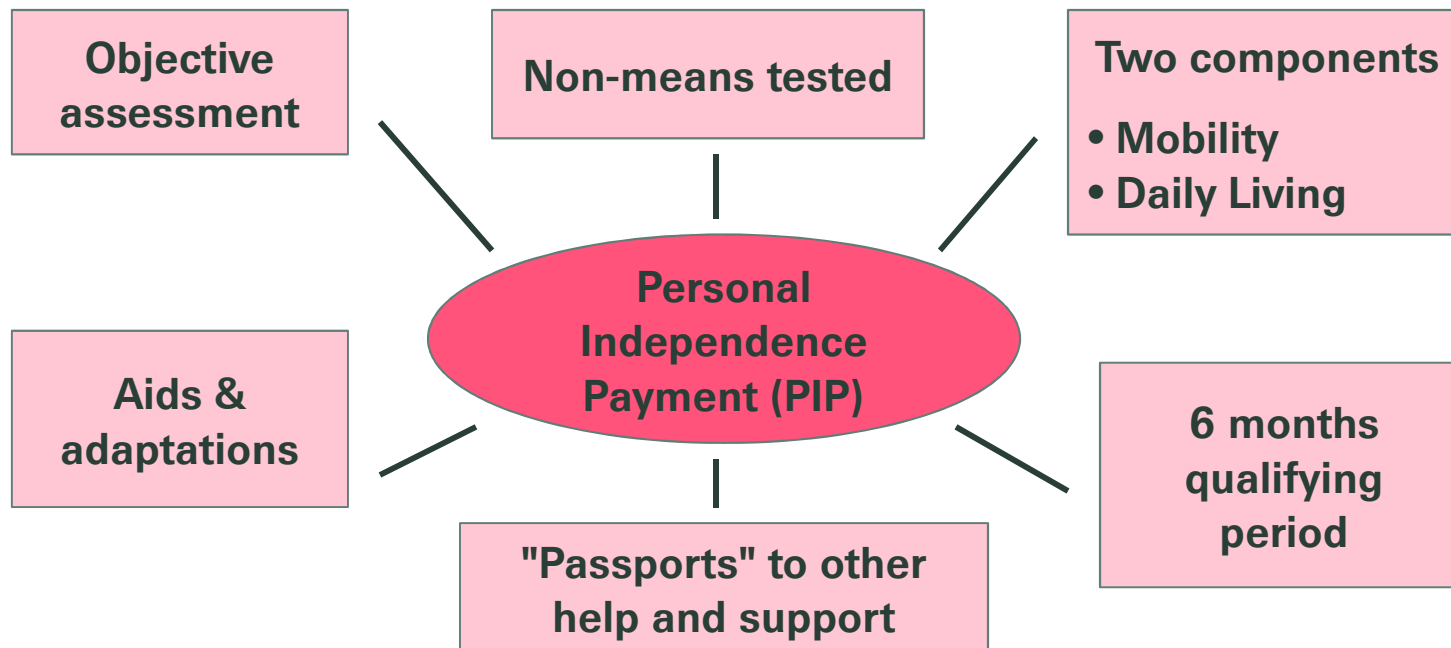


Welfare Reform Bill in January 2011, claimants from 2013 will enter the new system, existing claimants phased in



