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Life & Health Insurance

MARKET INSIGHT REPORT

2014 Q3

insuranc

In association with:



Competitor Analysis

Income Protection	MSM		Confused		Go Compare		CTM		Assured Futures		
	Lowest Price	£14.50	FirstCall Payment	£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	£15.25	Realm Protection	£15.25	Realm Protection
	3rd Lowest Price	£15.06	FirstCall Payment Protection	£19.21	Sanctuary	£19.21	Sanctuary	£17.89	DMS	£17.89	DMS
	Number of Insures	8		7		7		10		10	

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

Private Health Insurance	MSM		Confused		Go Compare		CTM		Assured Futures	
	Basic Cover	N/A	£13.12	WPA	£13.12	WPA	£13.12	WPA	£13.12	WPA
	Mid-range Cover	N/A	£31.75	Aviva	£31.75	Aviva	£29.02	General Medical	£29.02	General Medical
	Fully Comprehensive Cover	N/A	£45.11	Aviva	£45.11	Aviva	£40.45	General Medical	£40.45	General Medical
	Number of Insures	N/A	12		12		12		12	

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

Life (Term)

	MSM (discounted)		Confused (discounted)		Go Compare (discounted)		CTM (discounted)		Assured Futures (non-discounted)	
Lowest Price	£36.47	Beagle Street	£37.21	Beagle Street	£36.17	Beagle Street	£35.60	Beagle Street	£44.42	Scottish Provident
2nd Lowest Price	£39.82	L&G	£42.42	L&G	£43.29	L&G	£42.38	L&G	£44.75	Aviva
3rd Lowest Price	£43.40	Ageas	£43.57	Aegon	£43.32	Bright Grey	£43.87	Aegon	£44.82	L&G
Number of Insures	10		10		9		7		10	

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

Life (WOL)

	MSM	Confused	Go Compare	CTM	Assured Futures	
Lowest Price	N/A	N/A	N/A	N/A	PruProtect	£61.29
2nd Lowest Price	N/A	N/A	N/A	N/A	LV=	£65.33
3rd Lowest Price	N/A	N/A	N/A	N/A	L&G	£76.40
Number of Insures	0	0	0	0	6	

Life (WOL) prices based on 35 year old male non-smoker, living in GL7, covering £150,000.

Over 50s

	MSM	Con-fused	Go Compare		CTM		Assured Futures	
Highest Cover Provided	£0	£0	£5,217	Shepherds Friendly	£5,502	Shepherds Friendly	£5,440	Shepherds Friendly
2nd Highest Cover Provided	£0	£0	£5,165	Ageas	£5,440	Ageas	£5,440	Ageas
3rd Highest Cover Provided	£0	£0	£4,726	L&G	£5,395	Engage Mutual	£5,395	Engage Mutual
Number of Insures	0	0	4		5		5	

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

SEARCH AND SWITCH - ENCOURAGING BETTER PRODUCTS AND CUSTOMER BENEFITS

 <http://www.familyis.co.uk/Media/Default/MIR/R1Q32014.pdf>

Accenture's thought leadership report on financial consumer behaviour offers a new perspective on the changing ways of customer interaction with financial institutions. The report, entitled: "Holding on to profitable customers in a high-switching world" provides insight on both customer behaviour and the reactions to these comportments by financial institutions. It also comments on the ways customers interact with financial services institutions, including insurance providers and how it's changing in terms of loyalty and how that loyalty can be gained, harnessed and acted upon.

