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ReCent
UK insights

Are diseases of despair on the rise?

Current issues: Diseases of despair

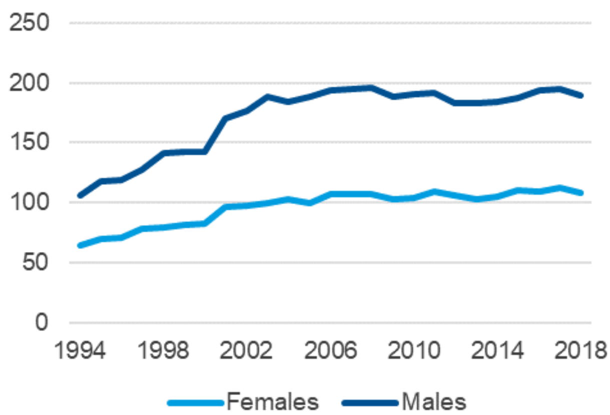
The stall in mortality improvements since the middle of the decade has wide-reaching implications for insurers. There have been several articles trying to pin the cause on a single driver, but in all likelihood, there are a number of aspects contributing to the slowdown. However, the more we can understand about the contributing factors, the better we will be at predicting whether this is, as the Institute and Faculty of Actuaries stated recently, "a new trend rather than a blip"[1].

A paper by US professors Anne Case and Angus Deaton[2] blamed the lack of mortality improvement in white males over a sustained period on so-called 'diseases of despair'. These are factors such as drug addiction, alcoholism, and mental health issues leading to suicide. While the premise of the paper (i.e. that white working class males in the US had not seen improving mortality in the 25 years from 1990) has been criticised, the idea that the rise and fall of certain diseases may correlate with a negative outlook across the population, is interesting. This is particularly true when we consider that austerity is often mentioned when discussing the fall in UK improvements.

So what evidence is there for an increase in diseases of despair in the UK?

The picture is mixed; however, if we look at drug-related deaths and deaths as a result of liver failure, there certainly appears to be evidence of increases in the last 25 years. Based on ONS statistics[3], the rate of incidence per 100,000 of population for diseases of the liver has increased, but the increase appears to centre around the turn of the century.

Graph 1: Incidence per 100,000 for diseases of the liver



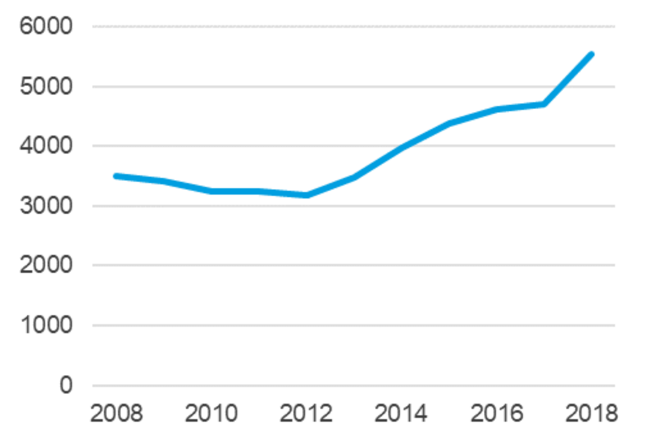
There is no clear indication of a recent increase; thus, there is not yet evidence that austerity has led to an increase in incidence or that alcohol-related deaths contribute to the recent slowdown of mortality improvements.

[1] See Pike, H.
[2] See Case, A., & Deaton, A.

[3] See Office for National Statistics, nomis.

Nonetheless, one thing worth bearing in mind is the significant lag one would expect between alcohol abuse and death in many cases; perhaps it is not possible to rule out the impact of austerity just yet. For drug-related deaths, the rise is more recent[4].

Graph 1: UK drug deaths



There appears to have been a sharp upturn since 2012, and possibly the start of a worrying trend. What is more, an increase of around 2,000 deaths a year is significant, accounting for around a third of a percent of total deaths in the UK. This could be a contributing factor to the reducing improvements.

The recent trends in suicide are more encouraging, with a steady decline over the last thirty years up to 2017[5]. However, data published recently shows that there was an increase year-on-year of around 12% in 2018[6], taking the number of suicides to levels not seen since 2002. This is clearly very concerning, and throws into question the extent to which the stigma around mental health really is being broken down.

