

IndustryVoice

Analysis, commentary and trends for the UK mortgage and protection industry | Edition 19 Winter 2024

The true value of protection

Articles from

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Welcome

For this edition of the Industry Voice, we look at the “True Value of Protection”, asking providers across the industry to share their thoughts and insights.

Taking a holistic view of the market, with a stellar line-up of providers and industry leaders providing thought leadership and perspectives on how to create positive change in the industry and to uncover the true value of protection for everyone.

A special thank you to our partners and contributors for sharing their thoughts about new plans, approaches, and driving forward positive change to the relationships between providers and consumers.

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We are always keen to hear your thoughts about this issue and the topics raised.

If you would like to get in touch, please contact the Advertising & Sponsorship Manager, Neal Ray.

Visit: iress.com/industry-voice for more perspectives from our provider & lender partners about the issues affecting our industry.



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Enriching the dialogue around the true value of protection



Jacqui Durbin
Global Head of Product, Life, Pensions & Mortgages
Iress



In today's uncertain world, the need for financial protection products has never been more pronounced. Offering a crucial safety net, these products ensure that individuals and families can navigate life's unexpected challenges with confidence. Yet, the true value of financial protection extends far beyond the payout—it encompasses peace of mind, security, and the confidence to face the future with resilience.

In this edition, titled "The True Value of Protection," we explore how protection products make a tangible difference in people's lives. We delve into the importance of finding the right balance between quality, product fit, and price, a combination crucial for tailoring protection to individual needs.

We feature insights from Cirencester Friendly and National Friendly on

the Hierarchy of Needs, illustrating how protection products serve as a psychological safety net—a benefit increasingly valued by younger generations seeking financial security. Our discussions extend to how financial advisers can adapt to their clients' changing needs throughout their lives, ensuring that protection products continue to provide essential support.

Scottish Widows contributes a compelling perspective on why initial price isn't everything. They discuss the importance of transparency around underwriting processes and share tools that aid advisers in having more meaningful conversations with their clients.



Our Q&A with CIEExpert navigates the complexities of Critical Illness cover, providing clarity and helping advisers make informed recommendations.

Additionally, Matt Chapman, The Protection Coach, offers invaluable advice on understanding the true desires, ambitions, and needs of clients to reframe protection conversations, leading to more successful outcomes by simplifying the entire discussion.

Moreover, this edition includes commentary from numerous industry experts who share their insights on current topics, their expectations for the future, and their aspirations for the industry. These contributions reflect our commitment at Iress to Industry Voice—garnering views from across the industry on hot topics that matter to us all.

This edition is not just about our voice at Iress. It's about amplifying

the diverse and expert voices across the industry, highlighting the multi-faceted value of protection products and how they can truly enrich lives. We hope that the articles, insights, and discussions featured here will inspire you and enhance your practice.

Enjoy the read, and here's to enriching the dialogue around the true value of protection.

The True Value of Protection:

Giving Executable Advice



Matthew Chapman
The Protection Coach

If we really want to appreciate the true value of protection, we first need to examine the nature of the relationship between adviser and client and why someone seeks financial advice in the first place.

Many advisers, and their clients, often misinterpret the role of the adviser but it is actually a very simple one. The role of an adviser is to understand the clients' primary goal and then recommend the most suitable financial products that enable the client to achieve it. Simple, right?

You say that but if it was that simple, no customer would ever leave an advice meeting without adequate financial protection in place.

Regardless of whether the client is looking to borrow money, refinance their home or plan for their retirement, there are a few key financial elements – such as being in receipt of a regular income – without which, all of these would become an impossibility.

Protection doesn't just therefore underpin other areas of financial advice; it actually facilitates the execution of the advice itself.

Let me explain, starting with

mortgages. When a mortgage adviser submits an application to a lender they are categorically stating, in their capacity as a regulated, qualified mortgage adviser, that they have done their due diligence, carried out affordability checks and believe the customer has the financial capability to take on and sustain the debt at least for the duration of the term they have recommended. Really? Can you honestly say that? Not without guaranteed income sources you can't!



Mortgage advisers should consider that the true value of protection is not in protecting the debt itself but in the client's ability to obtain and sustain the liability. When carrying out affordability checks, mortgage advisers should assess whether the income sources being leveraged to obtain the mortgage are guaranteed for the entire duration of the loan term or not. If they are not, advisers should always look to protect their clients' income sources.

The true value of protection in this instance is not protecting the mortgage repayments themselves but in facilitating the clients' ability to get the loan and keep the home. That's their true goal.

It's all too easy to focus on the mortgage as the goal. But the mortgage is just a financial product, much like any other. The mortgage provides just one element of the homebuying toolkit.

Without income, for example, the clients' ability to get the mortgage product, buy the house or get to

keep it when things go wrong, would be non-existent or limited at best.

The true value of protecting clients' income sources, for example, is in safeguarding their ability to achieve all their financial goals in life, including the very one they came to the mortgage adviser for in the first place.

This same principle applies to remortgage customers who will invariably want to refinance their home so they can remain in it. It also applies to wealthier customers or those seeking financial planning advice.

If a client visits a wealth adviser for guidance on their retirement planning, the adviser will typically use a cash flow forecast and growth assumptions to calculate the required monthly contributions needed to afford the desired level of income later in life.

Without the regular income each month to be able to make those regular pension contributions,

the clients' desired level of retirement income may be totally unachievable.

