

2018 UK Consumer Research

Pacific Life Re



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30%

of consumers would look to their bank as a trusted source to buy life insurance from



46%

of consumers would prefer to buy life insurance online

81%

of consumers would be happy to answer between 1 - 20 questions on an application form



35%

of consumers would choose to pay more to have a shorter application process



Only **36%** of consumers would consider getting cover for cancer



Introduction

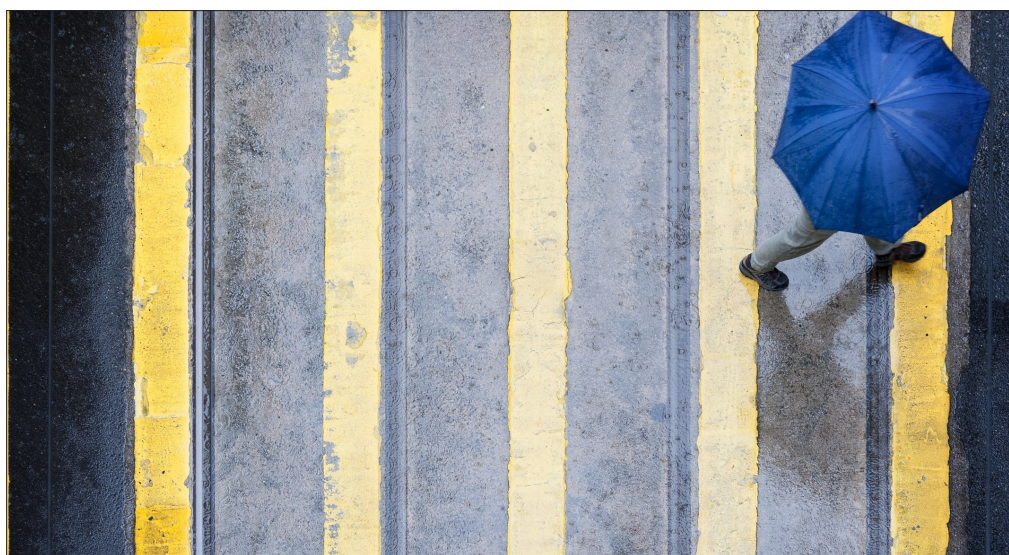
The buying behaviour and thought processes of consumers are of key interest to the UK Protection industry, as it attempts to engage directly with its audiences to make clear the benefits of having a life insurance policy in place.

This has always been somewhat of a challenge for the industry, which is reflected in the fact that only 20% of the 27.2 million households in the UK hold a life insurance policy.¹ This suggests that there are still a large proportion of consumers who are unprotected.

In February 2018 we commissioned a survey of 2,053 people in the United Kingdom to gain insight into how consumers would prefer to buy life insurance; their thoughts on the application and claims process and on the industry itself. This publication highlights the key findings from our research.²

¹ ABI UK Insurance & Long-term Savings Key Facts

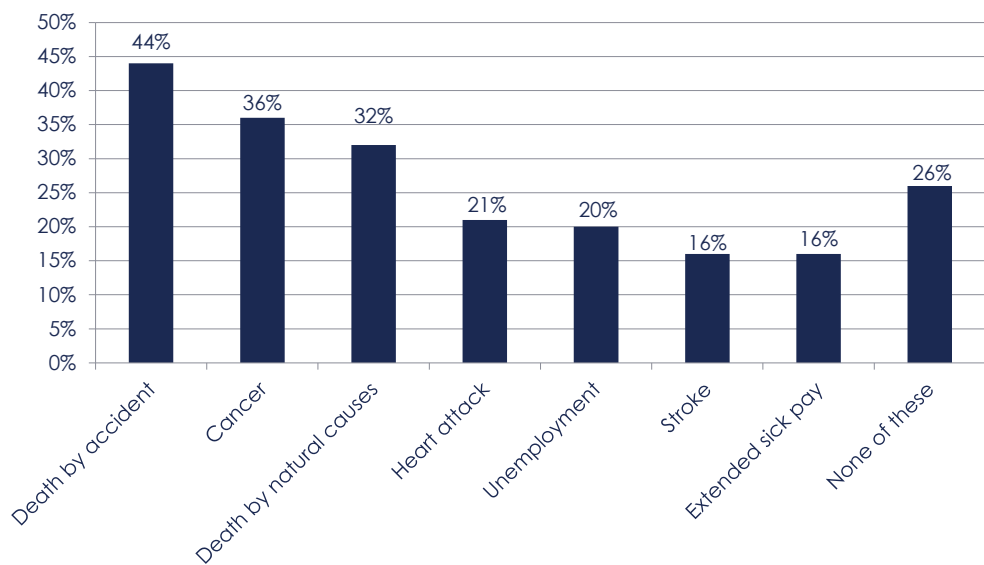
² The study was conducted by ICM Research who interviewed a random sample of 2,000 adults aged 18+ in Ireland via an online omnibus. Fieldwork took place between 2-5th February 2018 and the results have been weighted to be nationally representative of all adults in Ireland.



