

The British Invasion

Some of the hottest new American insurance products are already run-of-the-mill in England, where they've been popular with policyholders for "yonks" (quite a while).

Almost anything is insurable in the United Kingdom. Got asthma? Love to ski? Have an iPod loaded with music and videos? U.K. insurers have you covered. By getting five separate policies--for asthma insurance, ski insurance, iPod insurance, intangible assets insurance and travel insurance--an MP3-playing, asthmatic Brit can ski freely, knowing she is fully covered against any holiday mishap.

Just don't try getting the same coverage in the United States, where tighter regulatory constraints and a consumer-driven marketplace dictate why relatively few British-born insurance products make it across the pond.

Nonetheless, three longtime British products finally are starting to make headway in the States: pet insurance, wedding insurance and critical illness coverage.

"The U.K. marketplace is fundamentally an eccentric marketplace," said Donald R. Jackson, chairman of Middletown, Del.-based JCG Group Ltd., an international insurance industry consultancy. "In the U.S., we're in a completely different situation. The regulatory situation is far more severe in the U.S. than it is in the U.K."

U.S. insurance laws are dictated and governed by 51 regulatory jurisdictions, the Federal Trade Commission and the Securities and Exchange Commission, Jackson said. In the United Kingdom, the Financial Services Authority is the insurance industry's sole ruling entity. "It's sort of a board," he said. "If they don't like you, you go out of business."

Plus, insurance products such as auto and homeowners coverages are mandated in the U.S. while others--life and health insurance, for example--have become essential to working Americans, Jackson said.

"There are so many 'got to haves,' it's hard to get to the 'nice to haves,'" he said. "I can't imagine iPod insurance getting admitted in 50 states. I rather think that is not going to happen. I doubt that

there's a company that's willing to even look at that."

Whenever a foreign insurance product makes it in the United States, its success "has a lot to do with perception in the marketplace," said Jackson, who in the early 1970s introduced insurance direct-response programs to France, Spain, Germany, Italy, Belgium, South Africa and Switzerland.

In America, the acceptance of foreign insurance products revolves around the principle of "appropriate premium," he said. For instance, if a client with health insurance through his U.S.-based employer smokes cigarettes, he simply may pay a higher premium for smoking. Yet no such appropriate-premium concept exists in the United Kingdom.

One concept shared by the United States and United Kingdom is the notion of "insure to value," which emigrated from Great Britain 25 years ago, Jackson said. It originated from the projected costs of restoring historical properties across Europe to their original quality.

"It was tested. The U.K. was the laboratory for that," he said.

Woof and Purr Protection

American insurers tried to import pet health insurance in the 1970s and '80s without much success, Jackson said. It finally got a foothold in the 1990s.

"Now in the 2000s, it's got some traction," he said.

Pet insurance was launched here in 1982 when a firm called Veterinary Pet Insurance of Brea, Calif., sold its first policy to cover TV's all-American dog, Lassie. Total pet insurance market revenue in the United States soared 342% between 1998 and 2002, according to the 2003 report *Market Trends: The U.S. Market for Natural Pet Insurance*, by independent research firm Packaged Facts.

In 2003, just three pet health insurers were competing nationally, and less than 1% of U.S. pet owners had bought insurance, according to A.M. Best data. By 2006, 3% of the American cat and dog population was insured, according to the American Pet Product Manufacturers Association. Eight dedicated pet insurance companies, boasting some

520,000 pet insurance policies in force, rang up a total direct written premium of \$163 million at year end, according to Embrace Pet Insurance of Mayfield, Ohio.

By the end of 2007, U.S. "companion pet" ownership was the largest worldwide, with more than 141 million dogs and cats, according to pet insurer Vsurance Inc. Yet U.S. pet insurance prevalence is tiny compared to the United Kingdom, where some 20% of all pets are insured, or Sweden, where nearly 50% of all pets have veterinary insurance.

