

# HM meets...

## Matthew Reed

After raising £500,000 from an oversubscribed crowdfunding exercise in July, Equipme is eyeing expansion. It was an unconventional move for a health insurer but as founder and managing director **Matthew Reed** tells HM, the business is less about tradition and more about innovation as it continues to disrupt the SME market

**HM Can you tell us a bit about your background and what you did before Equipme?**

**MR** I ran away to sea at an early age and joined the Royal Navy. I had a great time, spent a lot of time off the coast of Bosnia and ended up working for the United Nations as a military observer in Sierra Leone.

Then like a lot of us I fell into insurance. I started in the sales and marketing department of Howden Insurance Brokers in its early days and I've had quite a few jobs in general insurance since, mostly focused around SMEs - including as CEO of first generation insurtech Powerplace and as part of the team that turned around AXA GI in the UK.

I've always been interested in SMEs and serving them better, which is how I ended up looking at the insurance market for AXA PPP healthcare.

**HM You launched Equipme in 2018. How did you go about it and what was the thinking behind launching a PMI proposition focused on small businesses?**

**MR** I must give credit to AXA PPP healthcare who wanted to 'do something different' for small businesses and asked me to look into it.

We were clear that we wanted to build something that the customer actually wanted rather than what we thought they would buy. We began by asking lots and lots of questions! The research showed that small businesses were hungry for something simple, affordable and practical - but that there just wasn't anything out there that ticked the boxes.

Nearly half the SMEs we spoke to had dismissed it as a potential benefit because it was either too complicated or too expensive.

AXA realised it had to do something

drastically different if it wanted to change the market, but also realised it would be faster and easier for an independent, agile company to build something completely new with their backing.

Its support of Equipme has been mutually beneficial; as a managing general agent we use its insurance capacity

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and our customers access its medical services network.

There are massive barriers to entry for new health insurance providers and we're delighted to have AXA's support from idea to launch to expansion.

**HM What are employers and the self-employed looking for from PMI?**

**MR** Firstly, I'm not sure they're looking for something called PMI at all. We talk about 'providing health insurance to businesses' when we talk to customers because our research showed that PMI carries some negative connotations for some of our target audience. Many small businesses that don't have PMI already write it off as something that is outside of their budget and only suitable for large company execs.

In terms of what people are looking for, it's a mix of a tangible benefit and something that helps the business to keep running. The 'Ah ha!' moment for employers comes when we explain the simplicity of the product and also how much their employees are likely to use it (and want it).

Around 40% of customers speak to a GP through Equipme each year, and there are also the health checks from the beginning. Fast referral to physio treatment is also popular.

When you consider that most working days are lost to musculoskeletal problems and minor illnesses, a product that addresses that head-on is very relevant to a small business - where everyone is a key player.

Don't underestimate the appeal of a simple product and buying journey to SME directors who don't have a separate rewards and benefits team, either. When you start to explain that the price is the same for all employees, and that their staff can upgrade directly with us, you can feel the relief of a busy person getting hours of their life back.

Self-employed people viscerally understand the link between health and productivity.

Some pre-Covid research of ours showed that 30% didn't visit the doctor



HM meets...

**Matthew Reed**

*Founder and Managing Director, Equip sme*

**Career**

Founder and Managing Director, Equip sme (2017 – Present)

Managing Director Transit, AXA PPP healthcare (2016 – 2017)

Project Lead - Project Transit, AXA PPP healthcare (2015 – 2016)

Global SME Project Lead, AXA Global P&C (2014 – 2015)

Managing Director - Intermediary, AXA

Commercial Lines (2011 – 2014)

CEO, PowerPlace Insurance Services Ltd (2009-2011)

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when they felt unwell because they felt too busy. At best you don't do your best work, at worst your condition gets worse and then you can't work at all. It's that dilemma we're trying to solve.