What Would Consumers Consider Buying Insurance For?

Given that such a large proportion of the population are uninsured for life and health related illnesses, we wanted to gauge consumer interest in insuring against a variety of different things.

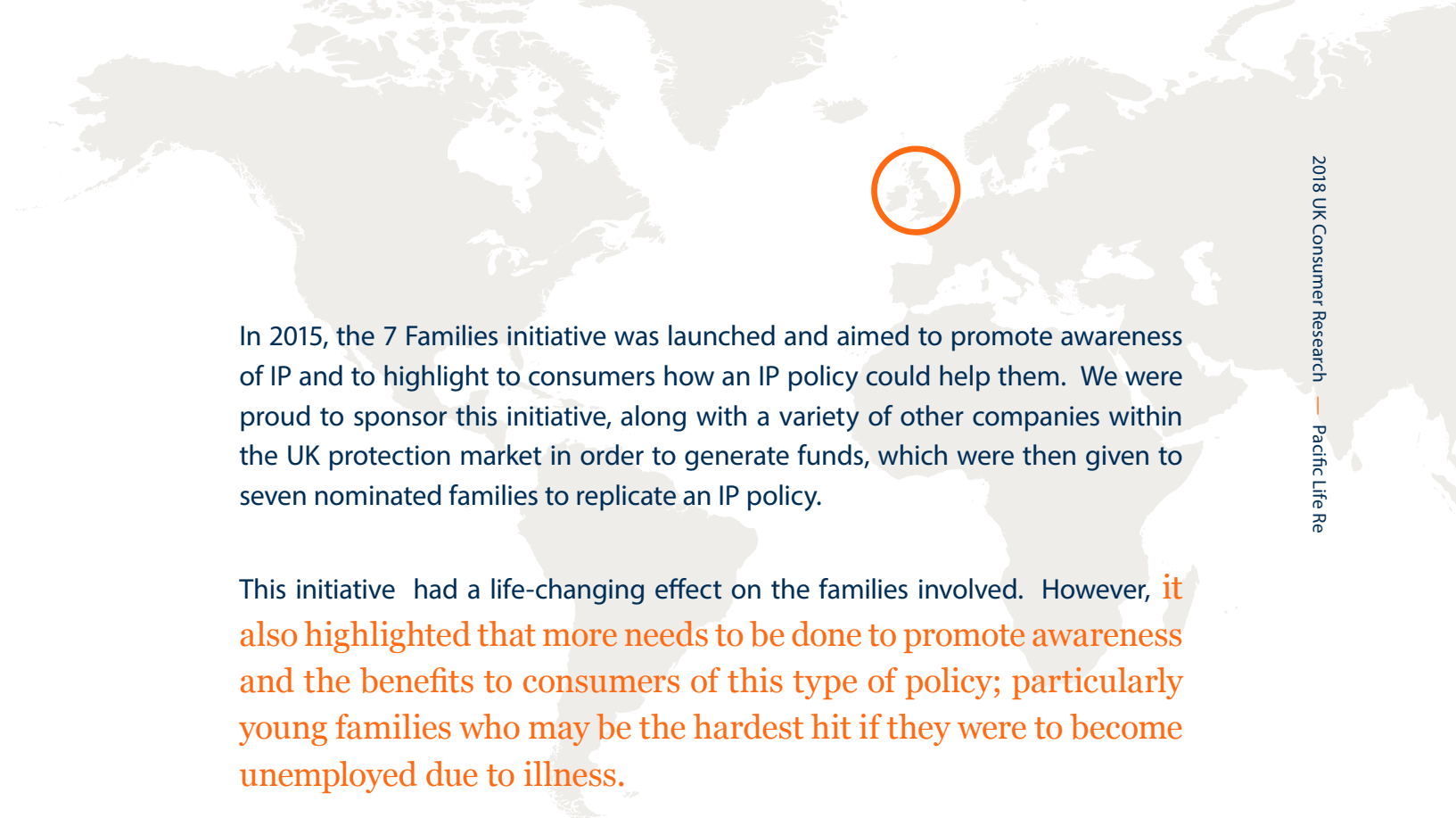
We asked: “Which of the following, if any, would you consider getting insurance for?”



