



PACIFIC LIFE RE

KEEP PROTECTION SIMPLE Consumer Insight

EUROPE | UK

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The UK Protection industry is increasingly focused on consumer buying behaviour, attempting to engage directly with the large number of people who don't already have Protection in place. According to the ABI¹, only 24% of UK households have life insurance, therefore suggesting there is still a large proportion of the UK population who aren't protected.

This brochure highlights the key findings from our on-going research², which investigates consumers' attitudes towards purchasing life insurance. The research helps us to tailor our product development projects so that we are working with the consumers' best interests at the forefront of what we do.

ARE CONSUMERS PROTECTED?

Growing the Protection market has been a key topic over the past few years. Unfortunately, the market has remained fairly flat. According to our research, only 35% of consumers have a life insurance policy. However, this is a slight improvement on our findings from 2014; only 29% had life insurance and only 4% had Income Protection. There is clearly still a large opportunity to provide Protection to consumers and the industry needs to work harder to utilise this.

“... only 35% of consumers have a life insurance policy.”

If we are going to change this, we will need to do things differently. The following sections consider the two key areas where consumers may want us to focus our efforts:

- **Access** – making protection more accessible, particularly online
- **Process** – a quicker and simpler buying process with fewer questions

ACCESS: HOW WOULD CONSUMERS PREFER TO BUY LIFE INSURANCE?

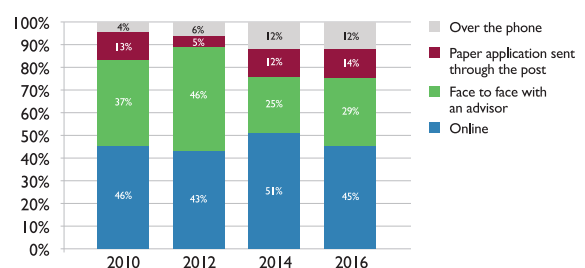
Making Protection more easily accessible should mean making propositions available to buy through a larger number of channels and methods. We asked consumers how they would prefer to buy life insurance to gauge where / how we should be targeting them.

Our research found that 45% of consumers would prefer to buy life insurance online, compared to only 14% who would prefer

a paper application. It's clear to see that consumer preferences have shifted over time. However, given the prevalence of online purchases more generally, we would have expected the number of people preferring to buy life insurance online to be higher.

In 2012, 46% of consumers preferred to buy life insurance face to face with an advisor, compared to 29% in 2016. Interestingly, the number of consumers who would prefer to buy life insurance over the phone has increased over the years, from 4% in 2010 to 12% in 2016.

If you were to buy life insurance, how would you prefer to buy it?



“... 45% of consumers would prefer to buy life insurance online...”

As expected, these preferences vary by age group. Half of consumers aged 25-44 would prefer to buy life insurance online, compared to around a quarter of 18-24 year olds and 65-74 year olds.

¹ ABI News Release: 23/09/2015

² The study was conducted by ICM Research who interviewed a random sample of 2,000 adults aged 18+ in Great Britain via an online omnibus. Fieldwork took place between 8-10th April 2016 and the results have been weighted to be nationally representative of all adults in Great Britain.

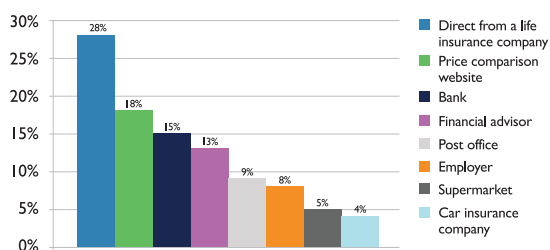
This preference for online sales is also reflected in consumers' preference to buy direct or through a price comparison website, with 28% and 18% of respondents selecting these channels respectively. Given that actual sales through these channels are relatively limited, it is an area of potential growth for the future.

However, 40% of 18-24 year olds said they would still prefer to buy life insurance face to face with an advisor. This suggests they are keen to gain professional advice before they make a financial commitment, such as life insurance. According to Target Group's research³, a quarter of consumers find buying insurance online confusing.

That may be why 15% of consumers would consider buying life insurance through their bank; though of this 15%, almost half would prefer to buy their insurance through their personal online banking. We see great potential here to expand distribution opportunities and make insurance easier to buy for consumers.

“... almost half would prefer to buy their insurance through their personal online banking.”

Which of the following institutions would you consider buying insurance through?



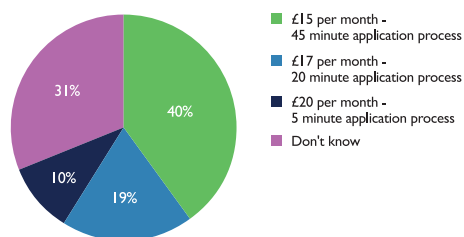
BUYING PROCESS: ARE CONSUMERS PREPARED TO PAY A PREMIUM FOR A QUICK AND SIMPLE PROCESS?

