



Swiss Re urges UK life insurers to find simpler definitions for protection products and services; industry should focus on breaking down the 'Perception Gap'

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London, 10 December 2009 – UK consumers are confused about what insurance cover they think they have compared with what they are actually covered for, according to Swiss Re's latest edition of its flagship *Insurance Report*. Swiss Re is prompting UK life insurers to keep product definitions simple and to improve the transparency of what they offer.

The financial crisis has led to an increased financial awareness among consumers in the UK. Swiss Re thinks the industry should seize the opportunity to empower consumers with the information they need to move from better awareness towards making informed decisions and improving their financial protection. The report also says the industry needs to help consumers to take greater responsibility for future provision of protection needs as the pressures on the safety net provided by government intensify.

According to the report – titled 'The cost of doing nothing' – 44% of consumers feel reasonably well positioned financially if they were to suffer long-term illness, disability or die. While people still perceive life insurance as the main way to protect themselves financially, just 36% believe they can actually rely in practice on holding adequate insurance. However, an increasing number of people think they are self-reliant.

The report warns that this unrealistic optimism makes people oblivious to the fact that whatever insurance they hold is unlikely to be enough to support their future. 52% of people think they have life assurance, 28% think they have critical illness (CI) and 36% think they have income protection (IP), either through a policy they own or one arranged by their employer. The findings stem from research conducted by Swiss Re among more than 1,000 consumers.

Industry data suggest, however, that the level of in-force cover is far lower than this. To illustrate this mismatch between perception and reality – which Swiss Re has coined the 'Perception Gap' – the amount of insured IP held in the UK through individual policies or employer-

sponsored schemes is approximately one third of the amount consumers believe they hold.

Maxine Smith, co-author of the report, says: "Consumers seem to have a relatively good understanding of life insurance, while many say CI remains a confusing product, and only a small minority understands the purpose of IP. The industry needs to stop in-fighting over a name (IP) which fails as a description and use much clearer labels such as long-term sickness, disability or incapacity."

Swiss Re's research has also found that many consumers know CI for the wrong reasons, namely the negative publicity associated with companies not paying out claims. The meaning of IP is largely unknown: there is a strong belief among consumers that it provides redundancy cover. "I don't have it (IP) but I would think it doesn't just relate to being off sick. I think it possibly relates to losing your job or maybe redundancy", one consumer said.

"As an industry, we should focus more on growing awareness about all long-term products for those who are uninsured or who think they are insured but are not. Greater product clarity is a key part of that. Attempts to grow the market rather than recycle existing business will help close the Protection Gaps," says Maxine Smith.

Notes to editors

Copies of the report

The Insurance Report 2009 is distributed to Swiss Re's clients and is offered to journalists and other parties on request. It is not published on Swiss Re's internet site.

Swiss Reinsurance Company Ltd

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