Consumer Emotion

Measuring Trust, Value and Loyalty in the Protection Arena

The Syndicate Report 2014

The Syndicate

About The Syndicate

The Syndicate is an innovative research partnership between Hannover Re UK Life Branch and Protection Review. Established in 2011, its aim is to explore consumer sentiment, monitor trends and to share observations and ideas with a membership drawn from across the protection insurance industry.

Key members of The Syndicate include Zurich Life, PruProtect, Ageas Protect and Beagle Street. Membership is open to organisations across the life and health insurance industry.

Our research focuses on gaining insights into the thinking, attitudes and behaviour of today's consumer. We look to identify the key trends and influences on consumers so that we can help the industry find solutions to meet the changing needs of their customers. We still have much to learn about the role of protection insurance in consumers' lives and The Syndicate's research offers new perspectives on how we can better service and engage with them.

The research findings support the protection insurance industry in looking at successes inside and outside of the industry along with an understanding of what that means for future developments within the industry.

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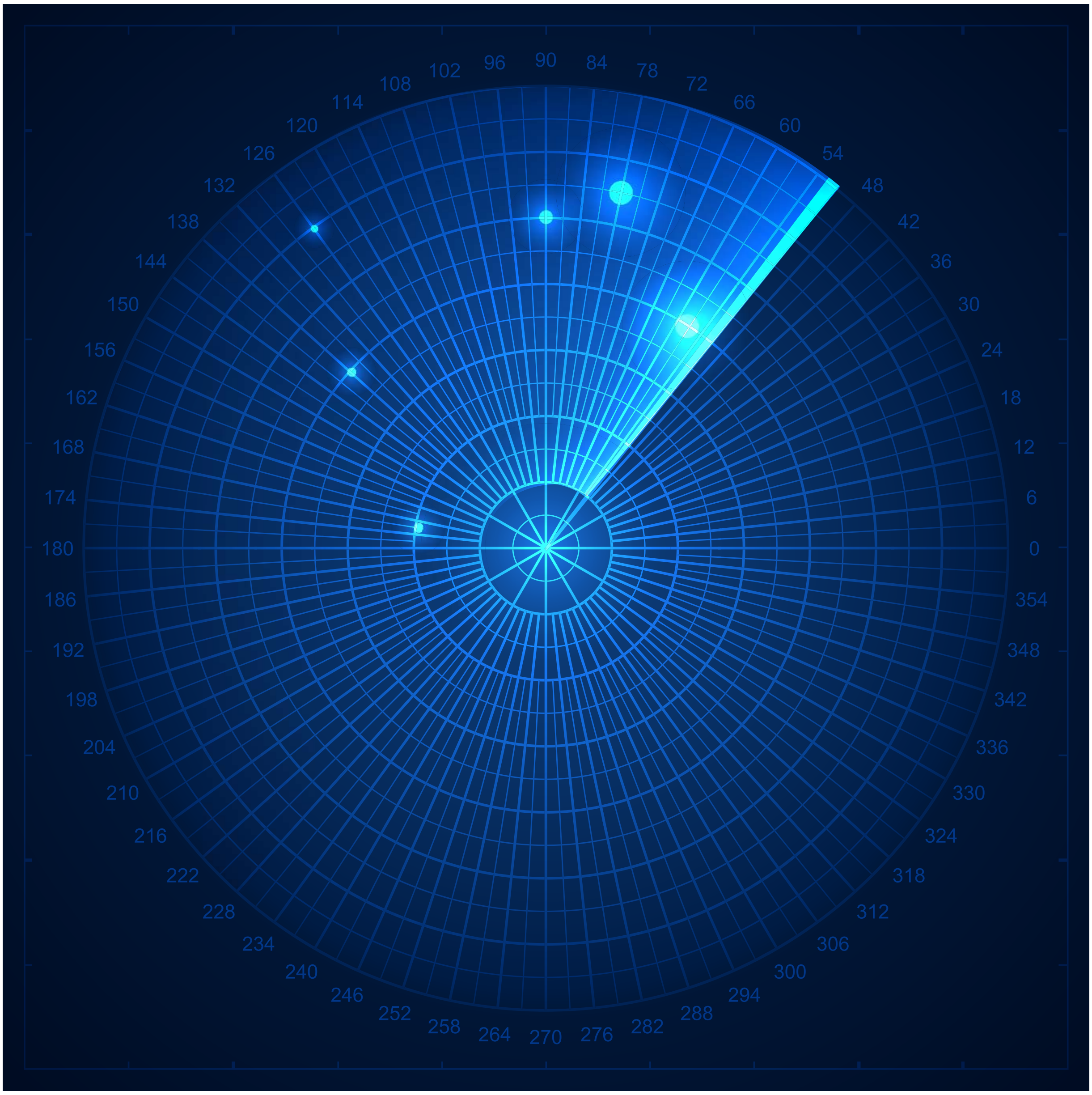
Foreword



Since the inception of The Syndicate in 2011, our research has focused on consumers and their view of financial services. Our surveys have sought to uncover how they make their decisions, the issues that concern them, their attitude to risk and their feelings about insurance and the products available to them. Our inaugural research uncovered the concept of 'imaginary cover' where consumers guesstimate an illusory level of cover that they do not have in reality rather than possessing a deep and detailed knowledge of the products they hold. We suggested that there were a number of factors which could explain this behaviour including the distance between the provider and their customers once the sale is made and the absence of regular and meaningful communication between the two.

The 'Casino Mentality' which we identified in our second year may also go some way to explaining the detachment we see between consumers and insurance, even for those who have purchased policies. Linked to the concept in behavioural economics of the optimism bias, the casino mentality was so called because it referred to a group of individuals who either discounted the risk they faced ('it will never happen to me'). Alternatively there were individuals who preferred to take the risk and deal with events if and when they faced them, in the hope that their savings would be sufficient to support them.

Whatever the reason given, our research identified a significant proportion of the population who were not buying into the concept of insurance. As a result of these findings we were able to identify three types of consumer:

i. Those who currently hold policies, '**believers or the convinced'.** For them the challenge is engagement – how to prevent them from becoming disconnected from their policy and the benefits it provides.

ii. Those who used to hold policies but no longer do; '**the rejectors'.** For them the problem is disenchantment and the industry's challenge is how to bring them back.

iii. Those who have never held a policy '**the mass indifferent'.** For them the issue is education and how to get them to alter their mentality which is focused on living for the moment.

This year the research by The Syndicate builds on these findings and uses the previously identified concepts to tackle the issues of **trust**, **value** and **benefit**, **loyalty** and **communication**. We will also further examine the meaning of financial security for our group of consumers and what this represents as far as modern consumers are concerned.

In the year since the last research by The Syndicate, we have seen the erosion of trust in many of the UK's major institutions. The economic recession of the past five years and associated crises may have seriously undermined levels of trust in financial institutions but this year it has been the turn of the media. Under intense scrutiny from The Leveson Inquiry, the misdemeanours of the British press were made public for all to examine and the extent of phone hacking and underhand tactics was highlighted, even implicating the political elite in the scandal. After the phone hacking scandal, the spotlight turned on the BBC, another much loved institution which, it has emerged, was aware of the unsavoury behaviours of a number of its stars. Their reputation was further damaged when it became known that they may even have facilitated the behaviour by turning a blind eye to what was going on.

Following several years of economic uncertainty with the bailing out of financial institutions with taxpayers' money and the tarnishing of the BBC's reputation, an integral part of British society, we are left with a public uncertain of who is deserving of trust in the current world. Now, more than ever before, trust needs to be earned from a public sceptical about the validity of many institutions that they have dealings with.

In addition, building trust in a virtual world remains a challenge for all industries. Today's social consumers are empowered by their ability to share their thoughts and concerns widely. They can also be more sensitive to their friends buying habits and make judgements based on the experiences of others. Never has it been harder to win the trust and loyalty of a consumer, even someone who is committed to buying the product that you want to sell.

This year's research attempts to explore the issue of trust, loyalty and value in relation to protection insurance.

- Which brands do people think about when we ask them about trust and what can that teach us about perceptions of insurance?
- Do people trust that their insurance policies will deliver benefits that meet their needs?
- Do the features of an insurance policy feel like a tangible benefit to the consumer and if so, why might this be the case?
- What does value for money mean to consumers considering buying protection insurance?
- What do consumers value about the products that they currently hold?
- What can an insurer do to encourage loyalty from customers and what really matters to them?

The Syndicate has never shied away from asking questions which may produce answers which can make uncomfortable reading but we hope that, as ever, the research this year is insightful, offering food for thought and ideas for next steps for the industry.


Good service
makes the
difference!

1. Trust

"The best way to find out if you can trust somebody is to trust them."
- Ernest Hemingway

Trust. It may be a small word but it underpins any effective financial system and therefore it is an essential ingredient in financial services The 2010 Trust Barometer Survey by PR firm Edelman, found that people believe that trust, transparency and honest business practices influence company reputations more than the quality of products and services or financial performance. People want their trust reciprocated to create a sense of security with an organisation. As a central theme of this year's research by The Syndicate, we started by looking outside our industry to explore which brands our respondents trusted the most and their feelings about the relationships that they have with these brands.

1.1 How do we grow closer to customers and who can we learn from?

We asked our survey group to tell us which of the brands they have dealt with they trust the most. We gave them a set of criteria to consider including: *You know what they are about; they deliver value to you, keep their promises, provide good service, communicate well with you and continue to develop new ideas.* We hoped that we might be able to deduce from the brands that were mentioned most frequently if there was a 'brand type' that typically encouraged consumers to trust it. Shown below are the brands mentioned most frequently.

The pattern emerges of clear preference for retail or technology brands. While we did not get full insight into *why* people selected these brands, it is possible to suggest that these are all brands that people interact with frequently and are known for providing a service or a product which makes life easier, providing quality goods or produce or providing something that is needed regularly.

Such an exercise allows us to deduce therefore that people are more likely to trust a brand or product if they frequently need to use or interact with it. For example if a product or service is perceived as good quality and if there is a tangible result for the consumer, life is easier for them because of this brand. Consumers could distrust brands that don't present a consistent service experience across their on and offline platforms.

Which company or brand that you use or buy from do you have the most trust in based on the following criteria? (You know what they are about, they deliver value to you, keep their promises, provide good service, communicate well with you and continue to develop new ideas.)

They are, however, more likely to remain loyal to companies that provide the same service levels at all touch points. Consumers will even forgive a few hiccups as long as there is an overall consistency to their experience. Companies that focus on brand management maintaining consistency in messaging, image and service will cultivate customer loyalty and become more successful in the long term. Clayton M Christensen, a leading thinker on innovation states "Many products fail because companies see them from the wrong perspective. They focus too much on what they want to sell to their customers, rather than what those customers really need."

This is all food for thought for financial service brands looking to build trust. It may be worth financial service brands considering the characteristics of the brands identified here. John Lewis is well known for its strapline "Never knowingly undersold", a statement which immediately implies effort on behalf of the customer and fosters trust. This was acknowledged by the 2013 report from the Nunwood Customer Experience Excellence Centre (*The UK's Top Customer Brands: How They Achieve Success)* which commented: 'John Lewis's price commitment of "never knowingly undersold" sets a clear and reassuring expectation for its customers.' The fact that Amazon demonstrates their knowledge of their customer by making purchase suggestions on their behalf helps to eradicate the 'them and us' attitude which featured heavily in many of the free text responses from our survey group, particularly when responding to insurance.

1.2 Loyalty: offered or earned?

The issue of trust is hard to explore without considering loyalty. The two topics are inextricably linked and it is possible to suggest that without trust, loyalty is impossible to win from customers. Beehive Research found that time is an issue for consumers; on average around a fifth of customers remain loyal as they are too busy to source alternative companies and want to remain loyal to a company they trust. To learn more about what makes people loyal when it comes to protection products, we asked *"What could an insurance provider do to make you stay with them?"*. Answers were given in a free text format and the most dominant theme in the responses was once again price. Those who did not mention it explicitly made reference to it more obliquely through the suggestion that discounts could be made for loyal customers, that the "best deals" should be offered to loyal customers rather than new customers as incentives, and that value for money would convince them to stick with a provider.

There is a danger for the insurance industry that an increased obsession with price, driven in part by comparison websites particularly within the general insurance arena, may mean many consumers will no longer see the real value protection insurance gives them. If we continue to lead with this approach consumers will base their decision on price rather than considering any other factors.