Everyone knows that time is precious to consumers and that they want to spend as little time as possible on a life insurance application. With most life insurance applications taking upwards of 30 minutes, we tested whether consumers would be prepared to pay more for a quick and simple process.

Interestingly, 40% chose the cheapest premium option which had the longest application process (£15 per month, 45 minute application process). This suggests that while time is precious, consumers aren't prepared to pay for a quicker process. This is consistent with our research in 2014, which found that the

majority (77%) of consumers would not be prepared to pay a premium for a simpler application process.

How much would you be willing to pay for a quicker application process?

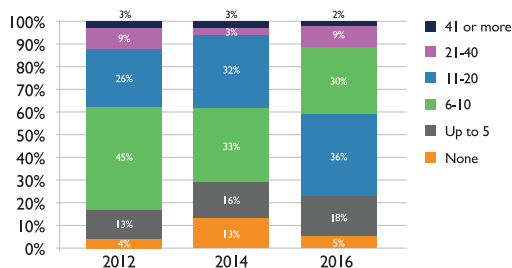


However, it's important to remember that what consumers do in practice will probably be different. Despite premium rates decreasing continually since 2004, the market still hasn't grown.

HOW MANY IS TOO MANY?

Typically, a life insurance application form will ask the applicant around 40 questions. As an industry, we're aware this is quite extensive, but how many is too many? We asked consumers how many questions they think is reasonable to answer. It appears that the majority of consumers think it's reasonable to answer between 6 and 20 questions. Unsurprisingly, the number of questions consumers are prepared to answer is gradually decreasing.

How many questions do you think is reasonable to answer when completing a life insurance application?



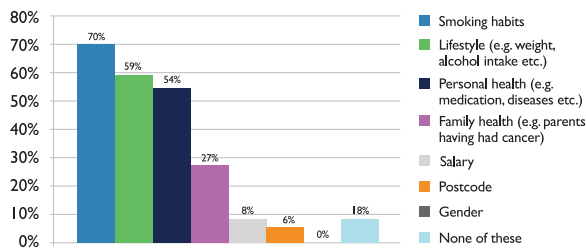
“It appears that the majority of consumers think it's reasonable to answer between 6 and 20 questions.”

³ Target Group: 19/03/2015

IS IT FAIR FOR INSURERS TO CHARGE CONSUMERS DIFFERENTLY?

The level of price competition in Protection drives continual development of application forms and underwriting and pricing approaches. We wanted to gauge consumer views on what is currently asked and compare these to potential new factors such as salary and postcode.

Do you think life insurers should be able to charge different amounts depending on the following?



A large proportion (70%) of consumers think insurers should be able to charge different amounts depending on smoking habits, closely followed by lifestyle (e.g. weight and alcohol intake).

Unsurprisingly, we found that 74% of ex-smokers think insurers should be able to charge different amounts depending on 'smoking habits', compared to 73% of non-smokers and 55% of current smokers. However, they may not realise that they will also be charged more despite being an ex-smoker. A third (27%) of consumers thought it was reasonable to charge different amounts depending on family health, reflecting the sensitivity of the subject.

“Unsurprisingly, we found that 74% of ex-smokers think insurers should also be able to charge different amounts depending on ‘smoking habits’...”

Compared to these benchmarks, support for socio-economic pricing measures is very low. Only 6% thought insurers should charge different amounts depending on postcode, closely followed by 8% depending on salary.

CONCLUSION

It's important for us to take note of shifting consumer buyer behaviour and ensure we're geared up to make Protection easier to buy through consumers' preferred channels.

Our research has found an increase in the number of people preferring to buy life insurance online. We therefore need to make sure we keep up to date with technology, particularly given the move to mobile and tablet use. That also provides a significant opportunity to grow the market by getting the right Protection proposition in front of the customer in the right way.

When we do put online Protection propositions in front of consumers, they have to be simple. Understandably consumers are becoming less willing to spend time on life insurance applications and their buying habits are largely focused on time, price and ease.

That simplicity also translates to our pricing structures. It's interesting to see such a small percentage (6% and 8% respectively) of consumers who think it's reasonable for insurers to charge different amounts for life insurance based on postcode and salary. Premium prices have fallen for over a decade but the market hasn't grown – finding new ways to make prices cheaper for some, but more expensive for others, won't grow the market.

In our view, what will generate growth is a drive toward simpler buying processes that are tailored to the channels that consumers want to buy in. If we can get that right, then the market will grow and we will be able to protect more people.

“Only 6% thought insurers should charge different amounts depending on postcode...”



PACIFIC LIFE RE

ABOUT PACIFIC LIFE RE



Pacific Life Re works with clients in Europe, Asia, Australia and North America to manage their mortality, longevity and morbidity risk. We have built a strong, experienced team with a reputation for technical expertise, responsiveness, innovation and excellence in service delivery to our clients.

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