## Disability Living Allowance (DLA) reform

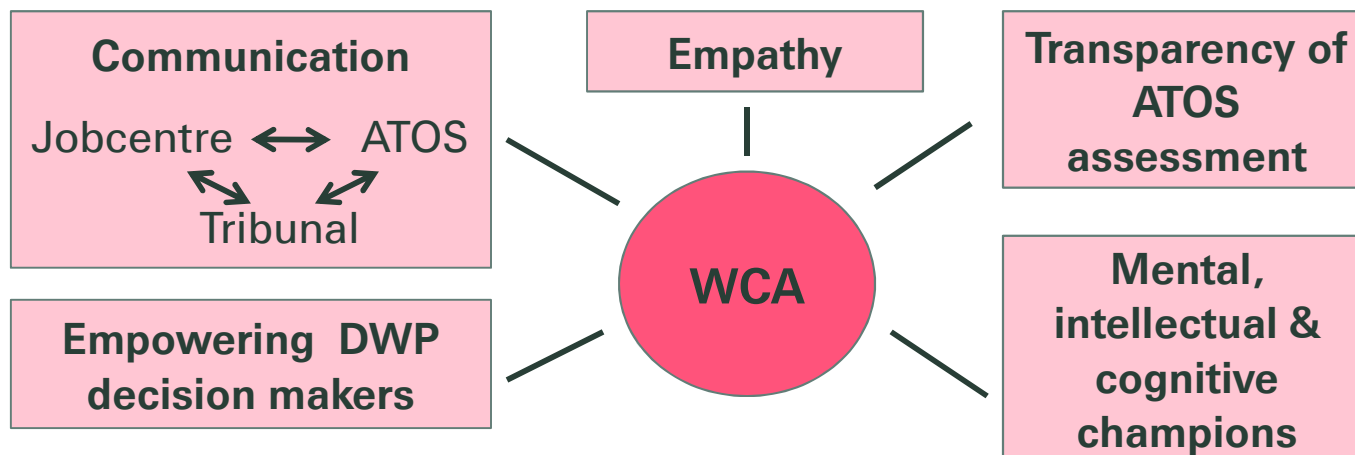
- Consultation paper issued 6 December 2010, seeking views on reforming DLA and introducing a new objective assessment



- Consultation closes 14 February 2011, plan to publish the responses and the action the DWP will take as a result in Spring 2011

## WCA – Independent review

- Call for evidence consultation paper issued 28 July, inviting feedback on how the WCA is operating.
- Outcome of Independent Review of WCA published in November 2010



- Programme of work set out for next two years to:
  - review the WCA descriptors
  - use of other healthcare professionals in the ATOS assessment

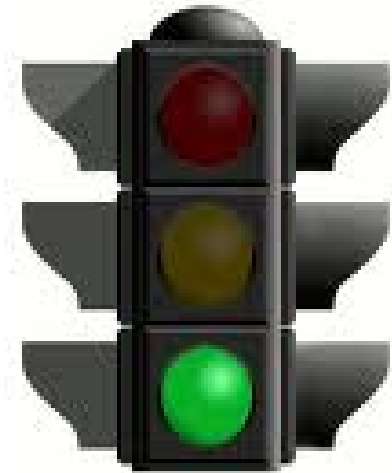
## Dilnot Commission

- Commission on Funding of Care and Support: Consultation runs from 1 December 2010
- Aimed at achieving affordable, sustainable funding for care and support
- Four key priorities for reform:
  - ensure people understand how the care and support system works and be encouraged to plan accordingly
  - ensure people have the opportunity to be protected against the future cost of care and support
  - ensure people are clear about the role of the wider system of public support (including the NHS and social security)
  - increased resources be it public, private or voluntary, will need to be dedicated to care and support in the future
- Call for evidence closes on 28 January 2011, Swiss Re are responding

# Impact and opportunities

## Implications

- Review Income Protection (IP) benefits for WRA group
- Catalyst for active management of older claims?
- Shift in focus to what individuals can do – pressure on employers?
- Do not need to be 100% fit
- Reinforces our desire to assist people back to work
- Unwritten policy terms - Green light for rehabilitation
- Lessons for our market?
- Implications for TPD also?



## Implications

- State benefits harder to obtain and maintain
- Many consultation papers/calls for evidence – all contain same message
- Work is good for you, initiatives to support return to work activities
- Alignment between these proposals and insurers' rehabilitation initiatives
- Positive influence on attitudes to work and buy-in to rehabilitation
- Making the assessor's role in facilitating a return to work easier
- Improved claims experience due to shifting attitudes towards work?

