



Association of British Insurers

2005

Are you buying private medical insurance?  
Take a look at this guide before you decide.



This independent guide is published by the Association of British Insurers.



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## 1 About this guide

We have designed this guide to help you understand more about how private medical insurance works, so that you can make an informed choice before you buy a policy.

The Association of British Insurers (ABI) publishes this guide on behalf of all insurers who offer this type of cover, whether they are members of the ABI or not. The ABI is the recognised trade organisation for insurance companies operating in the United Kingdom and currently its members account for more than 96% of the UK's insurance business.

As well as this guide, the literature you receive from anyone providing private medical insurance will contain an outline of the products which you are considering buying. These outlines are meant to help you compare the benefits different products will offer. They give you a brief overview of what is, and is not, covered.

We hope that you find this useful. If you have any questions, your sales person or insurance company will be able to answer them.



## 2 What is private medical insurance?

**Private medical insurance is designed to cover the costs of private medical treatment for what are commonly known as acute conditions.**

Most insurers define an acute condition as a disease, illness or injury that is likely to respond quickly to treatment which aims to return you to the state of health you were in immediately before suffering the disease, illness or injury, or which leads to your full recovery.

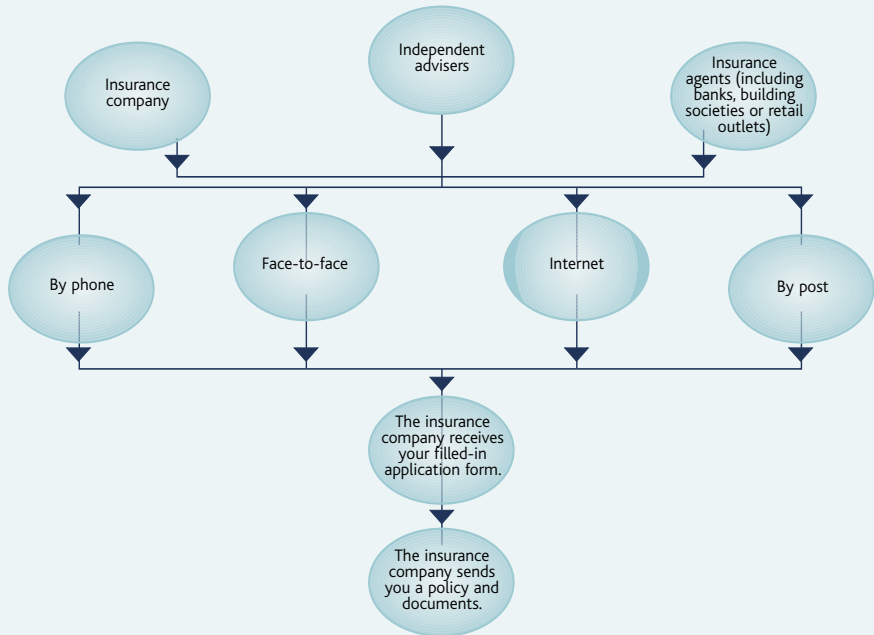
Most people buy this type of insurance to gain the reassurance of knowing that treatment is available promptly, if they become ill or are injured.

As a private patient you can often choose when treatment will take place, the specialist who treats you and the hospital. You will usually have the privacy of an en-suite room complete with TV and other home comforts.

Some illnesses and treatments will not be covered by a private medical insurance policy and these are common to most schemes (see section 5 of this guide). It is also important to remember that this insurance is not designed to replace all the services offered by the NHS. Some, such as accident and emergency, are beyond the scope of most private hospitals.



### 3 How do I buy private medical insurance?



#### Cancellation period

You will be entitled to a cancellation period. There are details of how the cancellation period works in section 12.

Some insurers will arrange private medical insurance cover differently from the above - for example, if cover is arranged over the phone. However, this cover may only be provisional until they receive your fully filled-in application form.

**If you are not renewing your private medical insurance and are buying cover from another provider, please read section 8.**



## 4 How do I choose the right cover?

When looking at cover, it is useful to know that treatment is categorised in the following way.

### In-patient treatment

Treatment which, for medical reasons, means you have to stay in hospital overnight or for longer.