A Knot Without a Hitch

Wedding insurance swept through England after being launched there in the late 1980s by Cornhill Insurance plc. It was the brainchild of a Cornhill underwriter who had attended a neighbor's wedding that wound up being postponed; the father of the bride lost substantial deposits, according to a Best's Review article from 2003.

When Fireman's Fund Insurance Co. was acquired by Allianz Aktiengesellschaft in 1991, the two companies developed a similar product for the U.S. market. But as recently as 2005, wedding insurance still was considered an anomaly in the United States.

In the United Kingdom, some 50% of all weddings are insured, while only 3% to 5% of U.S. weddings carry insurance, said Alan Tuvin, vice president of product management for Travelers Insurance Cos. Not only is Tuvin the head of Travelers' Wedding Protector Plan, he's also a client--its first client, actually: Tuvin and his recent bride were the first couple to try out the new, no-deductible policy, which was launched Valentine's Day 2007.

Interest in wedding insurance is rising in the United States with the cost of weddings, which now average \$27,000, Tuvin said.

"Because it's becoming a bigger financial commitment, more and more people are concerned about making sure they've got that peace of mind," he said. Wedding Protector premiums start at \$160 and can go as high as \$1,225.

In May 2007, Fireman's Fund added a "no show" clause to its Weddingsurance policy to protect the event's financier against a case of cold feet. Such change-of-heart insurance can be purchased online up

to 24 hours before the wedding, exclusively through Los Angeles-based RV Nuccio & Associates Inc. Premiums start at \$95.

Driving the growth in the U.S. wedding insurance market are additional capacity among U.S. insurers and the growing need for liability insurance at event venues, said Aon spokesman Rahsaan Johnson.

"A couple that wants to get married at a museum or at an inn might be required to have a million-dollar liability policy, which we can broker for them for \$195," Johnson said. About one in five wedding venues in the United States now require liability insurance, Tuvin said.

Aon's Affinity Insurance unit, domiciled in the Cayman Islands, offers a wedding cancellation policy called WedSafe. When coupled with its wedding liability policy, WedSafe protects a bride and bridegroom from alcohol-related liability, personal injuries or property damage, as well as extreme weather, withdrawal of military leave, no-show vendors and severe illness. If bought together, the couple saves 10% on the premiums.

And for those who make it safely through the wedding day--but not through the marriage--Safeguard Guaranty Corp. is vying to be the first to offer marriage insurance. Based in the West Indies with offices in Apex, N.C., and Washington, D.C., Safeguard provides a payout to couples who stay together until their 25th anniversary, and "a financial safety net, in the form of insurance protection against divorce, to those who don't."

President and CEO John A. Logan said he will test marriage insurance overseas. "Our hope is to launch internationally with those countries that are part of the International Insurance Act," he said. The act includes countries in the United Kingdom, Europe, Asia, the Caribbean, the Middle East and Africa.

Short-Term Care

Critical illness coverage was created in South Africa in 1983 by Dr. Marius Barnard (brother of heart transplant pioneer Dr. Christian Barnard) who saw a need to protect patients financially who were stricken with catastrophic illnesses. CI insurance took off in the United Kingdom and became one of the most popular insurance products worldwide--except in the United States, where it is just starting to

gain ground.

CI insurance has been available here since the early 1980s but hasn't been widely publicized, said Wilma G. Anderson, an agent and founder of Senior Care Associates Inc. of Littleton, Colo. Anderson is known as the insurance industry's "LTC Coach" for her efforts to educate agents on long-term-care products. Now she's advancing awareness of CI coverage in the United States.

"A lot of the agents have not been told how to sell this," Anderson said. She set up a reference Web site for agents, www.criticalillness.com, in October. A companion consumer site followed in December.

CI insurance sales are strong in England, Canada, the Philippines and Japan, Anderson said. "They don't have the type of health insurance that we have, and so critical illness is a major policy, especially to the professional community in those countries," she said. CI sales in every part of the world--except the United States--grow at a rate of about 50% a year.