In this scenario, the consequential losses are almost incalculable. It's not just the loss of the individual contributions but the loss of the growth of the fund and the compounding interest over the term of the plan. Compared to the potential long-term costs of missing contributions, the tiny investment it would take to ringfence their income seems almost insignificant.

When juxtaposed against the goals, desires and ambitions of every client and every household, the true value of protection cannot be understated. On this basis, advisers need to try to reframe how they see protection – less as something they recommend alongside other areas of financial advice to more of an essential tool that is used to guarantee that their advice can actually be executed.

That's the true value of protection.



There has never been a more important time in demonstrating the value of protection products than now. With both Consumer Duty and the FCA thematic review of pure protection products, the regulator is not just looking for delivery on the protection promise, but also demonstrating a consumer understanding of the products.

By their very nature, value add benefits such as digital GP consultations, and mental health and wellbeing services offer very valuable support as soon as the policy is on risk. From our data, we can see a continued increase month on month in demand for these services, at all times in the day, for both policyholders and their families, 24/7.

On some of our portfolios, we see a repeat user rate more than 60% showing just how valued these services are in supporting the customer.

Steve Casey, Marketing Director, Square Health



Nobody can know how long an unexpected illness or injury will last, which is why the monthly benefit from income protection is crucial to supporting financial wellbeing.

An important feature of income protection insurance is the breadth of illness covered under policies. From colds and broken bones to back injuries and mental health conditions, these are all illnesses that could lead to a claim being paid if they prevent someone from working – it's not just major illnesses such as cancer or a heart attack that can have an impact on someone's ability to earn, although they can also be covered!

Jamie Page, Head of Protection Distribution, The Exeter







The power of case studies in highlighting Protection insurance needs



Patti George
Individual Protection Market Development Manager
Aviva



Protection insurance can be a crucial safety net that provides financial security in the face of unforeseen events such as illness, disability, or death. Despite its importance, many clients remain unaware of its benefits or are hesitant to invest in it. One effective way to bridge this gap is through the use of claims case studies and real-life examples.

The importance of case studies

Claims case studies are powerful tools that bring theoretical concepts to life by illustrating real-world scenarios. They provide concrete examples of how protection insurance can make a difference in people's lives. By showcasing actual situations where protection insurance has provided critical support, you can help your clients understand the

tangible benefits of having such coverage.

The emotional impact of real-life examples cannot be overstated. When your clients hear claims stories of individuals or families who have faced financial hardship due to a lack of protection insurance, they are more likely to empathize and see the relevance to their own lives. This emotional connection can be a strong

motivator for your clients to take action and secure their financial future.

Choosing the right claims case study

Selecting the right case study to share with your client is essential for maximizing its impact. You should choose examples that are relevant and relatable to your clients' specific needs and circumstances. For instance,

“Sharing real-life claims stories can significantly build credibility and trust between yourself and your clients.”

a case study involving a young family might resonate more with clients who have children, while a story about a single professional could be more relevant to young, unmarried clients.

Tailoring case studies to match the demographic and lifestyle of your client ensures that the examples are not only engaging but also directly applicable. This personalized approach helps your clients see themselves in the scenarios presented, making the need for protection insurance more immediate and pressing.

Building trust through real-life examples

Sharing real-life claims stories can significantly build credibility and trust between yourself and your clients. When clients see that others in similar situations have benefited from protection insurance, they are more likely to trust your recommendations. Transparency and authenticity are key here; your clients need to feel that the stories are genuine and not exaggerated or fabricated.

By being open and honest about the outcomes of these case studies, you can foster a sense of trust and reliability. This trust is crucial for building long-term

client relationships and ensuring your clients feel confident in their decision to invest in protection insurance.

Educating clients

Claims case studies are not just persuasive tools; they are also excellent educational resources. They can help demystify complex insurance concepts and make them more accessible. For example, a case study can illustrate how income protection insurance works in practice, showing the step-by-step process of how claims are made and how the benefits are received.

Using relatable stories to explain these concepts reinforces the importance of protection insurance and helps your clients understand its value. This educational approach can lead to more informed decision-making and greater client satisfaction.

Reinforcing discussions around protection

Integrating claims case studies into your client discussions can be a highly effective strategy for reinforcing the importance of protection insurance. You can use these examples to highlight key points during consultations, making

the conversation more engaging and impactful.

Continuous reinforcement through real-life examples can help your clients better understand the risks of not having protection insurance and the benefits of being covered. This ongoing dialogue can lead to more meaningful client interactions and ultimately, better decision-making.

Conclusion

Incorporating claims case studies and real-life examples into your client discussions offers many benefits. These claims stories illustrate the practical uses of protection insurance and create an emotional connection that motivates clients to act. By choosing recent and relevant claims case studies, building trust through transparency, and using these stories as educational tools, you can highlight the importance of protection insurance and help close the protection gap.

Find out more...

Visit our Aviva Protection Claims Hub for claims case studies you can use in your protection conversations.





With the ever changing needs for protection growing, it's important to look at the product innovation in the market, and what more can be done. We work closely with Providers to bring this innovation to the market to help advisers meet the needs of their clients and present the true value of protection. It's important as a Technology Provider that we work with our Providers to understand what's possible (in terms of bringing that innovation to life) and how these products can be best displayed and sourced by our Distribution to ensure there is no ambiguity in how the product works or the true value it can bring to someone.

Protection is not a one size fits all. We must look at what can be done for the underserved market and bridging the gap in Protection. We all want to feel financially resilient, so enhancing and introducing new products will help customers find a product that fits personal circumstances and their lifestyles. The financial resilience of a single person compared to a married couple with children is incredibly different so exploring product features and true product value can lead to better outcomes for the customer and improved financial security.