### Day-patient treatment

Treatment which, for medical reasons, means you have to go into a hospital or day-patient unit because you need a period of clinically-supervised recovery. However, you do not have to stay overnight.

### Out-patient treatment

Treatment given at a hospital, consulting room or out-patient clinic where you do not go in for day-patient or in-patient treatment.

There is a large variety of schemes available – from low cost schemes, offering limited cover, to those which offer wide-ranging cover and benefits. Most schemes offer cover for in-patient and day-patient treatment, but not always out-patient treatment.

**You will need to decide what sort of cover you want. There are a number of things you will have to consider: here are just two examples.**

- Do you want your cover to include seeing a specialist as an out-patient?
- Do you want a choice of hospitals, or would you be satisfied to receive any treatment that you might need in a hospital available from a limited range chosen by your insurance company?

**The answers you give to questions such as these could have a significant effect on the premium that you pay (please see section 6).**

## 5 What am I covered for? What does my cover not include?

Remember, private medical insurance is designed to cover treatment for curable, short-term illness or injury (commonly known as acute conditions). Some illnesses and treatments are never covered and these are common to most schemes.

Usually included	Sometimes included	Usually not included
Cover for treatment of short-term (acute) medical conditions	Out-patient diagnostic tests	Conditions you had before taking out the insurance (commonly known as pre-existing conditions – read section 7)
In-patient tests	Out-patient consultations and treatment with a specialist	GP services
Surgery as an in-patient or day-patient	Overseas cover	Cover for long-term illnesses which cannot be cured (usually referred to as chronic conditions)
Hospital accommodation and nursing	Cash payment for treatment received as an NHS in-patient	Accident and emergency admission

**As well as those listed above as 'Usually not included', the following conditions or treatments are normally outside your cover.**

Drug abuse, self-inflicted injuries, out-patient drugs and dressings, HIV/AIDS, infertility, normal pregnancy, cosmetic surgery, gender reassignment (also known as sex change), preventive treatment, kidney dialysis, mobility aids, experimental treatment, experimental drugs, organ transplant, war risks, injuries arising from dangerous hobbies (often called 'hazardous pursuits').

Each insurer will give you a policy summary or 'key facts' document and a full policy document either before or immediately after you sign the contract of insurance. The policy summary or 'key facts' document will set out any significant and unusual limits of the policy.

## 6 Will my premiums go up?

### Healthcare inflation

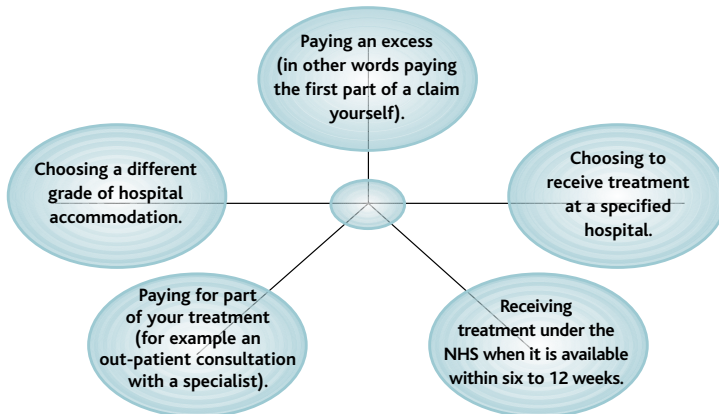
Whichever scheme you choose, your premiums may rise above the rate of general inflation. This is because of factors which affect how healthcare is provided in all western economies.

Each year more people claim on their insurance cover for private medical treatment. For example, a hip replacement costs between £7,000 and £10,000 (source: Medibroker) and is a common procedure, particularly for older patients.

The number, sophistication and cost of treatments to improve quality of life is increasing steadily. Most private medical insurance policies aim to cover these treatments as they become established medical practice and available privately.

Likewise, the sophistication and complexity of tests used to diagnose illness and injury are also increasing. Such tests are becoming far more widely available in private hospitals.

### Your choice of cover will affect what you pay



It is unlikely that you will find all of these options in any one product, but a combination will probably be available.

There may also be other factors that affect your premium, for example, a no-claims discount or payment method.