## Opportunities

- Private / public partnership opportunities
- Protection industry service providers
  - replacing ATOS in undertaking the WCA?
  - undertaking job preparation activities
  - undertaking the ADL assessment for PIP
- Insurers:
  - effective management of IP portfolio
  - decision makers for ESA?
  - consultants in the development of the WCA and PIP "Daily Activity" assessment
  - trainers for DWP decision makers
- Decreasing state provision raises need for self provision
  - need for insurance



The background of the slide is a composite image. On the left, there is a close-up, low-angle shot of a microscope's objective lenses, which are metallic and cylindrical, pointing towards the right. On the right side, there is a blurred image of a colorful parrot, likely a macaw, with vibrant blue, red, and yellow feathers. The overall composition suggests a focus on precision, technology, and nature.

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# Underwriting and Claims - data

## Economic data

- A significant increase in ESA, claimants remains around 600,000 per year
- Reduction in average days sickness from 6.7 days in 2007 to 6.4 days in 2009
- Individuals remaining in work for fear of redundancy
- The existence of a two year claim lag. Not seen a significant increase in IP claims within the industry (source: Insurance Report 2009 )
- Claims reporting/notification changes – new claims management techniques mean earlier intervention and better return to work.

Source: DWP Dec 2010

## Early claims

- In 2009 Swiss Re performed an analysis of early claims received between July 2007 and June 2008



