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Life & Health Insurance
MARKET INSIGHT REPORT
2014 Q4

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Competitor Analysis

Income Protection	MSM		Confused		Go Compare		CTM		Family Insurance Services		
	Lowest Price	£14.50	Payment Care	£14.70	helpucover	£14.70	helpucover	£13.00	Assurity	£13.00	Assurity
	2nd Lowest Price	£14.70	helpucover	£19.00	Payment Care	£19.00	Payment Care	£14.70	helpucover	£14.70	helpucover
	3rd Lowest Price	£15.06	FirstCall Payment Protection	£19.21	Sanctuary	£19.21	Sanctuary	£15.25	Realm Protection	£15.25	Realm Protection
Number of Insurers	8		7		7		12		12		

Income protection, covering £500 per month for 12 months, for accident, sickness and unemployment with a 30 day wait period for an employed 35 year old male earning 12k per year, living in GL7.

Private Health Insurance	MSM	Confused		Go Compare		CTM		Family Insurance Services		
	Basic Cover	N/A	£19.31	Simply Health	£19.31	Simply Health	£18.37	Aviva	£18.37	Aviva
	Mid-range Cover	N/A	£30.03	Aviva	£30.03	Aviva	£23.51	General Medical	£23.51	General Medical
	Fully Comprehensive Cover	N/A	£38.47	General Medical	£38.47	General Medical	£33.15	General Medical	£33.15	General Medical
Number of Insurers	N/A	13		13		13		13		

PMI prices based on 35 year old male non-smoker living in GL7 with Nil Excess.

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

	MSM		Confused		Go Compare		CTM		Family Insurance Services		
Life (Term)	Lowest Price	£36.47	Beagle Street	£36.40	Beagle Street	£36.17	Beagle Street	£32.11	Beagle Street	£36.80	L&G
	2nd Lowest Price	£37.91	L&G	£40.74	L&G	£41.47	L&G	£38.89	L&G	£37.05	Bright Grey
	3rd Lowest Price	£40.59	Zurich	£41.84	L&G	£41.84	Bright Grey	£42.50	Ageas	£39.88	Aviva
	Number of Insurers	9		10		9		4		9	

Life (Term) prices based on 35 year old male non-smoker, living in GL7, covering £150,000 over 20 years and inclusive of CIC.

	MSM	Confused	Go Compare	CTM	Family Insurance Services	
Life (WOL)	Lowest Price	N/A	N/A	N/A	£10.00	Aegon
	2nd Lowest Price	N/A	N/A	N/A	£10.02	Zurich
	3rd Lowest Price	N/A	N/A	N/A	£14.13	L&G
	Number of Insurers	0	0	0	0	7

Life (WOL) prices based on 35 year old male non-smoker, living in GL7, covering £10,000.

	MSM	Confused	Go Compare		CTM		Assured Futures	
Over 50s	Highest Cover Provided	N/A	£5,217	Shepherds Friendly	£5,502	Shepherds Friendly	£5,502	Shepherds Friendly
	2nd Highest Cover Provided	N/A	£5,165	Ageas	£5,440	Ageas	£5,440	Ageas
	3rd Highest Cover Provided	N/A	£4,726	L&G	£5,393	Engage Mutual	£5,393	Engage Mutual
	Number of Insurers	0	0	4		7 including products exclusive to Assured Futures from Zurich and Ageas		7 including products exclusive to Assured Futures from Zurich and Ageas

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

INCOME PROTECTION MARKET AND OUTLOOK FOR 2015 AND BEYOND

Introduction

For this issue of our quarterly market insight report (covering the final months of 2014); we thought it may be helpful to have a collection of thoughts and opinions, reviewing the Income Protection Market during the past few years and an outlook of its future for the next few years.

