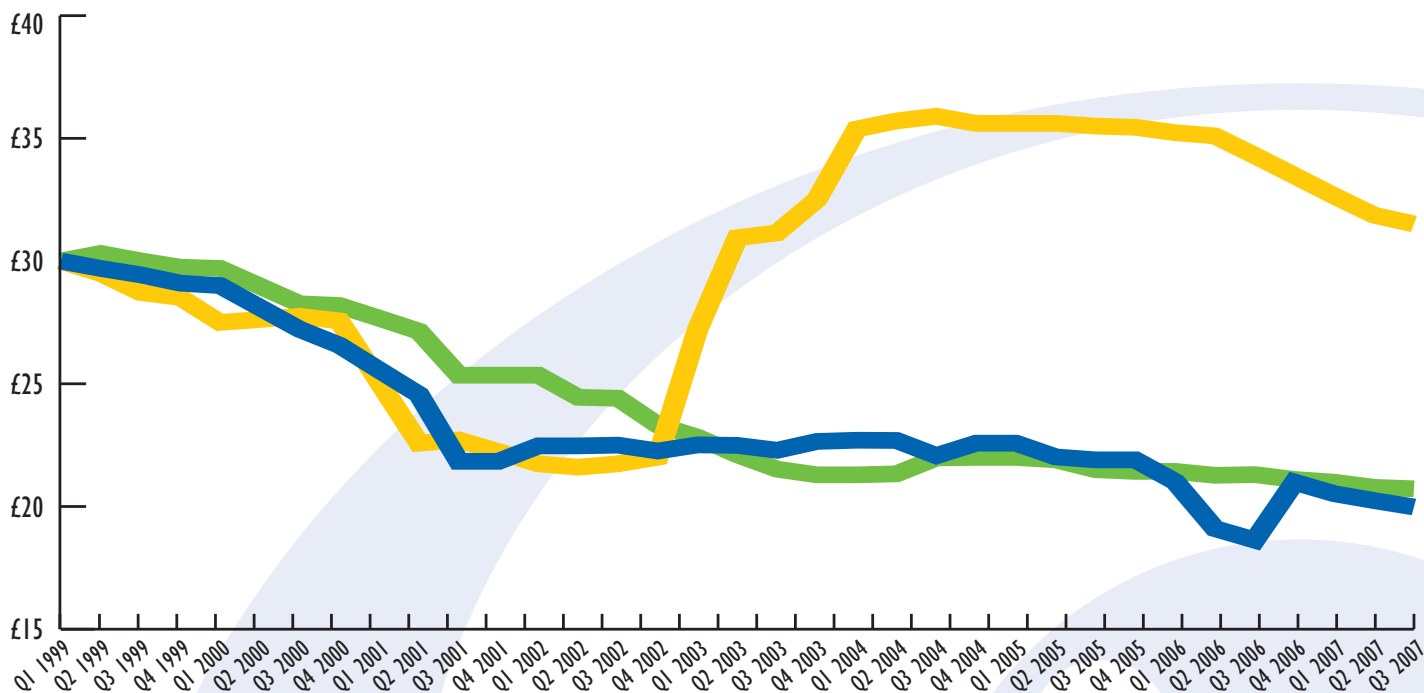


Fall, Fall, Fall



- Life Premiums*
- Guaranteed Critical Illness Premiums
- Reviewable Critical Illness Premiums

*Life Premiums include Pension Term Assurance (net of basic rate tax) April to December 2006

Protection premiums continue to fall

Throughout 2007 the monthly cost of life insurance cover and critical illness cover (CIC) has continued to fall.

Between March and September this year the market best cost for life cover fell by 3%, while guaranteed CIC fell by 5%. Reviewable priced CIC also fell by 3% on average.

The sharp increase in the life insurance premium trend line is caused by the ex-Chancellor's decision to remove tax relief (pension term assurance) in December 2006. However, since then life premiums have continued to fall in what we see as the continuation of the life insurance price war.

How long can this continue?

How long is a piece of string? We're told that margins are becoming ever tighter but there are signs of change. Two of the most competitive providers, namely Legal & General and Norwich Union, have both recently taken huge steps to improve their product offering on the basis of quality, rather than price.

Legal & General has removed the ongoing duty of disclosure, which means that any unexpected changes to a customer's health that occur during the underwriting process will be ignored. Given that underwriting can take months this is a real step

forward for the industry and we expect other providers to follow suit.

