

LifeSearch Protection Research 2008



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March 2008

Industry Views



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LifeSearch Protection Research Industry Views

At the end of 2007 LifeSearch conducted two confidential surveys of the protection industry, each containing over 20 questions, tailored to the current UK protection market.

The first survey '**Industry Views**' (pages 3-10) comprises the views of life offices, reinsurers and independent consultants.

The second survey '**LifeSearch Adviser Views**' (pages 11-18) is based upon the opinions of LifeSearch advisers and sales management.

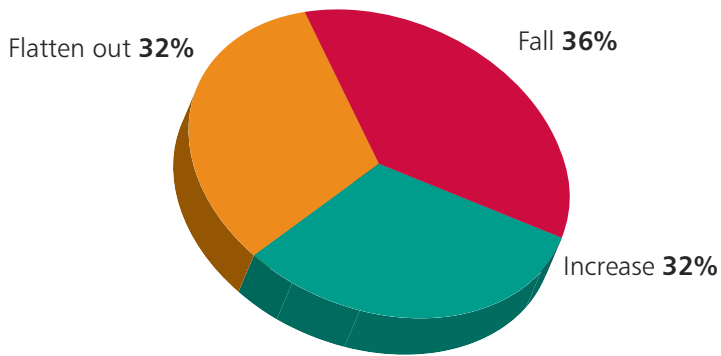
The research was conducted between 17th December 2007 and 11th January 2008, and responses were gathered from a cross section of relevant staff at the following companies:

ABI
Aegon Scottish Equitable
AXA
Bright Grey
BUPA
Canada Life
Exeter Friendly
Fortis
Friends Provident
Hannover Re
Legal & General
Liverpool Victoria
Munich Re
Norwich Union
Partnership Assurance
Pioneer Friendly
Prudential
Red Arc
RGA
Royal Liver
Scottish Provident
Scottish Widows
Skandia
Standard Life
Swiss Re
Synergy
UNUM
XL Re
Zurich

This report summarises the findings.

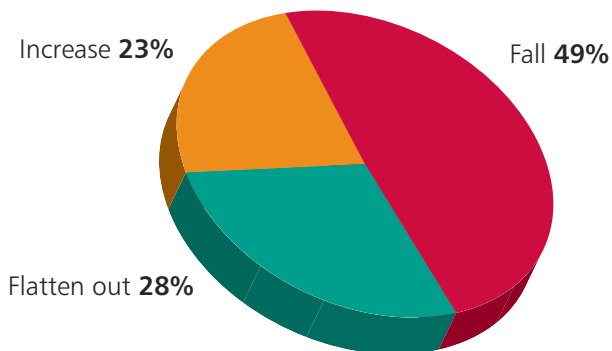
For further information, please e-mail Kevin Carr - kevincarr@lifesearch.co.uk

What do you think will happen to life cover sales in 2008?



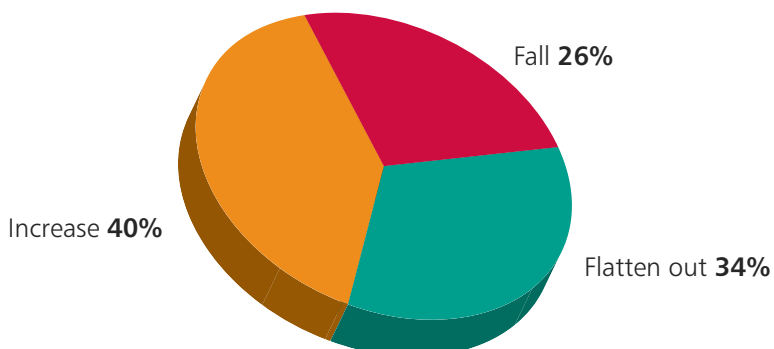
"A real spread of opinion on this one."

What do you think will happen to critical illness sales in 2008?



"Nearly half think critical illness policy sales will decline in 2008."

What do you think will happen to income protection sales in 2008?