Overall, we cannot conclude that there is an overarching crisis related to diseases of despair in the UK on a national level. The evidence is not clear-cut and the number of deaths involved mean that in most cases, changes are not material when looking at overall mortality trends.

ONS data[4] suggests differences at both a regional and socio-economic level, which would be worthy of investigation, and help to narrow down the applicability of the statistics to an insured population. Nationally, there are certainly some worrying results, particularly around drug-related deaths and the recent increase in suicides.

From an insurance point of view, this suggests that, in addition to a moral obligation, there does appear to be a business case for the industry to improve the mental health of its customers.

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[4] See Office for National Statistics. (2019)
[5] See Office for National Statistics, nomis.
[6] See Office for National Statistics. (2018)

GDPR Update – a year on

It has been more than a year since the EU General Data Protection Regulation (GDPR) came into force on 25 May 2018[1], introducing us all to the concepts of 'Data Subjects' and 'Personally Identifiable Data'.

Other than introducing some new terminology – what did change?

One of the aims of the legislation was to reflect the changes in technology and the way organisations collect information about people by modernising and expanding the definition of 'personal data'. It gives **individuals** greater protection and rights, strengthening conditions for consent and giving people rights to access, erasure, portability and breach notification.

For **businesses and bodies that handle personal information**, the inclusion of data protection from the onset of system design rather than as addition is now a legal requirement, as is keeping internal records

For **regulators** it has given greater power for enforcement actions, with the maximum fine now reaching the higher of EUR 20 million (GBP 17.5 million) or 4% of the company's global annual turnover[1]. Previously, this was limited to up to GBP 500,000 in the UK[2]. It also makes it easier for regulators to work together rather than having to launch separate actions in each jurisdiction.

These changes affect all organisations, including, of course, life & health insurers and reinsurers. For most companies it prompted a thorough review, if not a complete overhaul, of business process around data handling, record keeping and obtaining consent.

Arguably, individual citizens in Europe are now covered by the world's strongest data protection rules – regardless of the location of the organisation dealing with their data. This includes the UK, where GDPR is incorporated into the Data Protection Act (DPA) 2018 (superseding the 1998 DPA), and, although the detailed practical implications are unclear, it is likely that it will continue to function alongside UK law post-Brexit[3].

I believe this has been an overwhelmingly positive change, helping people to understand the value of their own data and question how others may use it. As someone who works with data regularly, it has been fascinating to see some of these issues brought into mainstream consciousness. In the 5 days prior to GDPR implementation, American news channel CNBC reported that GDPR was featured in more worldwide searches than international singer-songwriter Beyoncé[4]!

Media attention has naturally focussed on the larger, higher profile claims such as a GBP 44 million fine in January this year for "severe infringements"[5]. Closer to home, a UK based "parenting club", was fined GBP 400,000 for "sharing personal data unlawfully"[6].

How have insurers & other financial institutions fared?

The Information Commissioner's Office (ICO) is the supervisory authority for data protection in the UK. It is responsible for monitoring compliance and takes enforcement action (including issuing monetary penalties) where appropriate.

[1] European Union, European Commission
[2] See The Information Commissioner's Office. (2015)
[3] See Data protection if there's no Brexit deal.
[4] See Bonn, T.
[5] See Fox, C.
[6] See The Information Commissioner's Office. (2019)

According to their website, they have issued six monetary penalties to organisations in the finance, insurance and credit sectors since GDPR. This is in line with enforcement actions in this sector in the year prior to GDPR. The fines were relatively modest and related mainly to unsolicited marketing activities and non-payment of the Data Protection fee[7].

So far, no reason to believe that GDPR should have any serious repercussions for financial services such as insurance. This is in part testament to the success of the momentous efforts by insurers to rise to the challenge of ensuring compliance with the new regulations. However, we should not be lulled into a false sense of security, as enforcement actions typically take a year or two to filter through the process; we might expect to see a steady increase in the GDPR-specific enforcement actions from the regulators over the next few years.