Norwich Union has agreed to backdate both traumatic head injury and children's cover to more than 700,000 existing CIC policies.

With two price driven giants of the market taking steps to improve the quality of their products instead of the price, this could be the beginning of the end of the price war... though we're not holding our breath.

Meanwhile, hidden away in the pre-budget report was something that could also impact on the future pricing of protection – a restriction on the cost savings available to UK insurers of using re-insurance, and that could lead to increased premiums.

What should consumers do?

Now is a good time for consumers to buy protection. Not only are premiums falling but the number of claims being paid is rising. See inside.



LifeSEARCH

More advice. Lower price.

Getting Better

It's no secret that the critical illness industry declines approximately 1 out of 5 claims. This is something that neither the industry nor, more importantly, the customer feels is good enough, which is why it's good to see that new figures from the last 12-18 months have shown a marked improvement in the number of claims being paid by life offices.

The publishing of claims statistics is important because it promotes transparency within the industry and can indicate to the consumer how the companies are performing. Of course, claims statistics can change from year to year, so it isn't a definitive guide to which companies should be selected over other companies.

There are two reasons why insurers decline critical illness claims. 'Not meeting the definition' and 'non-disclosure'.

Not meeting the definition is where a claim does not match the illness definitions set out in a customer's policy. For example, although cancer is covered, this does not always include all forms of cancer, only cancer of a specified severity. But a client who has just suffered the trauma of having been diagnosed with a serious (but not severe) ailment, will more than likely expect a payout. The terms are laid out in the small print but, realistically, not many people comprehensively read this part of the policy document.

That is why the ABI introduced new definitions earlier this year which act as guidelines for insurers to clarify what the policy will pay out on. Rather than saying a policy covers cancer, insurers are now expected to say 'cancer – excluding less advanced cases'. This gives an immediate indication to the consumer that not all conditions are covered.

Non-disclosure means the claimant did not tell the insurer a fact that would have led to a different underwriting result, such as a higher premium, exclusion or refusal to insure.

Generally speaking there are four levels of non-disclosure, which could impact on whether or not a claim will be fully paid, partially paid or not paid at all. These are known across the industry as (1) Deliberate (2) Reckless (3) Inadvertent and (4) Innocent. The first two mean the customer acted dishonestly, the third that the customer was negligent, and the fourth that the customer was not at fault for any non-disclosure.

Claims. Since 2000 the UK insurance industry has paid **£2.5bn** in critical illness claims*. The table above shows that the average number of paid CIC claims has risen by 3% within the last 12 months. Also, there is less than a one in ten chance that claims will be declined for non-disclosure - including those who knowingly provide false information.

We believe a number of factors are influencing these improvements including the improved clarity in the way products are communicated and sold, which allows customers to understand the full implications of the policy. Recent changes made by the ABI to improve clarity as well as increased media attention have both raised consumer awareness.

Insurer	Claims paid information	Claims declined information	Consumer friendly format?
AXA*	Statistics not yet available – new to market since November 2004		
BRIGHT GREY*	Statistics not yet available – new to market since March 2003		
BUPA (January – June 2007)	Paid - 80.3%	Declined – 19.7% Non-disclosure 9.1% Not meeting definition 10.6%	Yes
FRIENDS PROVIDENT (2006 – full year)	Paid - 81.3%	Declined – 18.7% Non-disclosure 9.9% Not meeting definition 8.8%	Yes
LEGAL & GENERAL (2006 – full year)	Paid - 83.3%	Declined - 16.7% Non-disclosure 12.1% Not meeting definition 4.6%	Yes
LV= (2006 – full year)	Paid – 81.4%	Declined – 18.6% Non-disclosure 8.8% Not meeting definition 9.8%	Yes
NORWICH UNION (January – June 2007)	Paid – 86%	Declined – 13.5% Non-disclosure 6% Not meeting definition 7.5% (under consideration 0.5%)	Yes
PRUDENTIAL	Statistics not yet available – new to market since February 2007		
ROYAL LIVER*	Statistics not yet available – new to market since October 2004		
SCOTTISH EQUITABLE (July 2006 – June 2007)	Paid – 80%	Declined 20% Non-disclosure 10% Not meeting definition 10%	Yes
SCOTTISH PROVIDENT (2006 – full year)	Paid – 80.3%	Declined – 19.7% Non-disclosure 10.7% Not meeting definition 9%	Yes
SCOTTISH WIDOWS (October 2005 – 2006)	Paid – 84%	Declined - 16% Non-disclosure 8.5% Not meeting definition 7.5%	Yes
SKANDIA (1991 – June 2007)	Paid – 89%	Declined – 11% Non-disclosure 2% Not meeting definition 9%	Yes
STANDARD LIFE (2006 – full year)	Paid – 92.5%	Declined – 7.5% Non-disclosure 4.2% Not meeting definition 3.3%	Yes
AVERAGE	Paid – 83.8% (up 3% from 2006)	Declined – 16.1% Non-disclosure 8.1% Not meeting definition 8%	
*Insurers who have been in the Critical Illness market for less than 3-5 years may not yet have any meaningful statistics to publish. As yet no insurer is able to confirm the number of proportionate claims paid.			

