



THE SYNDICATE 2018

SYNOPSIS

March 2018

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The Syndicate aims to design and carry out research that explores the consumer mindset and attitudes towards protection insurance. The research looks to identify triggers as well as barriers to purchase, shedding light on potential challenges as well as opportunities for the industry in equal measure. In keeping with the idea of opportunities and challenges, this year, alongside Opinium, we have carried out a segmentation exercise which enables us to highlight different consumer groupings across the market. These groupings are characterised by how open to the idea of protection they are and our research suggests the best way to interact with them and reach them with a protection related message.

Once again this year in the main body of the research we see familiar themes emerging around trust, value, tangibility and loyalty. The question we'd like to pose is whether we see these as challenges to the success of the industry or opportunities for growth and positive change.

METHODOLOGY:

2003 Online interviews (1000 Protection insurance holders and 1003 Non PI holders).

The results this year showed that people are keen to be organised and proactive where their finances are concerned and this is a fit with the products insurers are trying to sell:

- **44%** of our sample suggested that they took a keen interest in their finances.
- **68%** of our respondents considered themselves to be good at managing money.
- **71%** of our sample said that they felt in control of their finances.
- **61%** of people claimed only to spend what was in their current account each month.
- Of those using credit cards to fund monthly expenditure, just over half (**56%**), said that they managed to pay it off each month.

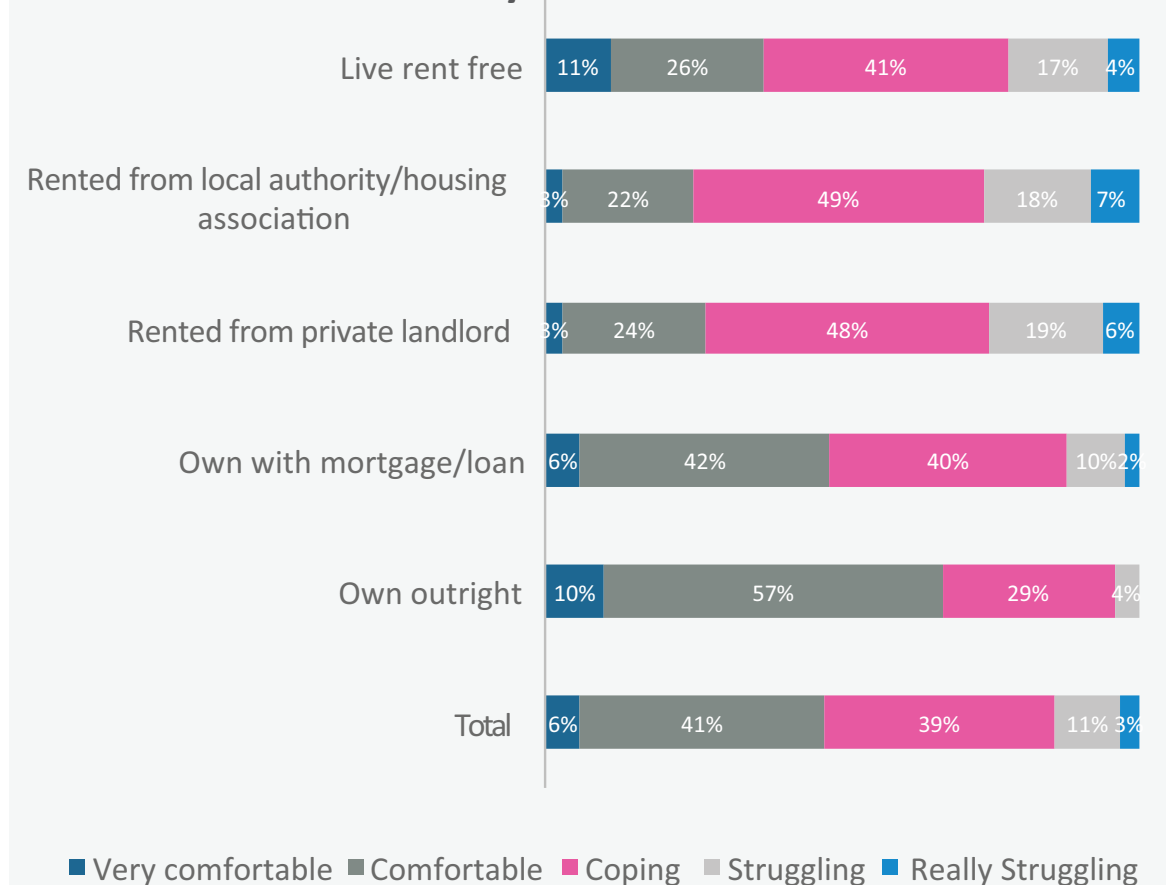
When we asked people how aware they were of their monthly outgoings, we found that the monthly expense that people were most likely to be aware of and to say how much they paid was their mobile phone bill, closely followed by utility bills and internet bills. Protection insurance