Louise Sarsby, Head of Account Management, Provider Lender, Iress



Income Protection offers financial security in the event you're unable to work due to illness or injury. We should never underestimate or undersell the importance of that value in keeping people and their families afloat with cold, hard cash at a time of need. However, the increasing reality of Income Protection propositions is that they offer so much more than just the money.

We help keep people at work through value add services such as 24/7 GP access and mental health support. We help people when they begin to have time off by considering early intervention where it benefits all parties to step in at the earliest opportunity. And through any claims process the support provided by claims managers and services provided by insurers to assist a positive outcome hugely surpass what is available to people without the protection that IP provides.

Andrew Wibberley, Director, IPTF



With the persistent macro-economic environment of increasing costs of living, homeownership challenges and strains on household finances, it's clear that more people are dangerously exposed to the financial impacts of life shocks. Within our industry, the regulatory demands of Consumer Duty and recently announced Market Study rightly focus on customer outcomes and fair value; ensuring people are well-protected now and in the future.

At LifeSearch, our purpose - to 'protect people properly' - couldn't be more pertinent. Yet the individual protection market remains stagnant. Collectively, through traditional channels and products, the industry is failing to reach and serve significant parts of the population. At LifeSearch, we're 'creating' new opportunities with greater collaboration through the value chain and beyond the 'protection bubble'. We believe that future market growth lies in embedding protection into wider consumer experiences - presenting it to the right people, at the right time and in the right channel (and with a tailored solution) - to strengthen the financial resilience of many more.

Justin Harper, Chief Marketing Officer, Lifesearch





Life claims: balance of risk”, the latest report from Swiss Re and Insuring Change, concludes that a maximum of just 22.8% of single own life term policies were placed in trust in 2023 and, consequently, a minimum of 77.2% were still not written in trust.

Indications from insurers offering beneficiary nomination policies suggest that their inclusion could have reduced the market beneficiary gap to 68%.

This matters because the proportion of cohabiting couples, who are at most risk of not getting the death benefits meant for them, continues to increase and probate delays continue to be high.

Proper policy set-up in the first place, advised or non-advised, is essential in removing the risk of money not going to the intended beneficiaries and of extensive probate delays.

Existing examples of processes and communications working together well across all parts of the distribution chain show it’s possible for all to achieve this.

Ron Wheatcroft, Technical Manager, Swiss Re



Assessing and evidencing value and the ability to craft the right solution for each individual customer’s needs is now more important than ever. Advisers have an array of options at their fingertips to build bespoke packages whether this be financial protection for their clients’ and their children or accessing treatments for the most severe illnesses.

Louise Colley, Director of Protection, Zurich



In today’s uncertain world, the real value of protection products extends beyond direct financial aid—it provides peace of mind, security, and the resilience to confidently face future challenges. At Iress, we recognise that the essence of effective protection is found not only at the moment of making a claim but also in delivering consistent, proactive support throughout a client’s life, ensuring that every facet of coverage meets the client’s needs.

Our approach enables advisers to assess and compare products not merely by price but also by quality and additional benefits. This comprehensive evaluation helps advisers strike the optimal balance between quality, product fit, and cost, allowing them to recommend solutions that truly resonate with their clients’ unique circumstances.

By boosting transparency and enhancing the advisor-client conversation, our software empowers advisers to focus on value-driven discussions.

This is where the true value of protection lies, ensuring that each plan not only secures financial stability but also enriches clients’ lives, providing them with the certainty and support needed to thrive in an unpredictable world.

Jane Irwin, Senior Product Manager, Iress



Why selling protection is just the start



Dave Butler
Market Development Manager
Legal & General



Protection makes a real difference to people's lives. Just in 2023, we supported nearly 18,700 clients and their families who made claims. Their benefits totalled £921 million.

Yet, these customers are a minority compared to the many who didn't claim or, probably, even think about their cover that year.

No more gathering dust

But policies don't have to sit in a drawer until the day they're eligible. This is a missed opportunity to offer long-term value and build meaningful, trusted relationships

with clients. Without ongoing post-sale support, some might never recognise the full value of their products or their benefits.

From day one, many policies actually offer value-added benefits that can be easily overlooked. They're sometimes even available to the life assured's spouse or children. For example, they might be able to access support from

a dedicated nurse or assistance with later life care. And though some claims aren't often made until years after a policy is secured, keeping in contact makes sure clients know who to contact and what to do. So just by helping clients feel more confident and connected with their provider, makes it easier for them to manage if the worst happens.



Continuing support after the sale

I was recently listening to Reassured Director of Corporate Strategy, Phil Jaynes, talking on our Just Covered podcast. When, suddenly diagnosed with cancer in 2023, he needed to make a claim:

“My insurer had never written to me in the two plus decades I’d been paying my direct debit. Were I not quite organised and in the industry, it’s unlikely I’d have been able to put my hands on the paperwork. And it would have been difficult to know where to contact. At the very least, brokers should contact customers annually to remind them of their cover and benefits and to ensure their needs haven’t changed.”

Phil’s right. As an industry, we should all be going one step further than the ‘contact us, when you’re eligible’ approach. So, what steps can we take to actively maintain relationships, keeping clients engaged and updated years after getting them on risk?