### Will my premiums increase with age?

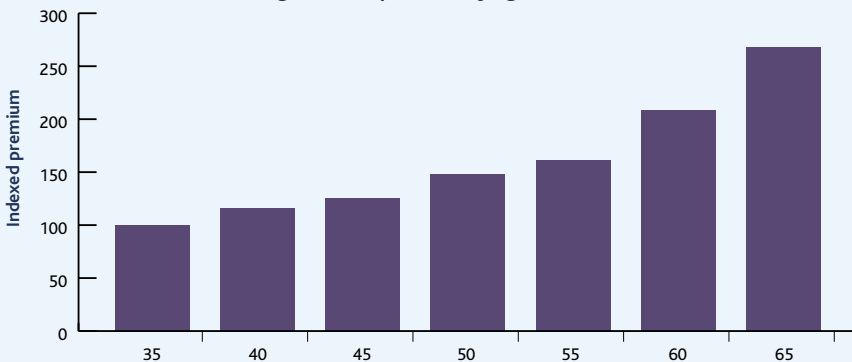
As people get older they are more likely to need and receive medical treatment, which means that private medical insurance premiums will usually increase with age to reflect this.

The graph below shows how premiums vary with age. For example, someone aged 45 would pay 25% more than someone aged 35. And a 65 year old would pay more than twice the premium of a 45 year old.

Although the exact figures differ depending on each insurer, this shows the likely variation. You can ask your insurer to provide the current premium for someone older than you when you ask for a quotation.



Average indexed premium by age



Note: The indexed premium is the premium when compared to the premium at age 35, expressed as a percentage. So, the indexed premium at age 35 is 100%, and at age 60 it is just over twice as much as for someone aged 35.



## 7 Will I need to provide details of my health?

As described in section 5, there are a number of medical conditions which you will not be able to get private medical insurance cover for. You won't normally be covered for an illness from which you are suffering, or have already had (commonly known as pre-existing conditions). There are two main methods that private medical insurance companies can use to accept your application for cover – medical history declaration or moratorium. All medical insurance companies will offer you the medical history declaration option. Only some medical insurers offer the moratorium option.

### Medical history declaration

(otherwise known as full medical underwriting)

You are asked to provide details of your medical history. If necessary, the insurer may write to your doctor for more information. It is essential that you give all the information you are asked for. If you don't, you may find that your insurer may refuse to pay any claim that you make in the future, or may cancel your policy.

If you are not sure whether or not to mention something, it is best to do so. If you have a medical condition which is likely to come back, the insurer will issue a policy, but that condition (and any related to it) may not be covered, either indefinitely, or for a set period of time.

### Moratorium

This is when you are asked to fill in a form, but you are not asked to give details of your medical history. Instead, the insurer does not cover any medical condition which existed in the last (usually) five years.

These conditions may automatically become eligible for cover, but only when you do not have symptoms, or receive treatment, medication, tests and advice (from your GP or a specialist) for that condition for a continuous period of (usually) two years, after your policy has started.

There are some conditions, for example chronic conditions, that will probably never be eligible for this delayed cover because you will always need regular or occasional treatment, medication, tests or advice for them.



You should not delay getting medical advice or treatment, simply to get cover.

If your insurer offers a "moratorium", they will give you printed information explaining how their particular moratorium works. You may also want to ask the insurer, or salesperson, to explain how it works.

## 8 What if I want to change to a new insurer?

You may change insurers. However, it is important to remember that your new insurer may not cover any previous, or existing medical conditions, which your current insurer may cover. You may also lose any premiums you have paid up front.

And, the level of cover on any new policy may vary from that available with your previous insurer.

It is best to check with your new insurer, or whoever is selling or arranging a new policy for you, how the change may affect your cover.

## 9 Will my cover be affected if I am disabled?

Insurers will not refuse to cover you because you are disabled. As with other pre-existing conditions, your insurer may exclude cover for treatment arising directly from your disability. However, it must be reasonable and fair for them to do this.

If you sign a 'medical history declaration', you must reveal all relevant information about your disability. If your policy does not cover pre-existing conditions, then an existing medical condition causing disability, or arising from it, will not be covered.





## 10 How do I make a claim?



Apart from emergency admissions to NHS hospitals, all medical treatment has to start with a referral by your GP to an appropriate specialist.