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products fared least well but scores were still very respectable with over 80% of respondents having *some* knowledge of what they pay for their protection. Life insurance scored highest among protection products with the lowest figure for an insurance product being income protection where 35% of our sample knew the exact amount of their premium. The challenge for insurers is that knowing the price of something is very different from knowing the value.

This year we asked our sample how they would describe the financial situation of their household. 47% of respondents were able to describe themselves as comfortable with a further 39% suggesting that they were slightly less comfortable but “coping”. 14% of our sample described themselves as struggling with women slightly more likely than men to suggest this. Where the results become particularly interesting is where we consider housing tenure and see that financial security, or lack of, seems to be much more a defining characteristic of “Generation Rent” than those who own their own property. Given the importance of a house purchase as a trigger for considering or buying protection insurance, this finding really highlights the vulnerability of this group and the need for the industry to consider new and innovative ways to target this segment of the population.

How would you rate the current financial state of your household?

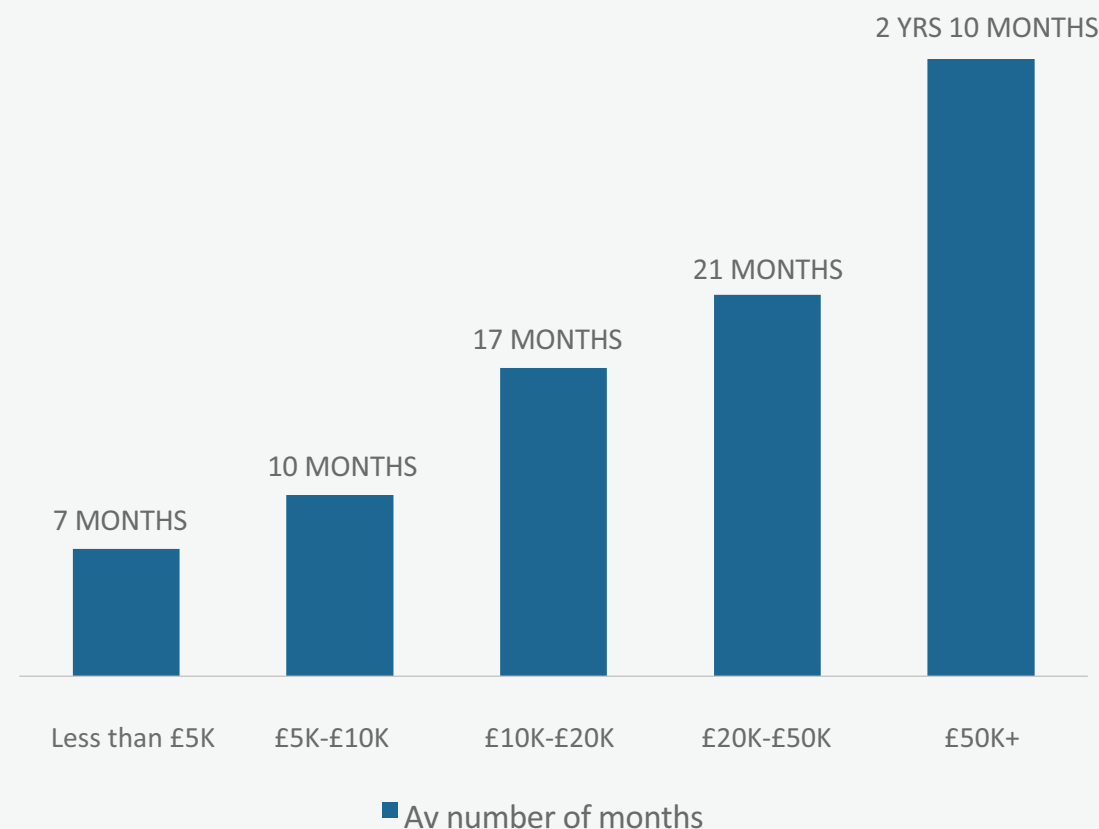