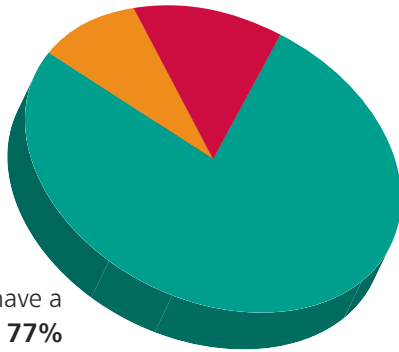
"Most think that income protection sales will increase in 2008."

Is tele-underwriting (and call recording) likely to be the most successful way of reducing non-disclosure?

Yes, it is likely to be the most successful way of reducing non-disclosure **10%**

No, there are other more important factors **13%**

Yes, it will have a positive impact **77%**



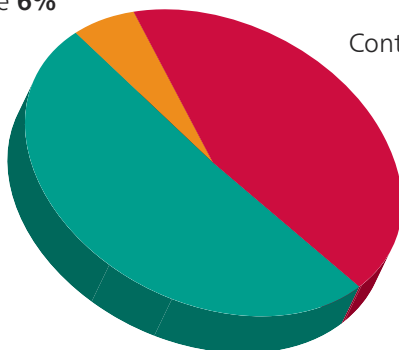
"Overwhelmingly, tele-underwriting and call recording are seen as key to reducing non-disclosure."

What do you think will happen to the price of life cover in 2008?

Increase **6%**

Continue to fall **43%**

Flatten out **51%**



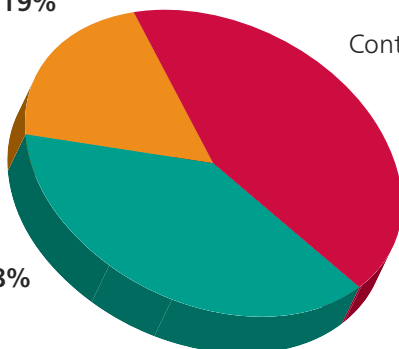
"Is the cost of life cover finally going to bottom out? Half think so, but a sizeable proportion also think it'll continue falling."

What do you think will happen to the price of critical illness cover in 2008?

Increase **19%**

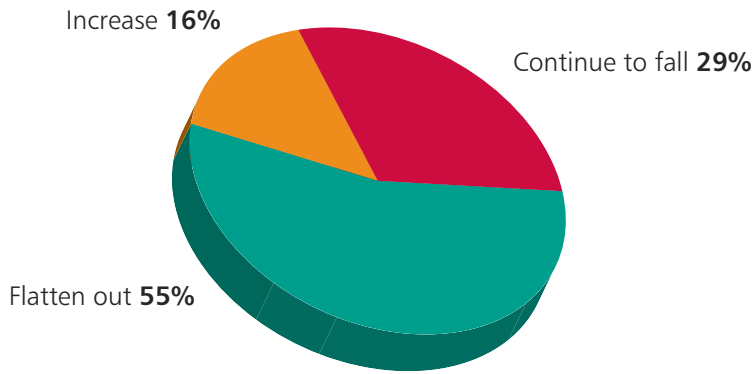
Continue to fall **43%**

Flatten out **38%**



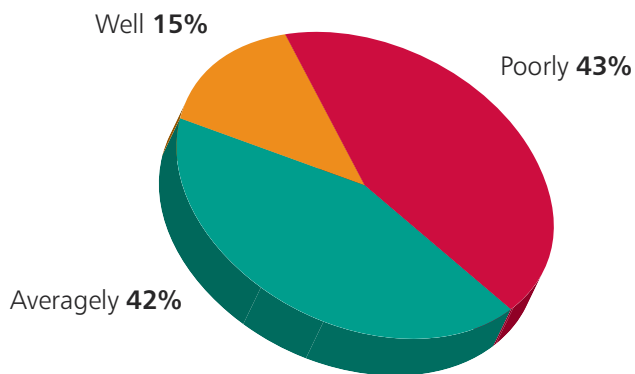
"A little more diversity of opinion here, with 1 in 5 saying they think the cost will increase."

What do you think will happen to the price of income protection cover in 2008?



