



UK PROTECTION - REALISING OUR POTENTIAL

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BRAVE IN A WORLD OF RISK

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- UK Protection Market – global perspective
- Challenges, trends and opportunities
- Lessons from other markets
- Immediate priorities

GLOBAL PERSPECTIVE

How does the UK market compare?



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Which are the worlds biggest Protection markets?

UK PROTECTION MARKET

Better than you might think!



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Probable “facts”

- UK 2nd largest individual protection market after US
- Australia largest for group protection and overall market penetration

UK PROTECTION MARKET

Particularly strong on consumer focus



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UK Protection market – a world leader in:

- Competitive consumer prices
- Independent financial advice regime
- Protection of consumer interests

SO WHY ARE WE SO DEPRESSED?

Challenges to healthy growth....



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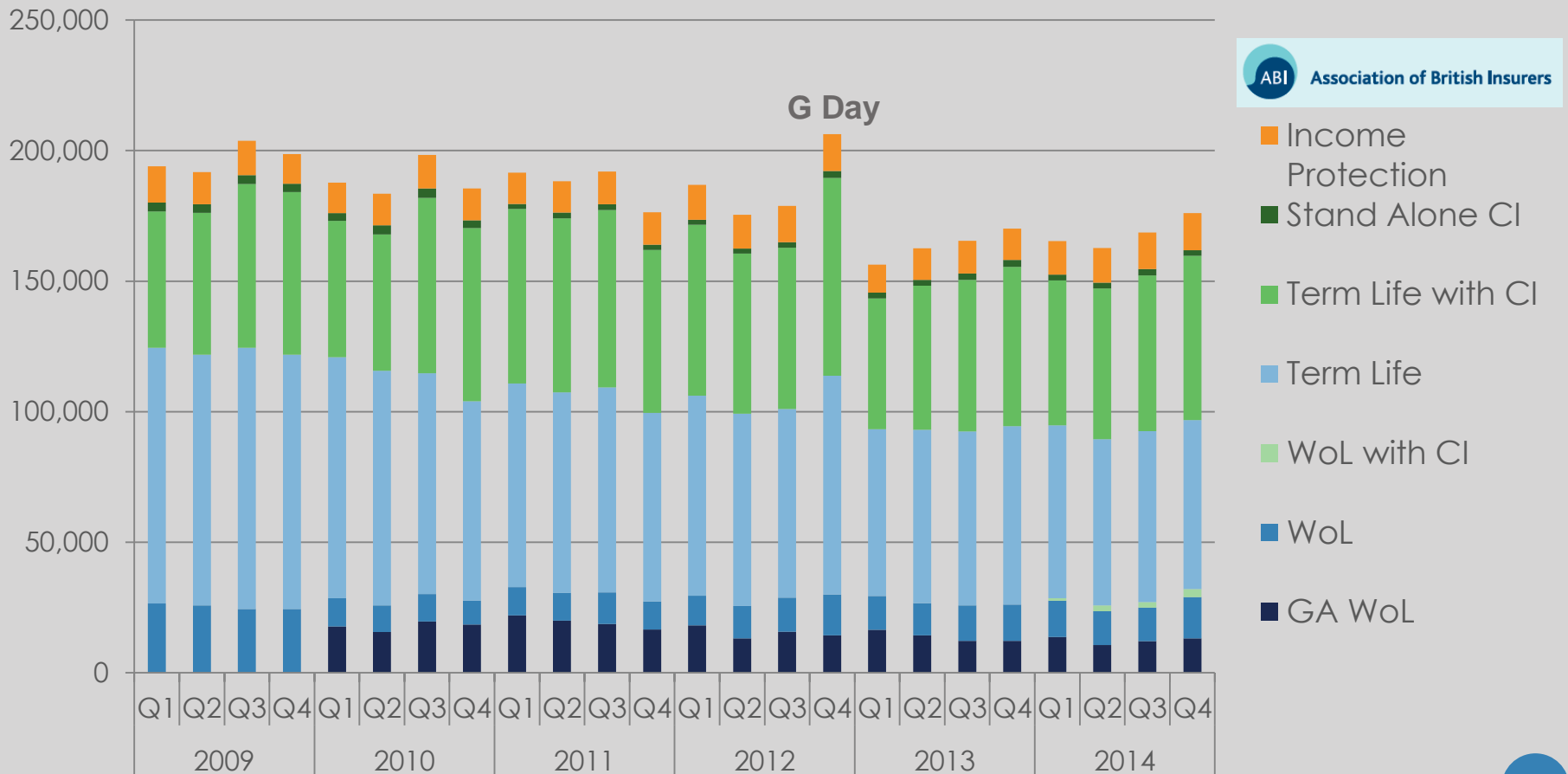
LONG PERIOD OF STAGNANT SALES