It’s clear to see that the largest proportion of consumers would consider getting insurance for ‘death by accident’, closely followed by ‘cancer’. This may highlight development opportunities for a range of accidental death policies to be created, or perhaps a cancer add-on to life insurance.

Only 20% of consumers would consider getting insurance for ‘unemployment’. Interestingly, when we delve into this further, only 29% of 25 to 44 year olds would consider purchasing insurance to cover them for unemployment, despite the fact that these are typically the most financially important years of a person’s life; the average age of first-time buyers being 30 years old, and the average age of first time mothers being 27.8 years old.^{3 4}

³ <https://www.homesandproperty.co.uk/property-news/buying/first-time-buyers/average-age-of-firsttime-buyers-rises-to-30-in-the-uk-and-32-in-london-a102966.html>
⁴ https://www.huffingtonpost.co.uk/2016/03/09/pregnancy-around-the-world-age-of-new-mums_n_9416064.html



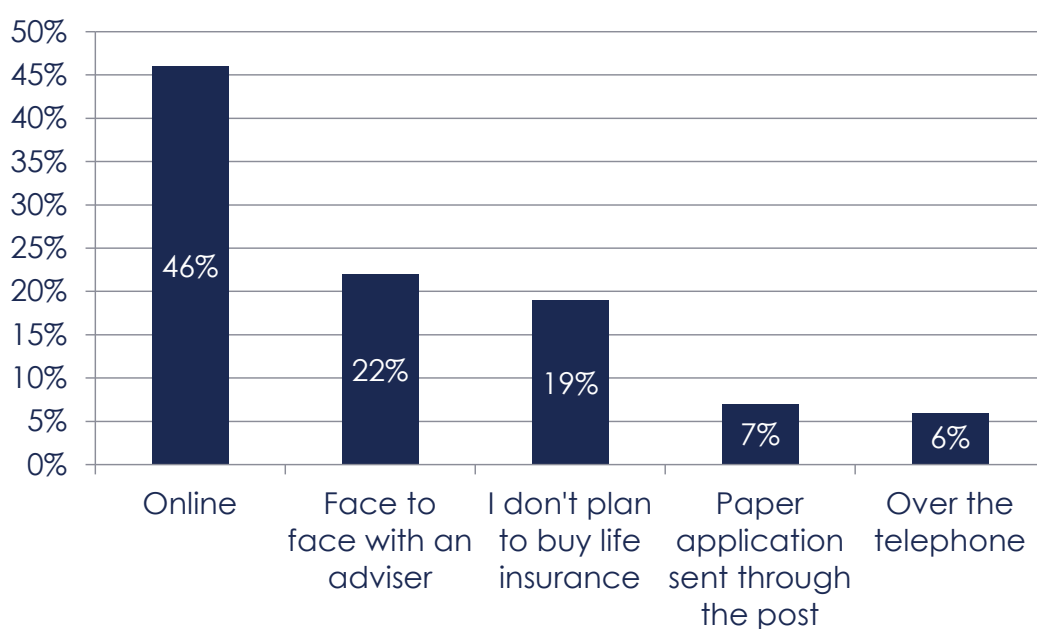
In 2015, the 7 Families initiative was launched and aimed to promote awareness of IP and to highlight to consumers how an IP policy could help them. We were proud to sponsor this initiative, along with a variety of other companies within the UK protection market in order to generate funds, which were then given to seven nominated families to replicate an IP policy.

This initiative had a life-changing effect on the families involved. However, **it also highlighted that more needs to be done to promote awareness and the benefits to consumers of this type of policy; particularly young families who may be the hardest hit if they were to become unemployed due to illness.**

How and Where is Protection Bought?