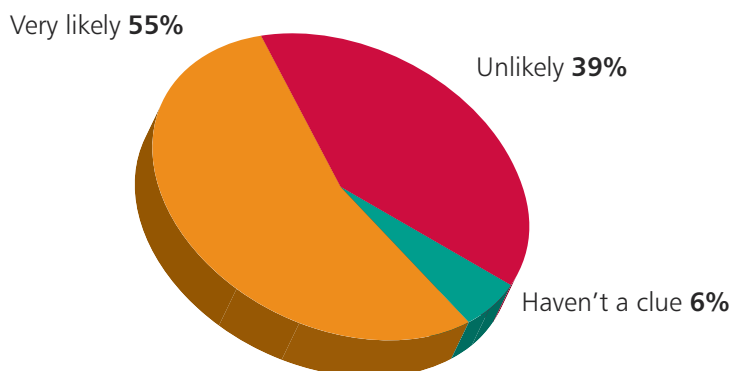
"Slightly more clear cut – with over half thinking Income Protection prices will flatten out."

How will sales of the new style products such as Pru Protect fare in 2008?



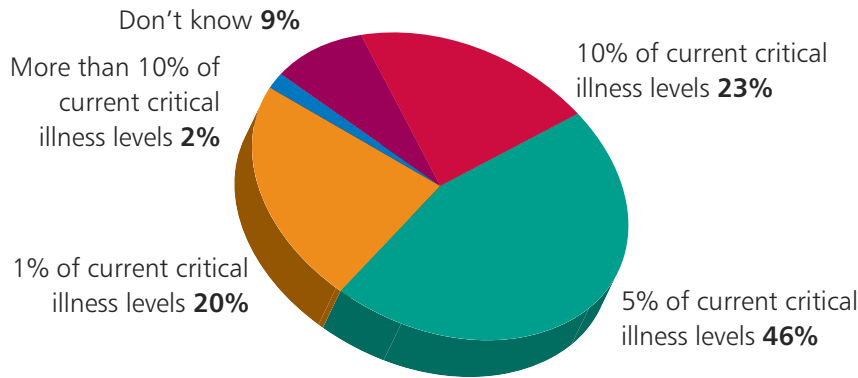
"It looks like it's going to be an interesting year for new style products..."

Do you expect further radically new product developments from other life offices in 2008?



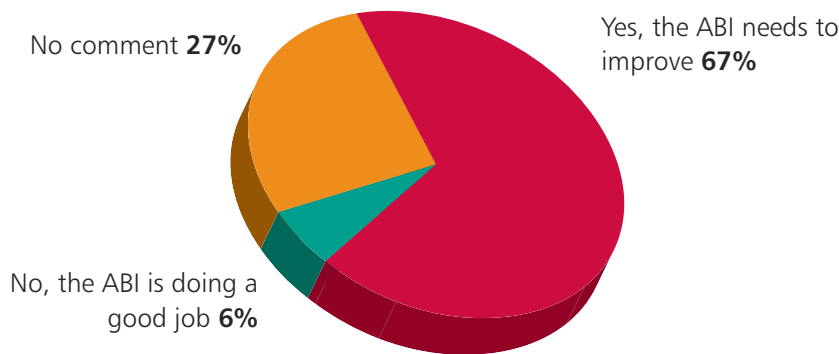
"Opinion is pretty much polarised – a good number aren't expecting much, but then over half think it's going to be an interesting and active year!"

If any new products are launched, what first year sales level would you regard as impressive?



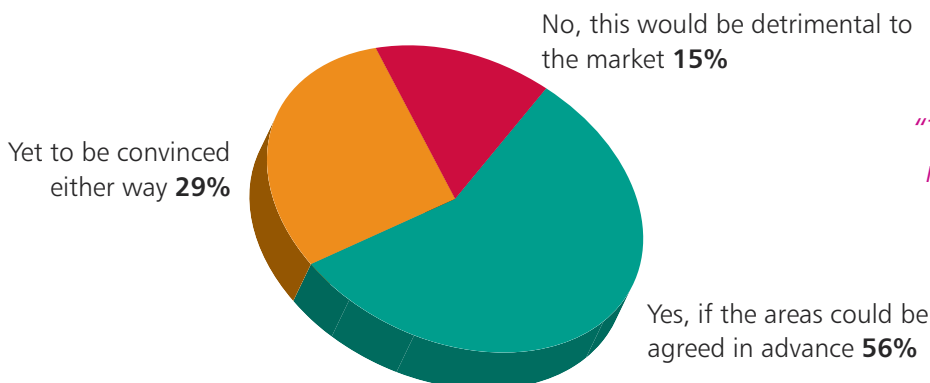
"Most think 5% would be good, and a significant number that 10% would be good, but it proved too difficult a question for 1 in 10!"

