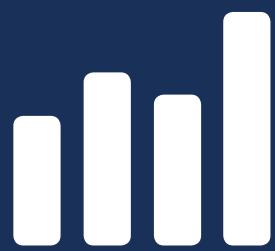


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Life & Health Insurance

MARKET INSIGHT REPORT

2015 Q2

insuranc



Competitor Analysis

Income Protection	MSM		Confused		Go Compare		CTM		Family Insurance Services		
	Lowest price	£24.40	Payment Care	£21.00	Payment Care	£21.00	Payment Care	£24.50	Realm	£20.06	National Assurance
	2nd Lowest price	£24.50	Realm	£26.40	HelpUCover	£26.40	HelpUCover	£26.00	Assurity	£24.50	Realm
	3rd Lowest price	£24.56	FirstCall Payment Protection	£30.00	Realm	£30.00	Realm	£26.40	HelpUCover	£26.00	Assurity
	Number of insurers	9		8		8		12		13	

Income protection, covering £1,000 per month, for 12 months, for accident, sickness and unemployment with a 30 day excess for an employed 29 year old male, earning 40k per year living in GL52.

Private Medical Insurance	MSM	Confused		Go Compare		CTM		Family Insurance Services		
	Basic cover diagnostics	N/A	£19.31	Simply Health	£19.31	Simply Health	£14.69	General Medical	£14.69	General Medical
	Mid-range cover	N/A	£37.32	Health-On-Line	£37.32	Health-On-Line	£25.18	General Medical	£25.18	General Medical
	Comprehensive cover	N/A	£42.49	Simply Health	£42.49	Simply Health	£33.15	General Medical	£33.15	General Medical
	Number of insurers	N/A	12		12		14		14	

PMI prices based on 35 year old male, non-smoker living in GL7 with an excess £250.

		
Lowest Premium/ Highest Benefit	Middle Premium/ Middle Benefit	Highest Premium/ Lowest Benefit

	MSM		Confused		Go Compare		CTM		Family Insurance Services		
Life (Term)	Lowest price	£10.82	Beagle Street	£11.51	Aviva	£11.06	Beagle Street	£11.24	Beagle Street	£11.71	L&G
	2nd Lowest price	£11.16	Aviva & LV=	£11.52	Beagle Street	£11.27	Aviva	£11.27	Aviva	£12.03	Aviva
	3rd Lowest price	£11.53	L&G	£11.60	L&G	£11.29	L&G	£11.29	L&G	£12.61	Bright Grey
	Number of insurers	10		12		10		9		10	

Life (Term) prices based on 35 year old male, non-smoker, living in GL7, covering £200,000 over 20 years.

	MSM	Confused	Go Compare	CTM	Family Insurance Services	
Life (WOL)	Lowest price	N/A	N/A	N/A	£23.23	AIG
	2nd Lowest price	N/A	N/A	N/A	£23.59	Vitality Life
	3rd Lowest price	N/A	N/A	N/A	£31.15	Zurich
	Number of insurers	0	0	0	0	8

Life (WOL) prices based on 45 year old male, non-smoker, living in GL7, covering £30,000.

	MSM	Confused	Go Compare		CTM		Family Insurance Services	
Over 50s	Highest cover provided	N/A	£5,217	Shepherds Friendly	£6,020	One Family	£6,020	One Family
	2nd Highest cover provided	N/A	£5,010	AIG	£5,929	Shepherds Friendly	£5,929	Shepherds Friendly
	3rd Highest cover provided	N/A	£4,823	L&G	£5,699	AIG	£5,699	AIG
	Number of insurers	0	0	4		6		6

Over50s prices based on 60 year old male, non-smoker, living in GL7 choosing a premium of £20 per month with a 24 month wait period.

TERM & HEALTH WATCH 2015 - SWISS RE

The recent report by Swiss RE was encouraging and optimistic showing an increase in numbers of protection policies sold in 2014 in comparison to 2013. It was not without cautions however. It suggested there were new routes to market to be explored and new markets to target if the recent increase in sales is to be sustained.

Key Facts:

- 1,667,818 protection policies sold in 2014 – an increase of 4.1%
- New income protection policies increased by 6.7%
- Term life insurance policies increased by 5% and 5.6% for with and without CIC respectively
- The average sum assured increased too for policies with and without CIC
- Home ownership has fallen from 71% in 2003 to 63% in 2013 – but renters need protection too
- Few of the seven million self-employed have income protection policies

Ian Sawyer, MD of Assured Futures gives his view:

- Increased sales on a national level are always good news. Especially, as in our case, when the increase is reflected in our own sales figures. I share the same cautious outlook however and believe that much can be done to improve the labelling of the products, simplify the purchasing process, improve the route to market and penetrate further into new markets,.
- The income protection market specifically has, in the past, suffered as a result of the PPI scandal but with increased sales shown in this report, progress is being made in dispelling this unfair reputation.
- We know that these policies should be the first policy to be purchased by individuals and families alike. The 7 Families initiative is making headway with promoting the importance of these products but we all, as an industry need to do more.
- At Assured Futures we consult our customers and under one of our new trading styles National Assurance are creating income protection products under the description of “Earnings Insurance”. According to feedback following a consultation with customers gives a clearer definition of what is being insured.
- We are also very aware of products aimed at specific markets – home makers, self-employed, renters, and are working on plans to target these markets specifically with marketing initiatives and partnerships.
- We maintain the value of providing advice despite the report indicating this service was in decline. Helping clients to understand the details of what they are buying and to go to buy the most suitable policy for them is essential to improve and maintain the reputation of these products. Our partnerships with comparison sites allow us to contact potential clients when they are thinking of these products and then provide them with the information and expertise they may need.
- We will continue with our efforts to provide customers with what they need and demand rather than what is just simply provided to them by insurers. This will hopefully allow us to continue to enjoy a year on year increase in sales.
- The sales of Over50s policies are down over all, however our sales are up.

CUSTOMER CASE STUDY - PRIVATE HEALTH INSURANCE CHANGE OF HOSPITALS:

Customer's request:

At renewal stage, our client, based in Surrey, wanted to amend her hospital list to reduce her premiums. Insurers negotiate with hospitals or groups of hospitals the costs of tests and treatments. Hospitals are then grouped together according to how much they charge. As a rule, London hospitals tend to be more expensive. If the more expensive hospitals are included in the policy, the premium will reflect this. Excluding the more expensive hospitals from a policy can be a way of reducing the monthly premium. In this case, the client wanted to reduce her monthly costs so, taking advice from our specialist renewal team, given her location outside of London, she chose a cheaper and more suitable policy with fewer hospitals to choose from, but with hospitals near to her home included at a reduced cost.

Some months later the client needed some treatment for a shoulder injury. When she came to check which hospital she could receive treatment at following a GP's referral a few weeks after her renewal, she was told by the insurer which hospital she could be treated at and went ahead with the procedure. She was then told by the insurer, the hospital she used was not on the reduced list she now had in place and the claim would not be paid so she called us for help.

ADVISER'S TIPS

- Our renewal team immediately took charge and contacted the insurer on behalf of the client.
- Due to an on-going relationship with the insurer, we knew exactly who to contact. Following a few conversations and emails, it became apparent that the claim was indeed made after the list had been changed but within a 14 day buffer period, during which time, the previous policy terms and conditions applied to any claims. It was also noted that the client went to have treatment in a hospital she was directed to by the insurer - her hospital list had not been updated on their systems – which was not the fault of the client.
- With some investigation, time and effort by our adviser, the claim was settled by the adviser, the new, cheaper premiums remained in place and £100 was given to our client in compensation.
- Our client was very grateful and realised that if she had not arranged her policy through us, she would have been very unlikely to have resolved the issue. We championed her case, acted on her behalf and ensured she was provided with what she believed to be within her policy terms. It took diligence and dedication on the part of our team to see this through and ultimately the client was rightfully rewarded.

CUSTOMER COMMENT: “Without the expertise, knowledge and personal relationships of my adviser, I would have been left without cover and out of pocket. My faith in the insurance industry has been restored thanks to Assured Futures.”

INCOME PROTECTION – THE WELFARE WITHDRAWAL

Osbourne’s recent budget was clear on the subject of welfare: the Government will be cutting benefits. This will impact on individuals and businesses alike as people, in theory, move towards employment. It will also impact on the insurance industry providing a huge opportunity. But are we ready?

Assured Future’s Head of Income Protection Linsey Sutton comments:

- The message from the Government was clear to me. There is a shift in accountability for those needing help from the state to themselves as individuals.
- I see the next few months as a great opportunity for the protection market as the reality of the new budget takes form. Our role is to ensure we make those in need aware of our products and services and then make them available to them.
- There seems to be a clear case for the Government to be more prominent in its promotion of the need for income protection for individuals. The protection industry and the Government both benefit from the sales of protection products so isn’t now the time to work together on promoting the advantages of having one in place?
- I’ve noticed in recent years, insurers increasingly provide rehabilitation elements to their policies, helping client get back to work quickly. I hope this will increase further, to help clients first and foremost but also assist in re-building the reputation of these products as valid and value for money.

Key Facts:

- Currently, only 1 in 10 workers have insurance in place to protect them against being off work due to illness
- Of those who stop work for six months, only 1 in 5 will return to work
- Employment and Support Allowance claimed by those likely to return to work in the future will be reducing from £102.15 to £73.10 a week for those over the age of 24 by the Conservatives.