In order to reach the maximum number of consumers, it is vital that protection policies are easily accessible. We asked consumers how they would prefer to buy life insurance, to gauge where or how we should be targeting them.

We asked: “If you were to buy life insurance, how would you prefer to buy it?”

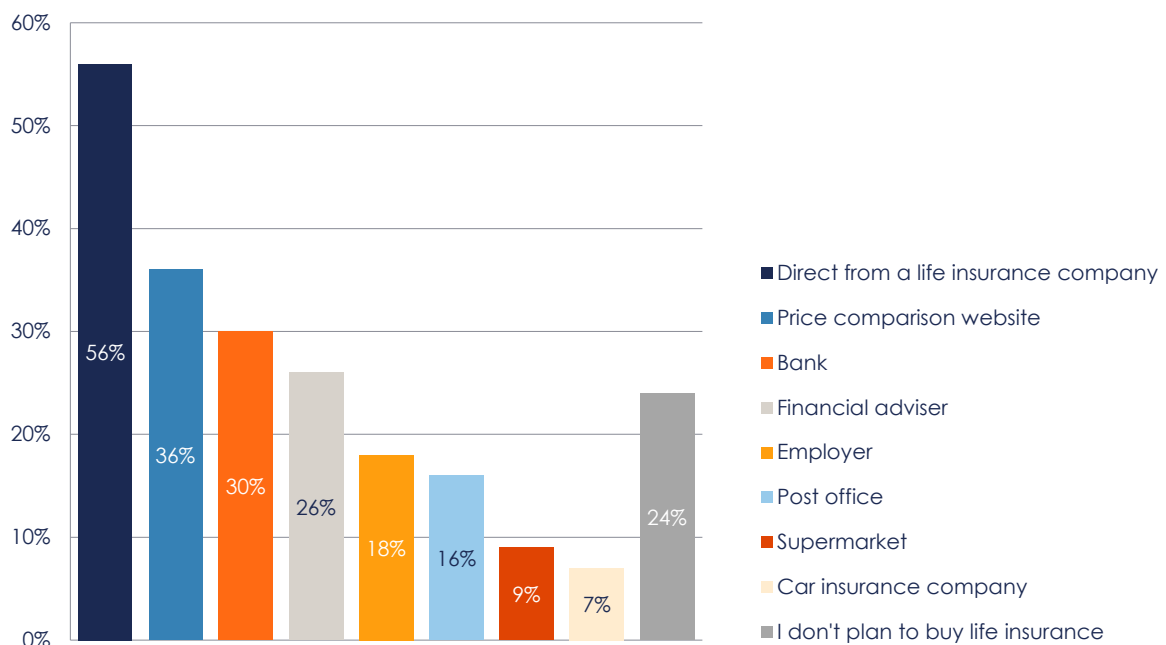


46% of consumers would look to buy a policy online. **With consumers purchasing more products online than ever before, it's vital that we make protection easy to buy online.** UnderwriteMe have developed the Protection Platform, which offers a comprehensive selection of critical illness, life and income protection products and makes buying and selling protection in the UK so much easier. Approximately 87% of UK consumers have bought at least one product online in the last 12 months.⁵

As we delved deeper into the statistics, we found that 38% of 18 to 24 year olds said they would prefer to buy life insurance from an advisor, compared to 34% who said they would look on the Internet. This may suggest that **whilst we are in the digital age, more needs to be done to make face-to-face advice easily available for the younger population.**

Looking further into how we can make life insurance more accessible to consumers, we wanted to gauge what appetite there was for consumers to be able to buy life insurance from institutions other than life insurers.

We asked: “Which of the following institutions would you consider buying life insurance through?”



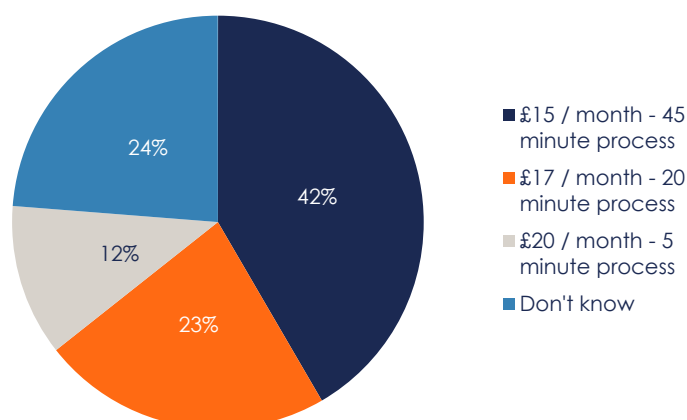
⁵ <https://www.nasdaq.com/article/uk-online-shopping-and-e-commerce-statistics-for-2017-cm761063>