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Next we asked where people would turn for financial support if they couldn't work through illness or injury. Protection insurance cover was only selected by 8% of respondents with the most popular answers being "My savings" (38%) and "My partner" (42%).

The graph on the right shows the average length of time that people *think* their savings would support them if they were unable to work. The table on the next page shows the estimated savings gap, and clearly demonstrates that while there is a shortfall for *everyone* relying on savings, the consequences will be felt extremely quickly by those with less than £20,000 put aside. These findings are in stark contrast to the positive perceptions of savings espoused by our respondents over a number of years of research and the exercise carried out here is worthy of consideration by advisers seeking to show the value that insurance provides.

Av number of months people think their savings would last them if they couldn't work

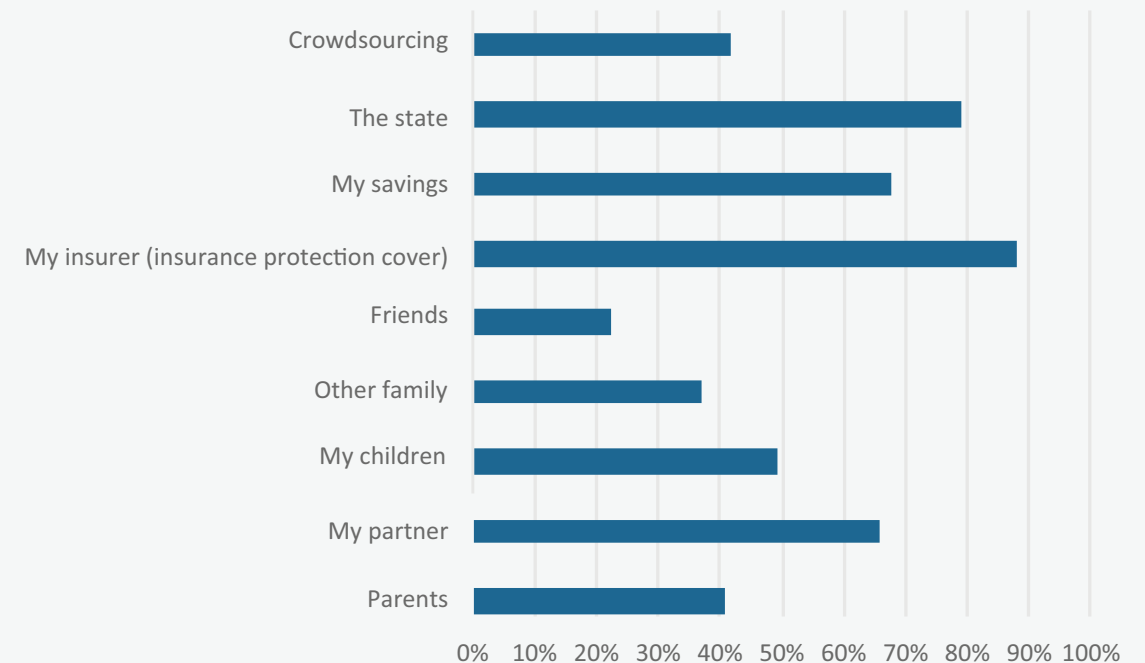


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We asked our sample group directly how confident they were that different coping strategies would support them for longer than 6 months if required and the results are an overwhelming endorsement for protection with insurance being the coping strategy that people had most confidence in, even ahead of the State. There is a clear need for the industry to make sure that this is the message that consumers get.