Individual regular protection premiums by quarter



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Quarterly New Business Premiums by Product (£'000)



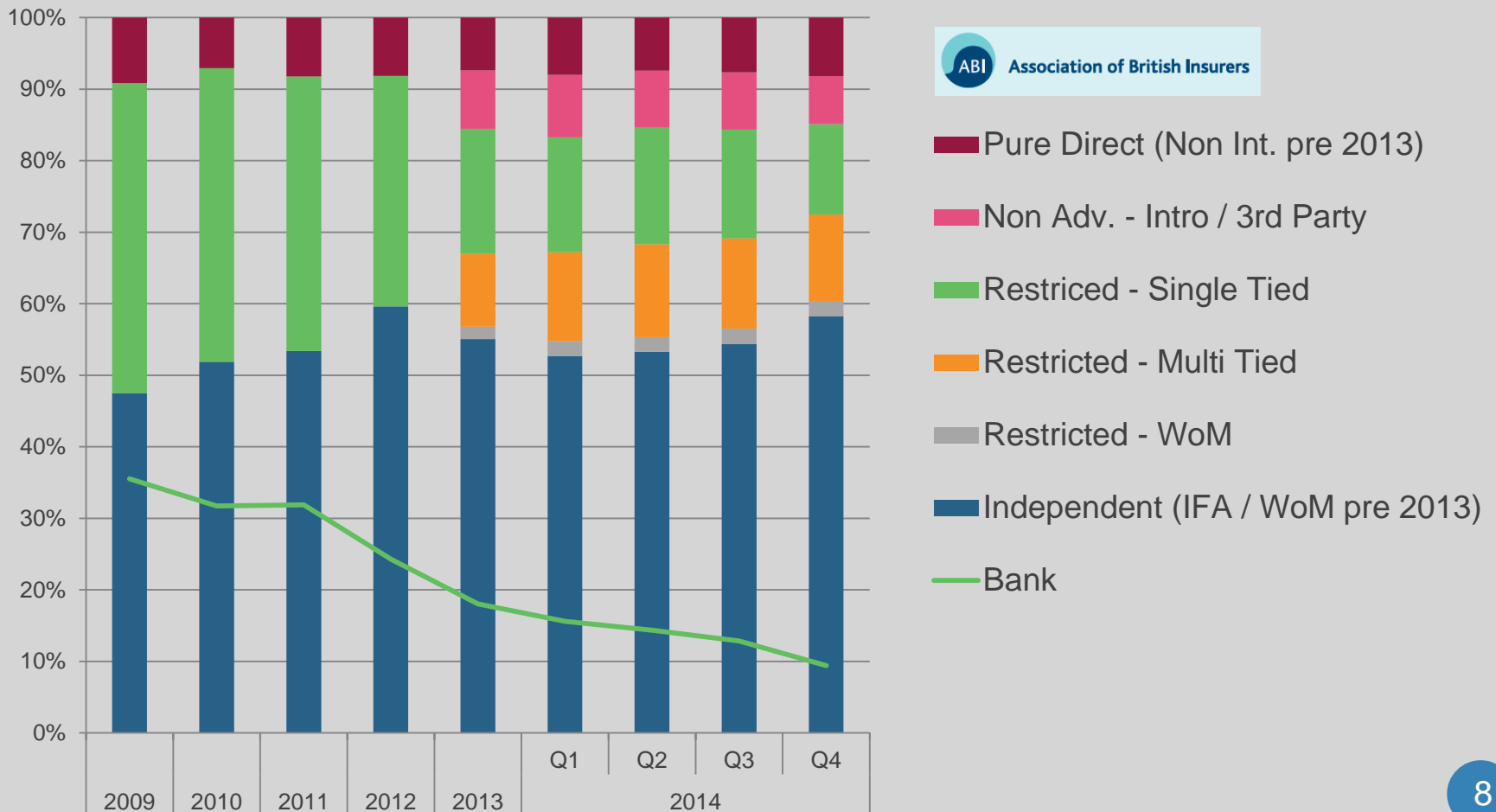
WHAT'S DRIVING SALES TRENDS?