### You

Before you receive any treatment privately, you should call your insurance company to check that you are covered for the treatment that you will receive. In fact, most insurers insist that you do this.

Your GP and your specialist will probably need to fill in and sign your claim form. Your GP may charge a small fee which will probably not be covered by your insurance.

Your specialist may recommend tests, admission to a hospital as an in-patient, or day-patient treatment.

Most hospitals and some specialists have their bills paid directly by the insurer. Others will send the bills to you.

### Your insurer

Your insurer will give you all the guidance you need, confirm what your cover includes and, if necessary, send you a claim form.

Stay in contact with your insurer who will confirm whether any treatment you plan to receive is within your cover.

Your insurer will tell you how they pay claims. Remember, if you have chosen to pay an excess, you will have to make a payment.

## 11 How is private medical insurance regulated?

### Financial Services Authority

From 14 January 2005, the Financial Services Authority (FSA) will regulate the sales and administration of private medical insurance. The FSA was set up by the Government to provide a single regulator for financial services. The FSA is committed to providing the appropriate protection for consumers and promoting public understanding of the financial system.

The FSA has set out rules which regulate the sale and administration of general insurance which must be followed by those dealing with you. There is more information about the FSA on its website at [www.fsa.gov.uk](http://www.fsa.gov.uk)

### Your application

Your application form, or any declaration you make to your insurer, is very important. In fact, it forms the basis of your contract with your insurer. Always answer any questions you are asked fully and accurately. If you don't, your insurer may refuse to pay your claim and could even cancel your policy.

### Absolute confidentiality

By law all insurers have to treat personal information, especially medical details, with absolute confidentiality. Totally anonymous statistical information is sometimes given to outside organisations carrying out research.

### A formal procedure for handling complaints

All insurers, and anyone else advising on private medical insurance, must have their own complaints procedures in place and be covered by the Financial Ombudsman Service (FOS). This means that if you have a problem with any part of your cover, speak to your insurer or adviser first. If you are not satisfied with the way in which your complaint is handled, there is an independent dispute resolution procedure through the FOS, which your insurer or adviser must give you details of. This service is free, and you can find details about the FOS in section 13 of this guide.





## 12 Your checklist

Before you buy private medical insurance, you need to understand the following.

- |  |   |
|--|---|
| 1 You agree to give the insurer or advisor all the information they need.                                      | ▶ If you don't give accurate details, your insurer can refuse to pay your claim or could end your policy.   |
| 2 You agree to pay regular monthly or yearly premiums as long as you want cover.                               | ▶ If you don't pay premiums, your cover will stop. Your insurer will only pay for the costs you paid, or agreed to pay, up to the last date covered by your premiums. |
| 3 The cost of your premiums may increase once a year when you renew your cover.                                | ▶ Your individual premiums are not influenced by the number of claims you make (unless your cover includes a no-claims discount).                                     |
| 4 If your insurer plans on making changes to a scheme, all customers will be told before they renew.           | ▶ This will not prevent you continuing your cover.  |
| 5 If you change insurer, you may not be covered for conditions or treatments that your existing policy covers. | ▶ Make sure you understand the consequences before you change insurer.  |

### Read your policy document carefully. You must keep to the policy's terms and conditions.

You will be given a cancellation period of at least 14 days to change your mind. If you decide not to go ahead, you will usually receive a full refund of premiums

you have already paid, although this may not be the case if you have made a claim. If you want to cancel your policy after the cancellation period, your insurer may not refund your premiums – even those you have paid upfront.



## 13 Useful addresses

If your insurer or adviser cannot sort out a complaint, the Financial Ombudsman Service (FOS) will tell you how to go about taking the matter further. Decisions made by the FOS are binding on the insurer, but do not affect your right to take legal action if you want to do so.

### Financial Ombudsman Service

South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR.  
Phone: 0845 080 1800  
E-mail: [enquiries@financial-ombudsman.org.uk](mailto:enquiries@financial-ombudsman.org.uk)

**For general information on insurance, and more specifically private medical insurance, you can contact:**

The Association of British Insurers  
51 Gresham Street  
London  
EC2V 7HQ.  
Phone: 020 7600 3333  
Website: [www.abi.org.uk](http://www.abi.org.uk)





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