Value of savings	Average number of months people estimate their savings would last	Average saving income per month	Average salary	Average Net monthly income	Shortfall between income and average monthly savings
Less than £5K	7 months	£357	£25K	£1,690	- £1,333
£5,000 - £10,000	10 months	£750	£35K	£2,257	- £1,507
£10,000 - £20,000	17 months	£882	£35K	£2,257	- £1,375
£20,001 - £49,999	21 months	£1,666	£35K	£2,257	- £591
£50,000 +	2 years 10 months	£2,205	£45K	£2,823	- £618

If you were unable to work due to a serious illness or injury, which of the following would support you for longer than 6 months?



PERCEPTIONS OF INSURANCE

The results revealed that the most likely reasons behind people's decisions not to buy protection were that they considered it expensive (61% agreed with this), that they preferred savings to protection (53% agreement), they didn't trust insurers (48% agreed) and were uncomfortable with the idea of paying into something over the long term that they might not need (55% agreement). Once again this year it was possible to identify an indifferent group in our sample: with the exception of Life Insurance, half of our sample said that they had not considered buying protection insurance.

It is interesting to note that providing people with some context did appear to boost views of protection and people were more likely to agree that protection insurance was worthwhile in the context of dealing with worst case scenarios and against a backdrop of welfare cuts. Our questions also revealed that 25% of our sample had experience of being off work due to illness or accident and a slightly higher proportion expected this to happen to them during their lifetime which is helpful for insurers and advisers trying to convince people of the need to protect themselves but is no doubt equally frustrating given how few people are prompted to take out cover despite these expectations.

Our survey confirmed once again that the main triggers for purchasing protection are house purchase and the arrival of children. There are of course other influences but these two trigger points are so significant that it is important for the industry to consider how to reach out to potential customers in the absence of these events and as demographics change. This, and other studies, have already shown the growth of 'Generation Rent' and with many young people expecting to be unable to purchase their own home until much later in life, if at all, we risk losing a key way of establishing a relationship with much of the market.

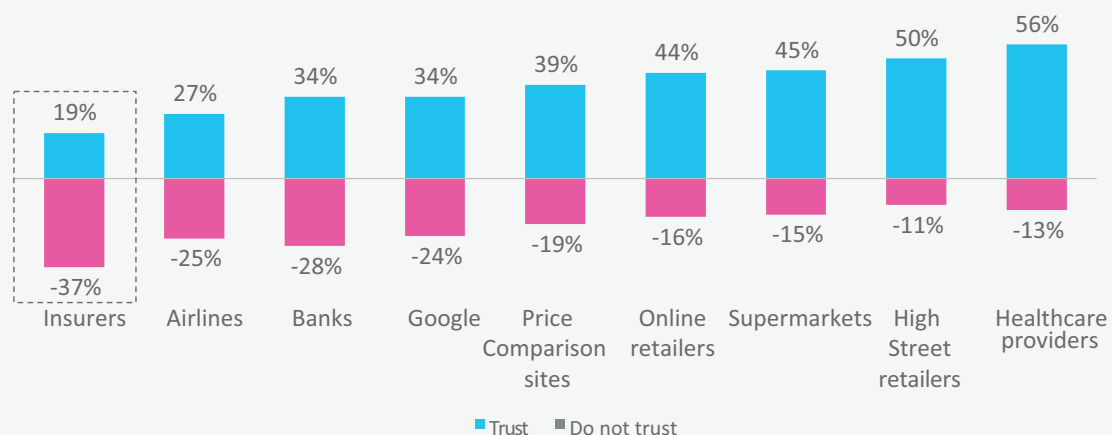
The answers given by respondents this year reinforced the potential of cross selling to grow the protection market. One of the most powerful sales tools for protection is going through the purchase process, considering protection needs and experiencing the products as borne out by the data which showed that holders of protection held more than one product in the majority of cases. Those with mortgages and pensions were particularly likely to hold protection products as well, highlighting the need for protection conversations when other financial purchases are made.