Distribution mix



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Share of Regular New Protection Premiums



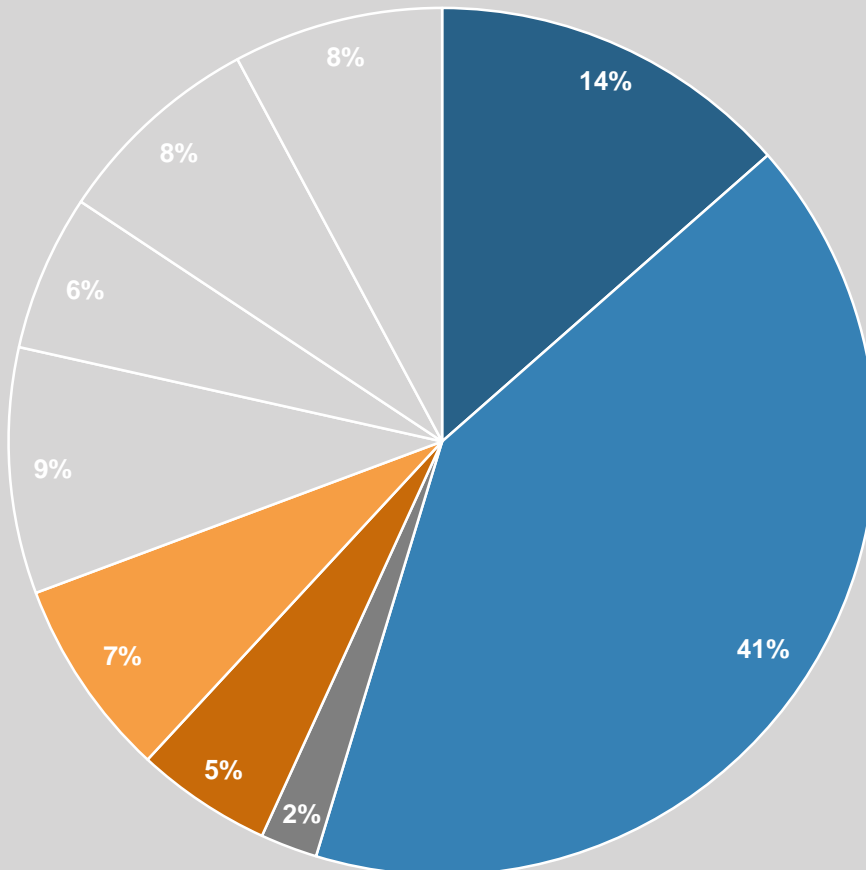
WE NEED TO HELP ADVISERS

Source of 70% of our business...



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2014 ABI Individual Life New Regular Premiums by Channel



- Independent Advice Mortgage
- Independent Advice Other
- Restricted Advice - WoM All
- Restricted Advice - Multi Tied Mortgage
- Restricted Advice - Multi Tied Other

...make it easier for IFA's to sell:

- Stable & proportionate regulation
- Improved tools to support advice
- Better conversion rates

