



Swiss Re's *Term and Health Watch 2012* reports significant increases in UK Life Assurance Protection Gap, overall UK long-term protection market remains resilient in 2011

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- **UK Life Assurance Protection Gap increases to GBP 2.4 trillion in 2011**
- ***Term and Health Watch 2012* finds overall industry resilience and optimism despite economic headwinds**
- **Increase in UK critical illness (+3.1%) and new whole policies (+7.9%) but falls in sales of new term assurance (-3.4%) and income protection policies (-0.2%)**
- **Report highlights need for greater clarity in communication to build consumer trust as a key issue in the coming year**

London, 11 June 2012 – Swiss Re today releases its annual snapshot of the level of new individual protection business, *Term & Health Watch 2012*. The report finds an overall stable view of the long-term protection market with insurers and intermediaries optimistic of future growth despite the economic headwinds of the last year. Increases in new critical illness sales and whole life business offset a decline in new term assurance sales and income protection policies. The report describes an increase in the UK Life Assurance and Income Protection Gaps over the past ten years and calls for greater clarity in messaging from the government to consumers regarding how welfare reforms will impact their personal circumstances.

Increasing Protection Gap

Swiss Re's *Term and Health Watch 2012* has found that the Life Assurance Protection Gap for the UK has increased by 20% from £2.0 trillion to £2.4 trillion over the past ten years. On average, this gap amounts to around £100,000 per person, with the amount of under-insurance greatest among single parents, couples with children and those aged 35 and under.

Swiss Re's UK CEO, Russell Higginbotham, says: "Under-insurance in both the life insurance and income protection areas is proving to be a long-term problem in the UK. The industry is faced with the challenge of better communicating to consumers how to alleviate the financial burden placed on families and dependents in difficult times. Simple life assurance cover is not expensive; for example, a healthy 35-year old male non-smoker would only pay around £2 per week for £100,000 of life cover to age 65. "



The Income Protection Gap has increased by 46% over the past decade from £130 billion annual benefit to £190 billion annual benefit between 2002 and 2012.

Industry Resilience

Term and Health Watch finds a mixed picture in the overall UK long-term protection market. New term assurance sales decreased a reported 3.4% with 1,488,106 policies in 2011. Income protection sales fell 0.2% to 110,472 policies. On the positive side, new whole life business increased by 7.9%, totalling 400,682 policies in 2011, while critical illness sales increased by 3.1% to 551,382 policies.

Although falls in uptake were observed in two product areas, *Term and Health Watch 2012* shows that the industry is generally resilient in the face of difficult economic conditions in the UK. However, there is still a burden of responsibility on the industry to maintain high standards to satisfy both consumer and regulatory expectation.

Russell Higginbotham says: "The protection market has coped pretty well with the difficulties presented by the economy. The tougher conditions and changes coming in the market mean we will have to adopt the highest possible standards to satisfy more demanding customers and a regulator prepared to intervene at an earlier stage. I feel very confident in our ability to do this."

Optimism in critical illness cover

The growth in critical illness cover at the consumer level echoes the positive development for critical illness cover arranged through the workplace reported in April in *Group Watch 2012*. This can be seen as a further sign of growing confidence among consumers, especially in regards to claims management.

Ron Wheatcroft, co-author of *Term and Health Watch 2012*, says: "We believe that the growth in critical illness policies reflects some of the more positive messages about claims payment rates which have been communicated. These messages are, in turn, improving both consumer and intermediary confidence in the product."

Survey reveals optimistic outlook

Term and Health Watch 2012 also includes the findings of an opinion survey conducted among 45 leading product providers, intermediaries and opinion formers.

The survey results reveal optimism regarding growth in the protection market for the rest of 2012 and beyond. There are challenges presented by regulatory and legislative changes such as the Retail Distribution Review (RDR). The overall expectation, however, is that the changes in general will stimulate interest in protection and that this will be beneficial to the consumer.



Ron Wheatcroft says: "The interest is really at industry level as protection will help cash flow as advisers transition to an RDR world where commission on investment sales is banned. We also expect the outcome of the Mortgage Market Review to place a greater emphasis on the use of financial products to protect and repay mortgage loans."

Term and Health Watch 2012 also finds that the move to gender-neutral pricing is acting as a stimulus for the industry to think about the opportunities this presents. There is an expectation that momentum will grow as the 21 December deadline for the implementation of the directive approaches.

Need for greater clarity

Moving forward, the report cites a need for greater clarity in messaging from government to consumers if we are to move from a broad awareness of the welfare reform changes taking place to doing something about their own circumstances.

Higginbotham says: "We are about to see a period of unprecedented change which includes a greater need for self-responsibility. Whatever distribution market and models emerge, insurers, employers and regulators need clear and unequivocal statements showing how consumers can move beyond a greater awareness of the direction of change to getting something done."

Term and Health Watch Findings Summary:

Product Type	2011	2010	% change
Term assurance	1,488,106	1,540,798	-3.4%
Critical illness	551,382	534,561	+3.1%
Whole life	400,682	371,467	+7.9%
Income protection	110,472	110,743	-0.2%

The figures in this table represent the sum of the findings from Swiss Re's survey of the UK individual protection business.

Notes to Editors

For more information on *Term and Health Watch 2012* and/or access to experts and managers related to this release please contact Swiss Re media relations: media_relations@swissre.com or +41(0)43 285 7171.

Term and Health Watch 2012 analyses new individual long-term protection sales in the UK market in 2011. It also considers the prospects for the protection market for 2012 and beyond, taking into account the views of 45 individuals from product providers, intermediaries and industry commentators. *Term and Health Watch 2012*



is the partner publication of Swiss Re's review of the group risk market, *Group Watch 2012*, which was published in April 2012.

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