

MARKET INSIGHT REPORT

2014 Q2

Competitor Analysis

Income Protection

	MSM		Confused		Go Compare		CTM		Family Insurance Services	
Lowest Price	£15.06	FirstCall Payment	£14.70	Helpucover	£14.70	Helpucover	£13.00	Assurity	£13.00	Assurity
2nd Lowest Price	£16.38	FirstCall Payment	£15.45	Helpucover	£15.45	Helpucover	£15.25	Realm	£15.25	Realm
3rd Lowest Price	£18.00	Synergy Financial	£15.25	Realm	£15.25	Realm	£17.75	DMS	£17.75	DMS
Number of Insures	4		8		5		11		11	

Income protection, covering £500 per month for accident, sickness and unemployment with a 30 days 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	£10.86	WPA	£10.86	WPA	£10.86	WPA	£10.86	WPA
Mid-range Cover	N/A	£35.45	Aviva	£35.45	Aviva	£23.51	General Medical	£23.51	General Medical
Fully Comprehensive Cover	N/A	£48.21	Simply Health	£48.21	Simply Health	£33.15	General Medical	£33.15	General Medical
Number of Insures	N/A	11		11		12		12	

Prices based on 35 year old male non-smoker living in GL7.

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

	MSM		Confused		Go Compare		CTM		Family Insurance Services		Tesco		
Life (Term)	Lowest Price	£37.69	L&G	£37.69	L&G	£37.05	Beagle Street	£36.48	Beagle Street	£39.21	Aegon	£36.00	Beagle Street
	2nd Lowest Price	£40.80	Zurich	£40.03	L&G	£38.79	L&G	£40.10	L&G	£40.19	Bright Grey	£37.26	L&G
	3rd Lowest Price	£41.55	Ageas	£41.13	Aegon	£40.11	Aegon	£42.24	Aegon	£40.68	Zurich	£38.90	Aegon
	Number of Insures	10		10		9		8		9		9	

Prices based on 35 year old male non-smoker, living in GL7, covering £150,000 over 20 years.

	MSM	Confused	Go Compare	CTM	Family Insurance Services	
Life (WOL)	Lowest Price	N/A	N/A	N/A	PruProtect	£61.29
	2nd Lowest Price	N/A	N/A	N/A	LV=	£65.33
	3rd Lowest Price	N/A	N/A	N/A	L&G	£76.40
	Number of Insures	0	0	0	0	6

Prices based on 35 year old male non-smoker, living in GL7, covering £150,000.

	MSM	Confused	Go Compare	CTM		Family Insurance Services		
Over 50s	Highest Cover Provided	£0	£0	£5,217	£5,440	Ageas	£5,440	Ageas
	2nd Highest Cover Provided	£0	£0	£5,165	£5,437	Shepherds Friendly	£5,437	Shepherds Friendly
	3rd Highest Cover Provided	£0	£0	£4,670	£5,161	LV=	£5,161	LV=
	Number of Insures	0	0	4	5		5	

Price based on 60 year old male living in GL7 choosing a premium of £20 per month.

INSURANCE'S DIGITAL REVOLUTION

Like most industries, insurance is becoming more and more reliant on technology to improve efficiency and effectiveness especially in regards to the distribution of policies. A recent report by Swiss Re claims the insurance industry is in the midst of a digital revolution, albeit a quiet one and somewhat delayed in comparison to other industries. PwC has also produced a report outlining the demand from consumers for online advice.

Ian Sawyer, MD of Assured Futures gives his view:

- The consumer shift from using financial advisers to web-based technology is not a new phenomenon however, for life insurance products in particular, consumers demand advice as well as the best price. The PwC report highlights how consumers research and compare policies online but actually purchase offline. Consumers recognise that while these products are available to purchase online, advice from a professional as to which policy is most suited to their financial circumstances both now and in the future is, well, advisable