The research this year has established that, whether they buy protection or not, many people have an insurance mentality and like to be in control of their finances, making an effort not to build up debts and to save where

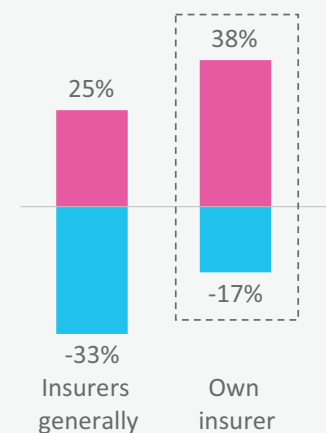
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possible. Such behaviour is in keeping with the principles of insurance and being prepared for a change in circumstances and yet take up of protection insurance is woefully low. The reasons for this can be understood by an exploration of one particular topic: trust. Only 1 in 4 holders of protection insurance in our sample trusted insurers! The research this year revealed just how important an issue trust is for insurers: when we presented our respondents with a list of different types of organisations, insurers were the least likely to be trusted.

How far do you trust the following companies?

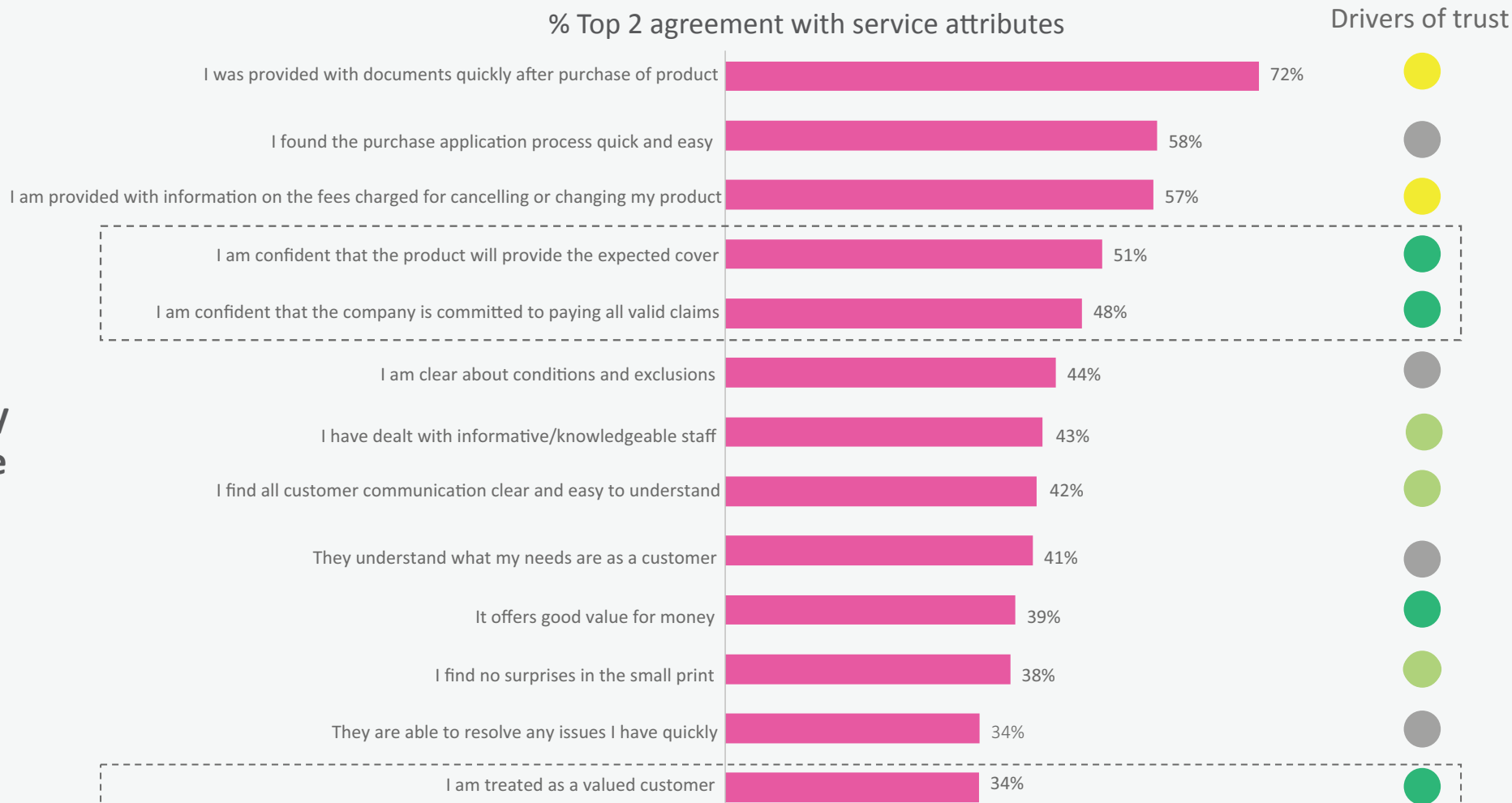


What is perhaps more encouraging for insurers is that the trust levels rose when we asked people to think about the insurer that they held their protection policy with. Overall the proportions saying that they didn't trust insurers fell from 33% when asked about insurers in general to 17% when asked about their specific insurer. Only 7% of people said that they didn't trust their own insurer and a slightly higher proportion said that they trusted their insurer "a lot".



How far do you trust the insurance provider you have your protection insurance with (amongst PI holders)?