It's interesting to see that **30% of consumers would consider buying life insurance through their bank, which we see as a key development opportunity.** Around a quarter of consumers would prefer to buy life insurance through an advisor. This may therefore suggest there is an opportunity for insurance companies to provide more financial advice or recommendations online. This could be in the form of automated advice tools, such as protection calculators, where consumers can work out how much cover they may need based on their income, dependents and financial commitments or simply an online-chat service with an expert. We believe more needs to be done to provide trusted, expert advice regarding complicated financial issues online. However, making protection more easily accessible isn't, on its own, going to mean all families have the cover they need. The application process is another barrier.

Would Consumers Pay More for a Quicker Process?

Consumers are aware that the process of buying life insurance is not a quick one; with most life insurance applications taking upwards of 30 minutes, this may be a contributing factor to why many do not own a policy.

We asked: “How much would you be willing to pay for a quicker process?”



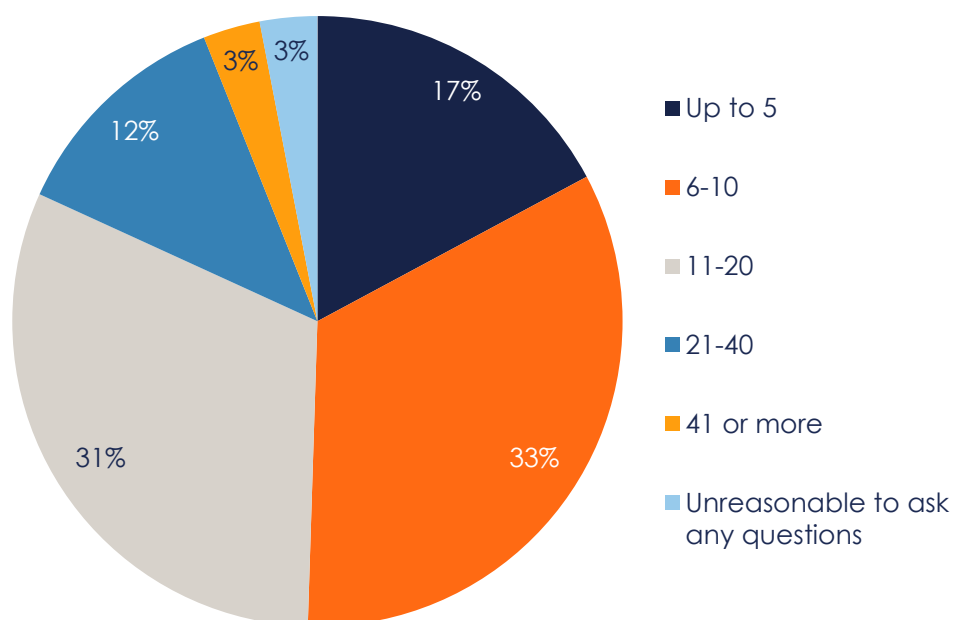
We found that 42% chose the cheapest option, which had the longest corresponding application process (£15 per month with a 45 minute application), compared to 35% who are willing to pay £2 or more per month for a quicker application process. **These findings suggest that there is some consumer appetite for a shorter application process, even if it means paying slightly more in premiums.**



Questions - How Many is too Many?

Historically, life insurance application forms have become very long, asking the applicant many questions. There have been significant steps forward in reducing the length of our application process over the last year but we want to gauge how long consumers thought was reasonable.

We asked: “How many questions is it reasonable to answer when applying for life insurance?”