Meaningful relationships start with a simple call

Some advisers still like to deliver policy documents in person. But even a simple welcome call can

be enough to spark a connection. You can start building a rapport by calling about:

1. A follow-up check-in or recap, covering their plan and its importance for them. Such as, if they’ve got their first or dream home, how the policy keeps them in it, whatever happens.
2. When important payments are made.
3. When they’re eligible for a claim, or not, to manage expectations.
4. Any additional benefits and how to access them.
5. Key dates their plan is reviewed. Like if circumstances change or their employee benefits and earnings change.
6. Finally, and most importantly, agreeing on regular reviews. So that every year or two, you can check through all the above and make sure everything’s still fit for purpose or whether updated cover is needed.

Ongoing communication benefits both parties

These are really just a starting point. But no doubt, both parties benefit when advisers recognise

that selling protection is just the start of the journey.

Taking this long-term view of protection and seeking to nurture customer relationships will lead to improved loyalty, retention and satisfaction. In turn, this will likely convert into referrals. What’s more, regular communication about your client’s situation will help you tailor advice as their situation evolves and meet their needs more effectively.

If you’d like to find out more, you can listen to Phil’s fascinating story and advice on post-sale communications [here](#).

Plus, we have a number of retention sales aids for helping improve your post-sales communications. Take a look here: <https://www.legalandgeneral.com/adviser/protection/adviser-toolkit/sales-aids/>

The psychological benefits of protection



Rebecca Hill
Senior Manager - Marketing & Communications
Cirencester Friendly



As a human, what do we need to feel content and complete? It's a question that has occupied many of the brightest minds over the centuries. In the 1940s, Abraham Maslow developed perhaps one of the most well-known theories – his hierarchy of needs. He believed people were born with an in-built desire to be all they can be. To achieve this, a range of basic needs must be met. These include food, water, shelter and security.

People want control and order in their lives. Once they have the basics they need to survive in place, the next stage in Maslow's hierarchy of needs is to achieve safety and security. In the modern world, this means financial security. Without that, people are unable to successfully attain the other things they need to make themselves whole, such as building strong relationships and self-esteem.

In a climate where there is constant talk of a cost-of-living crisis, financial security and money worries are top of mind for many. Financial pressure is the biggest

cause of stress outside of work¹ and this stress is particularly intense for those in their 20s and 30s.

For these younger generations, who have grown up witnessing the turmoil of Brexit, Covid and conflict in Europe and the Middle East, there seems to be a particular strong desire to explore ways to achieve this security.

Past generations may have fulfilled this need through getting on the housing ladder, acquiring bricks and mortar to keep themselves and their families safe and secure. With rising house prices, younger people

are being priced out of this option. As the average age of a first-time buyer is now 34², those in their 20s are looking for other ways to find the security they need.

This requirement for a psychological security net may be fuelling the rising interest in financial protection amongst younger people. The latest edition of AML's Viewpoint survey, Making Protection Personal, found that 13% of Gen Z and 15% of Millennials had income protection, compared to just 5% of Gen X, which covers those in their 40s and 50s³.



These figures were backed up by our own recent study. 74% of those aged 34 and under said they would consider buying a product that paid their income if they were unable to work due to an accident or illness⁴. In comparison, this only appealed to 37% of those aged 55 and over, who are much more likely to have attained financial security through other means.

Life is uncertain and fickle, with few guarantees. Peril could be just around the corner. If you think about all the things that may go wrong, all the disasters that could happen, it is easy to descend into despair. Those that have the most

mental resilience, for example elite athletes, have learnt to concentrate on their own performance, the thing they have most control over. It is a valuable skill that translates to ordinary life.

Income protection offers a viable option to take that control, removing some of the worry and stress. Even if it is never needed, just having that protection in place offers that security that we all need and crave. With so much else to worry about in the world today, making a conscious decision to acquire cover, can move you one step closer to attaining that all important feeling of safety and security.

1. Financial Wellbeing Statistics UK | 2023 Data | Champion Health
2. UK First-Time Buyer Statistics 2024 | Uswitch
3. Protection Viewpoint | Association of Mortgage Intermediaries (AMI)
4. A survey with 2,000 people conducted by Opinium Research, October 2024



Underwriting Made Clear



Scott Cadger
Senior Protection Leader
Scottish Widows



Since Consumer Duty coming into effect, we take a look at how tailored underwriting can play a part in helping advisers to meet the new rules.

Consumer Duty regulation has been described as the biggest regulatory shake-up to the UK's financial services industry in 20 years, requiring advisers to provide their clients with the best possible outcomes for the products they are advising on.

When it comes to protection products in particular, it's even more important to recognise your clients have different circumstances and product needs. How they live their life, existing health conditions, and what they do for a living, can all have an impact on them not only getting the right cover, but cover at a price that suits them.

PRICE-LED ISN'T ALWAYS BEST

Monthly premiums have long been a major influence in determining which provider is chosen to meet protection needs. While a price-led approach can be helpful to sell the cost versus reward benefit of protection to clients, it can reduce the focus on the suitability of a product and its terms.

The ease of using quote comparison sites has potentially made it even more difficult for advisers to justify placing a case on something other than a standard rate premium. Prices aren't necessarily guaranteed, and there may be times where extra

evidence may be required, this may be a difficult conversation with those clients who subsequently have their cases referred for more investigation.

OUTCOMES CAN VARY SIGNIFICANTLY

With many providers, over a fifth of clients with asthma will not receive standard rates. Whilst for those with a history of mental health issues, this could be as high as a quarter of them not receiving standard rates.**

This is where accurate and inclusive underwriting comes in.

“Insurance providers are also bringing in technology improvements which will ultimately help to streamline the underwriting process.”