Could the ABI improve on how well it currently reflects the views and needs of its members?



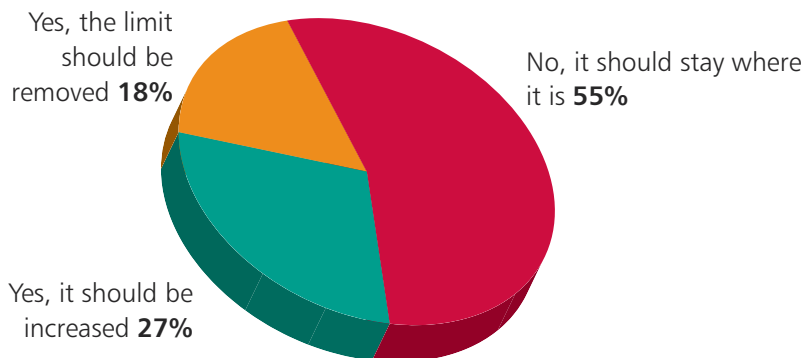
"Plenty of room for improvement as far as the ABI is concerned it seems..."

Could the protection industry benefit from an agreed level of standardisation and simplification?



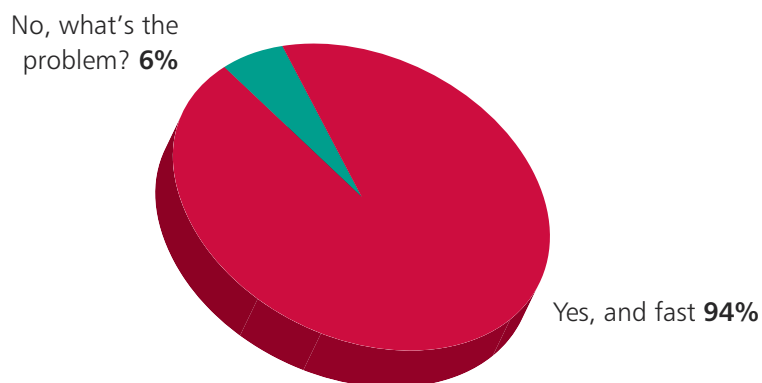
"There's definitely scope to improve the protection industry."

Should the current £100,000 Ombudsman limit be increased or removed?



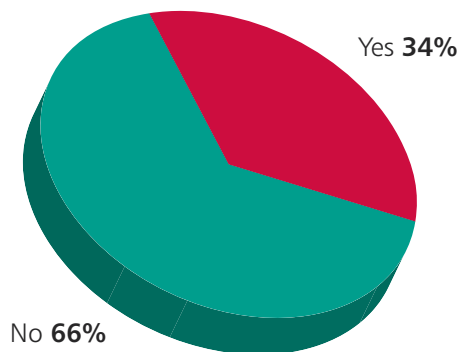
"Half think the limit is about right, but a significant number think it could be increased."

Should the industry/regulator take steps to make the difference between PPI and Income Protection clear to consumers?

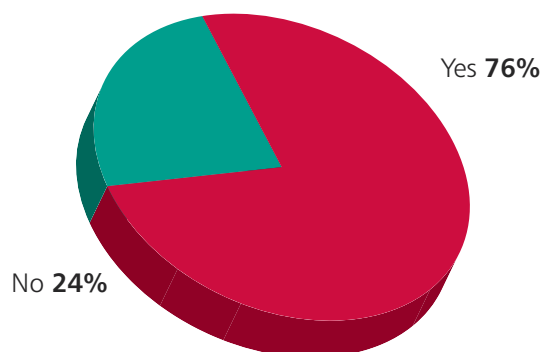


"Well, that's a pretty resounding yes! The industry and the regulator really should act on this issue."