What could an insurance provider do to make you stay with them?

There was a sense in many of the answers that loyalty was a right or an entitlement, almost an expectation. Many respondents were keen to suggest that nothing could be done to get them to stay with a provider reinforcing the idea that for many consumers, their right to make a choice is extremely important and something that they would value over any sort of loyalty incentive. For others, loyalty was earned through good service and transparency in the company's dealings. In the 2012 research from The Syndicate, we asked the extent to which our respondents agreed with the statement "I would be less likely to cancel a protection insurance policy if the provider rewarded and valued my loyalty". The net agree score for this question was 67% and our younger age groups were more likely to agree, suggesting that this is a serious consideration for customers of the future. Consumers want to have relationships with companies they trust, price is always an important factor but the experience, relationship and how they are rewarded for their loyalty is also vital.

The question we asked about brands that consumers trust allowed us to gain an insight into what is valued by people and what represents a real benefit for a consumer. The range of products sold by brands such as Amazon and John Lewis would lead us to conclude that it is less about a product and more about an experience or relationship with a brand and the service received which encourages trust and loyalty and allows the consumer to value their interaction. People want to be rewarded for their loyalty. However, they also want companies to make their lives easier and better so we need to give them a reason to remain or return. This is where data will play a key part to better understand what customers want and how they respond; measuring whether the loyalty offered provides value to their lives.

Later in this report, we look specifically at the data we have on our 'rejector' group and why they no longer held their policies. The data demonstrates that the development of this relationship is not occurring as frequently or as effectively as it could within the protection industry, with significant numbers indicating that they couldn't see the benefit or value of their product and as such it was often replaced by spending priorities which were valued more.

We also asked our survey group if there were any reasons that they wouldn't use a financial adviser. The views on advisers expressed by those who indicated that they would not use such a service, suggest that not trusting an element of the service (in this case whether the advice was truly unbiased) or feeling that it was not good value (because of fees or commission) is sufficient to make a consumer pursue other options. In the panel overleaf, we consider what others have said about trust and how important it is in the world of financial services.

Trust – a look at what others have said

Trust is not a new topic in financial services but given the key role it has to play in engaging customers, we took a look at what others had said about the issue:

- A study by PR firm Edelman *(Edelman Trust Barometer, 2013)* found that financial services was the least trusted industry in the world and that, globally, the more developed a financial services market was, the less it was trusted. It identified sixteen trust building attributes divided into five performance clusters and the highest scoring attribute for building trust was "*listen to customer needs and feedback")*

- A Nottingham University Business School Paper *("Measuring Trust and Trustworthiness in the Financial Services Sector: a Benchmarking Case Study")*, says about trust, what it means and what could be done to encourage it:

  "'Trust' is a simple word that is often misunderstood. Whilst it would not be appropriate here to engage in a detailed evaluation of different definitions, 'trust' as a concept can be seen as multifaceted, highly discursive, and indirect. A reasonable standard view of trust would suggest that it is concerned with an individual's willingness to accept vulnerability based on positive expectations of the intentions or behaviour of another in a situation characterised by interdependence and risk."

- Writing in a Social Market Foundation publication (*"A Confidence Crisis? Restoring Trust in Financial Services", 2011)*, Chris Pond, former Head of Consumer Affairs and before that Director of Financial Capability at the Financial Services Authority, suggests that trust in financial services is the difference between someone taking out a policy or not:

  "Engagement with the financial services industry, whether through a bank account, insurance policy or pension, is critically dependent on the extent to which the providers of these products are perceived as trustworthy. This is particularly important in the case of long-term investments, such as life policies and pensions, where the individual has to trust the provider to make the right decisions on his or her behalf.
  The first lesson is that people will tend to act only if they trust the person or organisation encouraging them to do so."

Writing in the same Social Market Foundation publication, Labour Peer David Lipsey cited several sources of research which mirror the findings of The Syndicate and show that trust in financial services brands is lower than it could be:

"So trust is all. But trust is not very high. The Financial Services Trust Index, prepared by the University of Nottingham, regularly measures its level. On a scale of 0 – 100, it gives a value of about 47 for the financial services sector as a whole, though people have rather higher trust in the institutions they themselves use. An Insight Survey from YouGov in June 2010 found that only 30% of respondents were prepared to identify a financial services brand as "most trustworthy".

David Lipsey makes an important observation that trust of an industry is different to trusting an individual company and often people will trust those companies that they deal with while not necessarily placing as high a trust in the industry that they are part of. The dilemma still exists for the industry though of how to reach the *"mass indifferent"* consumers who do not have a relationship that they trust with an existing provider and may also not trust the industry as a whole?

1.3 A thirst for knowledge

In order to delve a little more into sources people use and possibly trust, we asked our sample group where they would go for information on financial products. The answers revealed the sources that people trust for information when considering insurance. We asked *"Where would you go to find information about life insurance, critical illness or income protection insurance?".* The results indicated the importance of online information to consumers.

'*The internet'* was by far the most popular answer selected by 57% of respondents. Interestingly the second most popular answer, '*Comparison site*', is also an online source and the internet features again lower in the list with '*Internet via mobile'* although it is significant to note that people prefer to do this sort of research on a computer rather than a mobile. Whichever way we cut our data, the results show that the internet is the first stop for over half of our respondents and almost a given for research into insurance products. When reviewing options online we know consumers won't always choose the cheapest rate, preferring to select a company they trust. This puts new entrants into the market at a disadvantage in terms of brand awareness but this can be quickly overcome in the digital age where brand awareness can be established comparatively quickly.

An informative and user friendly online presence is clearly essential for product providers now - and not just on their own sites. A recent study by LivePerson (*A Global Study of the Drivers of a Successful Online Experience*) concluded "…if brands deliver a positive digital experience, the results extend far beyond a successful purchase or transaction, and create a greater opportunity to build strong and long-lasting customer relationships, translating to greater revenue and brand value for businesses." It is incumbent on any organisation that interacts with consumers to be available in a variety of online guises. Apart from a strong and often heavily scrutinised web presence a modern retailer or financial organisation also has to consider its attitude and profile on social media via Twitter, Facebook and other sources of online propagation. As with any new media caution needs to be taken particularly with regard to those that wish to share their thoughts loudly. Recent insight from Promise Communispace however, warns brands not to ignore the largest customer base - the silent majority. Nearly three quarters of consumers don't publicly post online opinions or reviews, this doesn't mean that their views are any less relevant or important, they just don't want to share their worries about financial situations with others. Finding routes to engage with this majority in less open forums is a key part of a brands success. David Wells from Beagle Street has more to say about the answers to this question in the panel overleaf.

Figure 1. Where would you go to find information about life insurance, critical illness insurance or income protection?

Source	Total
Internet via a computer	57%
Comparison site	40%
Friends and family	25%
Financial adviser	21%
Bank or building society branch	20%
Which?	17%
Money Advice Service (MAS)	15%
Company brochure/leaflet/direct mail (through the door or from a retailer)	7%
Newspaper/magazine	7%
Internet via a mobile device/phone	6%
Other	5%

Where would you go to find information about life insurance, critical illness or income protection insurance? David Wells of Beagle Street comments:

We can see from this data that online is of increasing importance for life insurance with half of consumers now researching through the internet for information about life related products. Comparison sites also feature heavily as a research tool with 2 in 5 people using this as one of their preferred channels. Although we are seeing sharp increases in online sales we know that life insurance is still being bought predominantly through the traditional channels of IFAs and banks. Since a smaller portion of consumers are currently making the purchase directly online or through a comparison site compared to the respondents of the survey, we can assume that for many consumers online resources are being used for research purposes.

This trend has been seen across other insurance products at an early stage in the life cycle of online adoption, so we can expect a shift towards greater consideration and actual purchase online as consumers grow more confident and brands improve their processes for online sales.

Despite online featuring heavily in responses, it is also interesting to note that consumers will use their friends and family almost as much as a comparison site and much more so than financial advisors or high street banks and building societies for their research. This shows an overall growing trend to use online resources and recommendation as opposed to industry professionals to inform a decision concerning life insurance.

More specific demographics within this survey show that women are more likely to seek advice from a friend or family member than men, whereas men are more likely to use online advice and tools than women. Beagle Street's own data reflects this pattern, as men are more likely to buy online than women when purchasing a single policy.

On the contrary to what we might expect, the survey data shows that younger generations were not the most likely to use the internet when searching for information on this type of insurance, and that it was the over 45 group who would. 18-24s are the most likely to ask family and friends for advice; however, they still remained the most likely group to research information using a mobile device.

Our data shows that 25-34s are the most likely to buy their insurance online, and 55-64 year olds were three and a half times less likely to do so than the younger age group. This may indicate that the older age group uses the internet to find information on life insurance, but many are still going elsewhere to complete a purchase.

Our research showed that 20% of consumers would be happy to use the Money Advice Service as a valid source of advice, this was consistent with findings from last year's research. It is interesting to note however, that MAS appear to have a more universal appeal than Which? whose scores peak as age increases.

As discussed by David Wells, Beagle St our analysis of the data revealed some fairly distinct characteristics for our youngest age group, 18 – 24 year olds. This group were almost as likely to go to friends and family for advice and recommendations as they were to research on the internet. However, they were also the least likely age group to go to a financial adviser or their bank or building society. It is clear that with little experience of insurance and faced with their first complex financial decisions, trusting their sources of information is important to this age group and in this case, the material available online is trusted more than an adviser or financial institution. This is consistent with previous research by The Syndicate which highlighted the importance of external validation to this age group.

This age group will soon become the target market for our products, therefore we have explored further the thoughts and preferences of this group, the 'next generation', in chapter six: new markets.

Age seemed the most important determinant of which information sources people would trust and make use of. As our respondents got older they were more likely to turn to advisers and their banks and building societies which reflects a logical effect of life stage on people's behaviour: as decisions become more complex, external advice is more readily sought and once people have experience of using a source they are more likely to return to it in the future. It is little wonder then that the mortgage holders among our survey group were most likely to use a financial adviser.

1.4 The perception of advice

We wanted to return to the issue of advice given that the Retail Distribution Review has fundamentally altered the way in which advisers operate in the UK since our last report. The ABI Quarterly Consumer survey (Q4, 2012) suggested that for the fourth consecutive quarter, at least 70% of people had not heard that the rules on the way that financial advisers are trained and paid were changing, and of this 70%, over 41% suggested that they weren't interested either.

We asked our survey group *"Is there any reason why you wouldn't use a financial adviser to find out about life insurance, critical illness or income protection?"*. Rather than give respondents a selection of answers to choose from, we gave them free rein to comment as they wished in an attempt to gain a fuller picture of people's reasoning. Over a third of our respondents suggested that there was no reason why they wouldn't use a financial adviser which is a positive sign and differs from the aforementioned ABI survey in which 32% of respondents suggested that they wouldn't use financial advice.

Is there any reason why you wouldn't use a Financial Adviser to find out about life, CI or IP?

The remaining answers from our survey made less comfortable reading from an industry perspective, reflecting a deep seated mistrust of advice, and specifically the independence and quality of such advice. Many suggested that advisers would try to sell them the policies that they made the most money from, or that they would be unable to provide a whole of market view that they could find themselves elsewhere. Indeed, a number of our respondents felt that the adviser role was unnecessary given the wealth of information available for free online stating *"I'm capable of doing my own research"*.

This is another example of the confident consumer that we have witnessed in our previous waves of research although advisers may be dismayed to hear that one of our participants suggested that they wouldn't use a financial adviser because "they deal with savings and not insurance"! Cost was cited by a significant number of our respondents with many either feeling that the cost would be prohibitive or that the commission earned by advisers posed problems in terms of being able to trust the advice given. The answers provided in response to this question suggest that the trust issue surrounding consumer attitudes to advisers is twofold: consumers don't trust the independence of the advice or the fee structure (even if their knowledge of financial remuneration structures is not detailed) and they have confidence in their own ability to source the equivalent information.

Regaining the trust and confidence of these consumers, or potential consumers, is an uphill task at best. This comment from one of our survey group is a clear example of the resistance that advisers need to overcome: *"Why should I pay someone to tell me how to spend my money?".* Could this be an example of consumers using unhappiness about financial services generally, to tar advisers with the same brush as other financial institutions?