- In 2011 we will be performing this analysis again

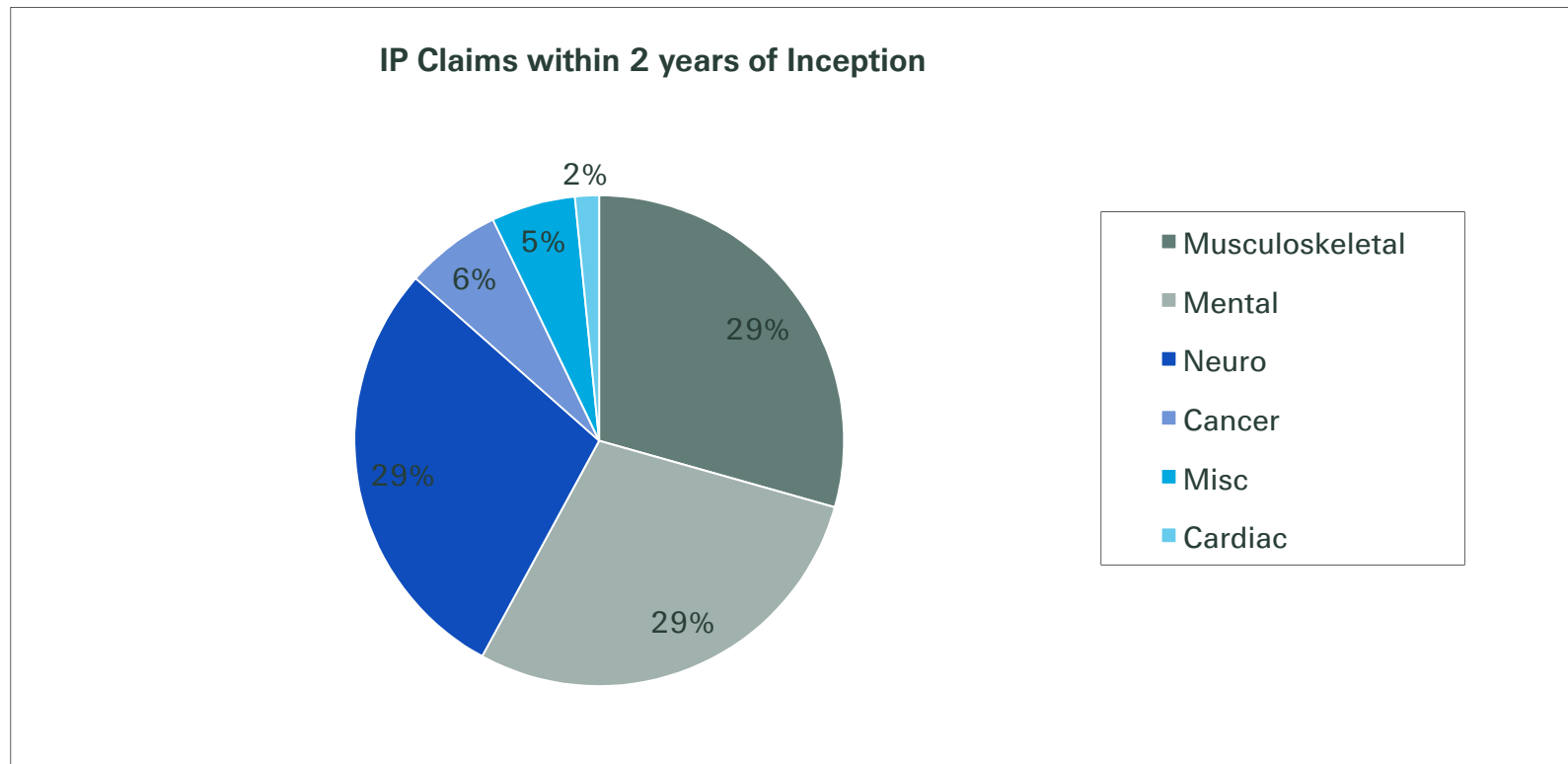
## Early claims: financial

- 2011 survey also highlights financial claims
- Scenario 1 - Male 57, £1m to business cover in respect of overdraft. Died from drowning within 12 months (recorded as misadventure). At inquest, had financial worries although the accounts for 2007 showed small profit.
- Scenario 2 - Female 36, £800,000 to cover loan (takeaway owner). "Died" within five months of heart attack while in China. Claim investigated and declined on fraudulent grounds as no evidence to suggest death actually occurred and no body. Evidence also confirmed no loan ever in place and in severe financial difficulty. Initial sum assured was £1m then reduced to £800,000 which is maximum amount available before financial underwriting.