Some quote portals have experimented with partial underwriting assessments during the information gathering process. Whilst there will still be cases that will need to be referred for manual underwriting, the functionality shows the variance that can occur when different insurers assess the same risk. This is a useful tool for advisers, but it needs to be acknowledged that the system doesn't provide a whole of market comparison.

Insurance providers are also bringing in technology improvements which will ultimately help to streamline the underwriting process: easy-to-use online application forms and tools which give an indication of the underwriting outcome earlier in the advice process.

Also, electronic GPRs have really helped to speed up the process of gaining a GP report. Using

this method the insurer can contact the GP directly through an online system meaning a more secure transfer of sensitive client information. Uptake levels remain low, but it is hoped that more GP surgeries will adopt this system in the future.

Other improvements such as providing advisers with direct access to an underwriter, and improvements to application form questions so clients can tell their medical story in detail, are also helping. But insurers should continue to seek new innovative ways to make the process easier.

BUILDING IN UNDERWRITING AS STANDARD

It's clear that with the Consumer Duty focus on getting the best client outcomes, advisers should where possible, make recommendations to clients based on their individual circumstances.

Having open conversations upfront with clients about their medical history and how underwriting will be applied will help to mitigate any surprises for clients further into the application process.

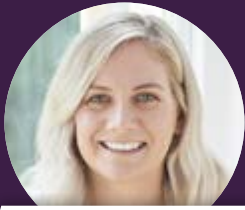
And insurers can provide support for advisers by being more transparent about their underwriting process to make it as simple and efficient as possible.

[Find out more](#) about Scottish Widows' transparent, tailored, and inclusive underwriting to help you protect more of your clients.

This information is for UK financial adviser use only and should not be distributed to or relied upon by any other person.

** Source: Protection Platform 2024 supplied the average market result in terms of % of cases that get ordinary rates. Scottish Widows standard rate return for asthma is 93.8% and mental illness is 81.8%.





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The number of single, never-married adults in the UK is rising. In 2021, nearly 40% of adults had never been married or in a civil partnership¹. By 2023, people living alone made up 30% of all households².

Being single can significantly impact financial planning. Singles often face higher living costs since they can't share expenses like rent, bills, and groceries. Meaning they have to allocate more of their income to essentials, leaving less for savings, retirement, and investments. They're also more financially vulnerable without a second income to rely on.

We often talk about protection for 2 parent families, but are we considering the needs of single people and the 2 million lone mothers and fathers with dependent children²?

The true value of protection lies in tailoring it to fit the needs of every client. If your protection conversations focus on traditional families, it's time to extend your reach. Single clients, including those with children, need comprehensive financial advice to make sure they're financially secure."

Rachael Welsh, Head of Marketing, Guardian



1. ons.gov.uk, Marriage and civil partnership status in England and Wales: Census 2021, 22 February 2023.
2. ons.gov.uk, Families and households in the UK: 2023, 4 May 2024.



We've all heard it many times, but the message still rings true: protection provides a vital safety net and a peace of mind. Every year, it supports thousands of families at their most vulnerable, often during life's hardest moments. After recently losing my father, I've come to appreciate how this assistance, though small in the face of such a profound loss, can ease some of the burdens and give the family the space to mourn.

Despite all this, there remains a substantial protection gap in the UK that shows little sign of closing. Many people are hesitant to consider protection - often due to misconceptions about affordability, a sense of invincibility, or a lack of trust in the insurance industry. We've made progress in addressing affordability and awareness, with comparison sites and platforms providing clearer insights into costs and the need for protection. However, bridging the trust gap remains a challenge. To address this, we must continue working together, showing the positive outcomes our industry provides, with financial advisors instrumental in reshaping perceptions.

Reza Hekmat, Data Analytics Lead, SCOR



SCOR
The Art & Science of Risk



Utilising product features during the term of a protection product, and the efficiency and empathy in which an insurer deals with a claim demonstrates the real value of the policy. Psychologically, a policy holder has bought some peace of mind, or financial safety net, that will enable the family unit to continue with some financial confidence following a personal crisis. Demonstrating value has been a core requirement of the duty, and experienced advisers have never been in a better position to evaluate the individual strengths of policy features using tools available in the market. Interpreting the output of the tools and explaining the idiosyncrasies of policy features, and how they vary for age, sex, likelihood of a claim is a skill. Specialist protection advisers provide an incredibly valuable service in an increasingly complex market. Signposting to expert advisers has never been more important in the protection market.

Neil McCarthy, Chair, Protection Distributors Group



PDG Protection
Distributors
Group



Insurers must take responsibility for monitoring distribution channels, ensuring they know their distributors have the expertise to understand product features and that their service aligns with Consumer Duty obligations. Equally, as distributors, we must ensure products reach only their intended markets. In fulfilling these obligations, we focus on outcomes, acting in good faith to prevent foreseeable harm. If products or services fall short of Consumer Duty, we must remedy this, withdrawing or modifying practices that fail to serve our customers' best interests.

In today's complex financial landscape, the importance of tailored advice in the protection market cannot be overstated. As an industry, we must ask whether life insurance providers can truly meet Consumer Duty obligations without advised distribution channels – and challenge whether, rather than expanding access to products, the non-advised channel risks consumer detriment if products aren't tailored to needs, as 'off-the-shelf' products cannot fully meet diverse consumer objectives if demands and needs are not considered. We believe only an advised service can ensure protection products provide value, fit, and suitability at the point of sale and over a customer's lifetime as circumstances change—a service that enables informed decisions aligned with financial goals to deliver long-term value. This consultative relationship is key to fostering trust, providing peace of mind, and avoiding over- or underinsurance. Only by maximising value through advice and achieving suitability across a customer's life can the good outcomes demanded by Consumer Duty be achieved.