The big lessons

- ***Trust is most easily achieved by brands that people interact frequently with. Trust isn't about product or industry, it's about experience.***
- ***While it is inevitable that consumers will look online to research insurance products, due to their perceived complexity external and professional sources of advice are still more readily sought when purchasing.***
- ***Over a third of people said they would use a financial adviser.***
- ***Many still however, do not see what added value they would bring and were uncertain of the fees believing they were confident enough to carry out their own research.***
- ***Some did not believe the independence of the advice given.***


buy now
add to cart
remove

2. Insurance – the why and the why not?

2.1 Purchase triggers

Having established which factors might put people off using an adviser we moved on to try and uncover the factors which were most important to people when considering purchasing life insurance, critical illness or income protection. We asked our survey group to select a first, second and third choice.

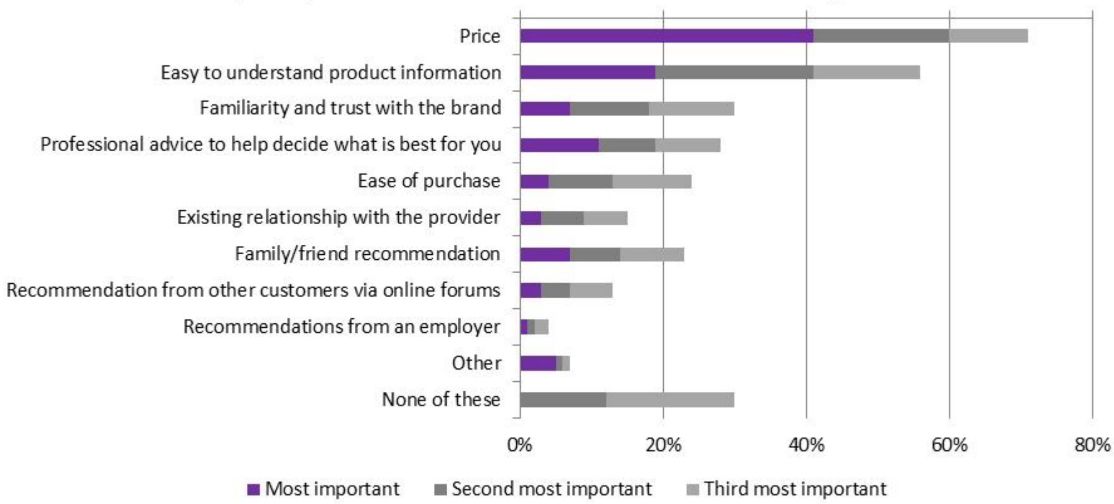
As the graph below shows *'Price'* was a clear winner in terms of options selected. For current holders price was rated higher in contrast to those that used to hold, who often state the reason for leaving was due to price. However, the importance of price decreased in importance when second and third choices were looked at.

'*Easy to understand product information'* was the second most selected answer overall and stayed consistently high when second and third choices were considered. Interestingly, holders of income protection were less likely to select this answer which is consistent with previous findings from The Syndicate which highlighted that the more complicated and engaging sales process for income protection leads to a greater understanding of the cover that is held, and that the complexity of the product was not off putting.

Our third most popular answer was '*Professional advice to help decide what is best for you'*. The popularity of this option is somewhat at odds with the tone of the answers provided in response to our question about using an adviser. When we look at the data specifically for holders and those who used to hold either life insurance, critical illness, income protection or private medical insurance, we see that the proportions are slightly higher than the overall mean. This suggests that those who are most likely to have used professional advice in the past do value the experience enough to select it slightly more than those who may not have taken professional advice before.

It is pleasing to see professional advice feature in the top three priorities when considering what is important to people thinking about purchasing protection insurance. However it is clear that the willingness to seek advice is absent from many people who have not benefited before and uncertainty about the validity of what financial advisers offer is a massive hurdle to be overcome if financial advice is to be used more widely.

Figure 2: Which of the following factors is most important to you when/if you were deciding to buy life insurance, critical illness insurance or income protection?



2.2 Sources of disenchantment: an intangible feeling

In the interests of gaining a fuller picture of consumer priorities we also asked those members of our sample who used to hold protection insurance but no longer do (a group we refer to as 'rejectors'), why they no longer held the product. We provided a selection of potential answers and also the ability to add a free text answer. By asking such a question we hoped to determine whether their "rejection" of the product was related to trust, a perception of the product value, a judgement about the appropriateness of the product for their circumstances or life stage, or another reason. The results varied significantly by each product that we looked at and as such we will consider them here in turn.

Starting with life insurance, the most popular answer here was that they no longer held the product as the policy had ended (42%). This indicates that a lot of people are holding onto cover for the whole of its duration. The second most popular answer was that they had cancelled the policy as they didn't see any benefit from holding it which accounted for 18% of answers. Nearly the same proportion of people chose to provide a free text answer and among those answers, the theme of a life event such as divorce or retirement making the product irrelevant to them, was cited as the most usual reason for the policy being discontinued.

This is an important finding from this year's analysis as life events or changes in circumstances often lead to a policyholder opting out of their policy. This represents an important opportunity or touch point for the provider or adviser to remind their clients of the value of what they have and re-emphasise the importance of the correct cover, particularly if circumstances have altered. Finally, and just slightly lower on 15%, was the answer *"I cancelled as I thought I had better things to spend my money on".* This answer was particularly popular with those who had children who were almost twice as likely to select it and those aged between 25 and 44 who have a multitude of spending priorities to manage.

When the results are considered, it is possible to see that over a third of people selected an answer which suggested that when they held the product, they didn't feel the benefit of it and as such, other spending priorities became more important by comparison. This is a key lesson for the industry in the way that the benefit and value of a policy is conveyed both at the point of sale and afterwards if this potential sale is converted into reality. Today's consumer wants to be able to walk away with no consequences from contracts. The Future Foundation found 65% of consumers actively seek to avoid a product because it is a long-term contract. With protection products being essentially long-term it is vital that insurers retain customer awareness of the need for a more extended approach to their planning whilst managing to emphasise the current and continuing value of the product. We need to keep communicating the value regularly to avoid clients becoming rejectors further down the line.

It is a unique situation that once such a significant purchase is made, the value and benefit of that purchase diminishes so radically post sale. This is almost certainly a function of the frequency of engagement with the insurance taken out. It is possible to speculate that the majority of consumers do not experience the same phenomenon when purchasing a car, smart phone or new digital TV, all of which are also significant financial undertakings. Not only will consumers see the benefits of these purchases daily but they will also be kept regularly updated with many companies maintaining the relationship to gain future loyalty.

The dilemma of finding the right way to remind people of the existence, and more especially the value, of their insurance cover remains to be dealt with effectively by the industry. It seems perverse that the real value of insurance is only experienced in the least desirable of circumstances and purchasers who were dubious about the need in the first place rarely congratulate themselves on their prudence once the contract comes to an end. In this sense the very nature of protection insurance puts it at an obvious disadvantage in relation to other products with tangible and enjoyable benefits.

When we looked at critical illness, the most popular answer was that people had better things to spend their money on (25%). Unlike life insurance, the split across the answers was much more even and other popular answers included the reasons that the policy ended (20%) or that they didn't see the benefit of the policy (17%). 20% of people chose to submit a free text answer and when these were examined, the majority of the answers related to not being able to afford the cover, having previously made a claim or feeling that the cover was unnecessary or irrelevant to their circumstances. Again, it is possible to see a theme around the benefits of the policy not being tangible enough for those who had not claimed on their policy.

For income protection, the answers were again fairly evenly split between not seeing the benefit of the policy (26%), having better things to spend their money on (22%) and the policy ending (20%). Among the free text answers the majority related to the cover being unnecessary following retirement or being too expensive although it is also worth noting that this was the only product where any of the answers reflected a negative experience with past claims and the way that they were handled. As might be expected, there were also a number of instances of confusion with PPI, providing further support to the argument that the benefits offered by income protection, and the distinction from PPI need to be clearly communicated to an audience that may be perplexed and influenced by media coverage.

PMI provided a fourth set of distinct results with the most popular answer being that the person no longer held the product because they or their partner had left the employer that provided it as a benefit (42%). This provides an insight into consumer perception of this product. Although appreciated as a perk of employment, the benefits of the product are not conveyed to, or experienced by, the policyholder in such a way as to encourage a loyalty to the product that would result in them seeking to replace the benefit of their own accord once they stopped receiving it for 'free'. The second most frequently selected category for PMI was the free text answer option and these answers were dominated by the theme of affordability, suggesting that it is seen as an expensive perk or luxury product by many. 17% of former holders felt that they had better things to spend their money on and 14% didn't feel the benefit of the policy that they had previously held. Unsurprisingly, the proportion of people saying that they didn't feel the benefit of the policy decreased as age increased, reflecting the likelihood of needing to use such a policy. The existence of the NHS is a formidable issue for individual PMI writers to contend with. Set alongside the expense of such a policy this is a massive obstacle to overcome.

Phil Jeynes from PruProtect discusses the reasons for critical illness policy lapses and the challenges of customer retention in the panel opposite.

Phil Jeynes of PruProtect considers the data on why people no longer hold their policies

As we know, it is hard enough to persuade people that protection cover is an expense they should consider and the wider population is woefully underinsured. It is therefore concerning that those who have made the decision to take cover, are failing to see the benefit of their cover and are lapsing their policies.

Clearly there are some circumstances whereby a policy ends naturally and 20% of the respondents cited that as the reason they no longer hold critical/serious illness cover. However, of those, 87% are under the age of 54 and only 26% own their own home mortgage or rent free, so we can assume that Protection should still be in place.

The most worrying statistic for me, is that 25% of those who have lapsed their plan said they felt they had "better things to spend money on" and a further 17% "didn't see the benefit" of the policy.

As an industry we have failed these former customers who are now uninsured and could face financial ruin, should a serious illness affect their family.

It surely cannot be a coincidence that, in the survey as a whole, 64% of all respondents said they had not been contacted by their critical/serious illness provider within the last two years.

Similarly, when asked "Of the financial products and services that you currently hold, which do you feel offers the most value?" an underwhelming 14% agreed on the top answer. Worse still, that answer was "none"... only 3% agreed that insurance (of any kind) was a good value purchase.

The facts show that we are not demonstrating clearly that our plans have an ongoing value to our clients, a status quo we are determined to change with our Vitality offerings – giving both incentives to live a healthier life, as well as tangible day to day rewards and discounts, from cinema tickets to holidays, as well as annual cash back to all of our policy holders.

This continual engagement with customers, aligned with high quality Protection which meets expectations in terms of conditions covered and likelihood of payout upon claiming, is how we must alter people's perception that critical illness cover is an expensive, luxury item which, even when they have bought it, is all too readily cancelled.

Our exploration of the reasons why people chose not to hold an insurance product revealed that the benefits and therefore perhaps the value of the products, were not always recognised by the consumer. The distance that exists between policyholders and their policies (even when they have bought into the concept enough to make a purchase) means that the relationship between customer and provider is not necessarily one which fosters interaction based on trust. This has implications for customer satisfaction and retention reflected in our results. These suggest that the majority of 'rejectors' or those that used to hold a product have made a choice not to continue to hold it based on the perceived lack of value or tangibility of the benefit of the product. The challenge for the industry is how best to tackle this issue and this is a theme we will return to later in the report. Might the results be the same if the policyholder were regarded, and treated, more as a customer throughout their policy lifetime?

2.3 What's in a name?

The debate around product names and whether they truly convey the benefits afforded to the policyholder is not a new one. We presented our survey group with a list of insurances by name rather than by benefit offered and asked which was the most important. We hoped that the question would reveal what products consumers begin to feel are essential, or at least important to rank highly in a list of priorities. Respondents selected first, second and third choices and the results are shown below.

As in previous research by The Syndicate, of actual insurance products Life insurance scores highest (in our 2013 report, the overall total for Life insurance was 50%) and appears to be a product that people recognise as offering a "useful" benefit. Also, consistent with the results in previous years is the low priority assigned to pet insurance; although Fido may be valued as man's best friend, this value is relative!

Figure 3. Which of the following are the most important to you?

