



Swiss Re survey reveals increased sales of whole life and individual income protection; UK life industry still needs to boost consumer awareness of protection cover needs

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London, 28 May 2009: Swiss Re today reports an increase in the sale of new whole life policies and a modest increase, for the first time since 2002, in the number of new individual income protection sales in the UK life market. Swiss Re is again calling on the industry to make consumers better aware of the need to buy adequate protection cover.

In the latest edition of its annual *Term & Health Watch* publication, Swiss Re provides an authoritative snapshot of the level of new individual protection business written in 2008, based on data contributed to Swiss Re by UK life insurance companies. Despite an increase in individual income protection and individual whole life assurance sales, other products suffer from decreasing sales volumes compared with the previous year. In response, Swiss Re is strengthening its calls on the industry to promote protection and stresses the need for a consistent consumer campaign.

UK individual protection market – key facts, figures and trends

- Income protection sales in 2008 increased by 13.5% to 126,815 (compared with 111,780 in 2007)
- New whole life business is now at the highest level since 2000, showing an increase of 28.8% (totalling 282,438 policies)
- New term assurance sales totalled 1,447,895 policies, down 6.1% compared with 2007
- Critical illness sales fell 4.7% to 511,045

The report includes an analysis of the number of life and critical illness sales linked to the housing market. A fall in new mortgage-related protection sales was inevitable given the economic climate. "But the good news is that non-mortgage-related sales rose by 17.5%," says *Term & Health Watch* co-author Ron Wheatcroft. "We attribute this partly to a lack of confidence in savings and investment products, and partly because consumers are concentrating on essentials in the wake of rising unemployment. This is a good signal that protection is seen as core. The challenge is to sustain and surpass these levels when confidence in savings returns," he adds.

As in previous years, the latest *Term & Health Watch* provides an update of the Protection Gaps, which have been calculated by Swiss Re since 2002. For the fifth successive year, Swiss Re reports a Life Assurance Protection Gap which, measured in sums assured, remains unchanged, at GBP 2.3 trillion (GBP 2,300 billion). The Income Protection Gap remains at GBP 190 billion in annual benefits .

Industry must create awareness for adequate protection

Despite the Protection Gaps remaining stable, there has been little visible action to raise consumer awareness of the need for adequate protection. "Various industry initiatives are now, at last, beginning to get off the ground. But to improve consumer understanding of our services and products, these initiatives need to pull in the same direction," says Ron Wheatcroft. "Getting across to consumers the need to purchase adequate protection becomes even more vital as confidence in the value of, and return on, savings is eroded."

Despite this year's modest increase in sales, income protection (IP) is a particular challenge. Product providers and distributors expect the group IP market to contract in 2009 and 2010, with increasing numbers of employers revising existing IP benefits downwards by limiting the maximum payment term to five years or fewer. For scheme members, this will create a growing gap between the point where benefits cease and the expected date of retiring from work – a gap which will need to be supplemented by individual IP sales.

Notes to editors

Copies of the report

Term & Health Watch 2009 is distributed to UK product providers who submit their data to Swiss Re and is offered to journalists and other parties on request. It is not published on Swiss Re's internet site.

Swiss Re

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "A+" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.