## Financial underwriting

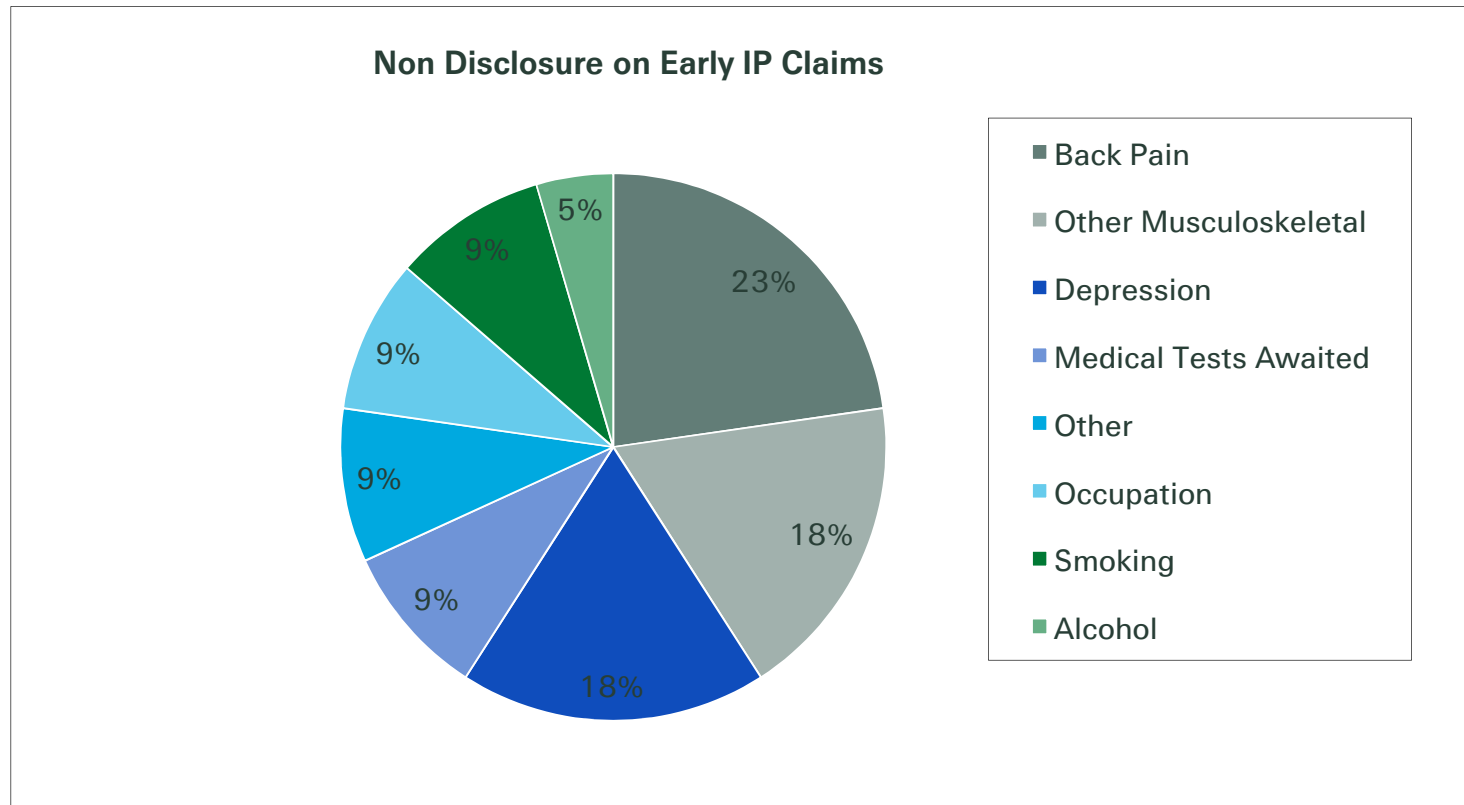
- What do we consider?
- Insurable interest
- Appropriate level of cover
- Lapse risk

## Early IP claims: cause



■ Neurological causes (including trauma and chronic disease) featured as prominently as mental illness and musculoskeletal claims