	(Most)	2nd Most	3rd Most	Overall Total
Pet insurance	4%	4%	3%	11%
Travel insurance	13%	7%	5%	25%
Life insurance	26%	10%	6%	**42%**
Mobile phone insurance	1%	2%	2%	5%
Critical illness insurance	6%	15%	10%	31%
Appliance breakdown cover	3%	5%	5%	13%
Income protection insurance	6%	7%	8%	21%
Private medical insurance	7%	6%	6%	19%
Health cash plan	2%	4%	6%	12%
None of these	31%	41%	49%	121%

2.4 Timing is everything

Once again it is disappointing to see that '*None of these'* gets the highest score and that the percentage choosing this option rises for second and third choices. 35-44 year olds were the first age group who didn't select this option as their first choice. However, for the younger age groups (18 – 24 year olds) 48% selected '*None of these'* and for the 55- 64 year old age group, this was their highest option. Although this data may not make particularly comfortable reading, it does once again reinforce the idea that people are triggered to buy insurance rather than being convinced of the value independent of a life event or change in personal circumstance. It is all the more important that opportunities exist for insurers to reach potential customers at these 'trigger points' in their lives, and furthermore to keep in touch with existing policyholders to anticipate when such triggers may be about to occur again. Knowledge genuinely appears to be power.

It is perhaps, the '*None of these'* answers which can teach us the most as an industry. An optimism bias is one way of explaining why people may not engage with insurance but the high proportion of people selecting none suggests that the industry is dealing with a proportion of disenchanted consumers.

Age and life stage had a very obvious, and understandable effect on the answers of our survey group with life insurance peaking for the 35 – 44 and 45 – 54 year old age groups, and travel insurance peaking for those aged over 55 many of whom may be retired and taking longed for trips. The presence of children was also a significant driver for our respondents. Those with children were almost twice as likely to say that life insurance was important to them (40% compared to 21% of those without children) and twice as likely to say that critical illness was important to them (8% compared to 4% of those without children).

As expected, our 'rejectors' group valued the insurance products significantly less than those who currently held policies. For life insurance, the proportion valuing the product (55% for holders) fell to 10% for those who previously, but no longer held a policy. For critical illness the same trend was witnessed with 22% of holders saying that the product was important versus 3% of previous holders. This was once again repeated with income protection with the respective proportions being 26% and 5%. Such a significant difference in the proportions between these two groups shows us the extent to which people discount the relevance of a product to their lifestyle. The question for the industry is to what extent this is a legitimate approach or one that could be prevented if a different attitude to retention was taken? Could this be an instance where permission marketing could have an impact?

The big lessons

- ***Price remains the most important factor when people consider buying protection insurance, is this being driven by the industry or consumers?***
- ***Policyholders often don't 'feel' the benefit of their products. It therefore becomes easy to prioritise other spending on more tangible and enjoyable benefits.***
- ***Life insurance was most frequently selected as being important from a list of insurance products but, the highest group of consumers who selected 'none' suggest there are a proportion of disenchanted consumers.***


value!
value
VALUE

3. Values and benefits

3.1 Insurance: what do people value?

To consider what people value we broadened the focus this year to ask several questions that look at not only financial products outside of insurance but also consider brands outside of financial services. The level of importance consumers place on products frequently relates to a positive experience of the services they bring. We initially asked (without providing any options) *"Of the financial products and services you currently hold, which do you feel offers the most value?"*. A significant proportion of our respondents were unable to name a financial product which they felt was good value. However, of those products that featured at the top of the list, many were those which were 'regular use' products: ISAs, current accounts and credit cards. Insurance did feature in the list but was most frequently mentioned as "insurance" rather than a specific product type. Life insurance was the highest scoring protection product and scored slightly higher than car insurance.

The question provided a wide range of answers suggesting that respondents put in sufficient thought to add validity to their answers. The fact remains however that the largest proportion of respondents struggled to name a financial product which they associated with the concept of value or stated outright that they did not feel that any of the financial products that they held were good value. Given the inextricable link between value and trust, this is a devastating finding for those in financial services. When we were trialling this question among the members of The Syndicate advisory board we also found a huge divergence in the answers given. This suggests that there is no focal point where immediate value and utility is obvious among financial products with the majority of people. The importance of consumers having a regular experience through touch points with products to value them was demonstrated here once again.

In order to uncover what our group of consumers valued about insurance, we asked those who currently held life and critical illness policies what they felt was good about their policy. Turning to life insurance first, there were two answers which were particularly popular: price and the fact that the policy provided for their family and meant that they were taken care of.

The answers given were in free text and the word cloud below represents the frequency with which certain words were used.

What do you feel is good about your life insurance policy?

With the answers relating to life insurance there was a strong theme of the price representing good value and of the result of the cover being a benefit for loved ones which provided reassurance. Nearly a fifth of our sample was not able to name anything which was good about a life insurance policy. However, the majority of holders had something to say, demonstrating that they were confident in the benefits of this policy.

We asked holders of critical illness the same question to see if the answers were comparable. Once again the answers given were free text and are represented in the word cloud below:

For this product, the answers were more evenly split and the main themes of the responses were around the cover provided, the resulting peace of mind, the price and value that this represented. Such answers would suggest that holders of this policy generally feel that they have made a prudent product choice and place value on the benefits it provides.

As we highlight in chapter six, the research this year clearly demonstrates that the appeal of life insurance or indeed any cover that is primarily concerned with the well-being of those left behind is limited and often excludes those who have no family or dependents. For this group, it is important to ensure that the relevance of a "living benefit" like critical illness insurance is clear to prevent this group feeling disen-franchised.

What do you feel is good about your critical illness insurance policy?

3.2 Cover: valued vs. actual

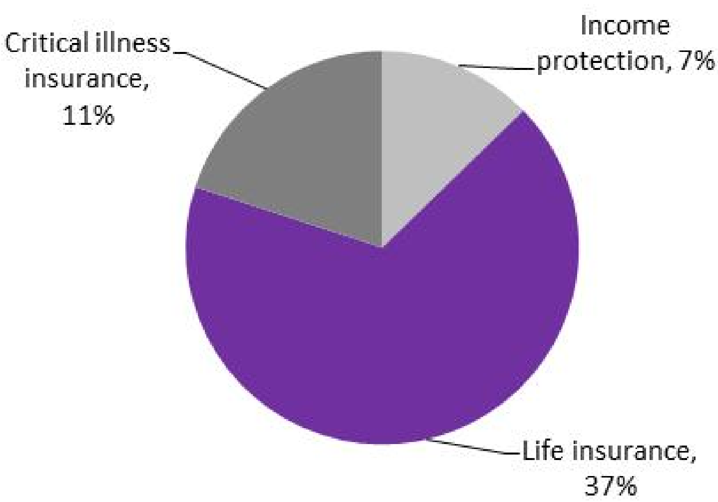
Previous research by The Syndicate revealed that many people were unable to identify protection insurance products when product definitions were provided to them and this applied as much to holders as non-holders of products. The findings provoked such interest that we decided to explore this theme from a slightly different angle this year. Having discovered that consumers, although confident, often believed that they had cover that they didn't ('imaginary cover'), we decided to try and establish what product benefits they placed value on to see whether this was consistent with the products that they actually held. Would holders of life insurance place value on the product description for life insurance or prioritise another option? Would the concept of imaginary cover mean that although people didn't necessarily know what cover they held, they held the product they valued? We presented our survey group with a list of product descriptions and asked what would be most useful if they became seriously ill or were unable to work for a long period of time. Respondents were asked to select one option and the overall results are shown below. The pie chart below shows the holding figures for our sample.

The answer most closely resembling a definition of income protection was the most popular by nearly 10% which is not reflected in policy sales but when the benefit of the products was made the focus, it was a clear winner. We then looked specifically at holders of the products to see if the pattern was the same.

Figure 4: If you became seriously ill or were unable to work for a long period of time, which of the following would you find most useful? (please select one)

	Total
Your monthly income on top of the benefits from the State	37%
Have your mortgage paid off	28%
A lump sum equivalent to two years of your current salary	24%
None of these	11%

Figure 5: Products currently held



It is concerning to note that given the question related to disability products, a high proportion of IP holders actually wished to have their mortgage paid off. A similar pattern can be seen with CI holders expressing a preference for getting an income on top of state benefits. For holders of life insurance having their mortgage paid off was the most desired benefit if they become seriously ill or were unable to work for long periods of time. The definition closest to life insurance was most attractive to those who already held any sort of protection insurance product. Holders of life insurance were the only group to have the strongest preference for the definition which resembled the product that they actually held. Results between the life and income protection definitions were closest with the critical illness insurance definition scoring lowest as a preference amongst all holders.

When we looked at those who used to hold products but no longer do (our 'rejector' group), we saw that this group favoured the income protection definition over the life insurance one. This is an intriguing result for those who used to hold income protection as it suggests that they still value the product and the benefits offered by this type of policy. It would be interesting to ascertain how aware of the benefits they were when they held the policy.

The most popular free text answer for this question was from respondents who were retired suggesting that the products were not applicable to them. This once again reinforces the idea that life stage heavily influences attitude to insurance, the relevance we feel it has to our own lives and therefore the value that we place on it. Other free text answers included those who said that they weren't currently working and had no income and others who suggested that practical help would be most useful: *"practical help with jobs I could not do for myself".* Interestingly, the largest majority of those citing a need for practical help were aged 65 or over, suggesting that they had also discounted the relevance of insurance to their own circumstances in favour of assistance with their everyday reality. Other feedback included 'savings' with some still seeing this as a useful buffer if they became ill with statements such as "just to know that my bills were covered" echoing the sentiment of these consumers. We can provide propositions to meet this need but still have some way to go to deliver effective messages to encourage consumers to take out appropriate cover.

Figure 6: If you became seriously ill or were unable to work for a long period of time, which of the following would you find most useful? (please select one)

Holders	Life	CI	IP
Your monthly income on top of the benefits from the State	33%	35%	38%
Have your mortgage paid off	36%	40%	40%
A lump sum equivalent to two years of your current salary	23%	24%	21%
None of these	8%	1%	2%

Figure 7: If you became seriously ill or were unable to work for a long period of time, which of the following would you find most useful? (please select one)

Used to Hold	Life	CI	IP
Your monthly income on top of the benefits from the State	41%	36%	37%
Have your mortgage paid off	19%	32%	37%
A lump sum equivalent to two years of your current salary	20%	23%	19%
None of these	21%	9%	8%

3.3 Focus on the family

Next we asked our sample what would help their loved ones the most if they died. The overall answers are shown below.

We wondered whether peoples' view of what is useful would be different when considering their family instead of their individual preferences. The answers certainly suggest that a lump sum increases in importance while the value placed on a regular income wanes when people consider the needs of their family. The funding of children's education scored highest among our youngest age group which may be explained by the fact that many are still feeling the pain of paying off their university, or otherwise extended, education.

Among the free text answers for this question were those who were unable to suggest what might be useful. Some did not have dependents , others felt that they had sufficient plans in place and that nothing further was needed and those with specific concerns mentioned funeral costs, savings or pension top ups. The majority of respondents were happy to select one of the options that we provided.

There was little difference in the answers of our 'believers' versus our 'rejector' group suggesting that the benefits of a product are still valued. However, when the product was held, the *value* of these benefits was not conveyed effectively enough to encourage the person to retain the product. 36% of those who used to hold life insurance are open to our products as they wanted a monthly income for their surviving partner for 10 years. This is certainly an important point of note for the industry given the relative effort needed to retain a customer as opposed to attracting new ones.

The big lessons

- ***The highest proportion of respondents struggled to name a financial product that they felt was good value. The products which scored the highest were regular use products such as ISAs and current accounts.***
- ***Those who held life insurance were most likely to say that they valued the product because of the cover provided at a reasonable price and the reassurance it provided.***
- ***When product definitions were presented to respondents, income protection was considered the most useful product. The exception was when we considered those who currently held protection insurance products who were most likely to select definitions related to the benefits of life insurance.***
- ***What people perceive as useful is influenced by life-stage which often results in people rejecting the concept of insurance as irrelevant to their situation.***

Figure 8: If you died which of the following would help your loved ones the most? (please select one)

Holders	Total
A lump sum paid out to my family	38%
A monthly income for your surviving partner for ten years	28%
Having mortgage paid off	23%
Children's education paid for, right through to university	4%
None of these	7%


what do you want?
what can you afford?