OVER 50S – SECTOR OVERVIEW

The Over 50s life insurance sector is at a pivotal point of its lifespan. As the target audience adapts with technological developments and increased levels of understanding demands more flexible and reasonable products. The insurance industry needs to keep up with its customers.

CURRENT MARKET STRUCTURE

Sales of Over 50s life insurance products are traditionally made direct to customer and the majority is still sold this way. The main and long established providers of Over 50s life insurance products are AXA SunLife, Aviva which also provides the underwriting for the Post Office products. They all rely heavily on expensive TV advertising, free gifts and celebrity endorsement. It's thought by some this investment in the promotion may be a little imbalanced, as expressed by Which? Money editor Gareth Shaw who, following the organisation's recent study into this market said "Some companies are cashing in on the over-50s through poor-value products and clever marketing." This can render the products to have such a high cost the profit margin is now seemingly unsustainable.

The direct to consumer route to purchase is contracting and the Swiss Re Term and Health Watch 2014 showed that sales of Over 50s products had declined in 2014.

MARKET DEVELOPMENTS

Royal London recently produced a report investigating the value of Over 50s cover and calling the industry to change the products making them more relevant, flexible and better value for customers. Their findings identified that "28% of UK adults who purchase the insurance cancel their policy and £173m of life insurance was lost last year (based on 52,000 people cancelling their policy) representing £86m of wasted premiums". Royal London believes these cancellations to be driven by financial difficulties which leave customers poorer and unprotected and that the products are confusing. In conclusion the products themselves should change as habits within the target consumer change.

Jerry Toher, CEO of Royal London's Consumer Division said: "The new analysis from Which? shines a well-deserved light on a sector that sells unfair and inflexible products: over-50s life insurance. Royal London welcomes these findings and we hope they go some way to disturb a market that we are also determined to shake up, because it is in urgent need of repair.

The target audience is increasingly using the internet to research and purchase these products - termed as the Silver Surfers – 45-55 year olds are turning to the internet more than any other age group. 83% of adults now go online using any type of device and there has been a nine percentage point increase in those aged 65+ ever going online - 42% vs. 33% in 2012 according to Ofcom Adults' Media Use and Attitudes Report 2014.

This affects the route to market for many products including insurance policies allowing for potential growth in sales for the intermediary and comparison space. In the intermediary market these products are costed more effectively and are therefore better value.

There is lots of activity in this sector;

- SunLife is recruiting from the wider insurance industry (Mark Jones from LV= and Emma Walker from MoneySuperMarket.com) indicating they want to change their approach to sales and promotion of Over 50s products.
- Two providers which sell through intermediaries Engage Mutual and Family Investments have merged to become One Family. This new insurer has aggressive plans for the future and is currently beating targets.
- Royal London sells direct to consumer but they will join our panel next year.
- Shepherd Friendly also has growing sales direct and in the intermediated space.

AFL POSITION WITHIN THE MARKET

The market as a whole has declining sales but AFL sales are increasing. Our channel of sales through an intermediary via comparison websites is the opposite - our like for like sales in Q2 of 2015 are up 21% from the same quarter last year. AFL is in a good position within the sector; predicting, identifying and capitalising on the opportunities presented by the changes in the market.

Our panel is the largest in the market, a contrast to Confused.com and Money Super Market who have no panel for these products.

The tables below compare quotes for Over 50s policy payouts for those bought direct from the insurer and those from one of our intermediary trading styles Family Insurance Services. Without using celebrity endorsement or advertising, we provide significantly more value.

QUOTES FOR POLICIES BOUGHT DIRECT

Provider	Payout	Incentives
AXA Sunlife	£2,190	First month free, prize draw for £1,000
Post Office (Aviva)	£2,066	
Aviva	£2,046	£50 M&S Vouchers
LV=	£1,953	
Royal London	£2,304	Can reduce payments at any time

Based on a 61 year old non-smoker

QUOTES FOR POLICIES BOUGHT THROUGH FAMILY INSURANCE SERVICES

Provider	Payout
Sheperds Friendly	£2,855
One Family	£2,700
AIG	£2,533
L&G	£2,345
Aviva	£2,045
LV=	£1,918

Based on a 61 year old non-smoker

Richard Harris, Head of Life Insurance at AFL commented

"We have always focused on communicating with our clients so we can adapt our provision and service according to their needs and demands. This approach enables a flexibility to make changes easily as the market changes not as an after thought."

Today In The UK

- Over 1,346 people will die
- 2.2 million people of working age will be off work for at least six months at any one time
- More than 1.57 million people are claiming Jobseeker's Allowance
- More than 2.56 million people are claiming Incapacity Benefit/Employment and Support Allowance
- More than 3.2 million people are claiming Disability Living Allowance

Awards



Please note the above represents the views of the authors only and does not constitute insurance advice.

Assured Futures Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

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