Robert White, Director, Essential Insurance



essentialinsurance



As an industry we discuss the importance of protection and relay stats around claims paid and what if scenarios. All in an attempt to help drive more sales and get more people covered. Is there something we are missing? I have spoken to numerous industry professionals and there is always a common theme collaboration and educating people early. We need to embrace technology and not be afraid to share stories, best practices and help educate people to feel empowered to help customers sell relevant products.

Warren O'Connell, Head of Business Development, Sourcing, Iress



iress



The protection industry faces a number of challenges. We know that clients demand more personalised services and a heavy focus on digital delivery. With the ability for consumers to obtain products through their intermediary or through the D2C channels, and an "I want it now mentality", we need to ensure we keep in front of the pace and consistently deliver to client needs. The evolution of client portals in the industry has seen more digitalised engagement between advisors and clients and it's only going to be more prevalent as we as an industry continue to evolve the market.

Another challenge is regulatory requirements, not least the current FCA review on insurance products. How will this shape the market or distribution looking forward? What changes will Providers need to make to their product strategy and how will this impact the advice to clients? And let's not forget about the economic impacts that continue to have a big effect on our industry, costs of claims going up, investment into provider products and proportions are increasing, and of course we have a new government that is looking to plug a gap in their finances, as announced in the recent budget.

Whilst there is a lot of challenge on the horizon, I firmly believe we as an industry are strong enough to weather these storms and continue to deliver high quality product solutions for clients.

Chris Hickman, Senior Business Development Manager, Iress



iress

‘Peace of mind’ alone is not enough to close the protection gap



Andy Philo
Strategic Partnerships Director
Vitality



Getting clients to see the value in protection cover isn't always easy, especially given the intangible nature of traditional insurance. However, rethinking the way protection works is giving advisers an opportunity to overcome this, writes Andy Philo, Strategic Partnerships Director for Vitality

We've all done it: the alarm goes off in the morning and we hit the snooze button. You know that getting up later means less time to get ready but the idea of longer in bed is too good to resist.

Present bias – where people favour immediate reward and gratification over longer-term gain – often leads us to make decisions that can work against us later on.

Ultimately, people tend to place more value on something that's achieved in the immediate moment, over something that has a payoff that is greater in the future.

In our industry, we see the impact of present bias both in getting more people to recognise the importance

of financial protection, but also in the wider challenges we face as a country because of [our nation's poor health](#).

Present bias is as much at play in people's decision to eat unhealthy food that offers instant pleasure despite the longer-term health risks, as it is in the decision to spend their money right now on something other than insurance. In most cases, people know they're probably not making the best decision – but, as human beings, we do it anyway.

A grudge purchase

All this can make recommending the intangible benefit of insurance a hard sell.

With traditional protection, for example, the client is buying little more than the promise of a payout in the event of future illness or untimely death, which may or may not arise. There is also the danger they will see it as a waste of money because they're unlikely to think the worst is going to happen.

Peace of mind is, of course, a core component of all protection conversations, but at a time when consumers are much more cautious about how they spend their money, this alone won't always be enough. It's one of the main reasons why such a significant protection gap persists in the UK.



Even if someone is convinced to take out a plan, there's still the risk that they will lapse it, particularly if their finances are tight and they don't see any immediate value in it.

The solution therefore lies in giving clients something tangible, that they will value from day one, alongside their core insurance cover.

Better still, if we do that by giving immediate value from benefits, at the same time as offering them the highest quality cover, they feel like they are getting something in the here and now. Not just if things go wrong.

More than just 'added value'

As an industry, we hear a lot about 'added value benefits', giving clients access to certain services they can use not just at the point of claim. Therefore, offering more upfront value.

To really counter a client's present bias though, we can take this approach a step further and deliver immediate value that's central to the whole insurance proposition, not just as an extra bolt-on.

Encouraging clients to engage with immediate rewards and benefits from day one helps to reinforce their awareness that the premium they're paying is giving them something tangible on a daily basis.

We see the effectiveness of this approach play out through Vitality's shared-value approach to rewards and benefits. Further supported by measures like our annual benefits statement showing exactly what a member has saved or earned back from their plan, we're giving them more reason to engage and stay with us over time.

In 2023, Vitality members earned almost one million cinema tickets, 2.4m handcrafted beverages from Caffé Nero and enjoyed 1.3m healthy food baskets from Waitrose & Partners. They also completed 600,000 health reviews, 1.4m mindfulness sessions and recorded a staggering 992bn steps¹.

The upshot of this is that members earned £82m rewards in 2023. Meaning not only do Platinum members save on average 40% of

their premium each year, but even those who remain on Bronze are saving almost 25% of their premium through our rewards and partners¹.

The benefits of client engagement

With these high levels of client engagement come opportunities for advisers to strengthen the client relationship and engage with them more regularly, driving potential cross-sell and referral business, or simply ensuring the cover remains up to date.

Unsurprisingly, more engaged members are also much less likely to cancel their policy – 46% less likely for our most engaged members¹ - because their monthly premium is actually giving them something tangible.

And because this combination of nudges and incentives is proven to drive positive behaviour change and make people healthier, this approach is not only good for advisers and their clients; it's good for society too. It really is good for everyone.