Confidence in paying claims, providing expected cover, value for money and being treated as a valued customer are more important drivers of trust. there is HOWEVER opportunity for insurers to improve on these areas.



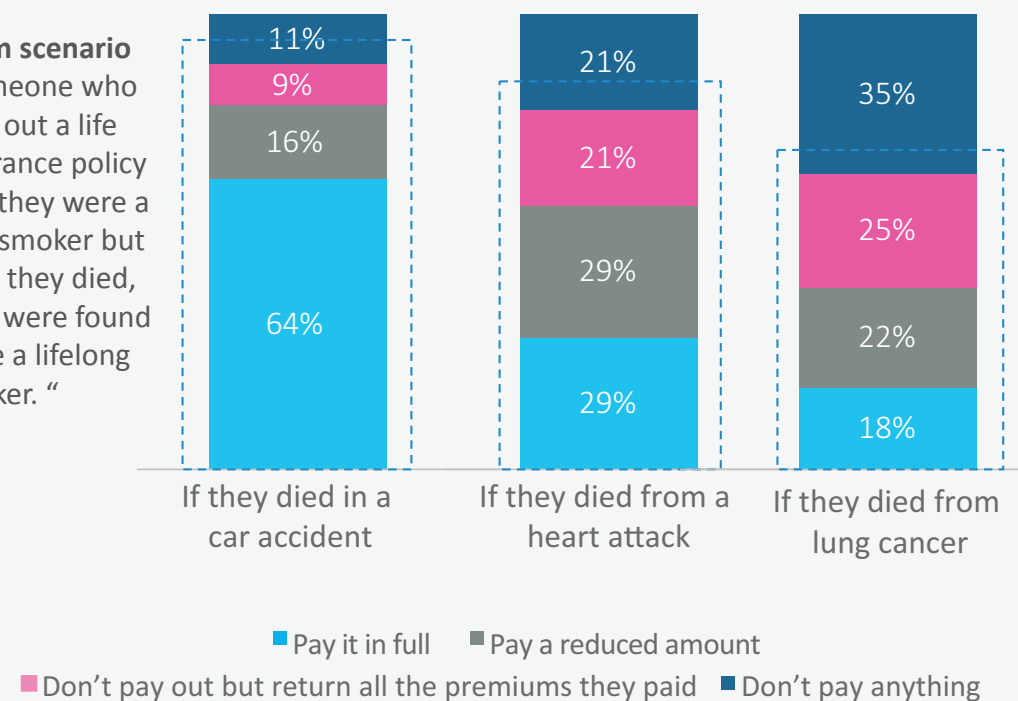
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Protection insurers have long faced the challenge that they sell a promise that they hope they never have to fulfil. But until they fulfil their promise, the investment feels like a waste of money to the policyholder and either the policy is forgotten or resented. The question is how to create a meaningful relationship with customers who are not currently claiming on a product and how to make them feel that the product is adding value to their life? The responses given by our sample this year spoke to the value that consumers place on having a regular and useful relationship with brands that they interact with. Far from feeling that holding protection adds value to their lives, 18% of our respondents described it as “not worthwhile” and 60% couldn’t agree that protection made them feel more secure. The same proportion suggested that protection was not worth paying for to safeguard themselves against unexpected events. The message about how vulnerable people leave themselves when they rely on savings and the long term security that insurance offers is not reaching the customer. This is a key observation for an industry which trades on offering peace of mind.