- It's surprising how few brokers and advisers have a digital strategy. KPMG's report stated that although 69% of insurers have a digital strategy beyond a website; only 37% say these initiatives are fully aligned to the company's strategic objectives. This lack of commitment to digital provision for customers being part of the strategic planning of the business is evident in the industry's slow response to the sharp increase in general on-line purchases. We at Assured Futures are working on our online provision. We are aware of customer trends developing from searching and purchasing protection insurance; like the number of over 50s using tablets increasing sharply and new mothers using mobile phones almost exclusively. We have to be all things to all people and are looking further ahead to the development of, and subsequent increased use of, larger mobile phones as the new benchmark of consumer device of choice for researching and purchasing of protection insurance
- The purchasing journey is undoubtedly more complex now, involving fixed and mobile devices, social media as well as the more traditional paths of intermediaries, call centres and branches. Effectively providing for all of these elements online can be tricky especially if you offer more than one product. As protection brokers, offering policies and advice on all protection insurance products, we have found offering both on and offline services is optimal. Each service complements the other. As PwC's Digital Insurance Partner Graham Jackson stated "consumers want the comfort and flexibility of being able to communicate with their life insurance providers as well as viewing and comparing offers on and offline". Our provision means we are able to capture all market groups as well as offering a tailored solution for each client and their individual requirements
- For the consumers that do purchase online, although this may be cost effective, easy to access and have the ability to compare policies, it doesn't necessarily lead to sustainability. Our own figures indicate more people cancel following an online, unadvised purchase of life insurance so the long term values of each plan means less to the insurer, broker and aggregator
- To assist our customers with their online experience we offer them a "need help" tab which flows down the screen throughout the quote and application forms. Once clicked on it provides information on how to contact a professional adviser. This has proved popular with clients who require extra information. We have found that clients mostly want reassurance that the policy they have identified is best suited to their needs and they've not missed a deal which is only available through our advisers.

Key Facts:

- 85% of life insurance sales are made through intermediaries (2011/12)
- 30% said online advice would persuade them to purchase life insurance online
- 69% insurers have a digital strategy beyond a website
- 47% insurers claim developing innovative propositions to meet changing customer preferences is their greatest priority for the next 2-3 years.

- ➔ [Swiss Re report: Digital distribution in insurance - a quiet revolution](#)
- ➔ [PwC report: Forcing the pace - the fast way to becoming a digital front-runner](#)
- ➔ [KPMG report: How well is the life insurance industry keeping pace with rapidly changing technology](#)

INCOME PROTECTION - WORKING TOGETHER TO IMPROVE TAKE-UP

Zurich recently released a report: Income Protection - working together to improve take-up. It outlines why it's important for insurers, individuals, businesses and the government to work together to ensure financial provision is in place if and when a disability event should occur.

Assured Futures' Ross Hebden shares his thoughts:

- As the report suggests I believe making changes in this area should be a collaborative effort. As part of the insurance industry we have our own part to play. The labels given to products vary so much and are confusing as well as carry a history of suspicion as far as consumers are concerned. The term PPI is now little more than the punch line of a joke about financial institutions or unsolicited phone calls. We, within the industry, have a duty of care to customers to reassure them it was the mis-selling of the product that was to blame, not the product itself
- At Assured Futures, we aim to be clear and consistent on our websites and literature when referring to the various types of policies available under the umbrella of Income Protection. E.g. accident and sickness cover or mortgage payment protection. We understand there is work to do to promote the benefits of these policies and reassuring the public will take time – but the quicker it's actioned by the industry as a whole – that is banks, the government, insurers and brokers; the quicker the misconception will disappear
- As impartial advisers we have a key role in promoting these products and their many benefits to families and individuals who have one. Promoting the tax gains as an attractive element of the policies could have some impact on increasing sales figures however I believe most individuals would be persuaded to buy one for more personal gain rather than one which benefits all taxpayers
- Insurers could also increase their scope of policy provision by introducing rehabilitation activities as part of the benefit for each policy holder. Zurich introduced rehabilitation activities including Cognitive Behavioural Therapy, physiotherapy and advice and as such states that many notifications (the term used when a policy holder contacts the insurer to start a claim process and could be given a rehabilitation programme as an alternative option to claiming) do not progress to full claims because individuals return to work before the point at which payments would be made therefore making the insurer an overall saving on the individual policy
- Such a provision could also have a real and fairly instant impact on the volume of sales. Getting people back to work as speedily as possible also has a positive knock-on effect on the economy as a whole: a working population being most beneficial to individuals and employers. It seems there is nothing to lose for the government, insurers, brokers and tax experts to lose from collectively taking action to promote the positive impact gained from holding an income protection policy.

Key Facts:

- 13.5m people could benefit from income protection, compared to 3.6m who currently have cover through their employer or privately
- One million employees spend more than four weeks off work due to illness each year, according to the Department for Work and Pensions, which also calculates that absence from work due to illness costs the UK economy £15 billion a year
- Income protection insurance saves the Government and taxpayers £185m each year, as a result of saved welfare benefits, increased tax revenue and rehabilitation services
- 20% of claims to Zurich were reduced in duration (of monthly benefit payments) by rehabilitation programmes.