REGULATION CREATING AN ADVICE GAP

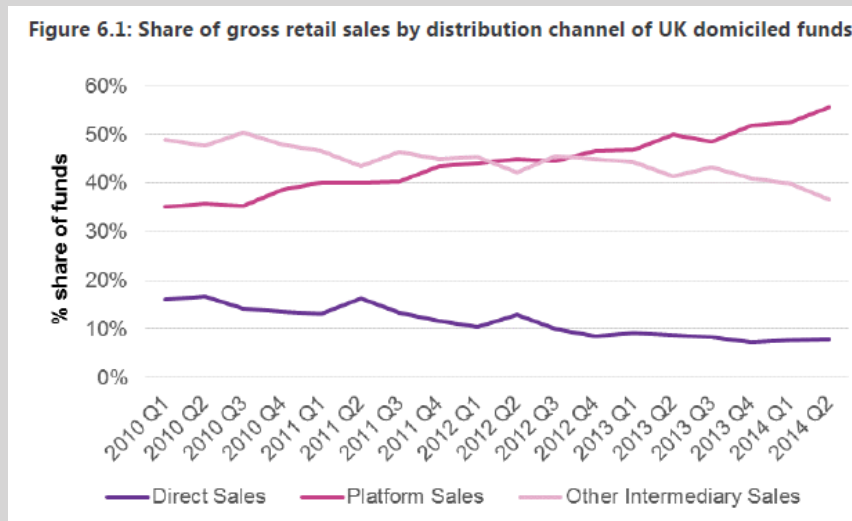


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Core Protection advice triggers under regulatory pressure:

- Mortgages **MMR** Protection opportunity being crowded out
- Retail investments **RDR** Drop in UK citizens using professional advice
10-13% → 7-10%*

Rise of Platforms*



*Sources: Fundscape “Navigating in the post-RDR landscape in the UK” (2014)
Europe Economics “RDR Post Implementation Review” (2014)

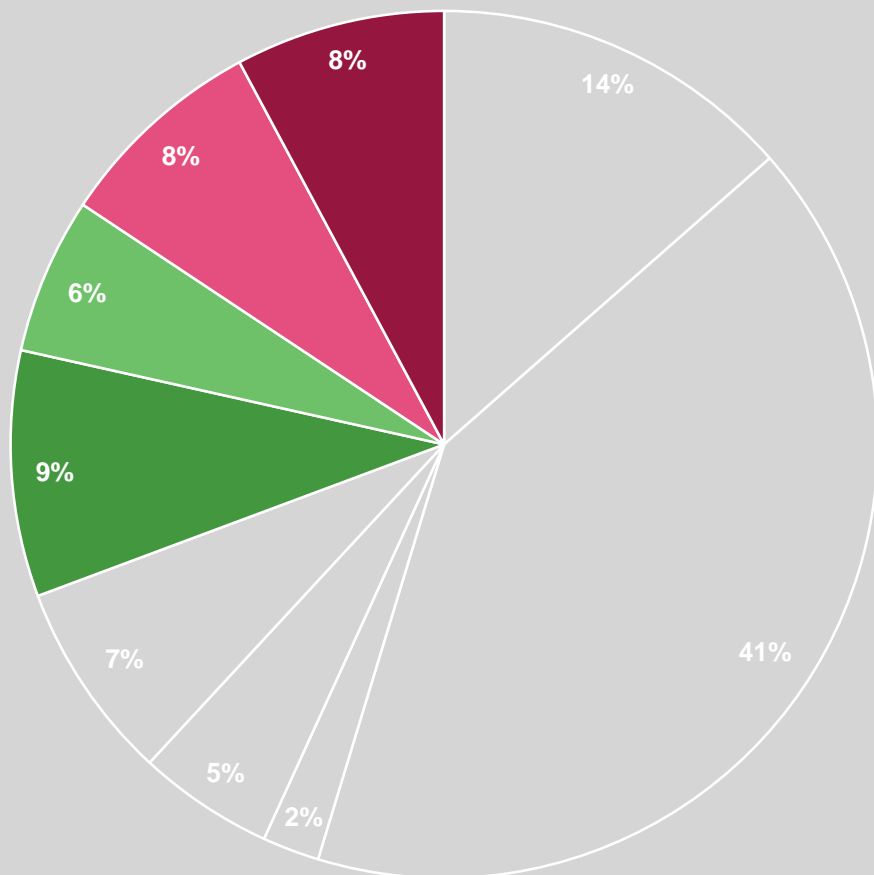
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“D2C” channels are underdeveloped...