4. Price and value/when value is linked to money

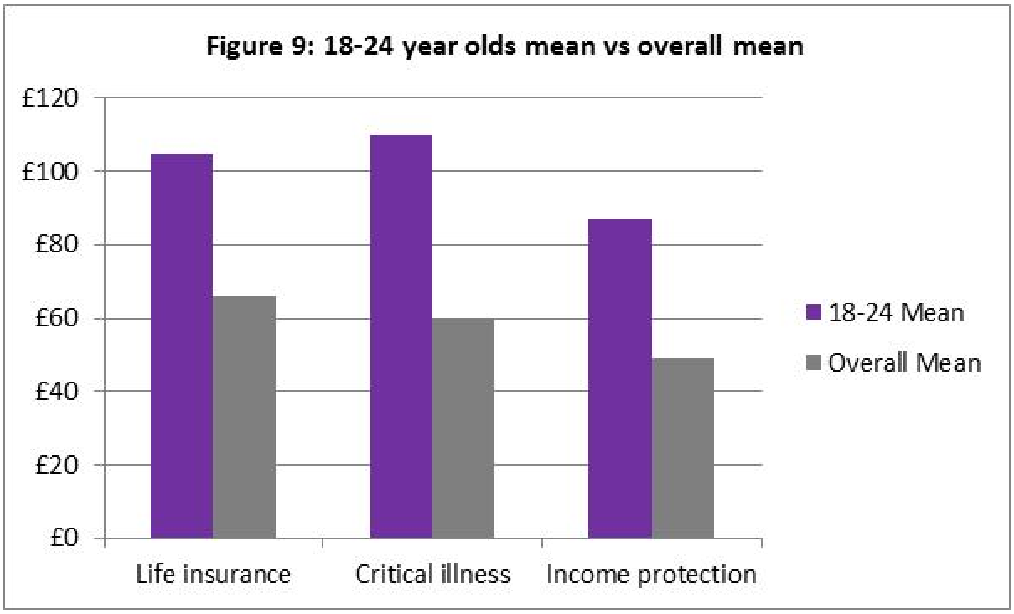
4.1 The facts and figures

As value is often equated with the price of something, we decided to test how accurately our sample group could estimate the cost of cover for life insurance, critical illness and income protection. We asked how much the monthly premium for each of the following products would be:

- *a life insurance policy providing a lump sum of £150,000 on death*
- *a critical illness policy providing a lump sum of £70,000 on diagnosis of a serious illness*
- *an income protection policy providing a monthly income of £500 per month following an injury or long term sickness*

For each product, there was a similar pattern with holders having a more realistic idea of the price than non-holders and those who used to hold in particular. Across all three products, those that used to hold them stated significantly higher prices than current product holders. For life insurance the most popular price range was £10 – 24 and over half of our respondents felt that the price would be under £50. This was repeated when we looked at critical illness and income protection. The most startling segmentation of answers was by age group which highlighted just how little our youngest age group knew about the cost of protection insurance. Shown below are the mean answers for 18 – 24 year olds for each product.

In fact, 13% of 18 – 24 year olds felt that the monthly premium for income protection would be in excess of £500: more than the monthly benefit pay-out quoted! For someone aged 18-24 wishing to have life cover of 150,000 over 25 years, the market average premium would be under £10 a month. These figures highlight the challenges that the industry needs to overcome to reach this group of potential future consumers. If these perceptions of price are indicative, and the benefits of the products are not conveyed effectively by the industry, it will be hard to communicate the value of protection insurance, build trust with this generation or even appear on their radar as they work their way through life.



The implications of these figures, and the overall mean figures, are further underlined when we consider the findings of the second report from The Syndicate which uncovered a price ceiling of £20 for many consumers, regardless of whether they were policyholders or not. People have a price limit which they are not prepared to pay above without good cause, they believe protection products to be more expensive than they actually are and they demonstrate little understanding of the value of the products. This is not a happy combination for the industry. Going forward it will not be sufficient to rely on critical life events to drive consumers to insurers. Communicating the genuine value and benefits of a product will be essential in building relationships with customers that work for both parties. Much has been made of the publishing of claim statistics and the ability to pass on good news to consumers but it would seem for our survey respondents that the message is not getting through.

4.2 Value for money

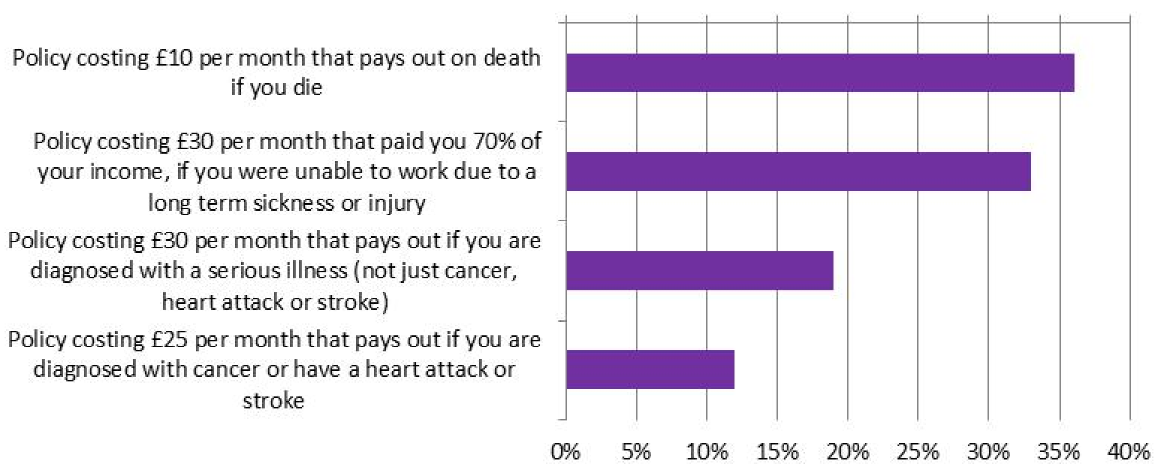
Having anticipated that a proportion of our survey group may not be able to predict accurately the cost of different types of protection insurance policies, we decided to include a question which outlined both the benefit offered by a policy and suggested a monthly premium figure for four different products. Respondents were asked to select which option they felt offered the best value. Overall results are shown below.

The results were close and once again the two front runners were life insurance and income protection. What is particularly interesting is that although our cheapest monthly premium scores highest, it is only marginally ahead of the most expensive premium option suggesting that the benefits of income protection expressed in this way resonate with the view of consumers. Our second lowest monthly premium, but a product that is upfront about the limits of the benefit scores lowest suggesting that respondents have considered both price and benefit when choosing their answer and that price is not the only driver when the benefits are clearly expressed.

Looking specifically at those who already held protection products we noted that holders of income protection continue to value and understand their product above all others, despite it perhaps being one of the more complex products available. It would seem that the engagement required during the application process increases consumer awareness and confidence in what they are buying.

Following the price estimates of our youngest age group for the previous question, it is perhaps not surprising that 43% of 18 – 24 year olds felt that a £10 monthly premium for life insurance was good value. It is, after all, a huge difference to the mean estimate for this age group of £105 per month! Although the differences are bemusing in this instance they are also a stark reminder of the lack of understanding of this generation when it comes to insurance. If knowledge is power, it is safe to suggest that there is a weakness here.

Figure 10: Which of the following do you feel represents best value for money?



Steve Casey of Ageas Protect considers perceptions of price

Glass ceilings are frequently in the news. This is never more highlighted than when you look at the makeup of most Board meetings in the City.

In last year's report, we introduced the concept of a consumer self-imposed ceiling on what they were prepared to pay for protection products. With the exception of PMI this seemed to be at £20 a month. But why is this? Is it because it is the highest bank-note that you are able to obtain from an ATM and for most of us, we don't carry £50 notes? I wonder if the consumer view would differ if we had a £25 note in circulation?

Many consumers we interviewed weren't prepared to pay more than this per month. This year we explored why this might be from the angle of value and benefit. Again, what is clear is that consumers do not understand the products that they have.

Life insurance – 33% thought a policy costing £10 per month that pays out on death only was best value for money.

Critical illness insurance – 42% thought a policy costing £30 per month that paid 70% of your income, if unable to work due to a long term sickness or injury, was best value and only 23% selected a policy costing £30 per month that pays out if you are diagnosed with a serious illness (not just cancer, heart attack or stroke) and 12% for a policy costing £25 per month that pays out if you are diagnosed with cancer or have a heart attack or stroke. This could once again reflect a misunderstanding of what their current CI cover provides them with many not stating best value for money for the cover they hold.

IP – 35% selected a policy costing £30 per month that paid 70% of their income, if they were unable to work due to a long term sickness or injury as best value for money. This shows that over a third valued and understood the product they already hold. This follows earlier research showing that IP is understood by more people.

So what can we draw from this? Lack of understanding of what they have or our failure to outline the value and benefits of the products? Either way a message to reaffirm the product is vital. Perhaps annual benefit statements for customers should be made compulsory?

Steve Stillwell, Director – Financial Capability Solutions considers the big lessons

The big lessons from this chapter highlight once again the need for **all** young people to have the opportunity to acquire the knowledge and skills and, develop the attitudes and behaviours they need in order to manage their money well. This is particularly important when between the ages of 18 and 24 they are making the transition to adult life and, perhaps for the first time have to make decisions about purchasing financial products.

Is it surprising that the young people surveyed had unrealistic ideas about the price of financial products? The answer is no as it reflects trends shown elsewhere. Half of the young people surveyed in 2011 as part of the RBS Money Sense programme had no idea how much they might earn in the future. Those who did name a figure tended to have unrealistically high expectations, expecting to be earning on average £56,500 by the time they turn 35,

By contrast, the Office of National Statistics puts median gross annual pay for 30 to 35-year-olds at £28,600. The survey also showed that two thirds of young people expect to have left home by 21. Around 70% expect to have bought their own car at 21, whilst 80% expect to have bought their first home by 30. But according to research from the Office of National Statistics, Aviva and the Post Office, young people are generally living at home for longer, most people don't get their first car until age 25 (often with financial help from a family member) and the average first-time house buyer is 35.

It would be wrong to say that there is nothing going on to help prepare our young people. Charities such as **pfeg**, the Money Charity and MyBnk have worked very hard over the past ten years to support teachers and provide good quality teaching materials. Research published in 2012 and commissioned by the Money Advice Service showed that the financial services industry in the UK spent around £25m in 2011/12 on financial education programmes targeted at young people. And government has finally accepted it has a key role to play. Following a successful campaign, the importance of financial education has been recognised in the new National Curriculum for England, bringing it in line with Wales, Scotland and Northern Ireland.

So all done and dusted! Again the answer is no. Schools play an important role and we must ensure teachers are supported in their work. This is by providing good quality teaching and learning material that use contexts that interest young people. Learning about insurance and 'shopping around' can be honed through thinking about mobile phone before extending the principles to financial products.

For once though, let's not put all the responsibility on schools. Attitudes and behaviours about many aspects of growing-up - including money – are more often than not influenced by what their parents do or what their friends think. We need to take a holistic view of helping young people meet their aspirations and recognise that we all – educators, parents, the financial services sector and government have a part to play.

The big lessons

- ***Perceptions of price are very unrealistic, particularly among 18 – 24 year olds.***
- ***Price is not the only driver for consumers when the benefits of a product are clearly expressed.***
- ***Life insurance and income protection are considered to be the best value for money***

5. Financial security

5.1 Defining and achieving financial security

The Syndicate research this year focused on trust and value. In uncovering what matters to consumers, what they feel is important and worth protecting and what they expect to pay, we have been able to learn more about what financial security means for people and how their priorities are managed. We have been reminded that the welfare of the family is perhaps the most significant driver for taking out insurance cover and that the desired benefit of this insurance is likely to change when people consider whether they will be a beneficiary along with their family (when an income was seen as preferential), as opposed to providing something for their family after their death (when a lump sum was preferred). Financial security has been defined by our results as the ability to maintain financial normality for those that we care about.