Overview

The Timetric *Income Protection and Critical Illness Insurance in the UK, Key Trends and Opportunities to 2017* report highlights the following:

- Income protection and critical illness market delivers steady performance as protection gap widens
- Income protection and critical illness products will continue to increase their presence
- Stable claim pay-outs are expected to rebuild consumer trust in the industry
- Advisors will shift their attention towards protection business in the post-RDR world
- Regulatory changes will bring further uncertainty
- Premium growth is expected to settle at 4.3% by 2017

Analysis

In simple terms the review period (2008 – 2012), was characterised by recession and high unemployment. Despite economic uncertainty and rising job insecurity, (which should have supported demand for creditor insurance), growth in income protection was impaired by a combination of regulatory intervention, negative press coverage and customer antipathy. Banks have also tended to withdraw from the distribution process. Remedial measures, which include a ban on the sale of creditor insurance policies at the point of sale of a loan or credit card, has led towards the development of simplified products which can be sold on a stand-alone basis, or through price-comparison websites.

Looking forward to 2017 and despite these challenges; any prevailing expansion will be underpinned by a recovery in the UK economy and rising awareness of, and demand for, new short-term protection products. Gross written premiums in the category are forecast to grow between 2013 and 2017, logging a total of around GBP800 million by the end of this period. The paper also noted that Gross written premiums reported in annual regulatory returns totalled GBP711 million in 2012.

Having reviewed the above we have some further thoughts for your consideration about the STIP market. The headline points are:

- While the overall market has declined due to the negative press and banks withdrawal from distribution, these factors of awareness and availability are a benefit to price comparison sites, so a general decline still results in comparison growth.
- The growth in Income Protection insurance is predominantly fuelled by factors such as confidence of people in continuity of their jobs, employer's cost reduction programmes, changes in employee benefits, people choosing to be self-employed and new commitments taken on such as mortgages or loans. However these local factors have their roots on external economic factors.
- Further growth will come as a result of improving consumer disposable income and a well-developed protection crisis driving consumer behaviour. We have experienced increased sales when the economy improves and consumers have more disposable income to purchase insurance products. This year may well be the year when positive messages (or at least substantially fewer negative messages) start to permeate the press.
- In 2015, the situation will be slightly more complex due to uncertain geo-political landscape in UK with impending general elections. The lower oil price will put more money in consumers' pockets and real wages will be rising. But the growth in the UK is fragile as it is almost entirely dependent on the willingness of the consumer to keep spending and dipping more deeply into their savings. The reducing pace of mortgage approvals will continue to dwell in 2015 as banks consolidate their lending practices. The other factors such as strengthening of the US dollar, weakening Euro, flat lining Eurozone, recession in Japan and slowdown in China will not help for a take-off in export growth.

- The spending cuts and austerity drives implemented by the Government will continue to bite. The big uncertainties over the shape and pace of fiscal consolidation will affect businesses and impact the economy. This has a knock-on effect on consumer spending and personal finance priorities.
- As the mortgage market recovers and grows the demand for MPPI/STIP will rise accordingly for example, first time buyers. (Halifax report January 2015 estimates first time buyers were up 22% from 2013 to 326,500.
- Average premiums will remain static until there is a change in BoE policy on interest rates. The average premium varies depending on the distribution channel and also by product type.
- Currently the average benefit is of the order of £600-£800 MPPI and £800-£1200 STIP per year.
- In terms of income protection insurance, we expect the market size to largely remain the same as seen in 2014.
- While the number of claims arising from unemployment in 2015 is likely to be less than what was seen in 2014, it is too early to predict any major changes in price or policy rationalisations.
- With the long term income protection, there is a high likelihood of increasing competition as some of the providers launch new products to restore lost market share in 2014. This might result in lower premiums and can put pressure on intermediaries to sell more policies to maintain their commission income levels.

AFL CUSTOMER MOTIVATION SURVEY REPORT: INCOME PROTECTION OCTOBER 2014

Objective

The purpose of the research was to establish why individuals are purchasing or seriously considering purchasing protection cover at that specific moment in time. This information could then be used to target specific groups of individuals at key times in their life using appropriate marketing initiatives to procure more and better quality leads for the advisors.

Research Notes

Records were collected by the specialist advisor team over a period of one month.

Duplicates and entries with insufficient data were removed, only records of sufficient completion contributed to the below findings and statistics.

Information was collected from a sample of activity during the specified period.