The publishing of claims statistics is important as it highlights the direction in which the industry is moving, as well as how many claims are being paid. Such figures provide a useful guide to advisers and consumers to help understand what is covered and what is not, as well as raising the importance of non-disclosure.

That said, the industry can still improve.

It is all very well for life offices to say they will pay claims for certain types of non-disclosure. But the promise is worth next to nothing if claims are declined for 'reckless' non-disclosure when it wasn't reckless in the eyes of the consumer, ombudsman or adviser.

The Financial Ombudsman Service is not a happy medium for declined claims because we do not want our clients to be forced to go to the FOS in the first place. Do not think it is OK to decline claims just because the Ombudsman exists. Remember, these people are often seriously ill and whether the claim is paid or not, forcing a customer to go to the FOS represents a failure for our industry. Even if the claim is paid the client will have lost faith.

Matt Morris Policy Adviser

* Source: ABI

LifeSearch says: We believe consumer confidence is crucial to the critical illness market. That is why we have been calling for these statistics to be published in a consumer friendly format and also why we are working towards a guaranteed product where non-disclosure can become a thing of the past.

Talkin' Bout a Revolution

When ASDA Financial Services carried out a review of its life insurance proposition in Summer 2006 we decided to go 'back to basics' and develop a proposition that was aligned to customer needs and our retail values. Our objective was to develop a proposition that delivered more volume, more choice and provided a real 'hero' product that customers and ASDA colleagues could believe in.

This meant moving away from an unsuccessful single tie, single product model. After all, as a retailer we wouldn't dream of just choosing to stock one brand of baked beans or breakfast cereals on the shelves.



In carrying out this review, we looked at all kinds of partners and business models including multi-tie, panel and whole of market. We also took a good look at what our customers wanted and the pros and cons of offering advice.

This review led us to agree on some truths. The first of which is that some financial services products sold under the ASDA brand are straightforward and can be sold 'off the shelf' (i.e. without guidance), with few issues. These include credit cards, personal loans, home insurance, car insurance, pet insurance, travel and breakdown cover. Taking the example of car insurance, customers will

know what they drive, where they live and what features are important to them. They will also have a clear idea of what is a good price from their renewal notice. There isn't much that can go wrong.

Life insurance and protection is more complex. Customers often haven't identified a need for the product, let alone considered product type, term, provider and the level of cover they require. So we concluded that offering other protection products alongside expert advice, to ensure that customers got what's right for them was the way forward.

The ASDA Life proposition that we launched in January 2007 in association with LifeSearch is the result of this review. We now offer access to the whole market, full advice to customers and underpin this service with a 'retail friendly' price guarantee. This proposition has certainly struck a chord with the ASDA customer base.

It has led to very positive growth in 2007. On a year-on-year basis,

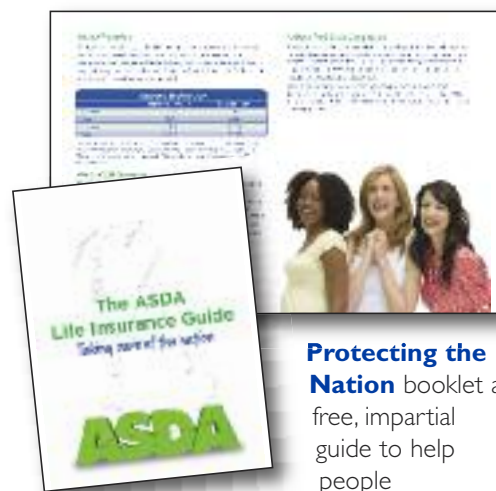
ASDA Life has delivered a 54% improvement in policy sales. Our conversion rates from enquiry to sale have also increased massively. This is a tangible measure of the value that choice and advice is delivering.