1. VitalityLife Claims & Benefits report 2024

The unexpected psychological benefits of insurance



Neil Thompson
Product Development & Training Manager
National Friendly



It's known that insurance grants financial security, but what about the more intangible, psychological benefits?

Customers use insurance products like income protection to protect their financial security, however, insurance also provides underlying benefits.

Neil Thompson, Product Development & Training Manager at National Friendly, argues that Maslow's Pyramid provides a framework explaining the various benefits customers receive from income protection insurance across different life stages.

What is Maslow's Pyramid?

Maslow's pyramid proposes that for people to fulfil the fundamental

goal of self-actualisation, they first need to satisfy their four, higher priority tiers of need.

At the base of the pyramid are physiological needs, such as food, water, warmth and safety. For most people, these needs are fulfilled by having a job and an income that provides for those basic needs.

Getting income protection can help customers satisfy their needs in the first two tiers of the pyramid by protecting their income and financial welfare. This allows them the safety and security required to continue to focus on the pyramid's

higher tiers. In 2023, there was an increase of 10% Income Protection sales compared to 2022.*.

Thompson says: "We may think we are invincible and are always going to be able to work. But as you get older, you realise ill-health and unpredictable things like pandemics can come along and threaten your fundamental needs."



Moving up the pyramid

After satisfying one's financial welfare, income protection can generate more intangible benefits. Love and self-esteem are often drivers to protecting oneself and one's loved ones. We need respect and recognition as part of our journey to self-actualisation, and we get that from those closest to us. Having cover in place allows customers to provide even at times when they can't physically do so.

Thompson says: "Part of the hunter-gatherer mentality is the ability to protect your family. This provides you confidence and self-esteem."

Similarly, securing insurance shows that customers recognise the importance of remaining healthy, active and social. They are part of

an elite group of pro-active people and that collective action can boost esteem and create a sense of belonging that helps satisfy levels three and four (yellow and green) in Maslow's Pyramid.

Different stages of life

Often when people progress through Maslow's Pyramid, they are also going through different stages of their lives and require a variety of cover. Thompson explains that as people get older, their earnings increase and open options to other products such as family medical insurance.. Conversely, when customers are younger, they might look towards more affordable products such as accident-only insurance.

Thompson says: "We have made insurance more affordable for customers. We may currently be in a cost-of-living crisis but in the future, our customers might be able to increase their cover with us." In July 2024, National Friendly had the most sales of its Accident Only Income Protection, 23% higher than the previous record month in June 2024.

Understanding what stage within the pyramid customers are in and the state of their finances requires

continuous dialogue. For instance, some customers believe that savings will cover emergencies whereas this isn't always the case. Having income protection can even conserve savings, by giving customers the buffer they need rather than using emergency funds.

Key to this dialogue is educating young people on personal finance, finding out their priorities, and getting them on board as soon as possible. Too often the focus is on borrowing through credit cards and hire purchase and protective insurance doesn't get considered.

Thompson says: "We all need a little help as we progress through life, whether from friends and family or from work and other organisations. For some, that help will come through insurance and, like personal growth, cover can grow, too. Once you're in, it's a lot easier to increase cover as needs evolve. The hope is that in doing so, people are progressing up the pyramid and improving their overall lifestyle."

For more information about our products visit [our website](#) or [get in touch](#).

Swiss Re Term & Health Watch 2024.*

Navigating the Complexities of Critical Illness Insurance



Phil Day
Senior Business
Development
Manager, Iress



Clive Mayne
Co Owner, Director
CIExpert



Critical Illness insurance plays a vital role in providing financial support during some of life's most challenging moments. However, the complexities surrounding CI can leave both consumers and advisers grappling with its intricacies. As the market evolves, so too do the challenges associated with understanding coverage, assessing the needs of clients, and ensuring that policies are tailored appropriately.

As technology continues to evolve, it holds the potential to address these issues and streamline the CI insurance process. I sat down with Clive Mayne from CI Expert to explore these challenges further

PD - I was working in Group Risk in the mid 90's when we launched a Group Critical Illness plan. This seemed such a complex product at the time, however it was far simpler than today's iterations, covering just a handful of conditions. Providers have since made remarkable strides in improving Critical Illness products but for each enhancement made it adds to the challenge for advisers. From your experience Clive, what do you consider are the biggest challenges that advisers face when selling Critical Illness insurance, and how do these challenges impact their ability to effectively serve their clients?

CM - The challenges are quite significant. Based on our recent Critical Thinking research, which surveyed the views of 5,000

consumers and 300 advisers, it's clear there's a real gap in awareness.

A striking 70% of consumers had never even heard of Critical Illness cover. Imagine trying to sell a product when the customer has no idea what it is or why they might need it! Advisers are forced to start a conversation by educating clients on the importance of the product, often at a time when clients are already stretching their finances.

In this context, introducing an additional monthly cost can feel like a hard sell, so, it's no surprise that the biggest initial pushback advisers face is around cost. Consumer awareness is a huge factor.

PD - There is also a belief amongst consumers that all Critical Illness policies are broadly the same, yet in the industry we know that there can be a significant difference between a providers core and enhanced products, add in further variances with children's cover, partial payments etc, not to mention that a policy purchased 10 years

ago will be quite different to one on the market today. We have seen regular improvements in the wording of condition definitions. These enhancements increase the likelihood of successful claims but also add to the advisers' complexity in comparing products.

CM - It's fair to say that the majority of consumers aren't aware and have little chance of understanding the differences, which makes the role of the adviser so important. Not surprisingly, the first port of call for consumers is often an online price comparison service, but most will be unaware that these policies are typically core products at the lower end of the quality spectrum and can only choose on cost.

