



## O-shaped recession – a never ending circle of uncertainty highlighted by new Swiss Re research into UK consumers

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- **Consumers aware of need for financial provision for themselves in the future**
- **Industry needs to do more to put products higher on consumers' agenda and to improve access**
- **Complex products and affordability still a barrier**

**London, 15 November 2011 – Although there is a marked change in consumer awareness towards the need for greater self-reliance and financial protection, Swiss Re's latest edition of the Insurance Report entitled "Facing life's responsibilities", shows that consumers are delivering an austere self-assessment of their financial exposures. Swiss Re calls on industry and government to focus on improving access to straightforward advice and on simplifying products to build trust, before considering how messages are delivered.**

Swiss Re's findings are supported by extensive research among more than 1,000 UK consumers and over 500 employers, and draws on interviews with leading industry figures. The report is a strategic overview of the long-term savings and protection markets and explores how the industry, employers and government could facilitate a shift towards greater personal responsibility in a time of reduced welfare expenditure.

### **A never ending circle of uncertainty**

Russell Higginbotham, Swiss Re's CEO UK and Ireland, says: "Two years ago, consumers thought the worst was over. Our research shows, though, that there has been a huge shift in opinion. In fact, it suggests a new contender for the letter-based recession guide used by some economists: the O-shape – a never ending circle of uncertainty."

"Furthermore, there is a marked change in consumer awareness. We should build on this and help consumers address their uncertainty by offering straightforward advice and simple products which consumers will consider essential – through a medium which suits them – and bring them to buy financial protection and invest in pensions instead of the latest iPhone or other gadget", he continues.

### **Consumers recognise need for protection and savings products**

When asked why they had not bought life insurance, consumers indicated that affordability was a fundamental barrier to buying financial products. 46% said they couldn't afford it (47% for critical



illness and 39% for income protection), while only 10% (11% and 12%, respectively) replied they hadn't thought about it. Many consumers see reducing their debt levels as a higher priority. In 2009, the main response was that people simply did not think they needed cover.

## **Simply complex**

The report warns that new definitions of independence might create even more complexity. "It is imperative that we develop better ways to engage with consumers through a simple or straightforward advice model. If we fail to do this, consumers may simply turn away – no matter how perfect the product", stresses Ron Wheatcroft, technical manager at Swiss Re. "The issue of re-engaging with consumers as the state withdraws from provision is so fundamental that direct government involvement is needed. At the beginning of the RDR consultation process, the potential disengagement of, and detriment to, many consumers was a concern – and this issue remains."

The report suggests that improved product awareness will help. The Money Advice Service (MAS) is stimulating interest but consumers are unsure what to do next. Clear and straightforward propositions should, over time, build on and complement the interest MAS generates. This may not necessarily lead to follow-up action.

The research considers the impact that pensions auto-enrolment might have on UK pension and other financial provision. It will provide benefits for many consumers who, otherwise, have little or no engagement with financial services. While recognising that for some employers and employees, auto-enrolment will be a "grudge purchase", Swiss Re is optimistic that it will breed good savings habits in the longer term, as well as providing a possible way to offer other benefits.

## **Understanding protection**

Russell Higginbotham adds: "We need to change the way we think about how protection is understood before we continue pushing the same old and rather tired propositions. Behavioural finance suggests that simple products would help consumers. People will not buy what they do not understand, but increasing understanding creates more confidence which will help people make more informed choices. Financial capability is about helping people understand their needs and giving them the tools to understand their options, enabling them to engage with and manage their finances better themselves."



## Notes to editors

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### Copies of the report

The Insurance Report 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.