Richard Harris, Head of Life Insurance at Assured Futures shares his thoughts:

- Accenture's research suggests modern financial consumers are demanding more and more from the financial service institutions (FSIs) they interact with. Customers' expectations are becoming increasingly high especially in regards to access, flexibility, provision and cost. They want their financial provision to be transparent and interactions to be in ways and at times that suit them, the customer. Santander recently claimed their online banking service was busiest at 6.55am and used mostly via mobile phones – commuters perhaps? If these requirements are not met – they are increasingly happy to switch provider. Loyalty to financial institutions is dropping and for some products at alarming rates. Some report just 1% of life and pension customers switched providers in 2011 increasing to 7% in 2012.
- A new breed of customer seems to be emerging as the route-to-purchase evolves from face-to-face to remote, de-personalised and outside of normal working hours. Customers are increasingly savvy in their search and understanding of insurance products gaining information on insurance from an ever widening range of sources including recommendation and various media types as well as through expert advisors. This information varies too in quality and discretion as not all these sources are regulated. As consumer demand for transparency increases, our efforts, as service providers must continue to satisfy their demands and requests for information. Financial services as an industry has given consumers what they wanted – easily accessible information. This of course leaves a margin for error. As a broker, we aim to fill the gap between the information gathered by customers and their understanding of the information. We can convert it into comprehensible information and then go on to assist them in their purchase decisions.
- The instant accessibility to product information twinned with the accelerating developments in IT and access to big data means that if customers don't receive products tailored to their specific needs at a time that they dictate – they can, and more importantly will, find a provider able to satisfy all their demands. Ensuring we keep pace of these demands and the ways in which customers search for information is key to the success of our business.
- Historically, trust of financial institutions was higher due to less market choice and customers purchasing decisions being based on behaviours of their parents. As this trust increasingly diminishes, along with the notion of having a "provider for life", the regard of FSIs has become that of simply a group of service providers supplying products which can be acquired at the best price. There is less mystery these days surrounding FSIs and what they provide. However, FSIs can still maintain customer loyalty with clever, data driven, relevant strategies. These should be gained by listening and understanding customers' needs (research, feedback requests and by providing relevant, tailored products and corresponding loyalty rewards); communicating with customers in a way and at a time that suits the customer (SMS not Facebook) and by focusing on the customer experience. These elements of concentration will help FSIs ensure customer satisfaction increases and lead to improved customer retention.

Key Facts:

- 1% of customers switched life insurance or pension product provider in 2011 increasing to 7% switching provider in 2012
- Motor insurance switchers, in contrast, was unsurprisingly high but surprisingly did not dramatically increase but rather stayed stable at nearly 40%
- Customers using mobile devices are increasingly more willing to switch provider of financial products
- Evidence shows a deteriorating level of trust amongst bank consumers with feelings on banks being 'trustworthy' 'fair', 'transparent' and 'ethical' decreasing on all sentiments for all ages especially younger consumers aged 18 – 24
- High income customers are less satisfied, more likely to switch and more likely to consider alternative non-bank providers than those on low incomes

OCCUPATION RATINGS: THE NEED FOR GREATER CLARITY

A recent article in *Cover* magazine highlighted the problem caused by the imprecise definition of occupations used when underwriting Income Protection (IP) policies and claimed this creates a 'considerable sales barrier'.

Linsey Sutton, Head of Income Protection at Assured Futures gives an overview of the report and examines whether addressing this issue could have a direct effect on increasing the volume of long term IP product sales:

- The article begins by stating that many specialist protection advisers believe IP should be the first priority based on the immediate risk to the client's loss of income and financial security. Despite this, there is a large disparity between sales of IP policies and Critical Illness policies. Could one of the reasons for this be the off-putting ambiguity of occupation ratings?
- A 'considerable sales barrier' is how the author, Kerry Nicolaides, Principle Consultant at F&TRC, describes the current system of underwriting occupation ratings, believing that it is one of the reasons behind the poor uptake of IP policies.
- As the system stands at the moment, there could be more than 8,000 job titles on a single insurer's online system (with no correlation between different insurers). Even given this large number, often an adviser will struggle to find a title that accurately describes their client's job and will have to make do with a 'best fit'. To then have to ask that client to sign and pay for an IP policy that doesn't accurately reflect their job seems very bad practice and can certainly prove awkward and embarrassing for the adviser.
- Further frustration can happen after the adviser has received an initial quote from an insurer which then comes back, having been underwritten, at a very different, often more expensive, price for their premiums. Using this system means that protection insurers are, 'perpetuating a very old-fashioned service that offers a high risk of frustrating clients'
- Surely it's better to be able to sell with integrity using clear definitions so that everyone knows where they stand? Otherwise we risk engendering mistrust for the IP industry. Not being able to clearly define your occupation is extremely off-putting for the consumer who is then left wondering whether this could derail a pay-out should a claim need to be made.
- There is a campaign by advisers to ask the industry to reconsider the way occupation definitions are applied to underwriting ratings. Could the system be simplified to create a more effective underwriting process when writing IP business? Importantly, if this could be managed, it would bring this part of the industry in line with the Financial Conduct Authority's requirements to give consumers a reasonable expectation of costs.
- One idea is to define the occupation based on job duties as opposed to job title. In this way the difference between a project manager for a construction company and a project manager for a catering company would be immediately obvious. Allowing clients to claim based on their ability to carry out their duties would further simplify the process.
- While many insurers can clearly see the need for reform, others are dragging their heels so that, in Nicolaides' opinion 'they gain a competitive advantage over their peers by analysing as much information as they can, based on previous claims on an individual occupation' which she believes is highly detrimental to the industry.
- A complete overhaul of the current underwriting process would take significant investment but the commitment to providing greater clarity and certainty to consumers could well mean an increase in the volume of IP product sales.
- The bottom line is that the protection industry needs to drive the market towards the next generation of quotation services. It's time to leave behind an old-fashioned, suspect and ill-defined underwriting process and embrace a more customer-friendly, bespoke service tailored to the particulars of an individual's occupation.
- This will instil greater confidence in IP as a product. If consumers feel they are paying for a policy which is a perfect fit for them, surely that can only benefit the industry in terms of consumer confidence and therefore sales.

Key Facts:

- Current system lacks clarity and can mean that a client is paying for an IP policy on which their stated job title does not accurately reflect what they do for a living.
- Simplifying and clarifying occupation definition will help towards meeting the FCA's requirements to give consumers a reasonable expectation of costs.
- An industry-wide shift to a simplified, uniform approach for the underwriting of IP policies could go a long way to increase sales of IP policies.

UK PROTECTION MARKET - REASONS TO BE OPTIMISTIC

 <http://www.familyis.co.uk/Media/Default/MIR/R2Q32014.pdf>

A report by Gen Re suggests that although sales results for Quarter 2 are not as positive as they had been for Quarter 1, there is still evidence to encourage cautious optimism. In common with all players in the financial services industry, insurance sales have, in recent years, been battered by the economic climate and suffered from mistrust by the general public. Are we now emerging into a healthier era helped by the MMR effect, new product developments and awareness initiatives such as the Seven Families project?

Ian Sawyer, MD of Assured Futures shared his thoughts on the facts and figures:

- The industry had reason to be optimistic at the start of the year when results from Quarter 1 showed sales recovering from 2013. According to a report by Gen Re, in the first quarter of 2014 the UK protection market was up 7.5% on the same quarter in 2013. There was an encouraging upturn in sales for January and February 2014 compared to the same months in 2013. However, this is artificial. Q1 2013 sales were disproportionately low following the disproportionately high sales in Q4 2012 provoked by the gender directive. Therefore, we should see good growth in Q1 2014 in comparison. Figures for Quarter 2 2014 are still up overall compared to the same period in 2013. Although April and May were slow sales months, June sales bounced back to give an overall growth of 1.3%. For the first half of this year, the market is up 4.3% on 2013: positive progress has been made.
- Focusing on Income Protection, Quarter 1 2014 showed a substantial increase in sales, up almost 13% on 2013. As Gen Re reports, this was greeted cautiously as a sign that the market was heading in the right direction, helped by new product developments and awareness initiatives. Moving out of Quarter 2 however, optimism concerning IP market growth has had to be tempered slightly as sales slipped back to give just 2% growth on the same period last year.
- Gen Re has also been observing the movement of the Independent Advice Market after potential forecasts that it was trending down. Results from Quarter 1 showed Independent Advice was up 17.5%. In Quarter 2, although not showing such strong growth, Independent Advice was still up. Alongside these results, the Restricted Advice channel remained depressed and Non Advised Sales showed a small overall reduction in Quarter 2 from 6.8% to 4.8%. In conclusion, although there have been fluctuations from quarter to quarter; 'the level of new business sales by channel has remained fairly consistent over the period'.
- In conclusion, it seems a positive time for the industry as we see a steady growth of quality sales. We can be proud that we're moving in the right direction, building up trust and taking the initiative, by highlighting protection issues in innovative ways such as the Seven Families project.