**HM Affordability is key to the Equipsme proposition. How do you keep premiums so low?**

**MR** It's a virtuous circle, really. Because we are affordable, we attract companies that will insure the whole of the workforce.

That means our average age is significantly lower than a traditional PMI customer. In fact, 50% of our customers are millennials. And as you know, the dominating price rating factor in medical insurance is age.

That said, it was clear from our research that small businesses want to buy something that is easy to work out, which is why we took a decision to flat rate for all employees so that the customer can work out the price on their fingers or smartphone.

The other reason for affordability is that we took the decision to exclude cancer treatment. Diagnosis customers can get to the right specialist fast - which for cancer is always key - but for treatment our dedicated cancer support nurses will guide them back to the NHS.

This approach has helped us keep our premiums unchanged into our third year, when traditional PMI policies can see annual increases in the region of 15% as standard or exceeding 20% or 30% due to claims.

**HM What has been the response to your launch? How much have you managed to grow your customer base over the last two years?**

**MR** The response from traditional distributors has been 'at last the product we've been looking for'. Covid has accelerated both customer and distributors' desire for a simple, affordable health insurance proposition.

We went live with Starling Bank and Simply Business in June. They're big, digital distribution players and neither had previously sold health insurance.

The response from our customers has been even better. Our retention rate is technically over 100% because companies are buying it for more of their employees all the time, not just at renewal.

We're also delighted that most of our customers are entirely new to health

insurance as that's the thing that shows we're different enough to bring new people into the market rather than just switch them from provider to provider.

There's a real mix of businesses including electricians, welders, engineers and architects.

When we went into lockdown there was an initial lull as people took stock and considered their budgets but we've more than bounced back since then. In total our membership has grown by 90% since March.

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**HM As a PMI provider, you are very focused on diagnostics and access to primary care through remote GP appointments. What treatments do you cover?**

**MR** That's actually a misconception in the market as the most commonly bought plan level includes treatment. We have four levels which allows businesses to choose what to offer and employees to upgrade if that's what they want.

It starts at £7 per person per month for 24/7 GP access, up to five physio sessions, online health check and access to a nurse helpline. But interestingly enough the most popular product for businesses to buy for their staff is £29 which includes diagnosis and treatment and is akin to the benefits you'd find under traditional PMI.

We cover cancer to diagnosis but not treatment and there is an exclusion for pre-existing conditions in the last three years.

The ability to add access to a stress support line has also proved very popular. EAPs have traditionally had a high minimum cost, making them great value for large firms but out of reach for most SMEs. But being able to offer mental health support for £1.50 per employee per month has brought this within reach. To be honest, we didn't think as many firms would take that one up as they have.

**HM Why did you decide not to cover cancer treatment in any of your plans?**

**MR** This was completely customer driven and influenced by a wide range of factors - trust in the NHS, sustainability, speed of diagnosis and the grey areas around what was covered or was not.

Cancer treatment is a very sensitive subject but it's also clear that the cost of a single cancer claim could result in the business not being able to sustain medical insurance for its entire team because of the premium rise at renewal.

We wanted to create something sustainable and predictable for small businesses, and that's where the balance lay for us.

**HM What are members' treatment options if they are diagnosed with a condition you don't cover?**

**MR** In these circumstances, AXA PPP healthcare will follow its normal process in the health insurance market and will be guided by what the individual prefers. It may be that the member is happy to go back through the NHS themselves, or they may want to self-pay privately and the claims team will support them in any way they can.

Let's make no bones about it, the NHS is fantastic. I think part of what we do is about complementing it, relieving some of the front-end pressure with practical, day-to-day healthcare support options, and directing people back when they really need its co-ordinated expertise.

**HM You were head of a global SME project for AXA PPP HQ in Paris and your policies are underwritten by the insurer - how deep is your relationship with the company?**

**MR** AXA PPP is our exclusive insurance provider for five years - it is clearly backing Equipsme and we are fortunate as a start-up to be able to access its huge infrastructure of approved treatment

providers.

