



Marjorie Davies
Inquiry Secretary
PPI Market Investigation
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

Friday 7th August 2009

Dear Marjorie,

PPI – Consultation on the draft order.

Unum is responding in its position as the leading provider of Income Protection solutions in the UK distributed only through Independent Financial Advisers. As such we support moves that enable a level playing field in the distribution and access to financial product solutions through improved competition.

Whilst Unum is much smaller in its Retail market presence than the Group insurance market we hope that by responding to the consultation our specialist understanding of the income protection market will assist the Competition Commission in reaching its conclusions.

Turning now to the order we fully support the need to improve competition and clarity in the PPI market. We believe that Short Term Income Protection (STIP) as defined can be a competing product to PPI but that it does not suffer from the same issues that the order seeks to remove and should therefore not be inappropriately included in the order.

Specifically, STIP that is not linked to a specific credit arrangement and is underwritten at outset rather than at claim should not be included in the order. Further, unlike PPI the beneficiary of the policy under STIP will not be the provider of the credit arrangement and the policy is not cancellable by the insurer other than on the grounds of material non disclosure e.g. does not terminate following claim.

We feel that by excluding STIP that is designed specifically to protect the income or expenditure of the individual in general and not tied to a specific credit agreement the order would indeed help protect the relevant competitive

differentials of each product type based on their purpose and characteristics to the benefit of consumers.

Even if more strictly defined STIP were to remain covered by the order the measures such as the requirement to show cost per £100 of monthly benefit are inappropriate to a product that is already subject to the full key features disclosure regime covering both benefit and premium specific to the risk on a personal basis over the duration of the policy. This already demonstrates that the STIP product seeks to fully inform the consumer on these attributes at point of sale.

We have been involved in creation of the ABI submission to the Competition Commission and support their recommendations that STIP meeting the following characteristics be excluded from the order:-

- the policy terms and conditions contain no standard pre existing condition clause
- the policy benefits are not directly linked to any credit terms
- any policy benefits are paid to the policyholder and not a credit provider.

Similarly we feel that the definition of the product covered by the order should be clear as those providing all of accident, sickness, and unemployment as insured events. This again would provide clear water between PPI and income protection policies.

If you would like clarification on any of the points above please contact me.

Yours sincerely,

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