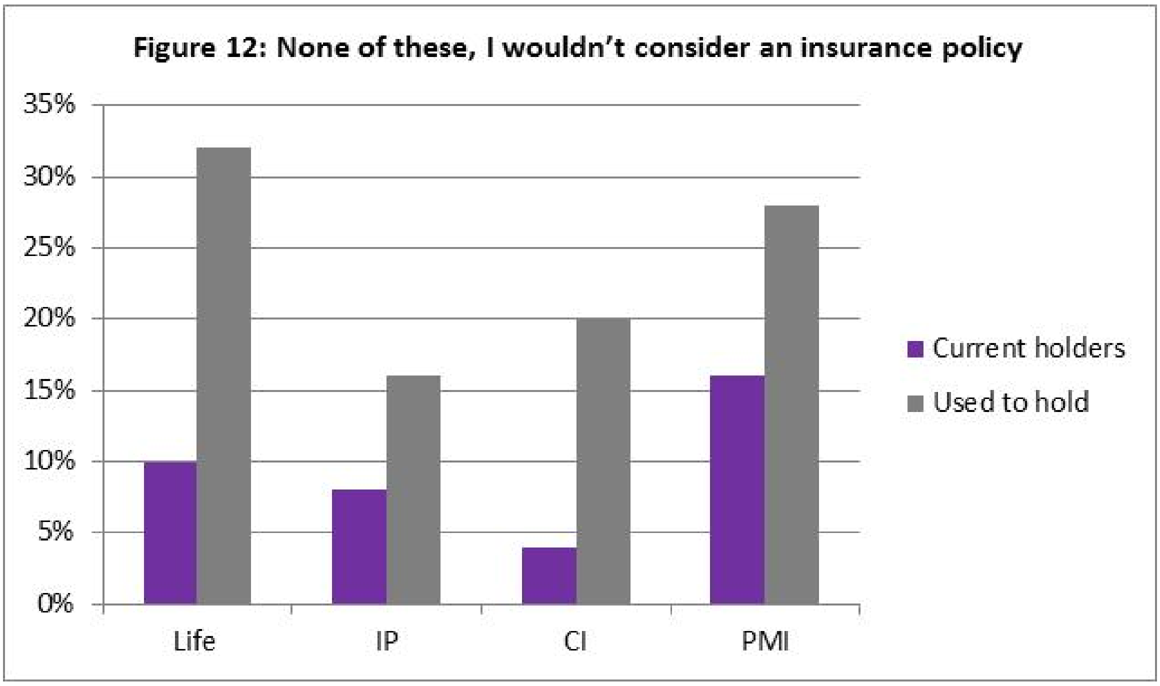
5.2 Policy benefits: what makes the difference?

We once again presented our survey group with a list of product benefits (albeit a more extensive one this time) and asked the question *"If you could take out an insurance policy which of the following would you want the most"*. Respondents were asked to pick a first, second and third priority and the overall total results are shown below.

Disappointingly, given that people were asked simply to tick the option which would be most important with a number of options described, the most popular answer when first, second and third choices were taken together was *"None of these, I wouldn't consider an insurance policy"*. This suggests a deep-rooted mistrust, or lack of faith in, insurance and is sadly consistent with findings in the 2013 report by The Syndicate which discovered that the greatest proportion of those asked had not even considered buying a protection insurance policy (life insurance was the exception to this). Perhaps even more worryingly (or at the very least intriguingly) was the fact that a significant number of those who selected none and whose answers would suggest they were in our '*rejector*' group, actually held policies and would therefore be initially classified as '*believers or convinced*'. They may have been convinced of the benefits of being insured enough to buy a policy but their answers here suggest they are not appreciating the value of the products that they hold at this point in time. This reinforces the need to ensure that the pre-sale process in terms of emphasising the value of a product continues post-sale.

Figure 11: If you could take out an insurance policy which of the following would you want the most?

	Overall Total
Knowing that your family would receive a significant lump sum if you died	56%
A lump sum pay-out if you were diagnosed with a serious illness	55%
Help with bills if you were too sick to work	43%
A way to build up a pot of money in case you need care in old age	31%
Private medical treatment	20%
Ensure that your pet is looked after if you were unable to due to severe illness or death	8%
None of these, I wouldn't consider an insurance policy	78%



The proportions of those who held or used to hold products but answered '*none*' are shown above.

For those who hold products three of our age groups (18 – 24, 55- 64 and 65+) chose *"None of these, I wouldn't consider an insurance policy"* as their most popular answer whilst for the age groups in the middle of these groups (25-34, 35-44 and 45-54), there was more of an acceptance that a lump sum for family would be useful. The disenchantment and likelihood of rejecting the option of insurance, seen in the age groups at either end of the age spectrum may be explained by their life stage and the increased likelihood that they have fewer financial obligations which insurance can assist with, another example of consumers being confident in assessing that a product is not relevant to them. Conversely, our "middle" age groups are those most likely to have families to think of and mortgages to consider and are therefore more likely to see an obvious benefit or value in this type of insurance.

Income protection appears to have slipped in popularity compared with our previous questions and critical illness appeared more attractive or valuable when presented in these terms. Private medical insurance and cover for pets scored relatively poorly and certainly the latter is consistent with our results in previous years (in our 2013 report only 13% of our sample suggested that pet insurance was a top three priority for them). The overall answers to this question suggest that family is the emotional driver most likely to prompt an insurance purchase and to which we consumers attach value. This will not be news to those in the industry but it is a reminder given the points made previously, about emphasising value and benefits and increasing retention.

5.3 The importance of savings

The report by The Syndicate released in 2013 (*Where are we on the consumer's radar? Navigating a route for protection insurance)* highlighted that for many savings were often considered the best way of achieving financial security and were often favoured over insurance. However, as we discovered, savings often had a dual purpose, providing both a safety net if needed but also funding the fun for family members. Our previous reports have underlined that savings are of vital importance to people in providing a feeling of financial security, regardless of whether they also hold insurance.

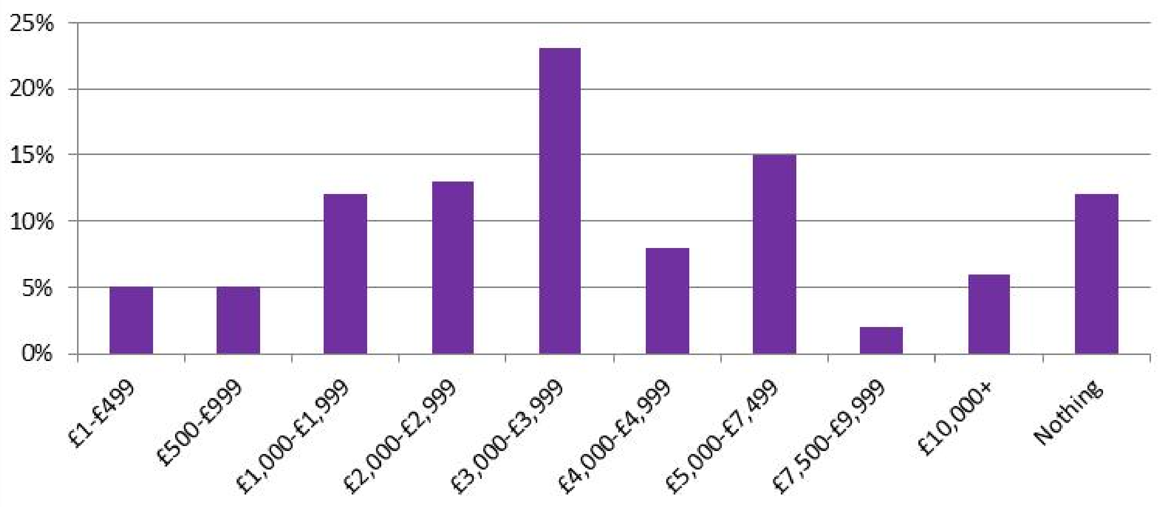
We asked people how much they would need in savings if they were unable to work through injury or illness for three months. The mean answer was **£3,753** for three months. This concurs with the findings of our spring research where the mean estimated requirement for a month was £1,322.12 (£3,966.36 for three months).

The spring research also highlighted that the average savings held by the survey group then were £5,500. These findings would help to explain why many people might consider themselves 'safe' for a few months should the worst happen and why they would therefore discount the value of insurance or see it as unnecessary. Very few might make the comparison between a monthly premium for protection insurance versus the belt tightening required to put aside sufficient savings and that is to assume that savings remain untouched rather than playing the dual role so often required of them and discussed in our previous report.

Rather more worryingly, in our spring research, 22% of 35-44 year olds confessed to having no savings at all and in this research, it is this age group who are most likely to select the higher range of savings required for three months, £5,000 - £7,499. This is a demographic feeling the financial pressure and juggling priorities often with families and mortgages to consider. Despite the importance of family as a driver that we have previously highlighted, this sub-group seem unlikely to consider insurance as a potential solution. It would be interesting to explore whether this is due to other financial priorities or an assumption made about the value or worthiness of insurance, other factors, or a combination of all of the above. Without an understanding of why consumers prioritise in the way that they do and how much this can be influenced by insurers or external bodies, it is difficult to see how to reach these consumers. For many of them, the need is clear, although not necessarily recognised by themselves. The data suggests that that this is a group who may be finding it hard to achieve financial security despite the existence of a number of pressures to do so.

The findings from the spring research and this latest wave reinforce the importance that people place on savings as a way of meeting one of our highest priorities: protecting our family. People are clear about what they are trying to achieve by saving, even if they are not always actually achieving it. This research has revealed that financial security needs to feel tangible to people and that savings often feel more certain to people than an insurance policy which is taken out but which does not stay front of mind. The frequency of the interaction with the measures taken to achieve such security is key: a further reinforcement of our assertion that people must be clear on the benefits of the products that they hold or are considering and must be reminded of the provision that they have made in order for these products to be regarded as providing any sort of financial security, and thereby any feeling of satisfaction. This may explain why provisions for savings such as ISAs and savings accounts featured more regularly than protection insurance when we asked people which financial products they valued the most.

Figure 13: How much do you think you would need in savings if you were unable to work through illness or injury for 3 months?



Financial security has been a recurrent theme in the research carried out by The Syndicate and Protection Review in recent years. The importance of savings is a consistent theme in all the pieces of research that we have carried out. In this most recent study we have been able to highlight the role that the family plays in triggering people to make provision for the worst. Savings are also tangible to consumers and something that they can control. This is backed by messages from the Government encouraging people to save stating that it is the right thing to do. What is also clear, however, is that insurance is not yet regarded to be on a par with savings in terms of providing financial security, largely because the benefits offered are not clearly understood by people, even those who may have already made a purchase. The propensity of consumers to trust savings more than insurance should now be clear to anyone from the industry. Conversely, the value provided by insurance products is, evidently, not clear to the public.

The big lessons

- ***Financial security is the ability to maintain financial normality for those we care about.***
- ***Life-stage is particularly linked to the feeling of engagement. Younger people are particularly disen-franchised.***
- ***Savings are often seen as offering better "value" than insurance products.***


think
big

6. New markets

The interesting part of any research is identifying those responses that are unexpected or that differ from the "norm". This year, we were able to identify a number of distinct segments within our research: groups who behaved in a slightly different way to the rest of our sample group when presented with the same questions. Here we take the time to explore each of these groups, to look at how they differ and the implications that this might have for the industry.

6.1 Single parents

A few years ago UK social attitudes were such that the idea of focusing a study of this sort on single parents might have seemed unnecessary and ill advised. The social stigma which attached to the term 'single parents' was such that it would have seemed an unlikely market. Concerns would be expressed about persistency and ability to pay premiums.

Yet in an era where companies seek new markets, strive to develop new products and want to add new dynamism to their marketing, it seems sensible to rethink that position. The Syndicate research for 2014 shows a new segment which we term generically 'single parents' emerging, with different requirements and views on the products we offer. It is not only a discreet segment it is a large segment too. A look at some of the key demographics relating to this segment and a brief analysis of divorce statistics illustrate the rashness of failing to appreciate the value of this important group.

The following data is sourced from Gingerbread an organisation which looks after the interests of one parent families and illustrates how important a market single parents represent.

Gingerbread facts and figures relating to singles

26% of households with dependent children are single parent families, and there are two million single parents in Britain today. This figure has remained consistent since the mid-1990's.

- Less than two per cent of single parents are teenagers. This confounds the conventional wisdom around this group
- The median age of single parents is 38.1 years old. People of this age are highly likely to have financial obligations which as a lone parent they are extremely keen to protect.
- Around half of single parents had their children within marriage – 49% separated, divorced or widowed. The impact of divorce is especially significant in terms of the obligations on parents and the impact on finances.
- 60.2% of single parents are in work, up 15.5 percentage points since 1997. This may convince marketers that there is a possibility that this group might provide a worthwhile focus for protection products.

Who are single parents?
There are three million children living in a single parent household (23% per cent of all dependent children).

