



## Swiss Re calls on UK life insurers to engage better with consumers; new report reveals limited consumer enthusiasm to pay for advice on savings and protection

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**London, 3 December 2009: Swiss Re is calling on UK life insurers to root out the complexity around terminology, products and services and says that now is the time for the industry to improve its engagement with consumers. This is among the key messages in the latest edition of Swiss Re's Insurance Report entitled "The cost of doing nothing". While consumers display a positive attitude to receiving independent advice on savings or protection cover, they show limited willingness to pay fees for it. They also struggle to identify the names of independent financial adviser companies.**

Swiss Re's findings are supported by extensive research among more than 1,000 UK consumers on their financial and protection needs. The report also draws on views from leading industry experts. It includes an extensive economic and demographic analysis of changing health and social trends and shows how these factors may impact future demands for protection, retirement and long-term care solutions.

### **Consumers unsure about insurance cover**

Asked for the reasons against buying protection insurance cover, 43% of respondents claim not to need life insurance and 40% believe likewise for income protection.

The cost of protection is given as a reason for not taking out products, but many people are in practice unsure about how much it costs or how much protection they already have.

The research shows, due to the financial crisis, consumers are now more aware that they will need to provide for themselves. Consequently, there has never been a better opportunity to engage with them. One consequence of the financial crisis has been that consumers have become more cautious about their spending priorities. However, the research indicates that many consumers find savings and protection products confusing.

"While the research demonstrates that consumers have, especially since the financial crisis began, developed a greater understanding of their financial situation and are becoming more self-responsible, they often struggle to understand the products and services that the

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industry offers. There is a big gap between what we say and what consumers are trying to grasp. We need to urgently close this gap,” says co-author Ron Wheatcroft.

### **Limited willingness to pay for advice**

Swiss Re’s consumer research found that 65% of people would be very or fairly likely to seek independent financial advice to understand their needs better.

Despite this positive attitude, the amounts consumers are prepared to pay were limited, with 36% unable to give a figure.

- 55% of people say they would pay for financial advice on savings (representing 36% of the total survey sample)
- 87% express a preference for paying a one-off amount, and only 13% are prepared to pay an amount based on hours spent
- Of those prepared to pay a one-off fee, 20% are prepared to pay up to £100 and 26% between £100 and £199

In the main, higher earners are more willing to pay a fee, with 60% of those earning more than £40,000 prepared to pay for advice on their savings and investment needs.

### **Adviser charging and fees**

The Insurance Report also looked into the type of market for financial advice that would likely follow the Financial Services Authority’s Retail Distribution Review (RDR). “Our research indicates that the emergence of a mass market based on fees following the RDR is unlikely,” Ron Wheatcroft said.

“Charging through deduction from premiums is likely to be the preferred route for most people. The research showed a gap between the amounts consumers were prepared to pay, if any, and typical adviser commissions. Once the RDR is in place, advisers currently remunerated by commission will need to work harder to show real value for consumers.”

Swiss Re’s research suggests that people are unable to distinguish between independent financial advisers and those advising on a limited range of products. The majority of people who thought they could name at least one IFA mostly cited the high street banks. Other names believed by people to be IFAs include Allied Dunbar, AXA, Lloyds CIS (sic), Royal Life, Scottish Equity (sic), Baines & Ernst, the Post Office, and Richard Branson’s and Martin Lewis’s websites.

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## **Notes to editors**

### **Copies of the report**

*The Insurance Report 2009* is distributed to Swiss Re's clients 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.