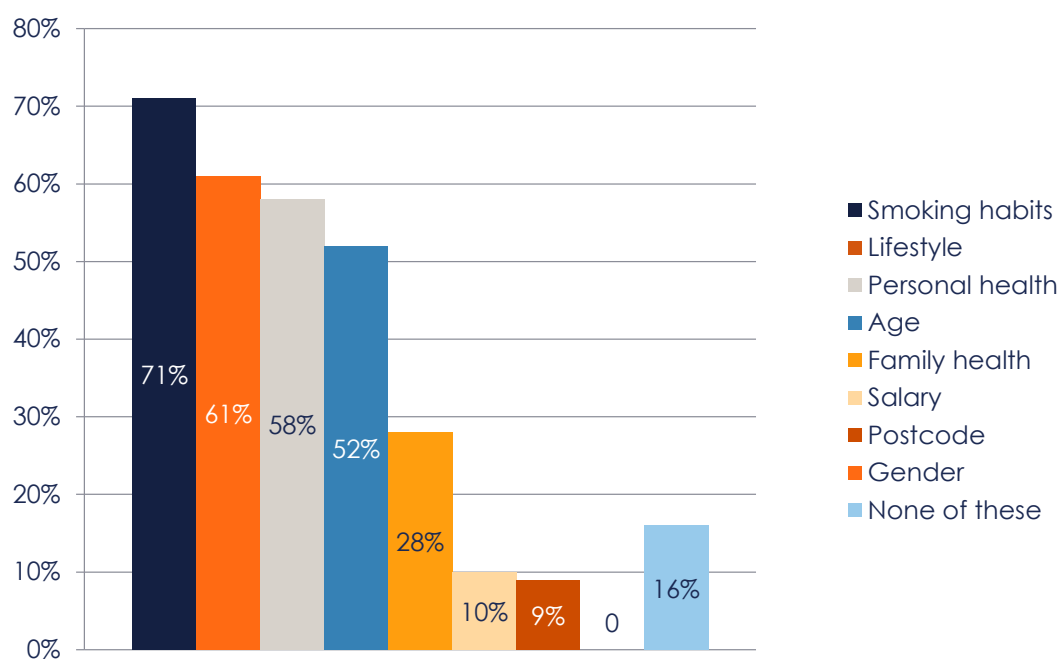
Unsurprisingly, a very minimal number (3%) said they would be willing to answer 41 or more questions.

It is clear that the majority of consumers would be happy to answer between 6 and 20 questions, but few would be willing to answer over 20. However, consumers may not appreciate the fact that, in order for them to receive the best possible premium, certain questions need to be asked, to ascertain the risk and therefore the cost.

Is it Fair to Charge Consumers Differently?

The level of price competition in protection drives continual development of application forms and underwriting and pricing approaches. We have tried to gauge consumer views on what is currently asked as part of the application process and also on potential new factors such as salary and postcode.

We asked: “Do you think life insurers should be able to charge different amounts depending on any of the following...?”



A large proportion (71%) of consumers think insurers should be able to charge different amounts according to smoking habits; closely followed by lifestyle (e.g. weight and alcohol intake). **This would therefore suggest that consumers do have a level of understanding that these factors can increase risk and therefore cost.**

Looking into the data further, we found that 73% of ex-smokers think insurers should be able to charge different amounts depending on ‘smoking habits’, compared to 76% of non-smokers and 53% of current smokers. However, **the ex-smokers might not realise that they may also be charged a higher premium despite no longer smoking.**

Only 28% of consumers thought it was reasonable to charge different amounts depending on family health, reflecting the sensitivity of the subject.

Interestingly, only very few consumers (10%) think it's reasonable for insurers to charge different amounts depending on salary. From these results, **it may also be assumed that consumers wouldn't consider socio-economics (including salary) to be a fair representation of their own state of health or mortality**, and therefore believe that these shouldn't be factors in determining how much they must pay for cover.

Final Thoughts

It's clear to see that a large proportion of consumers would consider getting insurance for 'death by accident', closely followed by 'cancer'. This may highlight a significant opportunity for more tailored products that are specific to particular conditions.

Around a quarter of consumers would prefer to buy products online (46%), through a price comparison website (36%), or through their bank (30%). **This highlights a key opportunity for insurance to be sold from a wider distribution network, something we are actively working towards.**

There is a clear need to improve consumer understanding (particularly 18-24 year olds) about the benefits and importance of Protection policies.

As always we would be happy to discuss any of the topics raised with you.



For more information about Pacific Life Re
please visit our website www.pacificlifere.com,
follow us on LinkedIn or contact —

James Tait
Head of Protection
Pacific Life Re | Europe
T: +44 (0)20 7709 1814
E: james.tait@pacificlifere.com

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