Key Facts:

- In the first quarter of 2014, the UK protection market was up 7.5% on the same quarter in 2013 (Artificially inflated following effects of gender directive the previous year).
- Figures for Quarter 2 were up 1.3% on the same quarter last year.
- In the first half of 2014 the market was up 4.3% on the same half last year.
- Income Protection sales for Quarter 1 were up almost 13% on Quarter 1 2013. Quarter 2 sales have shown a growth of just over 2% on last year.
- Guaranteed WOL sales showed a slight decrease in Quarter 2.

CUSTOMER CASE STUDY: PRIVATE MEDICAL INSURANCE

CUSTOMER'S REQUEST: Following on from a purchase of a family PMI policy, we were tasked with finding a client a life insurance policy inclusive of critical illness cover which would take into account the fact that the client had, four years previously, found lumps in her breast which had not been cancerous. A policy was found which included a breast cancer exclusion so an alternative was sought and found successfully which removed the breast cancer exclusion even when new lumps were found and investigated (and again diagnosed as benign) during the underwriting process.

ADVISER'S TIPS

- I made certain my colleagues and I communicated on key points as each stage of this case progressed and ensured all parties were kept fully informed at all times. This gave the client reassurance she could trust us to find a suitable policy. This was crucial to the sale because she was already under the impression her previous medical conditions meant any life cover would be unattainable. While she was undergoing tests and investigations, this was obviously a difficult, upsetting and unnerving time so it was paramount she trusted us to do our best to not simply find her a policy but act with sympathy and sensitivity during this period – which we of course did.
- It was important to me to find this client a policy which I thought was fair and which she was comfortable with despite her previous medical issues. She already had a PMI policy through us and it was important that she was aware of the impact any medical conditions identified would have on that policy too. I liaised closely with my colleague who advised this client on her previous purchase.
- We went the extra mile and used joined-up thinking to ensure our communication was appropriate in both content and timing as she underwent intrusive investigations and waited for results.

CUSTOMER COMMENT: "I am very grateful to the staff at Assured Futures. All of them, from the advisors to the administrative staff, have **taken the time to familiarise themselves with my situation** and subsequently dealt with my queries **sensitively and professionally**. They have all **done way over and above what they have needed to** do just for my satisfaction. I can't tell you what a relief and comfort that simple fact has made to me. **Their personal touch** and communication methods are **very impressive** in this age of computerised, impersonal banking and purchasing."

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



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Assured Futures Limited is authorised and regulated by the Financial Conduct Authority.
A-Plan Insurance, 2 Des Roches Square, Witan Way, Witney OX28 4LE

Contacts

Ian Sawyer

Managing Director

ian.sawyer@assuredfutures.co.uk

Richard Harris

Head of Life Insurance

richard.harris@assuredfutures.co.uk

Richard Kerton

Head of Private Medical Insurance

richard.kerton@assuredfutures.co.uk

Linsey Sutton

Head of Income Protection Insurance

linsey.sutton@assuredfutures.co.uk

Ros James

Marketing Manager

ros.james@assuredfutures.co.uk

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