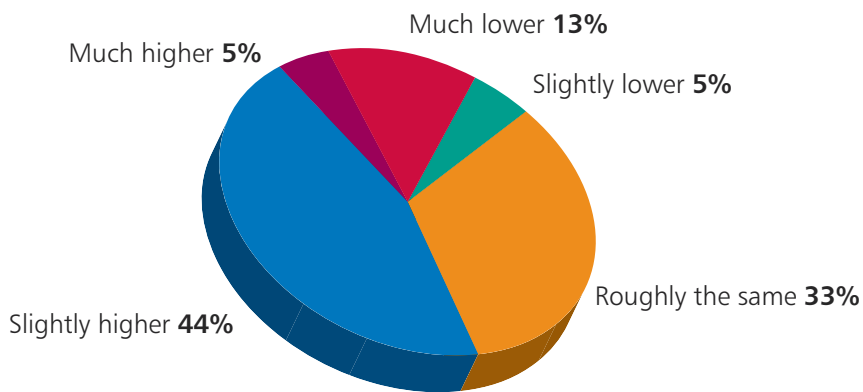
Where applicable, are you prepared to write protection business on a marginal costing basis?



Where applicable, despite the new regulatory guidelines regarding capital, are you still reinsuring on a large quota share basis?

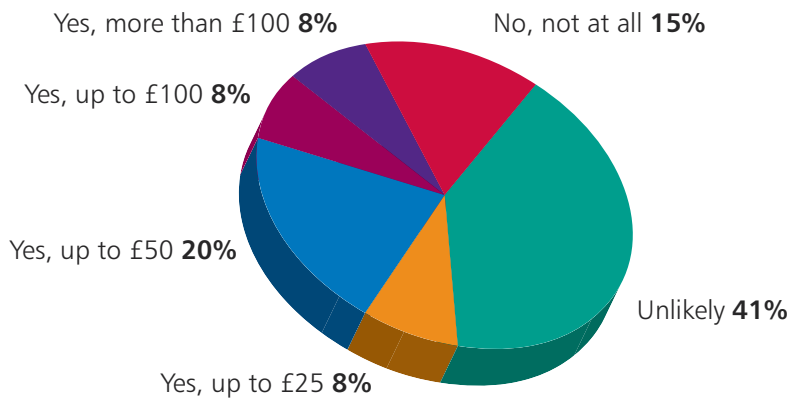


Is your marketing budget for 2008 higher or lower than 2007?



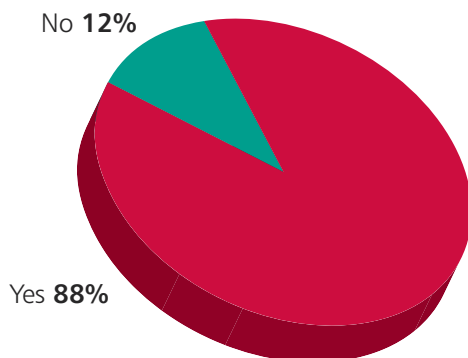
"It's encouraging to see there's mostly either the same or more being spent on promoting protection."

Can you see a time when consumers will be comfortable to pay a one-off fee for pure protection advice?



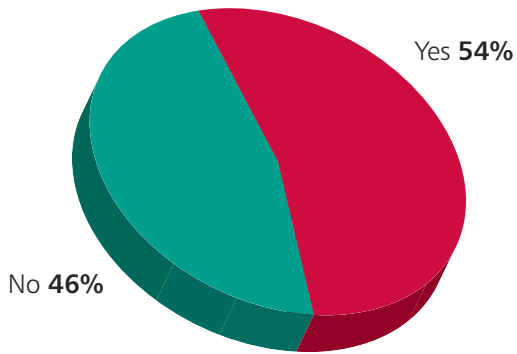
"A commission-based industry seems to be likely to continue... and it would be very interesting to ask this question again, in 5 years time say, to compare the answers."

Do you still expect to be offering protection products through IFAs in two years' time?



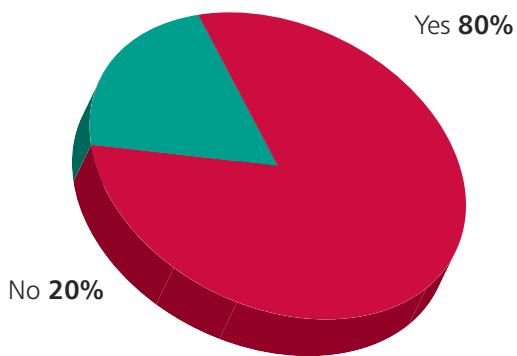
"No-one is going to find this answer very surprising!"