All the Equipme founders came from either AXA or AXA PPP which helps us with communications and decision making. This began as an AXA project and obviously it is our main supporting supplier.

It's a good relationship. We are very much our own business with our own board, governance, goals and ways of working - but we respect each other's strengths and that's why it works.

**HM You recently took the unusual step of launching a crowdfunding exercise – why did you choose this over other fundraising options and how do you plan to deploy the proceeds?**

**MR** We'd looked at crowdfunding for a long time, and ultimately thought that giving the public the chance to invest in the business fitted our aims of democratising health insurance.

I've really enjoyed the experience, the questions and fresh perspectives and ultimately welcoming 700 new investors. We were 176% oversubscribed when the round closed at the end of July.

The proceeds will all go into developing the next iteration of our technology platform, and investing in marketing.

In particular we want to improve the online quote-and-buy journey for our self-employed product, which has only just launched.

**HM How has the Covid-19 pandemic impacted your business so far and how are you continuing to support your customers at a time when access to private treatment is limited?**

**MR** On 20 March before we even locked down it was clear to us as a team that small businesses would be facing incredible pressures during whatever was going to transpire.

But of all the worries they faced, we thought that the health of their team shouldn't be one of them.

So, we took the decision to offer the product for free for two months with no catches to businesses with two to 20 employees. We've subsequently extended this to help with the bounce back and we're offering two months free to any business of any size.

As an operative business we've always embraced remote working in order to have a diverse workforce which includes working parents.

In fact, we launched our business

remotely on the day of the Beast from the East because nobody could make it into the office.

If anything we've been more productive, and we've needed to be as we went live with Starling, Simply Business and launched our product for self-employed businesses with a team working from their kitchens and home-schooling at the same time!

As for supporting our customers, we were ahead of the curve around digital treatment as the GP service has been

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there from the beginning. So have the finger prick health checks from Thriva and telephone stress support. We reminded all our members about the 24/7 access to GPs and saw usage increase as a result.

In addition, our insurer partner AXA PPP healthcare created a Virtual Clinical Support service to give members phone and video access to physios, specialists and consultants to help bridge the gap too. Members are directed to in-person treatment if a procedure cannot be safely delayed.

**HM How do you think the pandemic will change private healthcare and PMI?**

**MR** That's a very good question and one we asked ourselves. The research we did with 1,000 consumers showed that the number of people who would consider paying for private treatment or proce-

dures has doubled since coronavirus hit, and is now 27%.

It's interesting that this figure is highest among young people. The benefits they want may change too, for example dental care scored highly in our research, no doubt spurred on by the scarcity of NHS dental appointments during lockdown.

**HM Given the dual forces of rising NHS waiting lists on one hand and unprecedented recession on the other, what is the outlook now for the PMI sector?**

**MR** While there may unfortunately be fewer businesses left at the end of this, for companies who want to retain and attract the best staff, a health benefit is probably more important than it had been.

People are worried about NHS waiting lists and they're worried about the NHS' ability to deal with non-urgent and non-Covid related illnesses.

From £7 per person per month, providing some form of health cover isn't any more expensive than buying beer and pizza for the office on a Friday afternoon and we think that's the perk people are prioritising now.

For PMI itself, I think we're going to see a continued increase in digital offerings as everyone has had to adapt to that new way of delivering services, and many people want it to become a permanent fixture and option.

Value for money will of course come into play too. Nobody wants to be the employer who cancels health insurance, but they also don't want to blindly renew without shopping around.

**HM And what about Equipme – what is next for the company and where do you see yourself in the longer term?**

**MR** The next 12 months for us is all about scaling and investing in our online user interface.

Fewer than 280,000 companies in the UK buy private healthcare insurance, we're all about increasing that number by making it more easily accessible through more digital distribution partnerships and marketing.

In the longer term I see us as a digital health company for all, with more partners and in more countries.

