



Swiss Re calls on UK life insurance industry to save income protection sales from continual decline

Contact:

Regional Communications Centre Europe,
London office
Telephone +44 20 7933 3445

Swiss Reinsurance Company
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

London, 15 May 2008: Swiss Re today issues a call to all players in the UK's life and health industry that decisive action is needed to stem a continued year-on-year decline in income protection sales. Failure to act will mean that the gap between the level of income protection currently in force, and the total amount needed by the UK working population to sustain an income in the event of becoming long-term injured or disabled, will continue to get bigger. Unless fundamental changes are made to the design and distribution of the product, it could disappear from the market altogether.

Swiss Re's blunt message to market participants is contained in the latest edition of its annual *Term & Health Watch* publication, which provides an authoritative snapshot of the level of new individual protection business written in 2007. Income protection is not the only product to suffer from poor sales volumes. Based on data contributed to Swiss Re by UK life insurance companies, the report reveals declining sales of almost all individual protection products compared with the previous year.

UK individual protection market – key facts, figures and trends

- New income protection sales totalled 111,780 policies, a 14.3% decline since 2006
- A total of 536,143 new critical illness policies was sold in 2007, down 8.2% on the previous year
- New term assurance sales in 2007 amounted to 1,541,930 policies, a fall of 6.1% compared with 2006
- The only growth area was whole life sales, amounting to 219,362 new policies, up 12.4% on 2006 figures

The flagship report also contains Swiss Re's latest estimates of the Life Assurance and Income Protection Gaps. For a number of years, Swiss Re has used these figures to illustrate major shortfalls in the levels of protection cover held by the UK population. While the Life Assurance Protection Gap has remained stable at GBP 2,300 billion in sums assured – owing to improved persistency rather than increased sales – the Income Protection Gap has increased for the fifth year in a row to GBP 190 billion of annual benefits.

Market must arrest continual decline in income protection sales

Consumer research carried out by Swiss Re over recent years reveals that people are largely unaware that income protection exists, and some think they have no need for a product which protects against a long-term loss of income. In addition, many consumers mistakenly believe that income protection is provided by their employer. But these surveys also consistently show that, when made aware of the product, people are very positive about the benefits of protecting themselves.

“The life industry cannot use a perceived lack of consumer demand as an excuse not to raise people’s awareness of the need for income protection,” says Mark Johnson, head of marketing at Swiss Re’s UK life and health reinsurance operation. “As sales of new individual income protection policies continue to decline, leading to increases in the size of the Income Protection Gap, the industry must face up to the fact that this product is now in the ‘last-chance saloon’.

“Fundamental changes are needed to ensure that it does not disappear altogether, and the industry as a whole must promote the benefits of income protection if we are to make progress in helping consumers help themselves,” he adds.

Swiss Re wants to urge all participants in the life insurance industry to work together to tackle the problem of falling income protection sales. In June, Swiss Re plans to publish some high-level recommendations aimed at reversing the product’s diminishing growth, including:

- **Product providers**
Life companies should seek to develop new propositions for consumers, particularly in the mass market; these should focus on simplicity and making products easier to buy.
- **Distributors**
Advisers should stop paying lip-service to income protection and make more proactive efforts to promote its benefits to consumers; new distribution channels also need to be established, particularly those reaching the consumer directly
- **Reinsurers**
Reinsurers themselves need to work with product providers to ensure that, while sound risk-management protocols are in place, this is not at the expense of product innovation.

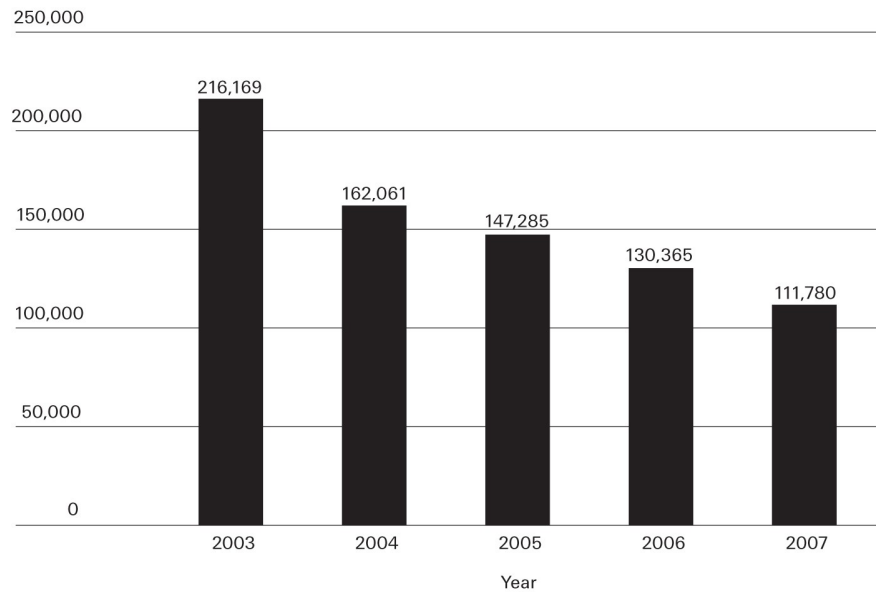


Chart – new individual income protection sales 2003–2007

New individual income protection in the UK in 2007 totalled 111,780 policies, a fall of 14.3% compared with 2006.

Notes to editors

Copies of the report

Term & Health Watch 2008 is distributed to UK product providers who submit their data to Swiss Re and is offered to journalists and other parties on a case-by-case basis. It is not available to the general public and therefore 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 25 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 "AA-" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.