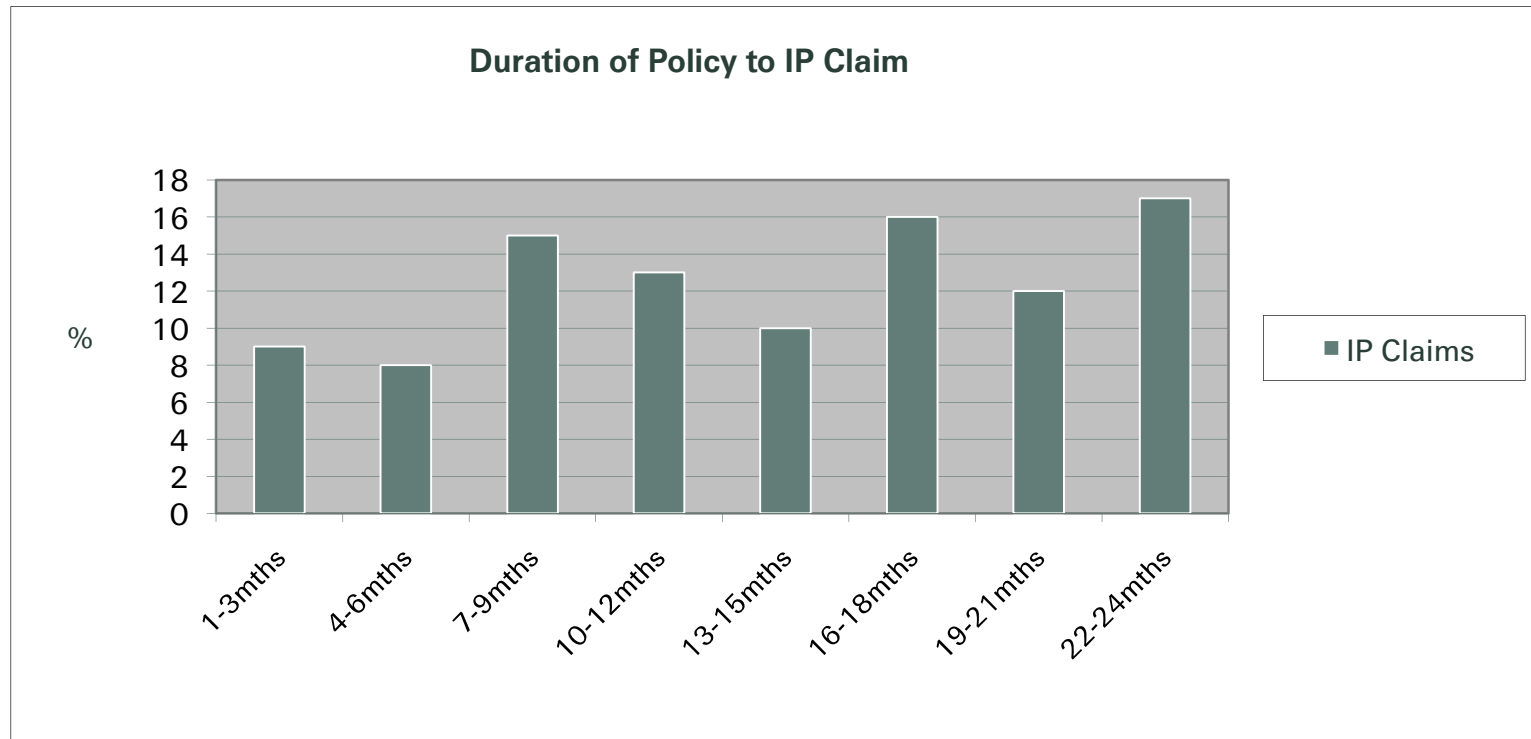
## Early IP claims: Non-disclosure



- Occupational non-disclosure featured misrepresentation of duties

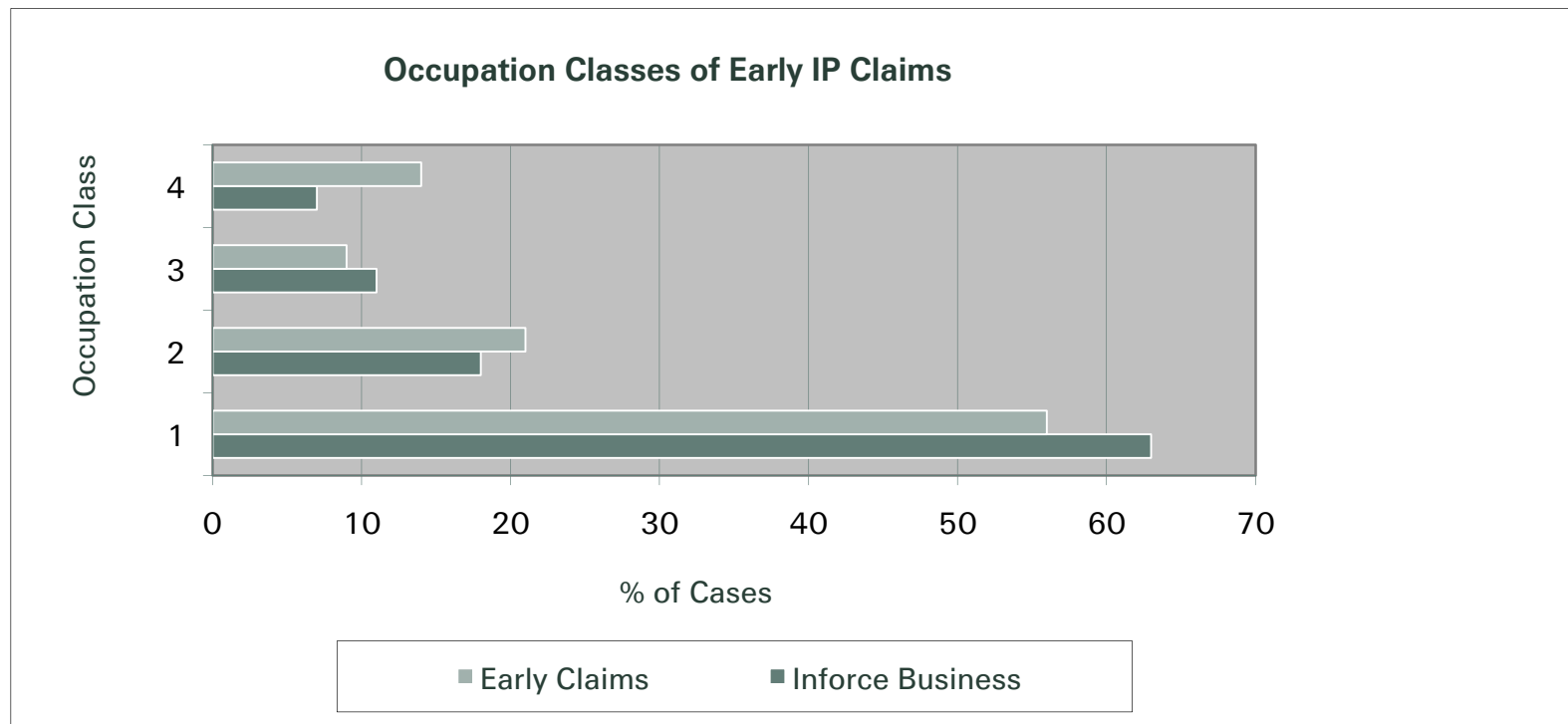


## Early IP Claims: Duration



■ 17% of IP claims arose in the first six months

## Early IP claims: occupation class



- 30% of early IP claimants were self employed
- Poor underwriting decisions were largely due to assessment of occupations

An aerial photograph of a roundabout in a desert landscape. The roundabout is a circular intersection with a green grassy center. Four roads extend from the roundabout in the cardinal directions. The surrounding terrain is arid and sandy with some sparse vegetation.

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The way ahead...  
where do we go from here?

## Product development

- Economic environment
  - Ease of assessment
  - Simplified products - Life
  - Distribution changes
  
- Welfare reform opportunities
  - Simplified products – IP
  - Top ups
  - PPI follow up
  - Long-term care
    - Group flex benefits ?

## Irish market

- Similar challenges
- Benefits structure
- Policy demand

## Pricing implications

- Increasing claims?
- Increasing price?



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# Summary



## Summary

- Rapidly changing welfare environment
- Positive impact for claims management
- Creating opportunities for our industry
- Product development
- Continuing need for robust controls
- Swiss Re will keep you updated on developments

A photograph of a seal looking out of a circular porthole window. The seal's face is pressed against the glass, and its whiskers are visible. The background outside the window is a dark, textured surface, possibly underwater or a cave. The text "Any questions?" is overlaid on the upper left portion of the image.

Any questions?