The trend on lapse rates is moving in the opposite direction, a sure sign that customers understand their purchase and are buying into the product.

While most of our customers enquire about 'life insurance' (this is what is promoted in store and online) over 20% end up buying additional protection products which suit their needs far better,

such as Income Protection or Critical Illness cover. This is another clear demonstration that ASDA's breaking ranks from other retailers and moving away from a single tie model was the right move to make.

So, our revised Life proposition has been a massive success so far, but where do we go from here? We intend to use our brand and access to a weekly 14 million plus store footfall to ensure more people get the protection they need. We'll be distributing 100,000 copies of our



Protecting the Nation booklet a free, impartial guide to help people understand the

types of protection available, what each does and what to do next. We also plan to take the ASDA Life proposition outside our traditional customer base to deliver double-digit year-on-year growth over the next five years.

But most importantly, we'll continue to do what's right for our customers and keep offering the advice and cover they need, at the right price.

Gideon Ingham

Head of Insurance & Savings
ASDA Financial Services



ASDA Case Study

When Mark and Leonie Lewis wanted to replace their existing life cover, they called ASDA Life, after picking up an instore leaflet.

The Lewis's had an existing whole of life policy and although it is designed to pay out whenever the policy holders die, this type of cover tends to be expensive.

"The problem was that the cost kept going up. At more than £60 a month it was simply too expensive," Mrs Lane told the Telegraph newspaper.

"With LifeSearch's help, we worked out that we needed £200,000 of cover until the mortgage was repaid in around 15 years time. They recommended a joint life policy with Legal & General and the cost was just under £40 per month. The saving we're making each month is a real help."

State of the Nation

4/10 % 1:6

Here are some interesting statistics from the 2006-07 FOS annual report

in the year ending March 2007 the Financial Ombudsman Service reviewed **672,814** cases, of which **94,392** were new complaints, of which **17%** were insurance related (15,730) overall they saw a **10%** increase in insurance related cases compared to the previous year (note this is largely due to PPI) **49%** of all complaints were about mortgage endowments, **8.5%** were about bank accounts and just **1%** were about IP with CIC even fewer the number of new IP complaints fell from **1,103** in 2006 to **891** in 2007 the number of new CIC complaints fell from **799** to **680** - a total of **680** people complained about CIC to the FOS last year this compares to **46,134** new complaints about mortgage endowments and **1,832** complaints about PPI (up from **1,315** the previous year) of all new insurance related complaints the highest proportion was for motor insurance with **27%** followed by buildings cover on **12.5%** PPI on **11.5%** travel on **10.5%** IP on **5.5%** and CIC at **4.5%**

Here are two interesting quotes from the report:

"We are pleased to record a 17% decline in the number of disputes we received during the year relating to income protection and critical illness insurance."

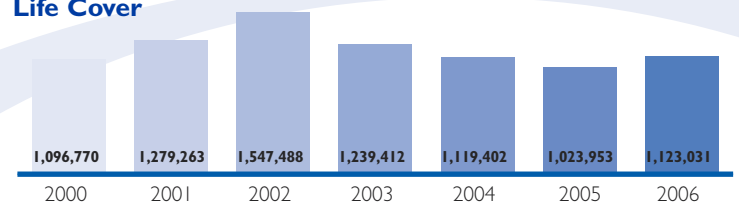
"For many consumers, an application for critical illness and income protection policies has become an examination or a memory test, the results of which are only revealed if the consumer ever comes to make a claim. It seems unacceptable that many consumers are then left, at their time of greatest need, without the insurance cover they have paid for and relied on for many years. Cases such as this continue to provide a regular source of damaging publicity that undermines public trust and confidence in insurance products generally."

LifeSearch says: In summary, IP receives more consumer complaints than CIC, but as an overall percentage the number of complaints is very low. The problem with protection, as we've said many times, is that the financial and emotional consequences are often far greater when it comes to protection than any other product area in financial services.

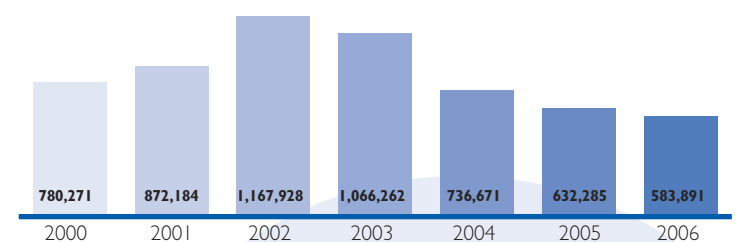
But all in all, the statistics reflect very good news. Prices are falling, the number of claims being paid is rising and the number of complaints is declining. In our view, the protection industry is moving very much in the right direction as far as consumers are concerned.