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2014 ABI Individual Life New Regular Premiums by Channel



- Restricted Advice - Single Tied Mortgage
- Restricted Advice - Single Tied Other
- Non-advised - Introduced/3rd Party All
- Non-advised - Pure Direct All

...establish new markets:

- Bank direct
- Auto-enrolment/worksites
- Creditor & general insurance

Substantial growth potential

UK LEADING WAY ON E-COMMERCE



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UK in the vanguard

- High propensity to buy on line
- Mobile digital beginning to dominate

*Sources: We Are Social
GlobalWebIndex

AUTO-ENROLMENT HAS BARELY STARTED

Opportunity to provide easy access to protection cover



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Good progress to date*:

- Large employer staging essentially complete
- Covers nearly 11,000 employers with over 15 million employees
- Over 3 million employees auto-enrolled so far

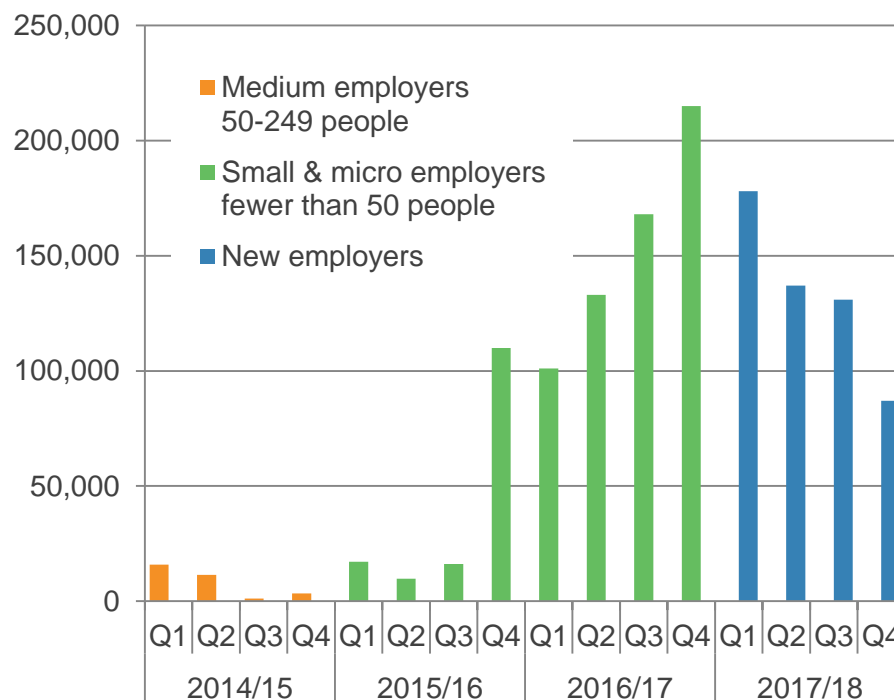
More to come...

- DWP estimates of ultimate impact of reforms: 8-9 million extra employees saving

*Source: tPR 30 March 2014 data

tPR staging forecasts

Number of employer PAYE schemes by financial year



CAN WE LEARN FROM OTHER MARKETS?



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LESSONS FROM AROUND THE WORLD

Australia



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- Superannuation linked group protection cover was a great success from 1980s through early 2000s
- Very high penetration means little anti-selection risk
- But lack of advice meant low customer understanding which eventually ended in disaster
- Group market now correcting and likely to stabilise
- Retail (individual) segment may also grow from low base

LESSONS FROM AROUND THE WORLD

United States



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- Mainly a “preferred life” market supported by “invasive” underwriting
- Low penetration below high net worth / healthy segments
- Very different consumer regulation regime
- Much higher IP penetration than UK