Key Information

Records:	712	
Women:	206	(29%)
Men:	506	(71%)
Average age:	39	
Average wage:	£31,000 per annum	

The clients were all aged between 23 and 63. The ages which occurred most frequently were: 28 & 44

Results: Motivations to Purchase ASU

- Looking to save money
- Lack of employment benefits
- Buying a house (Mortgage Protection)
- Family experience or illness
- Fear of redundancy

Seven Families

Overview

A charity led campaign to provide a tax-free income for one year to seven people who have lost their income because of a serious or long-term illness or disability.

The initiative wants to highlight the need for people to plan financially in case they become too ill to earn an income. The charity Disability Rights UK are working with the seven families where the main breadwinner has been forced out of work by an accident or illness and not received any related insurance pay out.

Seven Families is about awareness; it's about prompting conversations among families about how they would cope; it's about letting a group of families who've hit a crisis talk to other families who haven't...yet. Whilst this applies to the public it is also relevant to the adviser community where advice around protection is crucial.

How Assured Futures is Involved

AFL is supporting one of the seven families, initially to offer free financial reviews and income protection advice. We soon realised, our involvement was to become much more involved.

Daniel Pinder, is 50, divorced and two of his three children live with him. He was born deaf and developed epilepsy as a child, neither condition hindered his ability to work and he had a successful career as a rehabilitation officer for visually impaired people.

Since being diagnosed with MS in 2009 he eventually had to stop working in March 2014. He has difficulty walking for any distance and steps can be problematic for him and as MS is degenerative, these current impediments will worsen and increase. Daniel can still type and drive with an adapted car, he feels that as he still has 15 years until retirement age, he'd like to return to work and feel like he's contributing to society. Despite being experienced, having qualifications and the desire to work, Daniel's self-esteem is low he's concerned any potential employers or colleagues may not see his worth. His children are also concerned that without a job, his confidence will reduce and perhaps cause a downward spiral for his condition too.

AFL is helping Daniel gain access to the tools which will allow him to build this back up himself and achieve his goal of working again. For us, as a broker of protection insurance, our involvement in this important initiative has put much wider issues surrounding those afflicted by long-term illness and accidents in the spotlight. We've learned that for those with a policy covering accident or sickness, the money from a claim is of course helpful for physical logistics and medical needs. However, the psychological impact there is on the policy holder and those around them is often forgotten or ignored. It is this that actually needs to be addressed and hopefully our assistance with Mr Pinder will ease this strain and allow for the emotional element of accidents and sickness to be acknowledged by the wider IP industry and open a discussion on how it can be addressed and how any solutions (careers counselling, social groups etc.) are funded.

Our advisers, since we've communicated internally Daniel's story, have more understanding of the direct impact not being insured can have and have, as a result, become better advisers – more empathetic and a clearer understanding of how someone's life can be changed.

CUSTOMER CASE STUDY:

CUSTOMER'S REQUEST: A client rang in for a policy that would cover his funeral costs. During the first few minutes of our conversation he mentioned his wife wasn't able to get any cover as she was too young for an Over50s policy and had a serious medical condition. His wife is aged 46 and had a brain haemorrhage two years ago, leaving her with memory loss and balance problems. He was her full time carer and her condition was so severe, she couldn't be left alone.

ADVISER'S TIPS

- Firstly I felt I needed to prove my sincere empathy and understanding through my tone of voice and by simply listening. I've learned that often, clients who ring in on behalf of a spouse who is unable to do so themselves, are not simply desperate for a policy; they are likely to be isolated and perhaps lonely. The simple act of talking to another person can be as important as the product itself to them as it is possibly their only conversation or interaction with another person for days or even weeks. It's important to read between the lines sometimes, assess the client's situation and then build rapport with people, whilst still offering a professional and impartial advice service.
- Product knowledge means I'm aware there's a policy for everyone so I could be genuinely positive and reassuring – important for a call like this.
- I was aware from CDP research that Esmi has products which allow for this client's conditions at a reasonably affordable price. The reward of a very satisfied customer and the knowledge that my advice had a big impact on the client is a huge benefit of my job.

CUSTOMER COMMENT: "It's not like me to single out an adviser but on this occasion I feel that [our adviser] deserves a very special mention as I felt that she went over and above the call of duty and made this process very simple and with great professionalism. Thanks"

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

- UK Broker Award Finalist
- Edge Awards Runner-up
- Cover Excellence Awards - shortlisted



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

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