Do you currently sell protection products direct to consumers?



"Half do, and half don't..."

If so, do you still expect to be selling protection products direct to consumers in two years' time?



"Some changes afoot it seems, in protection distribution."

What are you doing to reduce non-disclosure?

This free text question resulted in lots of different answers, but broadly speaking, 3 main issues arose:

- major focus on tele-underwriting;
- simplification of application forms;
- improvements in promotional literature.

LifeSearch Adviser Views



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LifeSearch Protection Research

LifeSearch Adviser Views

We asked our advisers a series of questions about the life insurance and protection industry.

It should be borne in mind that the following findings are very much a reflection of their personal views and opinions.

The research was conducted between 17 December 2007 and 11 January 2008.

Rank the most important events in terms of the main triggers for clients who look to buy protection through LifeSearch.

The options were:

- Marriage
- New mortgage
- Having children
- Change of job
- Separation
- Tragedy within their social circle.



94% of our advisers said a new mortgage was the most important event.



88% said having children was the next most important event.



Least important –
Change of job **30%**



Separation **33%**

Rank the most important additional benefits when making a critical illness cover recommendation.

The options were:

- Additional conditions
- Best Doctors
- Own occupation TPD
- Red Arc care service
- Flexibility to make changes in the future
- Discounts, such as gym membership



Additional conditions was clearly the most important – **72%** of advisers said so.

A corresponding % said that discounts, such as gym membership were least important.

Why do you think clients buy from you?

The options were:

- Best price
- Best value for money
- Independent advice on clients' needs
- Red Arc care service
- Underwriting guidance
- Referral from a friend or family
- Personal relationship with the client
- Additional advice on trusts
- The LifeSearch brand

The most important reasons were:



a) Independent advice **39%**



b) Best value for money **26%**



c) and personal relationship with the client **26%**

What percentage of your cases are accepted immediately at ordinary rates?



Just over a third of cases are accepted immediately at ordinary rates – **36%** to be exact.

What percentage of your cases require additional underwriting such as a questionnaire, GPR or medical?



Nearly half of cases require additional underwriting – **48%** to be exact.

What percentage of your cases are accepted at non-standard terms (i.e. loading, exclusion, postponed or declined)?



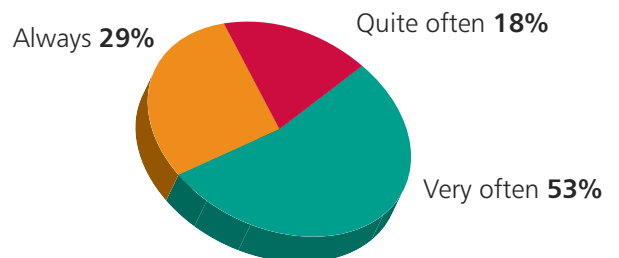
Just over a quarter – **27%** - are accepted at non-standard terms.

What proportion of your overall recommendations use menu plans?



Almost exactly a quarter – **24%**.

How often do you recommend two single life cover policies for couples?



What are the most important issues for healthy/clean life cover cases with no underwriting issues?

The options were:

- Price
- Product
- Service
- Underwriting
- Broker consultant
- Commission
- Brand
- Literature



Joint most important at **32%** were price and product.



A **quarter** said service.



Half said the least important issue was commission.

What are the most important issues for more complex products such as critical illness and income protection where the cases are healthy/clean?

The options were:

- Price
- Product
- Occupation class
- Service
- Underwriting
- Broker consultant
- Commission
- Brand
- Literature



With Critical Illness and Income Protection, product was ranked most important by nearly half – **46%**



Nearly a third – **32%** said the most important issue was occupation class.

What are the most important issues for clients with underwriting issues?

The options were:

- Price
- Product
- Service
- Underwriting
- Broker consultant
- Commission
- Insurer brand
- Literature



Overwhelmingly (and not surprisingly), **69%** said that underwriting was the most important issue.



A further **19%** said that the product was the most important issue.

What are the most important issues for business overall?

The options were:

- Price
- Product
- Service
- Underwriting
- Broker consultant
- Commission
- Insurer brand
- Literature



Exactly **half** the advisers said product was the most important...