LESSONS FROM AROUND THE WORLD

Asia



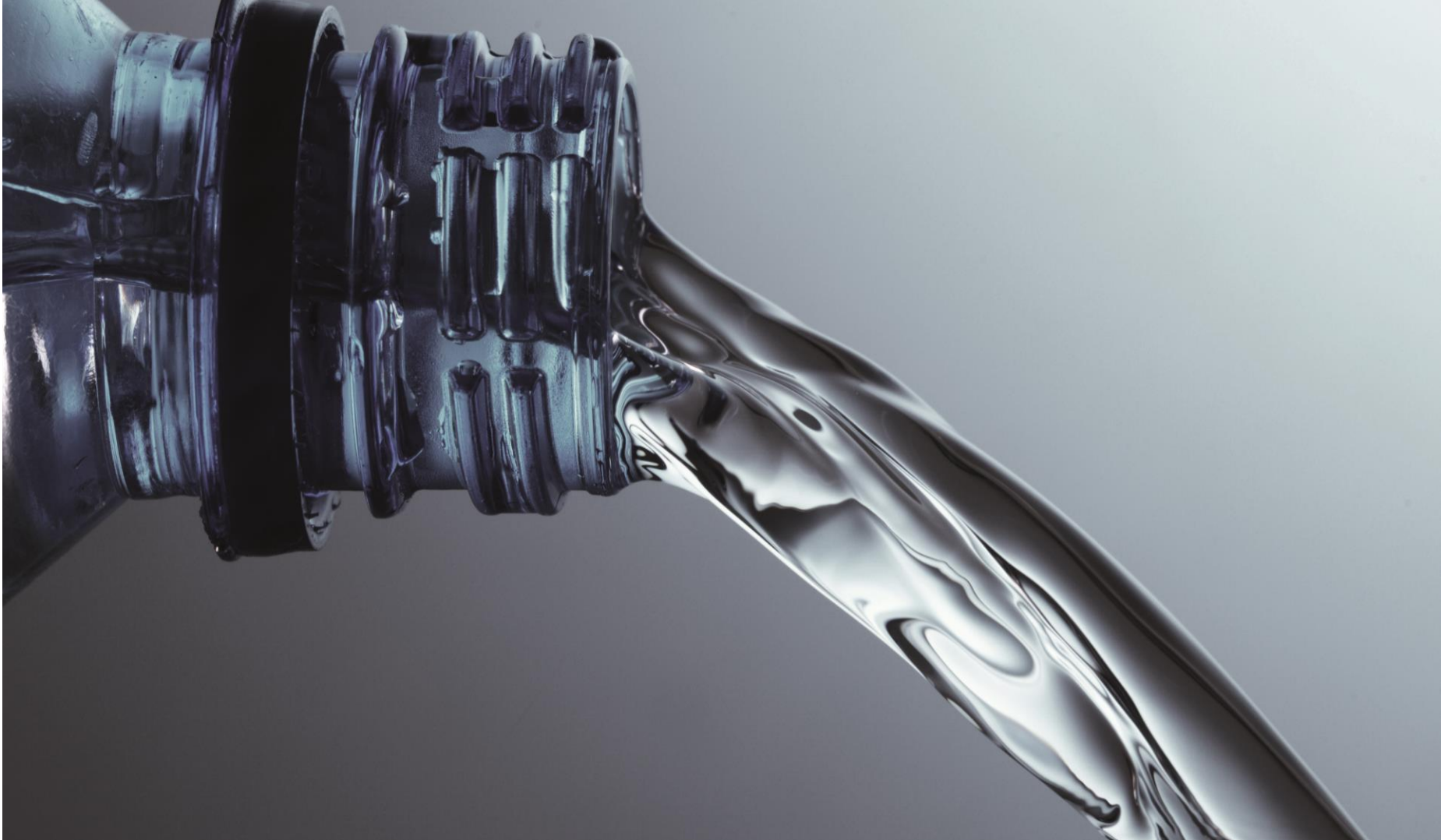
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- Seen as high growth potential
- Generally much more prolific in product innovation
- Direct sales have achieved high penetration in some markets
- Very different consumer regulation regimes

IMMEDIATE PRIORITIES



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Immediate priorities



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1. Help advisors sell

- Better tools & a regulatory reprieve!

2. Increased focus on D2C

- Capitalise on Auto Enrolment
- Simpler products clearly served-up that are “safe to buy”

3. Be realistic!

- Ours *is* a successful market with plenty of strengths to build on...
- ... so please let's stop beating ourselves up!