

Swiss Re Life & Health HealthWatch report shows record sales of individual long-term healthcare protection in 2001

29 May 2002 CET

London: UK sales of new critical illness policies increased by 11.8% in 2001 and new income protection policies by 10.6% over sales in 2000, according to a report published today by Swiss Re Life & Health Limited, the UK division of the world's largest life and health reinsurer.

HealthWatch is a comprehensive review of sales and distribution of individual long-term health care products in 2001. It shows 872,184 new critical illness policies and 204,379 new income protection policies sold in 2001. This is a record year for critical illness sales and the first year that sales of income protection policies have topped 200,000. The report shows a greater market focus on protection consistent with the increase in new term assurance policies revealed by Swiss Re's **TermWatch** report earlier this month.

Close to half of all new policies sold by IFAs

The performance of IFAs in 2001 was exceptional. They sold 46.1% of all new critical illness policies and 48% of all new income protection policies. New critical illness sales by IFAs increased by 38.9% and new income protection sales by 54% over the results for 2000.

Report highlights importance of mortgage market

New sales are linked to the continued growth and activity in the mortgage sector, with new mortgage-related critical illness sales increasing by 21.6% and new mortgage-related income protection by 38.9%. Overall, mortgage-related sales represent 56.3% of all new critical illness sales and 41.1% of new income protection sales.

As mortgage-related endowment sales continue to fall, there is unlikely to be a major impact on new critical illness sales arising from any recommendations on savings plans that may emerge from the 'Sandler Review' of long-term savings products commissioned by HM Treasury.

Ron Wheatcroft, Technical Manager at Swiss Re Life & Health welcomed the findings: 'The growth of new sales is encouraging and demonstrates the value that consumers and intermediaries place on protection. The report shows the attraction for consumers of products that are related to a specific need, namely a mortgage. This indicates the potential to provide wider non-mortgage-related coverage at a later stage.'

On-line sales yet to catch up with term market

HealthWatch shows that consumers still prefer face-to-face advice when purchasing health insurance and that policies of this kind sold over the internet seem yet to catch on. However, the trend highlighted by Swiss Re's recent **TermWatch** report indicates that consumers are becoming more confident in purchasing mortgage-related term assurance cover over the internet, which could lead to an increase in on-line sales of critical illness as an add-on.

Regulation must not put protection beyond consumer reach

The report comments on the developing regulatory regime under which providers operate in the UK. Despite market uncertainties over the outcome of the reform of polarisation *1 and the Sandler Review, **HealthWatch** maintains that there remains a strong need for basic protection.

Commenting on the effects of regulation, Ron Wheatcroft added: 'Regulation must play its part in the continuing development of protection markets. A potential issue could be the extended regulation of protection business, to be introduced in 2004. This could drive up costs, making advice inaccessible to some consumers.'

Market consolidation likely to continue in wake of reform

HealthWatch also highlights how the market might expect consolidation as firms respond to the reform of polarisation and to changes in the regulation of health protection from 2004.

The top five writers account for 59.2 % of total new critical illness sales (49% in 2000) and 57% of total new income protection sales (49.5% in 2000), reflecting consolidation amongst the bigger market players.

Legal & General was the leading writer of both new critical illness and income protection sales, issuing 158,088 individual critical illness policies and 30,062 income protection policies last year.

*1 For further background, please refer to **Consultation Paper 121 - Reforming Polarisation: Making the market work for consumers** (CP121), issued by the Financial Services Authority (FSA).

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