

Ct/LetDc
23rd July 2012.

Julie Hawes
Inquiry Coordinator (Private Healthcare)
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD



Dear Ms Hawes

BIBA's response to Private Healthcare Market Investigation

The British Insurance Brokers' Association (BIBA) is the UK's leading general insurance organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA membership includes just under 2,000 regulated firms having merged with the Institute of Insurance Brokers (IIB) in November 2011.

General insurance brokers contribute 1% of GDP to the UK economy and BIBA brokers employ more than 100,000 staff.

BIBA helps more than 400,000 people a year to access insurance protection through it's *Find a Broker* service, both online and via the telephone.

Brokers provide professional advice to businesses and individuals, playing a key role in the identification, measurement, management, control and transfer of risk. They negotiate appropriate insurance protection tailored to individual needs.

BIBA is the voice of the industry advising members, the regulators, consumer bodies and other stakeholders on key insurance issues. BIBA provides unique schemes and facilities, technical advice, guidance on regulation and business support and is helping to raise, and maintain, industry standards.

BIBA is pleased to offer the following contribution to the Competition Commission investigation in respect of privately funded healthcare services in the UK.

1. The definition of the relevant market or markets:

The UK private healthcare market falls into two distinct areas; that are relating to individual private medical insurance and the subject of this investigation, and the corporate market providing cover for individuals as part of their employee benefit package.

2. How easy it is to enter the relevant markets, the structure and conduct of of current providers.

In terms of insurance providers, there is currently a duopoly which exists and controls approximately 65% of the UK market. This extends to around 70% to include the third largest provider. Any new entrant would have difficulty in achieving critical mass.

In terms of hospital groups, these tend to be large groups who enter into specific arrangements with insurers in order to control costs. Consequently BIBA does not believe this creates sufficient competition between hospital groups, and also prevents some independent small hospital groups from entering the market.

Consumers looking to arrange healthcare are either those seeking cover for the first time or those currently insured. Existing policyholders tend to have more defined requirements based upon experience of existing cover. New enquiries tend to have expectations due to their assumptions concerning the industry. Existing insureds ask about specific benefits, including hospital choices, having been able to assess their needs based on experience. Premium is often an issue.

New customers entering the PMI market are often naïve to many of the pitfalls based upon the difference of dealing through an intermediary or directly with an insurer. As an example, some factors only become apparent at the time of claim.

- (i) Hospital access. Insurers can freely change hospital directories without updating their membership. This only presents an issue at time of claim when policyholders assumptions are challenged.
- (ii) Underwriting issues. Sometimes underwriting aspects are not fully explained by direct insurers, such as the moratorium approach, which is an appropriate solution for some consumers who would not benefit from full disclosure.

3. The role of conduct of private medical insurers.

We have commented on the explanations of underwriting and claims procedures which are not always apparent through the insurers direct distribution channel. Consultation fees can be a significant issue with insurers encouraging referral to their own medical panels which may not be in the best interests of the insured.

**4. The role of the National Health Services throughout the UK;
The role or conduct of general practitioners;
Any regional or local issues or differences across the UK;**

BIBA cannot comment on any of these issues.

5. The extent and quality of information available to patients; and

BIBA believes that sufficient information on treatment choices is not always available. Historically medical insurance is sold on the basis of choice of where, when and who is to apply treatments. Insurers now challenge these aspirations and direct policyholders to facilities and consultants of their choosing, governed by cost and commercial terms.

6. Any other issues you consider relevant.

Our members feel that it is imperative there is a level regulatory playing field. Brokers are subjected to an excessive regulatory regime but insurers can be free from regulatory responsibility in terms of their code of conduct.

BIBA is concerned at the level of shortfalls on reimbursement of consultant fees which in part is possibly due to agreements made between groups of consultants. This has a negative aspect on patient choice.

BIBA has concerns over the existing level of commission paid whereby new business attracts higher levels than renewal or existing business commission. Whilst there are undoubtedly additional costs in acquiring new business, agreement is required between insurers and intermediaries to move to a level commission arrangement, as this would prevent the "churning" of business between insurers on a regular basis. This is not in the customers best interests.

We thank you for allowing BIBA the opportunity of responding to the Competition Commission request for comments.

We would be happy to discuss our response in more detail if required. Please contact Steve Foulsham, foulshams@biba.org.uk or telephone 020 7397 0234.

Yours sincerely

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