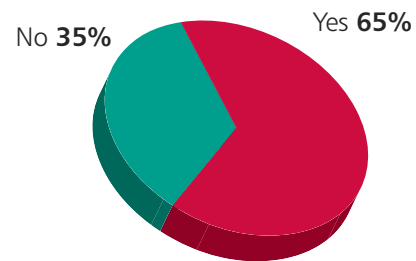


...followed by underwriting **23%**...

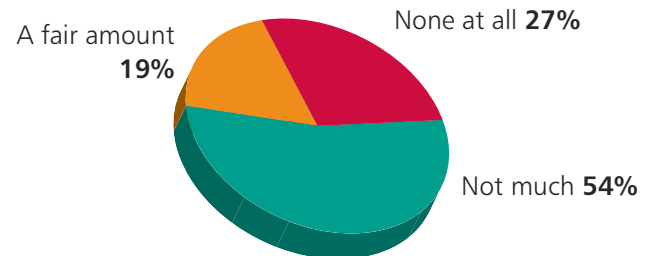


...and then price **15%**

Have you ever stopped using a specific company for more than a month?



How much impact does insurer marketing and advertising have on where you place business?



Rank the most important issues in terms of what is most frustrating about dealing with life offices

The options were:

- Delays
- Not actioning a promise
- Errors
- Lost files
- Harsh underwriting
- Declined claims



41% of advisers felt harsh underwriting was the most frustrating thing about dealing with life offices.

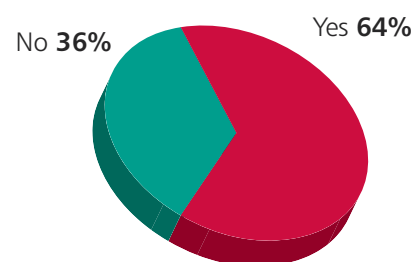
A quarter of them complained about promises not being actioned.



Two thirds felt the least important issue was declined claims.

Does a strong track record of paying claims figure highly in your decision to recommend a particular life office?

Clearly, paying claims is key for our advisers.



How important is it to have direct access to underwriters?

The options were:

- Not important
- Fairly important
- Very important



This was the only question with a **100%** response to one option – **every adviser said very important.**

Do you believe there is a link between the basic quote price and the harshness (or otherwise) of the underwriting decision?



No, not at all **23%**



Yes, maybe **57%**



Yes, often **20%**

Most advisers believe there is a link.

When an application does not require any medical evidence, how long would you expect a life company to take to issue terms for your client?



Immediately **46%**



Within 24 hours **42%**



Within 48 hours **4%**



Within 3 days **8%**

Our advisers seem to think it reasonable to have terms pretty much issued there and then...

Once all medical evidence has been received how long would you expect a life company to take to issue terms for your client?



Within 24 hours **39%**



Within 1 – 3 days **54%**



Within 7 days **7%**

...and they don't seem to think it should take much longer once all the medical evidence is in either.

What could providers do to win more business?

The options were:

- Cut rates
- Improve products
- Pay more claims
- Pay more commission
- Improve service
- Improve underwriting decisions
- Tele-underwrite
- Advertise protection to consumers



Improving underwriting decisions was ranked by just under half our advisers – **46%** as the most important thing providers could get to grips with. Tele-underwriting was voted second most important.

What are the main barriers to selling more/suitable protection?

The options were:

- Price comparison
- Underwriting
- Paperwork
- Complexity
- The consumer



The main barrier to selling more/suitable protection is price comparison – just under 6 in 10 advisers – **58%** ranked this as the key issue for them. Well, we all know it's a price-driven market these days...

If you could make one change or improvement to the existing range of protection products currently available what would it be?

This was a free text question, and here are some of the comments:

"A menu plan where it is completely competitive for each product. Most companies who have a good Life and Critical Illness product are nowhere to be seen when it comes to Income Protection, and vice versa."

"Tele-underwrite all cases where possible. Life offices should all have tele-underwriting teams."

"Simplify everything."

"Quicker decisions."

"Simpler, standardised trust forms."

"Make the paperwork less cumbersome."

"More comprehensive products which cover a larger range of products under one plan."