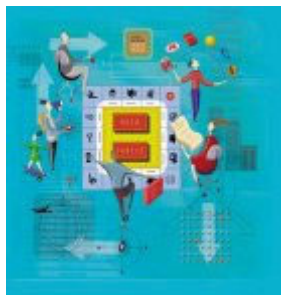


The new economics of 'stakeholder' will transform UK industry - says Swiss Re Life & Health UK Insurance Report

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UK consumers call for real interactivity from financial services portals

The stakeholder environment will raise consumer awareness of the availability of low charge products as never before, putting the spotlight firmly on existing products - claims the latest Swiss Re Life & Health UK Insurance Report.

In spite of low stakeholder margins, there is still a strong preference for face-to-face advice amongst consumers. 63% prefer face-to-face enquiry but only six out of a sample of 1027 were prepared to pay over £150 for advice.

"Stakeholder calls for a complete rethink of the economics of advice," says Alan Tyler, UK marketing and development. "One solution gaining acceptance amongst IFAs is to reach broad groups of employees by providing access to advisory services through their employers. 42% of the 18 - 24 age group in our survey said they would be prepared to buy a personal pension through their employer."

The growing maturity of B2B and B2C technologies is also explored in detail. Consumers are looking for real interactivity, more personalisation and advice from financial services portals. The design and functionality of company sites and portals needs to reflect the reality of the consumer becoming integrated through the internet into the search and decision process.

At present IFAs and providers see the main impact from e-commerce lying in servicing rather than sales. IFAs specify frustration with the unreliability of sites and slow download times as major barriers to progress. Providers are constrained by existing administration practices and systems integration.

The Insurance Report also shows that company representatives/tied agents have lost ground significantly again this year, with their share of new life policy sales down from 48% in 1995 to 30% in 2000. IFAs and bancassurers have held their own and direct sellers are up with a 13% share of the market.

Consumer research for the Insurance Report is based on over a thousand face-to-face interviews as well as focus groups. This year its scope has widened greatly to take into account the views of not only consumers but also providers, regulators and government. The Insurance Report 2000 has evolved away from being a compendium of consumer research to become a publication that challenges thinking about the future of the life and health industry.

Other key findings in the Report include:

1. Health and welfare

- there is a surprising reversal this year in the growing trend of greater acceptance of self-provision. Only 28% (1999: 42%) believed individuals should have the main responsibility for retirement provision
- however, this is contradicted by the belief of 68% of the sample that the individual will have responsibility for retirement provision in ten years. Only 21% believe that Government will have the main responsibility for pensions in ten years time and 45% for long term and nursing care
- overall there is least satisfaction with State provision of pensions (62% not very or at all satisfied) and long term sickness benefit (58%). Those areas where self-provision is most acceptable are where Government has already pushed the boundaries.

2. Distribution and e-commerce

- the breakthrough in B2C technology will come with the ability to link compelling TV content with electronic information and service delivery. 50% of homes will have digital TV within three years

- there is a big regional divide in internet penetration. At the end of 1999 25% of homes in London were connected to the net and 24% in the south-east, compared to 11% in Northern Ireland
- the main growth areas for individual life sales were direct marketing (up from 7.6% last year to 10.4%) and telesales (up from 0.7% to 1.4%). 9% of the sample said they were likely or fairly likely to purchase a life product over the net (compared with 15% by phone).

3. Issues for Government

- Government needs to define the space - in particular, in the areas of pension provision, long term care and health and welfare reform to demonstrate the opportunities available - before the industry can launch a new range of protection and funding concepts
- there is clear evidence that any ambiguity around a proposition that entails paying twice, for example, forcing people to pay for care in old age, is seen as akin to taxation and will be resisted
- IFAs feel generally that regulation has gone too far and lost its customer focus

Adds Alan Tyler, "The Insurance Report 2000 flags up some very important and positive messages including: the potential of public/private partnerships; the need for Government to take a defining role, and good prospects for effective distribution through the workplace.

Although the industry image with consumers has improved, it still suffers from lack of credibility. We believe that e-commerce has a pivotal role to play in changing attitudes and in creating a world of 'access' as opposed to the traditional models of 'distribution'.

Though a final destination is unclear, we know with some certainty that e-commerce will be the way we do business in the future."

The Swiss Re Life & Health Insurance Report is produced for major cedant clients, otherwise it is available for purchase at a cost of £650.

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