- Around 8% of single parents (186,000) are fathers
- The average duration of single parenthood is around five years. During this period financial vulnerability is at its height.
- Only 6.5% of all births are registered alone, and 10% are registered to two parents who live apart. We live in an era of complex relationships which sometimes defy previous social conventions. Whatever the situation is, children's interests need protection and financial obligations undertaken become more acutely pressing if the lone parent suffers serious illness.

A rising percentage?

- In 1971, just 8% of families with children were single parent families
- In 1998, 24% of families with children were single parent families
- In 2011, 26% of families with children were single parent families

One of the criticisms of the protection market is the failure to identify new opportunities. This segment should not be ignored, as it is so obviously financially vulnerable and so socially important that their interest in protection is likely to be higher and more focused than other groups.

This is exactly what we found in our research. In four of our questions in particular, the single parent families among our sample provided answers that were quite distinct from our other household groups. Firstly, when considering where they would go to find information on protection insurance, we found that single parent families were less likely than the rest of our sample to say '*internet*' and much more likely to say '*comparison site*'. In fact this group scored 10% higher than any other household type in this category. While single parent households also scored higher in the banks and building society category, it is advice of friends and families where we see a real difference. 43% of single parent families selected '*Friends and family*' as an information source. This compares to 25% for households with 2 adults working and children. This suggests that friends and families are playing the role of an absent partner in single parent families and as such, word of mouth is an incredibly powerful influencer.

When we asked which insurance products were important to our survey group, our single parent families were clear that life insurance was very important and travel insurance and income protection were not a priority as a first choice. Despite this apparent endorsement of life insurance, when we later asked previous holders of the product why they no longer held it, it was apparent that many had not felt the value of their product while holding it, despite feeling initially that it was an important purchase.

Single parent families were the household type least likely to select income protection as a first choice in our survey and the importance of this product to this household type did not increase when second and third choices were considered. They were the household type most likely to consider critical illness a top priority (and this product remained a priority when we looked at second and third choices) and they were the group most likely to suggest that health cash plans (HCP) were a priority (8% of single parents selected HCP as a top priority where the next nearest score was 3%). The interest in health cash plans may be because they provide family-friendly benefits at a reasonable cost. While PMI might be attractive to many single parents, the price of HCP makes them a much more accessible and practical option.

11% of single parent families selected mobile phone insurance as a top priority, which is 9% higher than any other household grouping and shows a preference for insurance that offers a benefit that feels tangible.

There was a noticeable difference in the way that our single parents answered our questions on estimating the cost of various different policies. For every product, without exception, the answers given by single parents were far more concentrated over fewer options and the mean answers for this group were also considerably lower than the overall mean as shown below.

Figure 14: Single parents estimated costs

Product	Overall mean, £	Mean answer single parent families, £	% single parent families estimating a monthly cost of less than £50
Life	66	25	88
CI	60	24	89
IP	49	20	91

This suggests that this household type are far more informed when it comes to the price of products and have expectations more in line with reality than the rest of our sample.

The stigmatisation of single parents or the feeling that the income levels of single parents may be obscuring the very clear need that this group have for protection cover and the potential for this diverse group. Segmentally it is more than one group but, if this year's The Syndicate research does nothing else we would want to point out the needs that single parents have.

In comparison to other household groups, when considering critical illness insurance, single parent families were much more likely to say that they had better things to spend their money on. For this product, the answers given by single parents were fairly evenly split over just two categories: having better things to spend money on and that the policy ended. Without drilling down in detail it is slightly dangerous to speculate on the reasons for these answers but it may be that the major need in the event of ill health is for income rather than capital.

When we considered the answers given in regard to income protection and why it was no longer held, it was interesting to note that single parents were far less likely to say that they didn't see the benefit of the product and in fact none of them suggested that they had better things to spend their money on. The most popular reason for not holding the product anymore was that they had opted to cancel during the cooling off period. They were also the household group most likely to say that they no longer held the policy because they had left their job This group seem to want to buy the product but find affordability a key issue, hence the high drop-out rate during the cooling-off period. It is a challenge to find a product that combines affordability with practicality but this might be an area the industry could explore further.

The answers given by single parents with regard to no longer holding PMI suggest that they felt it an expensive luxury – they were more likely than other household types to suggest that they had better things to spend their money on and that they didn't see the benefit.

Given the importance and significance of this market segment, it is perhaps not surprising that single parents were more likely than any other household group to recall contact from their life insurance provider. 41% of single parents could recall some contact in the past two years. This pattern was not seen when any other product was considered and may be an indication that we make the default offering life cover when in reality it might be other forms of cover like income protection that would be most appropriate.

When looking at life in Britain in 2014 there is clearly an enormous need for our products from people who cannot find the same sort of protection through any other coping strategy. Is this a market that we are unaware of …or ignoring? Is there a real opportunity to help a key sector of society?

6.2 18 – 24 year olds - YoLo

In previous years we have been able to identify a distinct set of characteristics for our youngest age cohort. The 2013 report highlighted that they were the age group most likely to agree with the statement "I am willing to take a risk that I won't have anything in place if I became ill and unable to work". When considering insurance purchases, 18 – 24 year olds expressed the strongest preference for some form of external validation, particularly from family and friends, and once a purchase was made, they were the age group most inclined to appreciate regular contact with their provider and rewards for loyalty. Generation Y (those born in 80s and 90s) expect companies to respond quickly, provide access to information through a variety of online and mobile devices and are very demanding. However, for companies that deliver the service they expect the rewards will be great, especially in terms of loyalty. Instant information is invaluable to them from the palm of their hand they expect to transact and make decisions.

This year the high dependence on family and friends for advice with financial decisions was again recognisable with little difference between the proportions of 18-24 year olds who would research protection insurance on the internet as opposed to asking those close to them for advice. For all other age groups, the internet was by far the most popular first choice. There is still a significant lack of financial knowledge amongst this age group. A recent report by CSFI found that 64% of Generation Y respondents had not had any financial education. However, a further 64% felt they did know enough to make decisions about personal finance.

This tendency to ask relatives or friends for advice is perhaps understandable given the lack of financial education and product knowledge that this age group displays. With little reason to have experienced protection products, many young people prioritise those products which are tangible to them: this age group scores highest among all the age groups in suggesting that mobile phone insurance is a priority. When it came to estimating monthly premiums for a range of protection products, the estimates made by this group were vastly inflated compared to the real figures. If this is what 18 – 24 year olds truly believe insurance costs, it is little wonder that many choose to put off a purchase until absolutely necessary and that as a group they had the highest score for 'None of these' when asked which insurance product may be of interest.

Many people in this group may be in some form of full-time education or training and their perspective on life does not extend much beyond completing this stage of their lives. They are also the generation that have had to pay for their education and are more likely to have a varied career history.

They are only just beginning to generate a reasonable income, although their biggest concern may be extinguishing their debt burden!

At a point in life where financial responsibilities and dependencies may be lower than in later years, it is perhaps understandable that loss of income is less of a daunting prospect for our youngest age group. They consistently estimated the income that they would need to survive for three months lower than other age groups: they scored the highest of all age groups for the £500-£999 category. Many may not yet be used to significant income with a heavy reliance on the bank of mum and dad not uncommon during this life-stage!!

The 18-24 year olds in our survey group were significantly more likely than other age groups to cancel a product because they didn't see the benefit of the product. With little product knowledge as a baseline, the need to make the benefits of protection insurance tangible for this demographic is very real. Information is a commodity to them and companies will need to deliver this quickly and clearly to keep them interested. Furthermore, if the industry is able to convince this generation of would-be consumers that insurance is worth considering and is a valid purchase, the opportunities to expand the market are there for the taking.

6.3 Single people

The assumption of the conventional family particularly in advertising messages needs to change as households have been doing so. Single living has increased significantly in the last 10 years and due to the financial climate there is also a growth in extended families that benefit from sharing bills and care needs within the household.

The term 'single people' in this context refers to those without children who are not currently in a relationship and includes those who are widowed, separated or divorced. As a household type, they are referred to as having one adult, no children and one contributor to household income. The Office for National Statistics data shows that there were 7.7 million one person households in 2013 of which 4.1 million were aged 16 to 64. Of those in this age group the majority (58%) were male.

The results of our research this year suggest that this is a group worth giving consideration to for a number of reasons. Within such a diverse category, there are those who have not yet started engaging with insurance because they have not yet taken on any significant financial commitments but there are also those who have previously held insurance but no longer do. Within the singles group, we found that there was a higher than average propensity to suggest that insurance was not a relevant purchase or consideration and it is this behaviour that has the most to teach us as an industry.

When we considered overall holding figures we found that for each of the products that we considered (life insurance, critical illness, income protection, private medical insurance), single people were less likely to hold the product than the "average" member of our survey group. The answers given by this group to explain why they no longer held a product also revealed the extent to which having a family or dependents is a key trigger for purchase and a key reason why the relevance of the products for this group is called into question. This is a group who cannot see the value or benefit that protection products can offer them as individuals.

When we asked *"If you became seriously ill or were unable to work for a long period of time, which of the following would you find most useful?"* we found that of those who selected none (11% of our overall sample), 95% had no children and would largely have been made up of our singles group. The single group were also the most likely to select "'*nothing'* when asked how much they would need to survive if unable to work for three months, scoring 18% in this category compared to 12% of the overall sample.

We can only speculate as to how these individuals would make ends meet if unemployed but what is strikingly obvious is that the existence of family and dependents is a huge driver to make provision for the worst: by comparison, only 10% of single parent families and 7% of 'traditional' families selected *'nothing'* in answer to the same question.

When we asked our respondents what was important when considering buying insurance, our singles group were more likely than our average respondent to say "price" and although this was the most likely answer given by this group, they were also far more likely than any other household type to select *"none"*. When we looked at the "*none*" answers in more detail, we can see that the free text answers are dominated by comments suggesting that insurance would not be a consideration at all.

This is supported by the answers given to our question asking where people would go for information on protection insurance. Single households were least likely of all household types to consult friends and family or to consider a financial adviser but most likely of all household types to select *"Other"* and when these answers were dissected, the dominant theme was once again "*I wouldn't consider insurance"* or "*I'm not interested"*.

In so many of our questions, this group of individuals suggested that insurance was not a consideration for them, placing them firmly in our '*rejector'* group. The question for the industry is whether this 'rejection' is based on a lack of trust or a feeling that the benefits are irrelevant to them in their current circumstances. More than ever, as an industry, we need to be aware that potential customers come in many forms and the picture of a traditional family on product literature may lead to many people feeling that the product can offer them little of value. In reality "living benefit " products are extremely relevant to single people and while life insurance may understandably not resonate with them , other products like critical illness and income protection are arguably even more important to someone dependent on only one income.

It is vital to consider the messages that we convey to potential customers in terms of the relevance of our products to their lives. If advisers meet initial rejection or indifference they need to be armed with a different approach to ensure that singles confront the uncomfortable reality of their vulnerability.

Dr Duncan R Shaw, Lecturer in Information Systems, MBA Company-based Projects Co-ordinator at Nottingham University Business School provides his thoughts on new markets

1. Big Data analytics 1: the new segments that seem to be showing themselves here show how segmentation is just an observation decision that the firm uses. It reflects characteristics of the market but firms see what they want to see and see what they look for. These new segments may be increasingly large and therefore easier to spot and of more interest to the analyst but analysts must consciously look for these particular new segments and their market behaviours in order to understand them better. Also, segmentation applies differently to different parts of the business and no segmentation model will work for all parts of the firm or across all firms with different business models. This is when the analyst defines how the market is segmented.

2. Big Data analytics 2: market data can also be used to *let the market segment itself* – i.e. to let the data speak for itself. The latest analytics techniques can be used to produce unsupervised groupings of customers around different types of the attractiveness or different combinations of products, price points, referral and validation sources, perceived needs and vulnerabilities, trigger points or any other mixture of current customer characteristics. This can be used to re-segment your market to treat your current customers in a more personalised way, to look for their unmet needs or to look for non-customers. At the University of Nottingham we use Big Data analytics techniques to let the data produce its own patterns, e.g. we recently spotted new sub-classes of breast cancer which enabled patients with them to be treated in a much more specific way.

3. 43% selected friends and family as an information source: a segment that is much more strongly influenced by word of mouth from friends and family, than say comparison sites, might be more attracted to bundling offers linked to the insurance products bought by those same friends and family. This is similar to offers that enable lower car insurance premiums if more than one person in a household buys from the same provider.

