

Rates moving more slowly and more unpredictably - says Swiss Re Life & Health's TermWatch

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Term market breaks through one million new policies barrier

UK term assurance rates are very competitive with insurers responding rapidly - in some cases perhaps too rapidly - to improvements in mortality experience. Other factors including mergers and tactical pricing are resulting in a more unpredictable market.

Swiss Re Life and Health's TermWatch, the regular monitor of the UK term assurance market, reveals a patchy picture with rates actually hardening for £50,000 sum assured contracts, although on average rates have continued to fall, albeit at a slower pace.

For the first time TermWatch also provides a survey of the main players in the individual term assurance market which reveals that total new sales topped the one million mark for the first time in 1998.

New level term sales accounted for 47% of all new sales and decreasing term for 41% during the same period. Direct sales forces and appointed representatives have a 58.5% share of policies sold in the market with IFAs taking 36.8%.

Comments Ron Wheatcroft, UK Technical Manager: *"Our new term survey, together with our annual review of the critical illness and income protection market (HealthWatch), gives us, for the first time, an overall picture of the entire protection market."*

The competitive nature of today's term market cannot be overstated. It is emphasised by the fact that £1 premium purchases on average £247 sum assured, compared to £227 for in-force business. Across a broad range of ages there is evidence that male mortality has improved at a rate of 1% faster than that of females. There is some early evidence that mortality experience amongst young females may be deteriorating.

The key benchmarks for the last year are:

- The top rate in the male, 30 year old, non smoker category for 15 year term has dropped rapidly during the period whilst the equivalent top rate for females has edged up slightly.
- The 45 year old male category again shows falling rates across the board with competition maintaining a narrow gap between the top ten providers.
- Background mortality trends support favourable reduction in rates for the 45 - 49 age group but the rates for the 50 - 54 age group show signs of possible deterioration in mortality experience.
- The most notable rate increases was 17% for smoker rates of 30 year old females with a five year term and £100,000 cover Adds Ron Wheatcroft: *"The persistent downward trend in underlying mortality appears to be changing and we expect rates to move more slowly and less predictably in the short term future."*

This issue of Swiss Re Life and Health's TermWatch also looks at methods of profit reporting for Treasury returns and Companies Act accounts and also at the tax environment in which pensions business will operate.

"Pension term assurance is an integral part of the pensions offering," says Ron Wheatcroft, "the market is very competitive, representing good value for customers. We hope to see tax relief on pensions term retained in the new world of stakeholder and personal pensions."

For further information please contact:

Ron Wheatcroft, tel. +44 (0)20 7814 3453