"The big emphasis here in the states has been on cancer coverage," Anderson said. "Critical illness policies now are so much different. This is not just a cancer policy."

CI insurance pays a lump sum for a dozen qualifying events, including if the policyholder has a heart attack or stroke; is diagnosed with diabetes or cancer; or suffers the loss of a limb, Anderson said. CI is sometimes referred to as "financial recovery insurance" because it can be used to pay the client's mortgage, family expenses or other debts.

"Look at bankruptcies in the U.S.," Anderson said. "Fifty percent are due to illness, that someone could not pay their mortgage. This is a great way to make sure that it doesn't happen to you."

By Bonnie Brewer Cavanaugh, senior associate editor, Best's Review:
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The British Invasion: Critical Coverage

AmWINS Group Benefits of Warwick, R.I., plans to launch an impaired risk annuity overseas in 2008, said company President and Chief Executive Officer Sam Fleet. It's been "quite popular" in England and is slowly making its way here, he said.

Fleet is working with a Lloyd's broker to produce the impaired risk annuity, which pays lifetime benefits much like a regular annuity. The difference is that "the sicker you are, the higher the payout," he said.

"In the United Kingdom, 70% of impaired risk annuities are sold in the nursing homes as they [policyholders] enter the home and are admitted," Fleet said. Many Brits will first buy a lump sum, long-term-care benefit that pays after the loss of two "activities of daily living" such as bathing, dressing or eating without assistance. When that occurs, the policyholder uses that benefit payout to purchase an impaired risk annuity, he said.

Such products generally are more popular overseas due to socioeconomic issues, Fleet said.

"They're more insurance-savvy in Europe. They insure everything," he said. "We live in the moment. We're consumer driven. We have disposable income and we don't spend it on things we see as 'maybes.'"

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The British Invasion: Going Mobile

Insurers in the United Kingdom protect mobile communications devices with individual policies that replace a stolen, lost or damaged iPod, MP3 player, cell phone or laptop. In the United States, a replacement may be available under a homeowner's policy, and cell phone companies offer replacement policies that may need to be taken up within 2 weeks to a month after purchase. Overall, individual policies for high-tech items is scarce; protection in the United States means keeping items from being stolen in the first place.

U.S.: Ensuring It's Safe

-- Stuffbak.com offers iPod and laptop "insurance" via an international recovery network, which enables the return of registered lost or stolen portable tech devices to the owner.

-- Otter Products LLC offers the OtterBox, a waterproof, dust-proof, dirt-proof and drop-resistant hard case cover for the iPod and BlackBerry lines.

-- Targus, a global supplier of mobile computing cases, offers the iPod lock, which attaches it to any large or fixed object to keep it tethered in offices, libraries or dorms.

U.K.: Insuring its Worth

-- Competition is tight, with numerous online carriers vying for customers under such banners as "insure-your-mobile," "cover4phones," and "laptop-uk-insurance."

-- Tomtom Insurance offers a package covering mobile phones, MP3 players/iPods, satellite navigation instruments and personal play stations.

-- 2u covers mobile devices for accidental damage, theft or loss, citing a soaring increase in the number of stolen iPods and MP3 players in the United Kingdom.

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The British Invasion: Insuring the Intangible

A growing number of Britain's P/C insurers are including personal downloaded data in their homeowners policies, following the launch of such coverage by Nationwide in 2006. Nationwide's policy covers ringtones, games, films or music stored on an iPod, laptop, mobile phone or other hand-held tech device, as long as the policyholder can provide proof of purchase.

Of some 46 British homeowners insurers, nearly half have followed

Nationwide's lead, according to tech-gadget news site Register Hardware. Yet, while Americans would love to have such coverage if only they could find it, some Brits think all their insurers should offer it. "Sadly, there are still some insurance companies that remain behind the times," Register Hardware reported in a July 2007 article.

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