4. The stated findings in this chapter seem to support the growing significance of the size of the single parent segment and its key concerns, e.g. overall supporting responsibilities [critical illness] over normal funding [income protection] and the mobile phone as an indispensable tool for managing and communicating when one is the only parent.

5. If an insurance provider were to be interested in targeting this 'new' single parent segment then it would be very important to customise all aspects of the product, e.g. recalculation of premiums based on the lives of these types of people rather than based on any mixture of other segments. This might provide useful insights such as when female drivers were able to be offered lower premiums due to less risky driving behaviours. Other customisations would include targeting message tone, channel, device, timing and frequency – as it should for all segments.

The big lessons

- ***Because every penny spent is so important to so many single parents they have become an informed and savvy group of consumers. In single parent families, purchases of financial products must have a tangible or recognisable benefit or risk being relegated in favour of other spending priorities.***

- ***Insurance is not a huge priority for younger people (18-24 year olds), but the industry needs to consider how it begins to relate to a group that are strongly influenced by friends and family and who themselves will become our major target market tomorrow.***

- ***As a sub group "singles" were most likely to feel that insurance was not relevant to them. But while this feeling persists it leaves many dangerously vulnerable.***

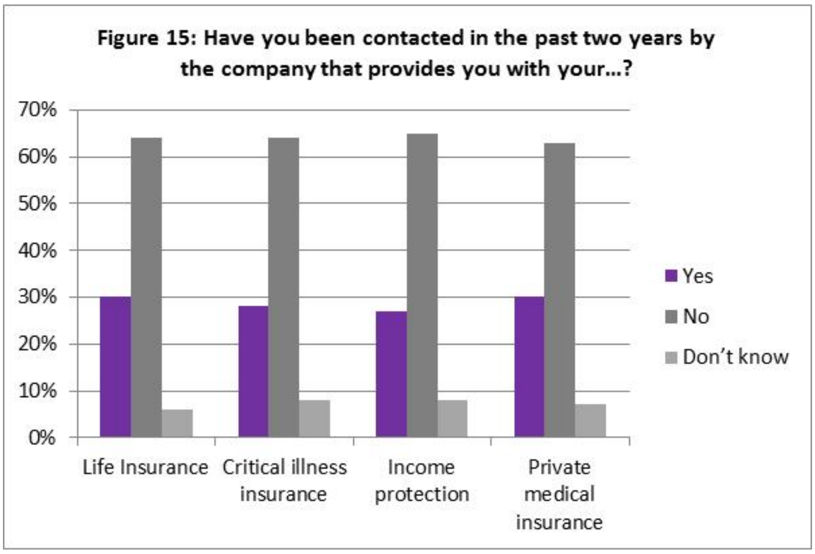

SMS
SMS

7. Communication

7.1 It's good to talk

Like financial security, communication has been a consistent theme running through recent research carried out by The Syndicate. It underpins a number of our questions this year including where people go to find information on protection insurance (how they initially communicate with the idea of insurance), the brands that are trusted by people (and the messages that they communicate along with their methods of doing so), as well as factors which are important to people considering buying our products (the simplicity of the communication being one). In the 2013 report by The Syndicate, we found 78% of our sample agreed with the statement *"It would be useful to receive an annual statement from my insurer detailing the level of cover I have purchased and how I could amend or change this if I needed to"*, highlighting the value that consumers place on regular communication. In fact, this agreement score rose to 83% when we asked policyholders, demonstrating that customers appreciate regular contact from their provider.

In order to gain an idea of how communication by insurance providers was perceived by those receiving it, this year we asked those who currently held products *"Have you been contacted in the past two years by the company that provides you with your life insurance, critical illness or income protection?"*. For those answering yes, we then asked them to provide details on why they had been contacted (see 7.2).



Richard Sadler of Zurich Life shares his thoughts on communication by insurers

Only 30% of customers say they have been contacted by their life insurance company in the last two years. I can see three reasons why this figure may be so low:

1. No communication has been sent
2. Communications were sent but not received by the customer
3. Communications were sent and received, but the customer does not remember them

Most communications do not require any action on behalf of the policyholder, or are seen as junk mail attempts to get them to take out new policies or increase their cover. So it is possible that many customers answering this question had forgotten they had received them, or just thrown them straight in the bin. While this is frustrating for us in the industry, we do need to remember that people have busy lives and life insurance is unlikely to be at the forefront of their minds all the time. So category 3 could be a good proportion of the population.

I would expect category 2 to be small. Despite life companies' best attempts to keep track of their customers, there will always be a few who have moved address and not told us. But this should only be a small percentage.

This leaves category 1, where no communication is sent. The low overall result suggests than many life insurers are not communicating with their customers at all.

At Zurich, we strongly believe that it is important to stay in contact with our customers and we do this by sending them all an annual statement. The statement acts as a reminder to customers of their benefits, providing reassurance that they are still covered, allowing them to check that the policy still meets their needs, and to update any important details which may have changed such as their address, dependents or trust details. It could even be the trigger that reminds them a claim can be made on the policy.

Our own research has suggested that, of all the communications sent to customers, the one that is read most is the annual statement. So we spend a lot of time making sure that the statements are clear, and give the right messages.

We believe that as an industry we should be doing everything we can to keep our customers informed, and hopefully more and more insurers will improve their communications. If only 30% of customers have had contact from their insurance company that is disappointing, and this is something the industry should look to improve on over the next few years.

7.2 More a transaction than a relationship

The big finding here is that regardless of product bought, **at least 70% of people had had no contact, or could not recall any contact, with their provider in the last two years**. Of those who answered yes to having had contact, the main reason for the contact was attributed to either a review of cover (annual review or similar) or was described as a sales call and the language used within free text answers was generally neutral and occasionally cynical, suggesting that for the majority, the contact would not be recalled as a positive experience.

These findings suggest that the purchasing of insurance is currently more of a transaction than the beginning of a relationship: following the sale, contact between the two parties is not frequent. There has long been a debate within the industry about who owns the customer in instances when they don't go direct to a provider and this may explain the lack of contact and communication between the two parties. However, it is possible to suggest that this is an industry-focused debate and the customer is the party losing out. Increased and frequent communication can help to foster trust and build productive relationships, as an industry we should not miss out on these opportunities.

Some interesting variations showed up highlighting the segmentation techniques used by insurers to target people. Customers were much more likely to recall being contacted by their provider of life insurance and households with couples with no children were more likely to recall contact from their IP provider. While it is natural for insurers to target those groups who they feel may have a need for more cover, it is important that customers don't perceive this as the only reason for the contact.

The big lessons

- ***70% of holders of protection insurance products had had no contact from their provider in the last two years***
- ***Contact is perceived as transactional not as relationship-based***
- ***Selling more cover shouldn't be the only reason for contact with customers***

8. Observations and conclusions

A Material World

"We are living in a material world and I am a material girl"
- Madonna

It is perhaps not too surprising that in such a material world it is difficult to get people to focus on buying something that may never pay out to justify the original purchase –and which in reality they hope never does result in a claim. It is perhaps too simplistic to call insurance a 'grudge purchase', although undoubtedly for many people it is. We set out to discover whether the benefits offered by a protection insurance policy felt like a tangible benefit to consumers. The fact that insurance is often pushed down the priority list would suggest that the potential benefits of cover are not keenly felt by policyholders, who find it hard to value their cover as a result.

A lot of our comparisons here relate to other products, things which have obvious and significant value and which can generate enjoyment and entertainment. How do we set an intangible product like insurance alongside an X Box, an HD television, a car or a foreign holiday?

Put in this context the task might seem hopeless but, when one considers that the origins of life insurance lay in very poor people striving as their main financial goal to pay for their future funerals, it does suggest that there is a tradition of taking serious note of less ostensibly attractive things to spend accumulated lump sums on. We can also surmise that as the range of potential purchases, especially luxury purchases, has expanded, it becomes increasingly hard for insurance to compete. For many years economists have classed insurance as an 'invisible' export but it needs to be made more visible to become valued by those who buy it.

It is probably unfair and misleading to transpose financial goals from the Victorian era into modern society. However, it might be helpful to look at competition from other industries for customers' disposable income and look at what is lacking in much of our marketing which is found readily in advertising for other products and indeed in advertising of insurance in the USA. The missing element is emotion. Without evoking emotion in our audience we can never expect them to part with a large part of their hard earned salaries to purchase something as intangible as protection insurance.

In the past we have been accused of being 'left-brained'-analytical and lacking soft skills. At the Hannover Re seminar in June 2013 a survey of industry personnel revealed a tendency to underestimate the role emotions play in all our decision making. Just 17% of those surveyed correctly identified that decision making is '10% reasoning and 90% Emotional'. It is certainly clear that we may need to determine if we need more emotional intelligence as an industry. The crusade for greater emotional intelligence has informed the very effective advertising programme that insurance companies have developed. Going forward we must determine how, in a largely intermediated industry, we can create a way of putting people in touch with the emotions that really matter to them. If we can do this, the relative importance of protection insurance might seem quite different to them.

At the same time, our research has revealed a number of market segments which are worthy of special consideration and which may not be being served as effectively as they could by current protection products and messaging. It is no longer enough to assume that one size fits all and products need to respond to the specific, and changing needs of customers.

This year's research has highlighted the degree to which the concepts of value and trust overlap. Our survey group placed value on brands and products that they used or interacted with regularly, who made an effort to emphasise the service that they offer and make their offering, whatever it may be, more 'real' to the customer.

Value was inextricably linked to the extent that the consumer had an understanding and appreciation of their purchase. In contrast, an oft-cited reason for no longer holding a protection product was that the holder couldn't see the benefits or had better things to spend their money on: in other words, it was hard to recognise the value of the purchase. This is at odds with the data on holders and why they value the products that they hold: the peace of mind offered and knowing that their family are provided for should the worst happen. The challenge for protection insurers then is clear: how to stay close to customers, to anticipate the relevant touch points in their life when it is particularly pertinent and helpful to demonstrate the very real value of our products.

One of the most frustrating things for industry insiders is when the British public reject a need which we can perceive very clearly. This tends to make us feel that they are at fault and their short-sightedness and in some cases irresponsibility is putting their world at risk. It is in essence 'their fault' that they are neglecting to cover the essentials.

Consumerists take a different view and it is this view we need to listen to. Consumerists maintain we are failing to get our message over because we are not engaging enough people in an effective way. One finding of our research, that people believe savings (even modest savings) are of more value than insurance, suggests not only a lack of financial sophistication but also that mixed messages may be coming out of our industry.

That is quite a challenging assertion but is also a logical inference from our research. Maybe the proliferation of financial marketing is the cause of the confusion and in competing for a scarce resource, we are not truly prioritising the needs of the consumer despite industry rhetoric to this end. As the protection insurance industry contracts, we see the creation of new investment platforms, new government initiatives on pensions and the recurrent opportunity to take advantage of tax-advantaged products such as ISAs. Perhaps the financial services industry itself is causing the confusion it seems to find so perplexing and possibly it is competing with different elements within it?

Does this provide an area that the Money Advice Service could with justification investigate? We often talk of a hierarchy of needs within protection. Does this suggest that we need to consider a hierarchy of needs within financial services itself?

Protection insurance—an industry apart?

The overall conclusion from this research is that despite the incredible importance of the products that we offer to the public the protection industry is seen as an industry apart and one that does not enjoy anything like the intimacy of relationship that other industries do. Is this because the insurance industry genuinely is different? Or has it made itself different from other industries and now needs to find a way to trigger a greater emotional connection with its customer base?

Research methodology and data references

About the research methodology

Online omnibus research was conducted by ICM from 28-30 September 2013.

Sample:

Online – 2,000 respondents per wave.
Total Male – 996
Total Female – 1037
Total 2033

Respondents were GB adults aged 18+.
In order to achieve a nationally representative sample, data was weighted to the data found in the National Readership Survey conducted with 34,000 adults.

Sources:

- Edelman Trustbarometer-http://www.edelman.com/insights/intellectual-property/trust-2013/trust-across-sectors/trust-in-financial-services/
  ABI Quarterly Consumer Survey (Q4, 2012)
- Beehive Research, Marketing Week, October 2013
- ONS Statistical Bulletin, Families and Households, 2013
- Nunwood Customer Experience Excellence Centre 2013 Report - The UK's Top Customer Brands: How They Achieve Success
- LivePerson (*A Global Study of the Drivers of a Successful Online Experience*), November 2013
- Promise Communispace, Marketing, November 2013
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