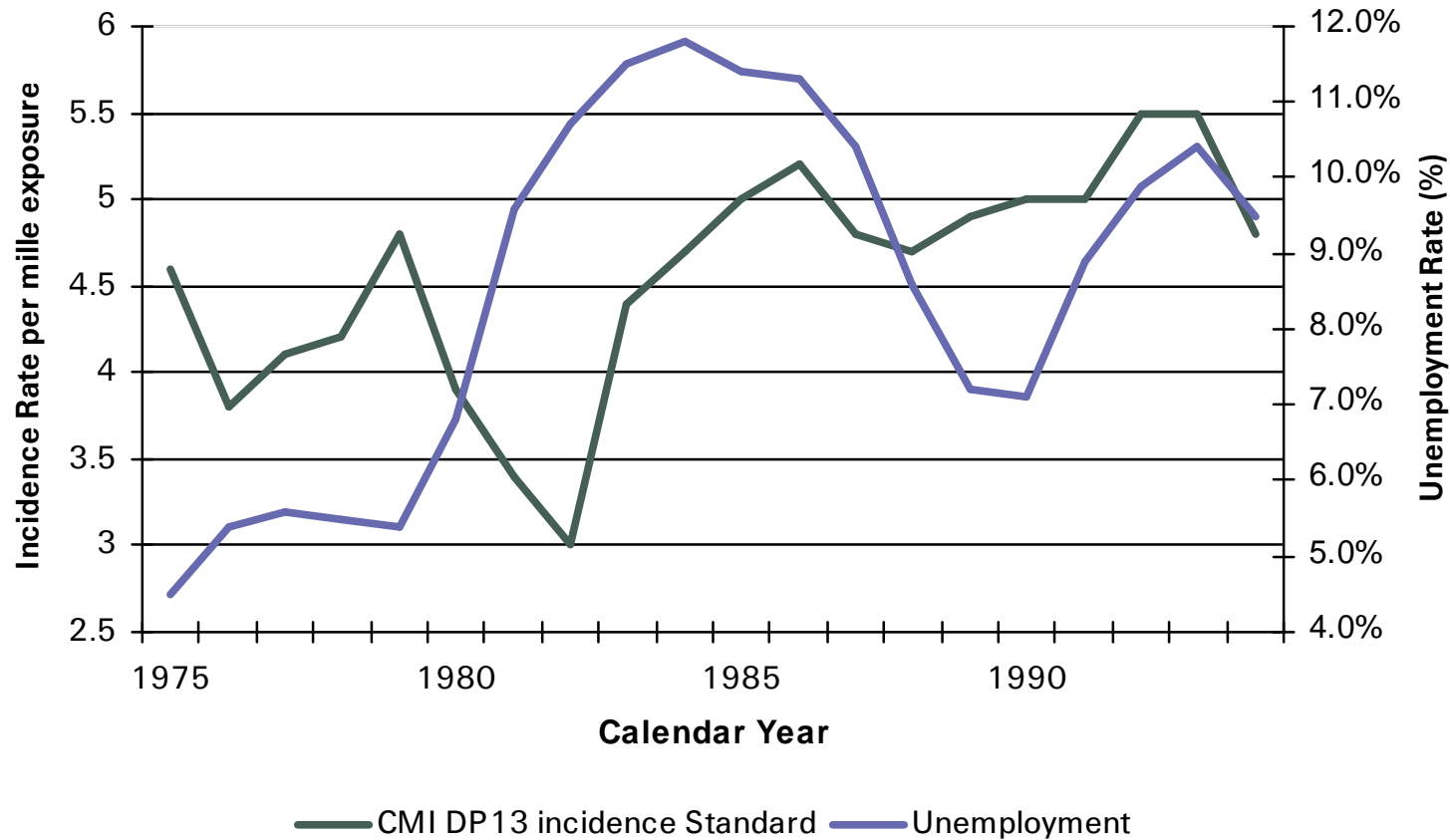
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Thank you

## CMI incidence vs. unemployment 1975 - 1994



■ Is there a link between unemployment and disability?

Sources: CMI (IoA Healthcare Guarantee Paper 1), ONS



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