[Zurich report: Income Protection - working together to improve take-up](#)

PROTECTION INSURANCE STATISTICS

Kevin Carr, wrote in FTAdviser the importance of statistics within the insurance industry to relay to customers the importance of protection policies and the significance of how not having a policy can impact on their lives and the lives of their loved ones. He also mentioned how important it was for brokers to remember that at the heart of these statistics were normal, ordinary customers without the

knowledge and expertise of a broker: "it is one thing to know about the important statistics but another to understand what they really mean to everyday families". It's important to separate the jargon and the statistics which can be useful to a broker to those which may be helpful in persuading a potential client into purchasing a policy.

Here are some of the statistics which could be useful for both brokers and clients can you spot the difference?:

3 - The **UK insurance industry is the third largest in the world** and the largest in Europe.

£164.7bn - According to the Association of British Insurers in 2012 a total of **£164.7bn was paid in premiums** for long term insurance products and £196.2bn was paid in claims and benefits equalling a net loss to insurers and dispelling the myth insurers don't pay out.

£10.4bn - In the 2010/11 tax year ABI members contributed £10.4bn in taxes, equivalent to **1.9% of total Government tax receipts**.

320,000 - The insurance industry **employs around 320,000** people in the UK.

29m - In 2012 there were an estimated **29m protection, term and whole life policies in force**.

19 - Based on data from F&TRC the age of the **youngest adult critical illness claim in the UK last year was 19**, through Bright Grey.

38% - The overall percentage of protection claims the public believe are paid each year in the UK. The **actual figure is over 90%**.

£8.4m - Every day UK **insurers pay out £8.4m in health and protection claims**.

65% - The proportion of **critical illness claims that relate to cancer**, compared to 15% for heart attacks, 7% for strokes and 6% for MS.

60% - The approximate proportion of **income protection claims that arise from either accidents, mental health disorders or musculoskeletal complaints**, of which most would not be covered by critical illness cover.

£50pm - The average amount people are willing to **spend on protection insurance** (according to Protection Review).

60% - The potential savings, under the right circumstances, that **a relevant life policy can save** compared with traditional life insurance.

65% - The number of worldwide **deaths attributed to lifestyle factors** such as nutrition, exercise, smoking and alcohol, according to the Oxford Health Alliance.

1 in 5 - The **chances of being off work sick** for more than three months according to LV=.

1 in 76,275,360 - **The chances of winning Euromillions** according to LV=.

66% - The number of people who **do not have any financial support** in place to support the cost of looking after **a sick child** if they could no longer work, according to Ageas.

2.89m - The number of people on the NHS waiting list as at April this year, the highest it has been since 2008.

200 – the number of types of cancer, each with different causes, symptoms and treatments.

570 - Government figures suggest 570 children smoke for the first time every day.

5% - A pint of beer provides around 5% of our daily protein needs.

72% - According to Zurich this is the number of people who believe there are circumstances where it is acceptable to stretch the truth or tell a white lie when it comes to insurance.

40% - the number of Ombudsman complaints about protection that were upheld in 2012.

100 - According to Skandia out of more than 800,000 babies born in the UK in 2013, over a third of them are expected to live to 100.

CUSTOMER CASE STUDY: PRIVATE MEDICAL INSURANCE

CUSTOMER'S REQUEST: To transfer to a cheaper and more suitable policy following a previous diagnosis of a health condition which could potentially lead to treatment required in the future.

ADVISER'S TIPS

- As with all clients, my first duty was to listen. I soon realised that while price was a factor, this client's main concern was more complex than simply ensuring a specific condition was listed as an exclusion. I recognised it was her overwhelming fear of missing a clause that could be ambiguously written and ultimately mean she would not be covered for this specific condition. She wanted the condition to be covered but she also didn't want to feel embarrassed at choosing the wrong policy
- Previous experience and background knowledge of this specific condition led me to a handful of insurers that would be most suitable to look at first. One insurer had a policy which would cover this client's condition and also happened to be cheaper than her current policy
- Earning the client's trust in our initial conversation proved to be important when communicating my findings which more than satisfied her requirements. As a professional and qualified insurance broker, I found a solution to a client's problem rather than tried to sell a policy to someone.

CUSTOMER COMMENT: "When **changing insurance providers** it's always a **little overwhelming**, particularly searching a price comparison website as there are so many options available. I was very much aware that choosing the wrong policy for me could prove critical thinking you are covered for a particular course of treatment to find the insurance company will not honour the cost because I had misread or misunderstood the level of cover. It was therefore **reassuring to speak to a consultant** who was very **knowledgeable** and could understand straight away the level and details of cover I currently had with my insurance company and therefore the comparable cover I required for my new policy, **offering guidance and assistance** along the way."

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



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