No Surprises Who is Buying What 2007 Update

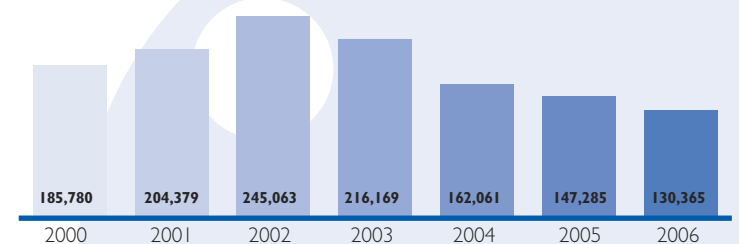
Life Cover



Critical Illness Cover



Income Protection



Source: Swiss Re

LifeSearch makes industry top 25 'most influential' list

LifeSearch was delighted to have two people included in Cover Magazine's recent all time most influential list, voted for by 16 industry experts.

Head of Protection Strategy, Kevin Carr was voted 2nd overall and Managing Director, Tom Baigrie was voted 6th.

Judge's comments:

'Kevin has breathed new life into this industry and tackles every issue with the consumer first and foremost in mind. His knowledge of the market is exhaustive and he uses his considerable clout to improve the way we all work.'

'Tom works tirelessly to raise the profile of protection in the media and champions the cause of advice.'

The full list can be found in the October edition of Cover Magazine.

BREAKTHROUGH



I received a mail last month from a leading non advised seller of protection policies asking for my recommendations for the changes to the sales process for non-advised sales.

Those of you familiar with the 'No Advice, No Protection' campaign will understand my joy at being asked the question. For those new to the subject here's a précis:

"Buying protection policies without advice is a minefield for consumers, because one almost always needs a blend of different policies to do the job properly and the only cover most people know about is life cover, which is the one they are least likely to claim on. The real problem with this particular minefield though is that the mines only go off when you are disabled, ill or dead, at which point you cannot rescue yourself, as you could, say, from a bad ISA choice, or an expensive mortgage mistake. Unless the seller is taking responsibility for the suitability of their sale to you, this serious risk should be pointed out to you at the point of sale."

Now that makes sense doesn't it?

We set out in March 2004 to get the financial services powers that be to recognise this. If the final ICOB rules repeat key elements of their drafts then that fight will have been won. Their requirement is that all such protection products must be sold with due care and that non advisers must thus explain that, if dealing with them, it is up to the customer to decide if the product being sold is suitable for their needs.

But in truth it is only when you see that point being honoured by sellers, understood by consumers and actually improving the quality of sales that one should claim victory. And that last leg of the campaign is the hardest of all, because it relies on the FSA and the ABI to enforce the ICOB rules effectively. The latter see adding this consumer protection as a probable sales inhibitor and there is thus every likelihood that these rules will result only in parroted warnings purposely robbed of any meaning to consumers.

But the ICOB rules do say that this warning must be given so as to achieve the outcome that customers buying without advice must not think they are getting advice and must understand what this lack actually means. That may sound obvious, but when ABI members call their non advising call handlers, 'advisers', you know that obvious is not enough.

So our next goal must be to ensure that non advisers answer the question above in a way that makes sure their customers understand the issues. That's not easy in an era of 'warning blindness', so we suggest an interactive question and answer sequence as part of any web or phone based sales process, with very short questions being the only way to cut through consumers' 'warning blindness'. You can see a version of this at

www.lifesearch.co.uk/breakthrough

If the consumer can say yes, yes and yes on the site, then they should proceed with their non advised purchase. But if they say no to any question, they should be directed on to a financial adviser as they clearly need advice.

The issues facing any buyer of protection as to whether PTA, IP, FIB, PPI or most likely IP is what they need can easily be resolved in this way and the non advisers' oft made claims – that they only sell to those who already know what they want and that the customer knows their stuff – can be properly tested.

Forcing non advisers to treat customers fairly in this way and to stop pretending in their marketing that price is all and so a quick and simple decision is the right one (and therefore that advice is expensive and irrelevant) will have a key side effect. It will encourage consumers to realise the truth that advice is valuable and almost always necessary, which will allow them to start tolerating the bit of fact-finding needed to make sure advice is suitable. That change will cause a rapid improvement in advised sales quality as advisers remember that if you invest in the training needed to make sales properly, they become more profitable.