Insurers and reinsurers are privileged to have access to massive amounts of personal data, we should continue to treat it with the respect it deserves and must not become complacent.

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[7] See Enforcement action.

The underlying enigma

ReCap – the last newsletter

In the last edition of ReCent UK insights, Nay Wynn explored potential reasons why people are not buying insurance. In this issue, he reveals his idea for closing the protection gap in the UK.

Last quarter, I proposed that all possible reasons would fit into three well-defined buckets, namely, perception, expertise and reputation.

- Typical **perception** challenges involve people thinking, "I do not need life insurance", "it is too expensive", or "I will look at it later". These views act as a barrier to buying insurance.
- Overcome this, and you face a knowledge gap: "how do I start the process", "what product is right for me?" The lack of **expertise** leads to a large protection gap in the UK, with 65% of UK adults having no protection cover[1].
- The final barrier of **reputation** turns people away from getting the cover they need. If there is no trust that the claim would pay out, why get the cover in the first place?

I ended last quarter's article by asking whether there was **one idea** that could 'drain' all three buckets in one go. Well, here it is.

Buy Insurance Week

Are you and your family protected?

Buy Insurance Week is exactly what it says it is. Its main aim is to increase awareness of life insurance by challenging existing perceptions, building up the public's expertise and improving the reputation of the industry.

Unless they are directly impacted, very few people spend a significant amount of time thinking about a specific disease such as bowel cancer. It is unlikely that most would donate to a bowel cancer charity as a matter of course. The key tool that charities use to raise awareness is to focus publicity over a relatively short period. It would not be possible to sustain interest all the time, but a week or month of events is feasible and resonates with people.

Buy Insurance Week will be an industrywide initiative since the protection gap in the UK is an industrywide issue. Everyone needs to come together – insurers and reinsurers alike – to support this. Currently, each insurer allocates a sizable chunk of their resources to advertising and commission, selling to a small section of the population that already value life insurance. With lapse and re-entry, it feels like a zero-sum-game with healthier lives being passed around from one insurer to the next. Having an industrywide advertising push seems like a better use of resources; focusing the customer's attention addresses a crucial habit that people display: the habit of postponing the decision to buy insurance.

How do we make it happen?

We choose a week in the calendar and create extensive marketing efforts, primarily focussed on education, perhaps dedicating one day to each product line; for example,

- Monday – Life insurance
- Tuesday – Critical illness
- Wednesday – Income protection
- Thursday – Annuities
- Friday – Recap & encourage potential customers to buy

Given the extensive range of digital and print materials from insurers, reinsurers and industry bodies on how insurance works and why it is beneficial, this should be a straightforward task. It seems reasonable to distribute this information centrally and independently with no details of the insurers (other than a list of sponsors).

[1] See Financial Conduct Authority.

How do we finance it?

Insurers, reinsurers and distributors will finance the campaign as they stand to benefit the most from its success. Obtaining tax breaks and/or subsidies from the Government would help, given that a stronger insurance market places less burden on the state. Exactly how it is funded is up for debate. Larger insurers can afford a larger fee given that their existing marketing budget would be larger anyway. They could potentially stand to gain the most, given their existing capacity to process applications; the split in benefits between insurers and distributors is more difficult to assess. The financing for the second and subsequent years could even be structured to be proportional to the number of successful applications processed.

Potential pitfalls

Delivering a **Buy Insurance Week** is by no means an easy task. The biggest challenge I can see is around politics and collaboration across different firms, particularly around the level of funding and the initiatives we select. Similar initiatives have not been as successful as they should have been previously due to the lack of support from some key players in the industry. True collaboration is needed for **Buy Insurance Week** to succeed.

Summary

I believe that the **Buy Insurance Week** idea is an excellent solution to tackle the protection gap in the UK. It gives us an opportunity to shape our industry with a unified message, challenging the perceptions that people hold of insurance. It provides education on why insurance is important and how accessible it is for everyone. Finally, it gives us a platform to demonstrate how reliable and trustworthy we are as an industry.

It is not an easy task to unify an industry, but reminding ourselves of our core purpose and values, providing a safety net and offering financial security for families, should be a worthy calling for all of us.

If you want to make this vision a reality, let me know!

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