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PROTECTION STILL VIEWED AS EXPENSIVE LUXURY

- **A quarter don't want to pay for protection when it might not be needed**
 - **Lack of contact allows cover to be forgotten about**
- **Comparison sites most popular research tool, but more buy from insurers, banks and advisers**
 - **The majority would not trust robo-advice**
- **Opportunity with younger generation who want more engagement**

A report released today from The Syndicate, a research arm of Protection Review, shows that a third (33%) of people without cover (including life insurance, critical illness and income protection) view protection as a luxury they can't afford. This highlights the continuing issue of many people believing protection is more expensive than it is in reality, and could therefore mean people are basing important financial decisions on inaccurate information.

When asked why they hadn't taken out any financial protection, over a quarter of those without cover (27%) said they did not want to pay money into something that may not be needed, a fifth (19%) said they didn't think they needed protection, while another 19% didn't trust the insurer to pay out, showing the continued work that's needed to reach consumers with the importance of protection and the high number of claims paid.

Is communication key?

The intangibility of most protection products means that even amongst those who have purchased cover, it is often forgotten about. When asking policyholders whether they had been contacted by their insurer in the past two years, two-thirds (65%) said they had not heard from them. But of this group, over three quarters (77%) were happy not to have been contacted, preferring to forget about their purchase, posing a real challenge for insurers. However, 41% of the youngest age group (18 to 25 year-olds) said they would like to have heard from their insurer, preferably by email, showing encouraging signs that a preference for a lack of communication could reverse long-term. In general, the younger generation are more trusting of insurers and more open to being contacted about offers relevant to them.

Memorable purchase:

When people were asked about the process of buying protection, the majority (32%) couldn't remember how they had researched their protection cover, and significant proportion of people had also forgotten where they had bought it from (17%).

Comparison websites are the most popular research tool (23%), but fell behind buying from insurers directly (28%), banks and building societies (16%) and brokers and advisers (15%) for actually purchasing cover, at 13%.

Importance of advice:

The Syndicate research showed a degree of scepticism for professional advice. Overall, 42% felt that advice was not a necessary part of the buying process, however, a third (32%) suggested that it was important when buying protection. Almost a quarter (42%) said they believed professional advice could ensure they got the right level of insurance, but that left over half (58%) not convinced that advice offered this benefit.

When looking at advice of a different kind, over half (55%) said they would not trust robo-advice, with just a quarter (25%) agreeing they would.

Alternatively, many people had high confidence in their ability to buy protection without advice (44%) while a fifth (19%) disagreed with this statement. A quarter (45%) were undecided which could be because they wouldn't consider purchasing protection in the first place. The mass indifferent is one of the most challenging groups for the protection industry to deal with given their lack of interest in engaging with insurance.

When speaking to advisers about their view on the value they most add, 71% said it was to ensure clients had the best product to suit their needs, 56% believed it was to educate and help clients understand the protection benefits, and 36% said it was to offer peace of mind and confidence in the protection purchase. The majority of advisers (51%) believe that a client's protection needs should be reviewed at least every three years,

Peter Le Beau, of The Syndicate commented: "It appears that insurance largely remains a grudge purchase for many and the majority are indifferent to the subject completely. As an industry we are not focused enough on reminding people of the value of protection. By neglecting value, we allow consumers to focus on price. This rationale also allows those who don't trust insurers and believe that claims will not be paid to justify not purchasing cover.

“People don’t see advice as necessary and in some cases, the research showed that people weren’t even sure what constituted advice which is, understandably, a stark contrast to the views of advisers who help people to understand their financial vulnerability and ensure that their needs are met.

“There are a number of areas for concern highlighted in this report but there is also positivity in terms of opportunities for the future. We see a younger generation emerging who are not as cynical about protection insurance, who are not as financially savvy but who want contact with their insurer. The industry must seize the opportunity that this generation presents if the story of protection insurance is to find a happy ending.”

Emma Thomson, Head of Customer Care at LifeSearch added: “Insurers need to invest in widespread marketing campaigns to improve awareness, and distributors (both advised and non-advised), must do much more to promote the benefits of protection to their clients.

“More needs to be done to support existing customers too. Ancillary benefits that clients can use without having to claim, would make cover feel more valuable. Improved communications with customers, reminding them what cover they have - for example through annual statements - is also needed to ensure clients don’t cancel, make them feel valued and most importantly, ensure they don’t miss out on being able to make a claim.”

For further information go to www.protectionreview.co.uk/research

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Notes to editors

Consumer research carried out online by Opinium on behalf of The Syndicate, amongst a nationally representative poll of 2002 people from 24th – 31st March 2016.

Adviser research carried out online by Opinium on behalf of The Syndicate, amongst 209 UK financial advisers from 23rd – 30th March 2016.

About The Syndicate

Established five years ago, The Syndicate is a research proposition from Protection Review which seeks to provide consumer insight for the industry to better equip providers, advisers, reinsurers and anyone involved in delivering protection solutions.

About Protection Review

Protection Review is the definitive review of the UK's multi-billion pound health and protection insurance industry. Protection Review was established in 2003 by its then co-directors Peter Le Beau and Andy Couchman. In 2010 Kevin Carr joined as chief executive.