A properly advised solution is not only better value for customers, it is more profitable for sellers because customers buy more cover when they know what they are doing. Once this is understood then protection advice will grow to be the norm and the protection gap will rapidly start to close, as customers buy the right solutions for their needs, rather than treating protection like motor insurance, as the ABI still seems to think is best.

The ICOB rules will give the industry the tools for reform, and a reformed industry can grow sales in the way that non advice has totally failed to. All help on this final leg of reform will be gratefully received.

LifeQuick'N'Easy

Consumer protecting application form: **Section 1** Section 2 Section 3 Section 4

Menu

- Consumer Protecting Application
- Getting Advice
- Customer Concerns

Question 1

The insurance policy you have asked about pays out ONLY if you die. Are you aware that you may have other protection needs not covered by this policy?

YES I AM AWARE - Would you like to proceed with this purchase?

Yes No

NO I WAS NOT AWARE - Would you like to receive information about other products before you proceed any further?

Yes No

WELCOME MATT MORRIS

Matt started working at LifeSearch in February this year, as Policy Adviser, and passed his CF3 qualification shortly afterwards, which is the Chartered Insurance Institute's Protection exam.

Matt has eight years experience in the media, both PR and journalism, in the financial and corporate sectors. He speaks regularly to the press on all protection issues and is one of the public faces of LifeSearch, alongside Head of Protection Strategy, Kevin Carr.

In particular, he works on arranging case studies, talking on behalf of the company on protection, as well as producing press releases for LifeSearch and contributing to the Income Protection Task Force.

If you need a case study or a comment on a protection issue, Kevin and Matt are available and can be reached on the contact details below.



Left to right: Tom Baigrie, Kevin Carr, Richard Walsh and James Kliffen, Head of Fundraising for Médecin Sans Frontière, UK

Charity Night Raises £4,000

With the help of a stunning singing performance from Richard Walsh, then Head of Health at the ABI, last year's LifeSearch Charity Karaoke Nite raised more than £4,000.

Richard chose Médecin Sans Frontière to be the beneficiary of the proceeds.

This year's charity night takes place on Thursday November 29th and will feature more fun and games (and singing). This year we will be raising money for Darfur.

For full details, contact Kevin Carr or Maggie Johnson, on 020 7065 1000.

Since 2001 the LifeSearch Baigrie Davies Group has won 32 major awards, as follows:

- Health Insurance Awards – Best Income Protection Intermediary
- Health Insurance Awards – Marketing Initiative of the Year
- Health Insurance Awards – Best Training and Development Intermediary
- Scottish Widows IFA Awards – Industry Initiative of the Year
- Cover Excellence Awards – Intermediary Marketing Initiative of the Year
- Protection Review – Personality of the Year
- headlinemoney Awards – Best Protection PR
- Health Insurance Awards – Best Income Protection Intermediary
- Cover Excellence Awards – Outstanding Achievement Award
- Scottish Widows IFA Awards – Industry Initiative of the Year
- headlinemoney Awards – Press Officer of the Year
- headlinemoney Awards – Best Protection PR
- Financial Adviser Awards – Protection Adviser of the Year
- Financial Adviser Awards – Best Small IFA
- Money Marketing Awards – Best Protection Adviser
- Money Marketing Awards – Professional Development Award
- Women's Financial Adviser Group Awards – Paraplanner of the Year
- Health Insurance Awards – Personality of the Year
- Health Insurance Awards – Best Training and Development Intermediary
- Cover Excellence Awards – Protection Intermediary of the Year
- Cover Excellence Awards – Protection Marketing Initiative of the Year
- Protection Review – Personality of the Year
- headlinemoney Awards – Best Protection PR
- Money Marketing Awards – IFA of the Year
- Money Marketing Awards – Best Protection IFA
- Money Marketing Awards – Professional Development Award
- Health Insurance Awards – Best Critical Illness Intermediary
- Financial Adviser Awards – Best Critical Illness IFA
- Financial Adviser Awards – Best Small IFA
- Money Marketing Awards – Best Protection IFA
- Health Insurance Awards – Best Income Protection Intermediary
- Health Insurance Awards – Best Critical Illness Intermediary

CONTACT

If you'd like to know more about LifeSearch, our products or what we have to say about the world of life insurance and protection, please contact:

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