This year, The Syndicate sought to learn more about what consumers would do in the position of insurers. Where would they draw the line in paying a claim where there was clearly a case for non-disclosure of medical history for example? Our sample group were given a number of

What do you think should happen to their life insurance claim in each of these scenarios?

Claim scenario
“Someone who took out a life insurance policy said they were a non-smoker but after they died, they were found to be a lifelong smoker.”



scenarios and asked whether the claim should be paid in each instance. Given that insurers were accused by the same group of looking for “any excuse not to pay”, how strict would they be in applying rules? Would the exercise help them to understand the insurer’s position at all?

The figures shown on the previous page are quite disturbing reading for those in the industry doing as they show that 65% of people believe that a life insurance claim should be paid in the case of a smoker who did not disclose their smoking and then died from lung cancer. In the case of a death resulting from a heart attack, 79% of our sample felt the claim should be paid, at least in part. When the death was the result of a car crash, the numbers disputing payment of the claim were even lower. Such conviction that a claim should be paid even in the event of non-disclosure goes a long way to explaining why consumers may hold the opinions about insurers that they do.

Despite a fervent belief that claims should be paid regardless of circumstance in a number of different scenarios, it was interesting to note that over half of our sample (with the exception of one of our scenarios) felt that medical conditions should in fact be disclosed at the point of application even if they didn’t require medication.

Furthermore, when we asked about the consequences for different behaviour there was an understanding among the largest majority that, in the case of smoking, the result should be a higher premium. Such insights do perhaps explain the views that many have towards insurers and capture the challenge faced by the industry. Publishing claim statistics is undoubtedly a good start, but it seems likely that there would not be agreement on the legitimacy of declined claims if they came under any scrutiny.

Our research this year found that high proportions of people, although confident in their ability to cope should the worst happen, are in fact vulnerable, relying on partners or savings. Although many believe insurance is a good idea, they are not convinced enough of its value and are often put off by its intangibility and their distrust of insurers. We need to stay in touch with our market and our hope is that our segmentation exercise will help the industry meet the opportunities that these findings present.

OUR SEGMENTS

1 Casual Spenders

A viable segment, who are open to protection insurance products and trust insurance providers. They are likely to be going through the trigger points for purchase, such as buying a property, having children and changing job roles or progressing in their career. They are also an uncertain group, and providing reassurance to them that they and their families will be looked after could be a strong motivator to consider these products.



2 Careful Savers

A lower value segment who think that protection insurance has its place and some benefits, but are adverse to complicated financial products and prefer the safety and security of long-term savings. This group tends not to have protection insurance themselves and a clear lack of trust in insurance providers inhibits their take up of insurance products. However personal recommendation from a family or friend might help to overturn this lack of trust, as it is the main motivator for purchasing.



3 Accidental

A viable segment who are open to the idea of protection insurance and are generally advocates. Over half already have protection insurance products and most are open to considering in the future. However a lack of engagement with financial matters means that serious consideration of protection insurance is rare outside of actual triggers. Therefore education is key and advice from an adviser, broker or bank is a main motivator for purchasing.



OUR SEGMENTS

4 Self- Reliants

A low value segment who are financially self – reliant, less likely to consider protection insurance, distrust insurers and prefer to save rather than pay into a policy which might never pay out. The majority do not have protection insurance and half would never consider purchasing in the future. This group, are likely to need strong convincing of the benefits and therefore potentially best targeted through the adviser channel, where recommendation from an expert could help them convince them of the benefits.



5 Security Seekers

A key segment to target. Most already hold protection insurance products and are open to considering in the future and therefore a tangible opportunity for cross sell exists. Having protection insurance gives them a sense of financial security and allows them to prepare themselves for whatever happens in life. They are open to considering most brands. Trust, recommendation and an existing relationship are all key motivators for choice of provider.



6 Insurance Sceptics

Not a viable segment. The least likely to hold any insurance products and consider purchasing in the future. They don't see the value in protection insurance and prefer to put their money into savings instead. In many cases the triggers for insurance have long since passed, meaning there are relatively few cases where they are deciding whether or not to purchase insurance. There is a heavy distrust of insurers and most do not trust that they would pay out a claim.





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