PRESS RELEASE

DEMAND FOR PMI CONTINUES TO GROW

The number of people with private medical insurance (PMI) policies in the UK or enrolled in medical schemes self-insured by employers, rose modestly for the second successive year, up by 1.3% in 2007 to reach 4,250,000 at the start of 2008, according to a new report from leading independent analysts Laing and Buisson and sponsored by PruHealth*. The rise in demand in the last two years (up 2.8%) followed a small fall over the previous three years (down 0.7% in total). Total people covered by PMI and self-insured medical expenses schemes was 7,492,000 at the start of 2008, 12.3% of the UK population.

INDIVIDUAL FALLING TREND SOON TO LEVEL OFF

Durability of the PMI market was again underpinned by growing corporate demand for traditional private medical insurance in 2007 (up 2.3%), as the self-insured corporate medical expenses market remained largely static. However, the downward trend in individual PMI demand continued but decelerated in 2007 (down only 0.5%). Individual policyholders have fallen from a peak of 1,457,000 in 1996 to a low of 1,091,000 at the end of 2007, but a reported pick up in individual PMI demand by several leading insurers in the first half of 2008, suggests that the falling trend may level off this year.

STEADY REAL GROWTH IN PMI REVENUES

Private medical insurance revenue grew above the rate of inflation (RPI), up 5.2% to reach £3.43 billion following steady growth in 2006 (up 3.8%) and 2005 (up 3.6%). Overall, revenue growth has slowed in the last five years due to very competitive pricing for corporate PMI, more moderate premium increases (in single figures) amongst a falling number of individual subscribers, along with a general shift towards lower cost policies (from ‘trading down’ and increased subscription to budget options). Claims costs grew very marginally ahead of revenue in 2007, up 5.4%, as insurer margins remained largely unchanged.

On the current state of the market, author of the report, economist Philip Blackburn commented:

‘A second successive annual rise in PMI demand, although relatively modest, confirms the unfading popularity of private healthcare cover, particularly in the corporate sector, but also from individuals willing to spend increasing amounts to be covered. Corporate desire for flexible health, protection and wellbeing solutions, including an increasing range of employee support services, across employers of all shapes and sizes continues to underpin market strength and drive growth forward gradually. Insurers are providing cover to meet the rising expectations of employers, while looking to keep rising medical and healthcare costs in check. Despite heavy investment in the NHS in the 00s and concrete improvements to its services, and slowing economic activity in the UK, demand for PMI from individuals remains fairly solid.’

On future prospects, he adds:

‘The industry has to be optimistic following two years of growth at a time when the UK’s public health service has undoubtedly improved, and economic growth has started to slow. Private corporate healthcare cover solutions remain a strong and growing preference and private medical insurance for individuals retains many desirable features that can’t be matched by a budget restricted NHS. After a period of massive investment, the NHS is highly unlikely to continue its rate
of improvement going forward with smaller funding growth planned to meet rising healthcare expectations and needs. The private health & care cover sector is ideally placed to meet these expectations, across primary, secondary and long-term health & care. Key will be the sector’s adaptability and ability to innovate to meet consumer demand in the future, by offering affordable products and promoting healthy lifestyle choices for customers."

CASH PLANS TURN THE CORNER

The number of contributors to health cash plans in the UK grew relatively strongly by over 3% in 2007, to reach 2,992,000, the market’s first significant growth of the 00s. Driving growth was a sharp pick up in employer paid cash plans, rising by over a quarter (up 27%) from a small base to reach 293,000 contributors. Individually/employee paid cash plans grew more modestly by 1%, to reach 2,699,000, but confirmed that demand for health cash plans has turned the corner and started to grow. Keeping cash plans affordable has been the key to their recent growth, as the average price for cash plans, at £164 in 2007, grew marginally below the rate of economy inflation (RPI) in the last two years. As such, contribution income from cash plan sales in 2007 grew by only 4.3% to reach £482 million, and behind growth of 4.8% in cash plan benefits paid which were £344 million, as provider margins edged down. At the end of 2007, an estimated 4.97 million people were covered by health cash plans, 8.2% of the UK population.

STRONG BUT SLOWER GROWTH IN DENTAL CARE COVER

The number of subscribers to ‘stand alone’ dental benefit plans grew strongly by 10% in 2007 to reach 3,295,000, following very strong a year earlier (up 31%). The vast majority of these, 83%, subscribed to a dental capitation plan, whether individual risk or community risk. The remaining 17% are covered by dental insurance plans sold to individuals/employees and employers. Rising demand for dental insurance (up by nearly a third) from employers and individuals drove growth upwards in 2007, as the overall market was tempered by more modest growth in dental capitation (up 7%). An estimated 3.4 million people in the UK were covered by stand alone dental benefit plans at the end of 2007, 5.5% of the population, and spending on stand alone dental cover reached £514 million, with £457 million spent on private capitation fees and £57 million spent on dental insurance premiums.

Report author Philip Blackburn commented:

‘A resurgent private dental care cover market in 2005 and 2006 was underpinned by a shifting momentum toward the private sector from many dentists prior to the new NHS dental contract and remuneration system being introduced in April 2006. Two years on, this shift has settled down as government funding for NHS dental care remains ring-fenced for the time being. However, less people have access to NHS dental care post-contract, and the increased popularity of dental insurance in the last two years is set to grow as private dental care spending continues to rise.’

END

FURTHER INFORMATION FROM PHILIP BLACKBURN
philipb@laingbuisson.co.uk OR 07719330095