It's another area where an adviser can convey to clients that they have access to a wider range of Core & Enhanced policies and can use in-depth research tools to illustrate the differences in quality to tailor their recommendation, at no cost to the client.



PD - One worrying misunderstanding I regularly hear or read about is where a client assumes they have Critical Illness cover because their Life policy includes Terminal illness!

What would you say are the most common misconceptions clients have about CI policies?

CM - There are quite a few, but two really stand out from our Critical Thinking report. Firstly, we found that nearly half of consumers don't know if advisers charge for advice, and many assume they do. Once we cleared up that misconception, 40% said they'd be more likely to use an adviser if they knew it was free!

Another common barrier is the perception that "it's too expensive." Many clients don't realise that getting cover when you're young can lock in lower rates for the term's duration. Among Gen Z, who are more health-conscious, 56% said that knowing the cost would stay the same throughout the policy term would make them more likely to buy sooner.

PD - What do you believe the insurance industry as a whole needs to do to effectively address the challenges surrounding Critical Illness insurance, particularly in terms of improving adviser education and consumer understanding?

CM - The industry needs to focus on areas where we can make tangible change in a reasonable timeframe. We're good at identifying challenges, but less effective at implementing solutions. While educating the broader consumer market is a massive undertaking, we can make progress by improving the advice process to support advisers as they educate clients that do engage.

Our research pointed to some misalignments between industry

practices and consumers' actual needs. For example, because most client discussions happen around mortgage transactions, there's an industry focus on policies designed to cover mortgage repayment.

However, only 19% of clients who had made a claim actually used it to pay off their mortgage, with a similar percentage saying they would do so if a claim arose.

PD - Clive, There are scenarios where a joint life policy is required but, in my opinion in the Critical Illness world there is rarely, if ever, a logical argument that a Joint policy is a better option than two single policies. What additional challenges arise when advisers recommend two single policies over a joint critical illness policy, and what are the potential pitfalls of this approach?

CM - This was perhaps the most concerning finding from our report and something I feel strongly about. I believe that Joint Life First Event protection plans are largely obsolete in today's world, delivering inferior consumer outcomes and lower levels of fair value. The drawbacks are significant enough that we at CIExpert advocate that a Consumer Duty-based compliance process should default to recommending two single plans for couples.

To raise awareness, we created a report illustrating the substantial benefits of two single policies. It demonstrates that they offer greater value, more flexibility, and superior quality of protection. A common objection to single policies is cost, but with data from Iress analysing over 300,000 quotes, we have shown that the cost difference is marginal and is far outweighed by the advantages in flexibility, coverage, and fair value.

Our CIExpert "Single is Best" campaign has been gaining traction, with support from industry leaders, distribution firms, advisers, providers, and other influencers. We're calling on the industry to consider the evidence and encourage practices that truly serve the client's best interests.

PD - Given the challenges we have discussed, how do you see technology assisting advisers in making more tailored recommendations for clients with differing needs?

CM - Technology can cut through product complexity and highlight true value differences, which is exactly what advisers need. Our tools aim to simplify this complexity, allowing advisers to provide clients with easy-to-understand comparisons that are tailored to each individual. For joint plans we automatically separate into two comparisons, one for each partner. This quickly illustrates how the most suitable policy for one partner is quite likely to be different from the other.

PD - I totally agree that technology can take away some of the complexity and make life easier for advisers. That's why we are really excited about our latest partnership, which will make it easier for advisers to compare CI products directly from within our systems.

CM - By integrating via partnerships such as that with Iress, we can create fair value assessments and offer clear, interactive reports. We're helping advisers demonstrate the rationale behind their recommendations and ultimately making the process more transparent and impactful for clients.

A Successful Day at the Protection Forum: Industry Collaboration at its Best



In early October, we hosted our second Protection Forum this year at Cheltenham HQ, bringing together leading distributors, providers, and partners. With representatives from all our partners, the forum was a great opportunity to share insights, collaborate, and shape the future of the protection industry.

Key Highlights:

Market Insights: The day began with Jimmy “the numbers” Wilde, who shared key market trends and opportunities, setting the stage for the discussions ahead.

Value-Added Benefits: Steve Casey, Marketing Director at Square Health, spoke about enhancing customer experiences with value-added benefits, sparking ideas on improving client offerings.

The Future of The Exchange: Jane Irwin unveiled plans to streamline adviser experiences on The Exchange, leading to discussions on simplifying the protection journey.

Quality Meets Price: Phil Day highlighted how Iress balances quality and affordability, resonating with many attendees.

Open Discussions: Key topics included simplifying trusts and beneficiaries on policies and enhancing product features, with attendees sharing practical ideas and solutions.

These forums are invaluable for fostering collaboration, and we always leave with fresh perspectives to drive the industry forward.

Our next Protection Forum is set for spring next year, and spaces are limited.

If you are a business leader or firm principal in the protection industry and would like to register your interest in attending, please get in touch with us via [this form](#).

We look forward to continuing these conversations and building on the ideas shared!

“Overall a very good event with some interesting topics”



“Well organised event, great content and great collaboration”



“I thought it was well organised, insightful and really well hosted”



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Neal Ray

Advertising & Sponsorship
Manager

Neal.Ray@iress.com



David Kidgell

Advertising & Sponsorship
Executive

David.Kidgell@iress.com



Laura Newman

Advertising & Sponsorship
Design Assistant

Laura.Newman@iress.com

advertising@iress.com

iress.com



Our partners:

