Term & Health Watch 2022

Contents

Welcome to Term & Health Watch 2022, Swiss Re's analysis of new individual long-term life and health protection sales in the UK.

2021 was another difficult year for society and for the life and health market with the pandemic continuing to impact the lives of everybody. There can be no doubt that the pandemic has created a greater awareness of both mortality and morbidity as so many people have been affected personally, whether themselves, family members or friends and acquaintances.

Many commentators have suggested that this new awareness will naturally feed through into greater resilience, including through more purchases of life and health products. In truth, it is probably too soon to say until we return to whatever a "new normal" might look like, if indeed there ever is one. And, in the shorter term, willingness to purchase might be tempered by natural caution about the financial consequences of the seemingly worsening economic and other difficulties the UK faces. This will feed through into tough choices about their existing commitments, including insurance products of all types, and taking on new commitments.

In this Report, we present the results for individual mortality, critical illness and income protection sales in 2021.

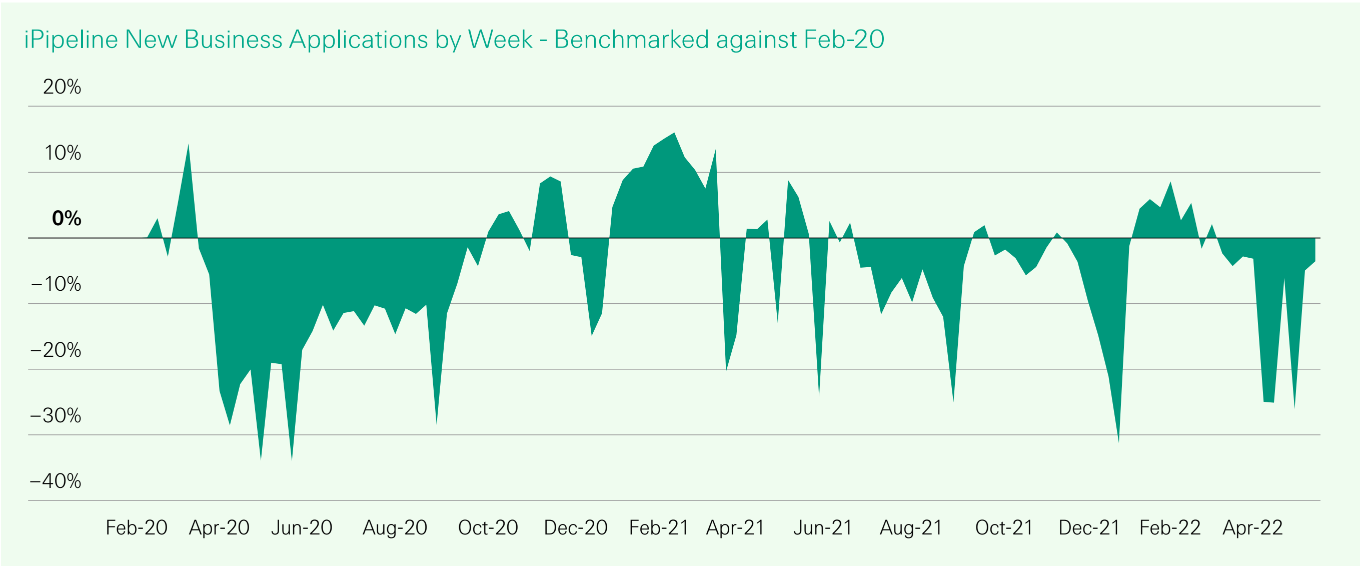
Once again, we are grateful to our good friends at iPipeline for their contribution to our Report. In 2021, it's estimated that over 50% share of directly-authorised and tied business was processed through the system, from over 30,000 users.

We are very thankful to iPipeline for sharing analysis and data. In addition to iPipeline's commentary which follows here, it has contributed valuable content to the product chapters.

We are also grateful to Simon Cox, a highly respected commentator for taking a look at how the regulation of Funeral Plans and other trends will impact the Guaranteed Acceptance market.

iPipeline overview of 2021

Data from iPipeline's InsureSight platform show how lockdowns, economic conditions and customer demand shaped market performance during 2020 and 2021. The chart below shows total activity levels compared with the pre-Covid benchmark in Feb-20 followed by a summary of market activity and the external environment.



Quarter	Protection Market	Covid & Wider Society
Q2/2020	23% reduction in activity. The Mortgage Broker segment saw the greatest falls of 44% from mid-February to mid-May.	The country entered first full lockdown, with 'stay at home' orders, and schools and non-essential retail closed. Mortgage market slowed with approvals for new lending down 41% on Jan-20.
Q3/2020	By the end of Q3, volumes recovered. All channels saw increases during this period, but a mixed picture in terms of end position. By the end of Q3, Telephony firms were up 10% on February and IFA firms up 1%, However, Mortgage Brokers remained 3% down.	Restrictions eased from June with non-essential retail and hospitality reopening. The 'Rule of 6' was introduced in September. Stamp duty holiday came into effect and the mortgage market rebounded; by September, approvals were up 35% on Jan-20.
Q4/2020	The November-20 lockdown had little impact on iPipeline market volumes; by the middle of the quarter, volumes were up 6% on February-20. However, activity levels fell more than typically seen towards the end of the year.	Tier system introduced, and country entered second lockdown in November, albeit less severe than the first. Tier 4 rules meant a Christmas under restrictions for many. Meanwhile, mortgage activity remained buoyant, with approvals peaking in November.
Q1/2021	A strong start to the year, with new business volumes reaching a peak in February, at 16% growth on pre-Covid levels.	Population endured a tough winter with the third national lockdown from January, with the Alpha variant dominant. Mortgage activity declined, while the vaccination programme accelerates.
Q2/2021	Volumes reduced around Easter and remained flat for much of Q2. Google search enquires decreased – was "revenge leisure" competing for customer interest?	Emergence from lockdown; non-essential retail and hospitality opened. Second dose vaccinations ramped up. Some delays to the roadmap with Delta variant arriving.
Q3/2021	Typical summer reduction in market activity amplified, with applications 25% down compared to the peaks seen in Q1.	Most legal limits were removed, and the remaining parts of the economy reopen.
Q4/2021	After a good post-summer bounce back in September, October saw further falls in line with the end of the stamp duty holiday. Market volumes remained below pre-Covid levels for the rest of the year.	Stamp duty holiday ended; mortgage approvals fell until a low point in October. However, they remained 4% up on October 2019, and increased again from November. The Omicron variant emerged; the return of Work From Home and mask wearing in December, booster programme ran.
Q1/2022	2022 started strongly, tracking 2021 until mid-February when activity reduced. Overall, Q1 was 3% down on the same period in 2021.	Omicron wave peaks in early January; reduced risk of hospitalisations meant full lockdown was avoided. Cost of living and Ukraine crises dominate discourse.

The market at a glance

In 2021, 2,293,704 new term assurance, whole life, critical illness and income protection policies were sold, an increase of 6.3% from 2020.

Product type by sales volume

+7.0%

New individual term assurance sales including accelerated critical illness

	2019	2020	2021	% change 2021/2020
Total new sales	**1,602,170**	**1,587,829**	**1,698,301**	**+7.0%**

New individual critical illness sales

	2019	2020	2021	% change 2021/2020
Accelerated policy-term assurance	470,663	428,747	484,110	+12.9
Accelerated policy-whole life	5,302	9,513	3,122	−67.2
Stand-alone policy	63,347	83,173	94,426	13.5
Total new sales	**539,312**	**521,433**	**581,658**	**11.5**

+8.9%

Income protection

	2019	2020	2021	% change 2021/2020
Total new sales	**179,605**	**162,515**	**176,965**	**+8.9**

Whole life assurance

	2019	2020	2021	% change 2021/2020
Guaranteed acceptance	**321,904**	**303,265**	**300,217**	**−1.0**
Underwritten WL	**20,885**	**20,481**	**23,795**	**16.1**

Top five product providers, measured by number of new term assurance sales, with and without CI, 2020–2021

2021 position	Product provider	Sales	2020 position
1	Legal & General	536,253	1
2	Aviva	221,155	3
3	AIG	190,304	4
4	Royal London	179,294	2
5	Zurich	116,355	5

Top five product providers measured by number of new CI sales, 2020–2021

2021 position	Product provider	Sales	2020 position
1	Legal & General	138,169	1
2	Aviva	104,220	2
3	Royal London	73,406	3
4	AIG	60,084	7
5	Zurich	55,030	4

Top five product providers measured by number of new income protection sales, 2020–2021

2021 position	Product provider	Sales	2020 position
1	Legal & General	47,711	1
2	Aviva	35,441	2
3	LV=	23,168	4
4	Royal London	23,061	3
5	The Exeter	13,815	5

Top five product providers, measured by number of new guaranteed acceptance whole life sales, 2020–2021

2021 position	Product provider	Sales	2020 position
1	SunLife	169,790	1
2	iptiQ	33,981	3
3	Royal London	28,092	2
4	Scottish Friendly	16,039	5
5	AIG	15,751	4

Top three product providers, measured by premium for new term sales, with and without CI, 2020–2021

2021 position	Product provider	2021 premium (£)	2020 position
1	Legal & General	188,625,804	1
2	Aviva	88,720,157	2
3	AIG Life	62,660,639	3

Top three product providers measured by premium for new income protection sales, 2020–2021

2021 position	Product provider	2021 premium (£)	2020 position
1	Legal & General	17,485,015	2
2	Aviva	14,433,696	1
3	LV=	10,026,993	3

Distribution by product line, % market share, 2021

2021	Directly-authorised	Tied	Bancassurance	Direct
Term	82.8	4.4	4.6	8.2
Critical illness	83.3	5.6	4.5	6.6
Income protection	86.8	12.0	0.6	0.6
Underwritten WL	84.5	5.5	0.7	9.3

The distribution is split as follows:

- Directly-authorised – where regulatory responsibility for product advice and sales lies with the distributor (this includes Independent Financial Advisers, limited panels and firms which are directly-authorised and arrange products on a non-advised basis)
- Tied – where the product provider has responsibility for the sales channel
- Bancassurance – where a bank has responsibility for the sales channel.
- Direct – this includes internet, direct mail and telesales made direct by a product provider

See the Distribution section for a further breakdown of business reported as directly-authorised.

Throughout the Report, we use the following abbreviations in the Tables.

- Level Term Assurance – LTA
- Relevant Life Policy – RLP
- Decreasing Term Assurance – DTA
- Family Income Benefit – FIB
- Whole Life Assurance – WL
- Critical Illness Cover – CI
- Stand-alone critical illness cover – SACI
- Income protection – IP
- Limited benefit payment term – LPT

2021 in more detail

The number of term assurance only new policies increased by 4.8%

The number of term assurances with critical illness insurance increased by 12.9%

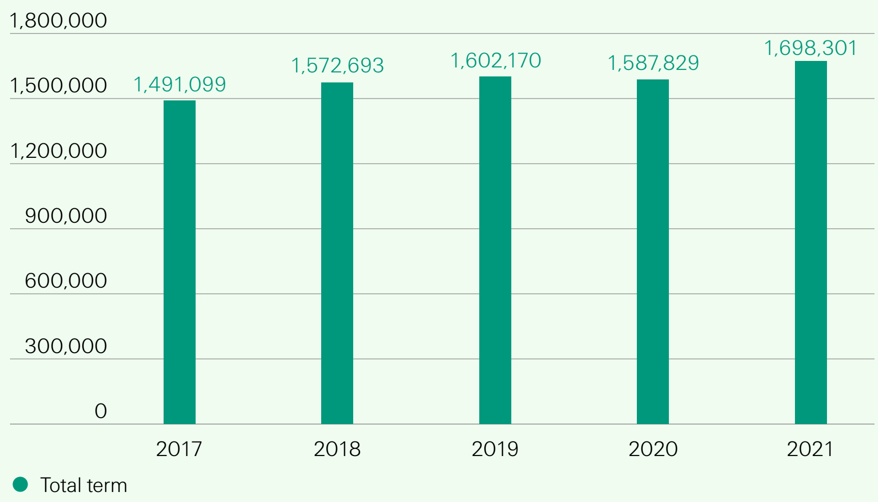
New term assurance sales with a CI benefit represent 29% of total new term sales

Term assurance and critical illness

As the majority of new sales of policies including a critical illness benefit are linked to life assurance cover, we are combining both within a single section.

Total new term assurance sales in 2021 rose by 7.0%.

Total new term policy sales split between term assurance, with and without a CI benefit, 2017–2021



The number of term assurance only new policies increased by 4.8%.

The number of term assurances with critical illness insurance increased by 12.9% with strong showings across new level term, decreasing term and stand-alone sales.

New term assurance sales with a CI benefit represent 29% of total new term sales.

The split of total new individual term assurance sales by product type is as follows:

Total new term assurance and term assurance with CI sales split by product type, 2017–2021

Product type	2017	2018	2019	2020	2021	% change 2021/2020
LTA	687,537	744,595	757,546	790,335	825,857	4.5
RLP	29,349	27,287	28,495	23,521	23,405	–0.5
LTA with CI	262,242	269,577	252,434	248,250	290,668	17.1
DTA	277,272	292,036	315,034	315,686	335,077	6.1
DTA with CI	212,316	212,472	216,230	179,134	192,302	7.4
FIB	20,640	24,539	30,433	29,540	29,853	1.1
FIB with CI	1,743	2,187	1,999	1,363	1,141	–16.3
Total	**1,491,099**	**1,572,693**	**1,602,170**	**1,587,829**	**1,698,301**	**7.0**

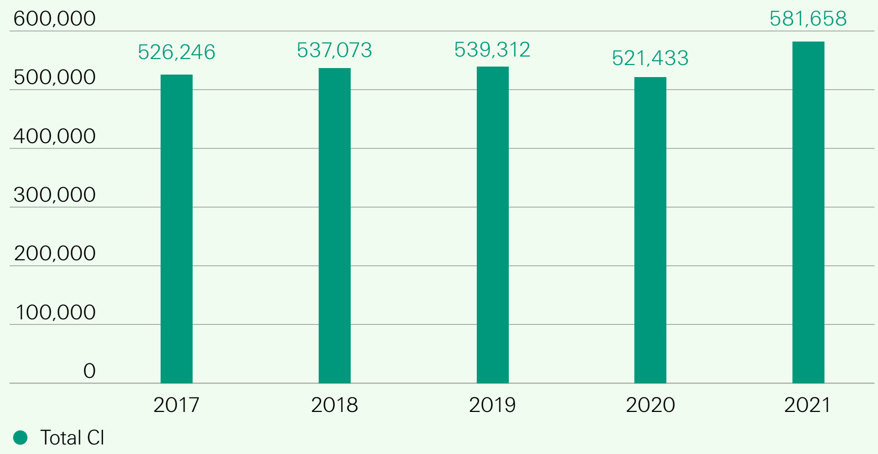
Additional sales of CI cover on a stand-alone basis or linked to a whole life policy are below. The changes in percentage terms include some recategorisation of one product where the CI benefit of some new sales is now reported as a stand-alone benefit.

Product type	2017	2018	2019	2020	2021	% change 2021/2020
SACI	49,699	48,986	63,347	83,173	94,426	13.5
WL with CI	123	3,851	5,302	9,513	3,122	–67.2

The number of new critical illness policies, attached to life cover and stand-alone combined, rose by 11.5%.

+11.5%.

Total new individual CI policy sales, 2017–2021

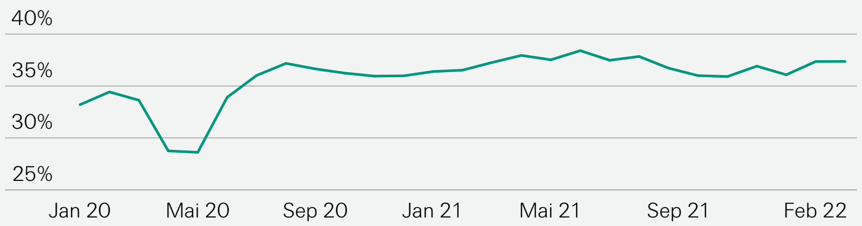


iPipeline comment

Customer Demographic

During the early stages of the Covid pandemic, there was a reduction in sales to under 35s. However, from mid-2020 this segment recovered to surpass pre-Covid levels. In January 2020, 33% of policy applications were to under 35s. This increased to 38% in mid-2021 and stood at 37% for much of Q1 2022.

Proportion of Policy Applications to Under 35s



Average new sums assured

The average sum assured for all new term assurance sales, including term assurance with a CI benefit was £162,436 (£158,702 in 2020).

The new average sum assured by product type is:

Average new sum assured (£) by policy type, all term assurance, with and without CI and stand-alone CI, 2019–2021

Product	Average new sum assured, 2019	Average new sum assured, 2020	Average new sum assured, 2021
LTA, excluding RLP	164,551	172,645	179,430
RLP	469,244	444,463	472,010
LTA with CI	92,599	79,437	73,163
DTA	187,775	195,110	207,555
DTA with CI	133,213	128,515	131,424
FIB	24,880 p.a.	24,820 p.a.	17,724 p.a.
FIB with CI	19,212 p.a.	15,587 p.a.	16,309 p.a.
SACI	56,774	45,505	45,314

Average new premiums

The average premium for all new term assurance sales, including term assurance with a CI benefit was £359 (£355 in 2020).

The new average premium by product type is:

New average premium (£) by policy type, all term, with and without CI, and stand-alone CI, 2019–2021

Product	Average new premium, 2019	Average new premium, 2020	Average new premium, 2021
LTA, excluding RLP	307	311	323
RLP	843	785	859
LTA with CI	445	397	369
DTA	277	265	268
DTA with CI	608	613	613
FIB	233	212	217
FIB with CI	762	800	847
SACI	373	316	312

Housing-related sales

In 2020, we saw a reduction in the number of new policies supporting a mortgage commitment. This was due to the uncertainty induced by the volatility in market activity from events such as Brexit and the Covid-19 pandemic with the mortgage market effectively being closed for a number of months.

iPipeline described this earlier with the Mortgage Broker segment seeing the greatest falls of 44% from mid-February to mid-May 2020.

2021 saw a bounce back in mortgage-related activity. ONS data show that UK average house prices increased by 10.9% over the year to February 2022, the average UK house price being £277,000 in February 2022, £27,000 higher than twelve months previously.

Average house prices increased over the year in England to £296,000 (10.7%), in Wales to £205,000 (14.2%), in Scotland to £181,000 (11.7%) and in Northern Ireland to £159,000 (7.9%).

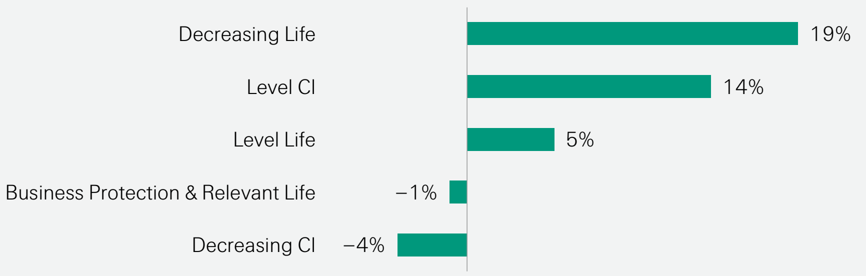
In 2021, new decreasing term assurance sales overall, a reasonable proxy for mortgage-related sales, grew from 494,820 to 527,328, an increase of 6.6%.

iPipeline comment

Market pricing

It has been a mixed picture in market performance across product lines. In January 2022, new business applications for Decreasing Life plans were 19% up on the same period in 2020. This compares to growth of 5% for Level Life. Critical Illness, by contrast, saw growth of 14% for Level CI plans, but a reduction of 4% for Decreasing CI. Further price competition for Decreasing Life, particularly in the second half of 2021, meant that the average of the cheapest 5 products, excluding low start plans, for a basket of cases was 5% lower in January-22 compared with January-20. Market pricing for Level Life was 1% down over the same period. Life assurance has been getting cheaper.

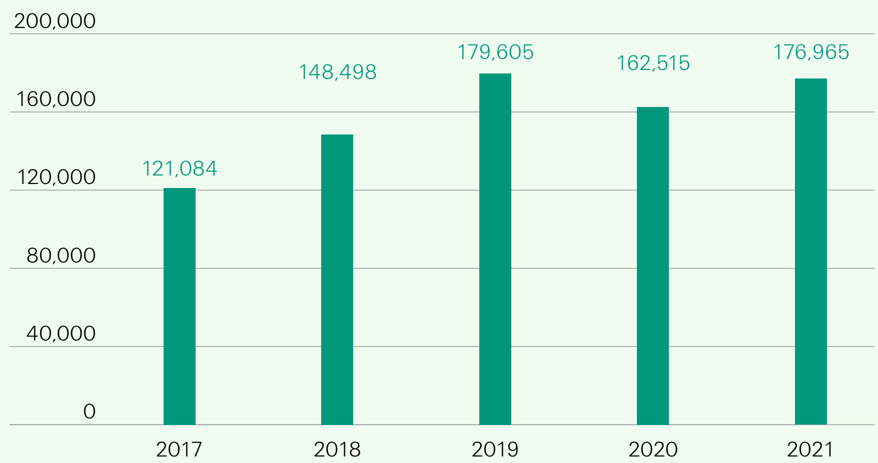
iPipeline Policy Applications – January 2022, benchmarked on January 2020



Income protection

It is good to see new sales improving with an increase of 8.9% compared to 2020. New sales are, though, still 1.5% below the number recorded in 2019.

Total new individual IP policy sales, 2017–2021



One firm inadvertently reported a block of full term benefit business in 2020 as five year limited payment term. We have taken the opportunity to show the revised split for that year.

49.2% (57.3% in 2020) of new policies sold were subject to a maximum benefit payment period in claim irrespective of whether the policyholder was still unable to work at the end of that period.

The table below shows the reported split for 2017 to 2021. The data for 2018 splitting benefits potentially payable up to the policy expiry age and those payable for a maximum two-year period overstated the former and underestimated the latter, both by approximately 10,000 policies. The product provider concerned was not able to provide revised figures.

New policies potentially paying benefit up to the policy expiry term fell by 3.5%.

New maximum two year benefit payment policies increased by 33.2%.

New income protection policy sales, by maximum benefit payment term, 2017–2021

Benefit duration	2017	2018	2019	2020	2021
IP (excluding LPT policies)	62,053	86,787	83,639	93,107	89,862
IP one year LPT	6,193	14,117	19,350	14,687	14,112
IP two year LPT	41,573	44,898	74,175	52,632	70,123
IP five year LPT	8,211	2,683	2,441	2,035	2,762
IP 'other' payment term	3,054	13	–	54	106

The average benefit for new policies providing benefits payable up to a selected policy expiry age and for a maximum two year benefit term for the period from 2019 to 2021 is:

New average benefit per annum, £, to selected policy expiry age and maximum two year benefit payment period, 2019–2021

Maximum benefit payment duration	2019	2020	2021
To selected policy expiry age	18,815	20,188	19,810
Two years	14,761	15,800	17,263

The average new premium for policies providing benefits payable up to a selected policy expiry age and for a maximum two year benefit term is as follows. Note that age-banded products may distort these figures, with premiums rising throughout the policy term.

New average premium, £, to selected policy expiry age" and maximum two year benefit payment period, 2019–2021

Maximum benefit payment duration	2019	2020	2021
To selected policy expiry age	519	468	485
Two years	272	271	290

15.3% of new policy sales were from smaller specialist mutuals compared with 17.9% in 2020.

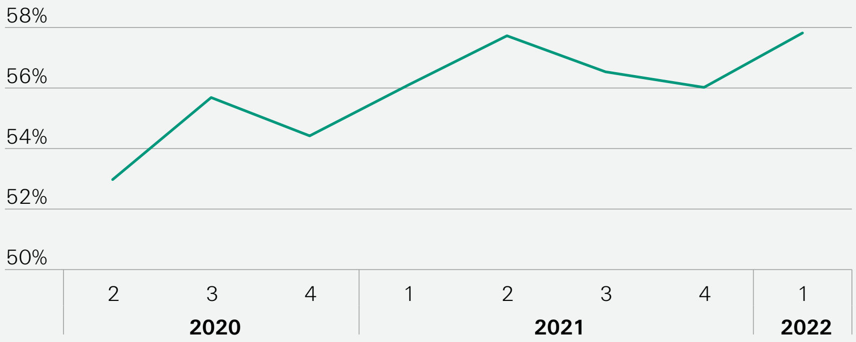
iPipeline comment

iPipeline market data corroborate the wider view of a contraction in the immediate cover market. New business applications for immediate plans were 83% down in January 2022 compared with January 2020, and one-week plans were 52% down.

The number of provider products for this part of the market has reduced; in February 2020 there were 16 products supporting immediate pay-out cover; by January 2022 there were six.

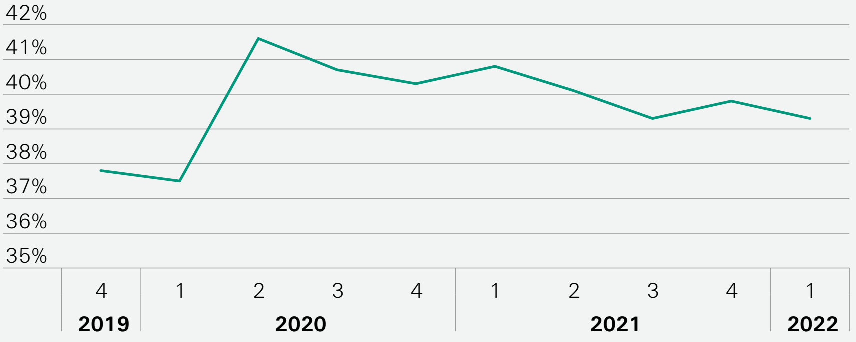
After dipping in Q1 2020, the proportion of Income Protection sold as part of a multi-benefit policy, most often alongside a decreasing cover option, increased from 50% in Q4 2019, to 58% in Q1 2022. There has been a reduction in the amount of "age costed" plans written, from 21% of total volume in Q4 2019 to 14% in Q1 2022. These plans have historically been popular for the lower deferred period end of the market.

Proportion of IP Applications on a Multi-Benefit Basis



The customer occupation mix has also changed in recent years. In Q4 2019, 38% of policy applications were for customers with managerial/professional occupations[1]. This increased to 42% in Q2 2020. It has subsequently fallen but remains slightly higher than historic trends.

Proportion of IP Written to Managerial/Professional Occupations



The average age of customers taking out an Income Protection policy fell slightly from 2020 to 2021, with 25–30-year-olds becoming the dominant segment. There was also an increase in the proportion of applications to females, from 40% in January 2020 to 43% in January 2022, although this remains below other product lines.

[1] Classification of occupations using Office for National Statistics data

Business Protection

In this section, we show the number of reported new business protection sales.

In 2021, new life assurance business sales purchased to protect a business grew by just 2.0% following the 43.1% drop between 2019 and 2020 as businesses struggled to cope with the immediate impact of the pandemic on their businesses.

The total number of new term assurance policies, with and without a critical illness (CI) benefit used for business protection purposes is:

Total number of new business protection policies, with and without a CI benefit, 2017–2021

Product	2017	2018	2019	2020	2021
LTA	15,158	14,083	16,015	7,252	7,923
LTA with CI	6,029	7,394	5,045	4,723	4,290
Total	**21,187**	**21,477**	**21,060**	**11,975**	**12,213**

There was an 11.5% increase in average new sums assured for level term key person policies in 2021 average new sums assured were £602,782 (£540,563 in 2020 and £432,129 in 2019).

Average new sums assured for level term key person policies with a CI benefit increased by 24.5% to £297,636 (£239,008 in 2020 and £232,828 in 2019).

New income protection policies used for business protection purposes were reported as 1,354 (1,194 in 2020).

Total premiums were £1,366,081, down an average premium of £1,009 per policy.

New average annual benefits were £40,089.

Whole life assurance

In this chapter, we show new sales figures for underwritten policies such as those used to fund an inheritance tax liability or for other protection needs and for guaranteed acceptance plans, usually – but not always – targeted at the over 50s market or with the express purpose of paying for a funeral or expenses on death.

The number of new underwritten whole life policies without a CI benefit increased by 88.4%.

New fully-underwritten whole life policies, 2017–2021

Product type	2017	2018	2019	2020	2021
Underwritten WL	18,640	16,422	17,892	10,968	20,673

The policies with a CI benefit reported below were written by one product provider. For the latter, we are just showing new sales covering the period from 2018 to 2021 with no breakdown of sums assured and premiums.

In 2021, a number of the policies were recategorised for the purposes of this Report. This has meant that some new CI sales are now reported in the Term & Critical Illness chapter as stand-alone CI policies.

New underwritten whole life with CI policies, 2018–2021

Product type	2018	2019	2020	2021
Underwritten WL with CI	3,851	5,302	9,513	3,122

The average sum assured and premium for new underwritten whole life policies (excluding those with a CI benefit) was:

New average sum assured and premium (£), underwritten whole life policies, 2018–2021

Product type	2018	2019	2020	2021
Sum assured	119,355	91,882	103,984	149,803
Premium	1,618	1,246	1,425	986

The number of new guaranteed acceptance plans reduced by1.0%.

Product type	2017	2018	2019	2020	2021
Guaranteed acceptance	292,047	297,798	316,602	303,265	300,217

The average sum assured for new guaranteed acceptance plans was:

New average sum assured and premium (£), guaranteed acceptance plans, 2018–2021

Product type	2018	2019	2020	2021
Sum assured	4,339	4,070	4,232	4,372
Premium	276	274	252	261

In the following chapter, Simon Cox, co-founder of Funeral Solution Expert, an independent Research and Consultancy business, and highly respected end-of-life commentator shares his ideas on how regulation of Funeral Plans and other trends will impact the Guaranteed Acceptance market.

When consumer behaviours change and regulation collide

FCA regulation of Funeral Plans was long overdue. An unregulated sector mostly operating without issue, with well-respected players, sullied by a few aggressive and egregious businesses taking advantage of the regulatory gap purely for their own benefit.

Guaranteed acceptance whole of life plans have had their own regulatory battles and criticisms yet remain in rude health, partly because of their simplicity but also free gifts and profit margins.

Regulation of the funeral plan sector is likely to provide a short-term boost for Guaranteed Acceptance providers but, longer term, regulation and a fast-changing funeral sector is likely to see funeral plans provide real competition to antiquated guaranteed acceptance plans.

Regulation will deliver good outcomes… but at a price

The fall out of the run up to funeral plan regulation has already seen casualties, something I predicted in 2017, with no prizes for guessing who those casualties would be.

Despite wide consensus that stronger regulation was required, the scale of what regulation would entail was underestimated and a real shock to many of the smaller, less established players in the sector, and will take time for them to adjust.

Coming out the other side of regulation, we will see a cleaner and much changed market – which better meets (than alternatives) the advance funeral planning needs of consumers because it meets their specific financial, emotional and practical needs.

To meet TCF requirements and evidence consumer need, life insurers will need to understand changes in consumer funeral buying behaviour and the choices available ranging from direct cremation and natural burial to traditional funerals. Plans will become simpler, more targeted, cheaper and FCA regulated.

New distribution models offer opportunity within a complex sector

The FCA's ban on funeral plan commission (unlike guaranteed acceptance plans) will curtail some lurid lead generation activities as well as former partnership models. However, life insurers could collaborate employing directly authorised models and source access to specialist logistics providers (funeral director and/or crematoria distribution).

Insurers interested in exploring this sector will find convincing and complex arguments from a range of players. Understanding each of these organisations, their capabilities and how they meet consumer needs is not straightforward. They might look similar, but the uniquely fragmented nature of funeral provision in the UK will be a challenge for insurers seeking a UK wide solution. A bolder move might be to acquire a reputable plan provider.

Thanks to the Competition and Markets Authority and to the FCA, the entire funeral industry is under great scrutiny but, despite deserved close attention from both regulator and media, the new breed of funeral plans will quickly reclaim lost ground emerging a cleaner and far more segmented market.

Direct, environmental and celebratory; UK funerary culture is changing at pace

Even before regulation, traditional plans bought by the *'silent generation'* were being substituted by direct cremation offerings (funeral with no ceremony) and bought by younger cohorts including *'millennials'*. The emergence of direct cremation is a great example of a proposition offering more choice and fulfilling a previously unmet need.

With an increasingly secular society, where a ceremony does take place the UKs cultural norm is now a Celebration of Life, rather than a sombre religious Victorian affair. Funeral Solution Expert's own consumer insight suggests 57% of consumers consider themselves *'Celebrationals'* rather than 24% *'Traditionals'* and 20% *'Rejectors'*.

In time, environmentally-friendly solutions will widen choice further with growth in natural burial and the addition of alternatives to burial and cremation as the funeral sector responds to the climate emergency.

No fuss and falling funeral costs – tomorrows headlines and younger plan buyers

For decades Guaranteed Acceptance plans have been sold on the premise of rising funeral costs. However, headline figures of £4000+ may soon be outdated as traditional plan costs plateau or fall. Indeed, the pace of change is such that most plans sold may soon be direct cremation at c£1500. Treating customers fairly will mean insurers needing to signpost these simple options clearly and their price point which, in turn, will impact sum assured and premium levels.

The success, simplicity and accessibility of new "no-fuss" propositions from direct cremation providers may also result in the substitution of Guaranteed Whole of Life sales (having already substituted traditional funeral plan sales) as they may be bought much earlier in the life stage, than current Guaranteed Acceptance experience.

Following FCA regulation, attention may return to Guaranteed Acceptance shortcomings

The evolution of Guaranteed Acceptance propositions has seen safety features (Paid up, surrender value and payment holidays) stripped out. For Funeral Plans, FCA has insisted on certain guarantees requiring insurance backing (first introduced to instalment funeral plans by Co-Op Funeral Care). This means instalment funeral plans will be honoured in the event of early death yet also retain value for lapsers rather than losing everything with a Guaranteed Acceptance whole of life plan. This recalibration may encourage influencers to once again highlight the inherent risks of Guaranteed Acceptance plans.

Quality funeral providers are welcoming of regulation and the increased consumer confidence it will bring. Post FCA regulation, funeral plans will represent a strong proposition for consumers who want the peace of mind that their funeral will be funded and their families are relieved of making arrangements during the grieving process.

In summary, whilst we can expect some short-term turbulence in the funeral planning market, ultimately a wider, safer range of propositions for different audiences including Funeral and Guaranteed whole of life plans can sit together well in the market for later life planning.

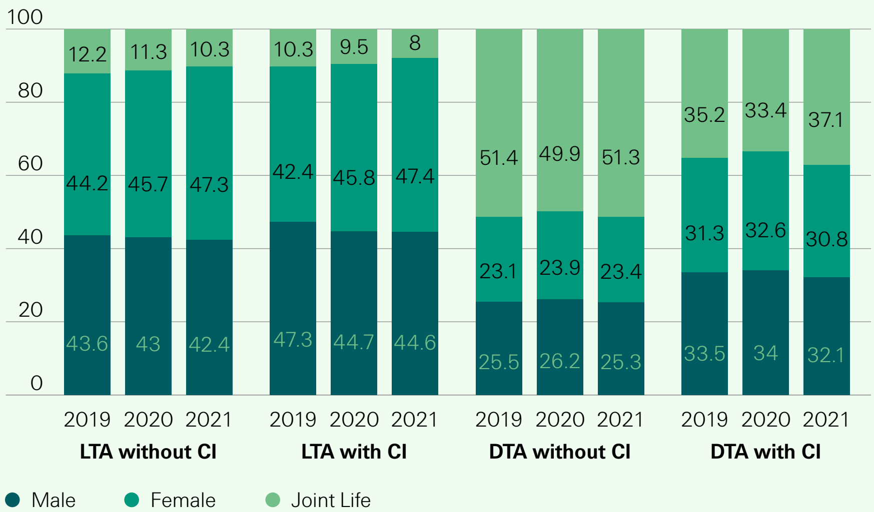
Gender

For the fourth consecutive year, we asked product providers to share the gender mix for new term assurance and income protection policies.

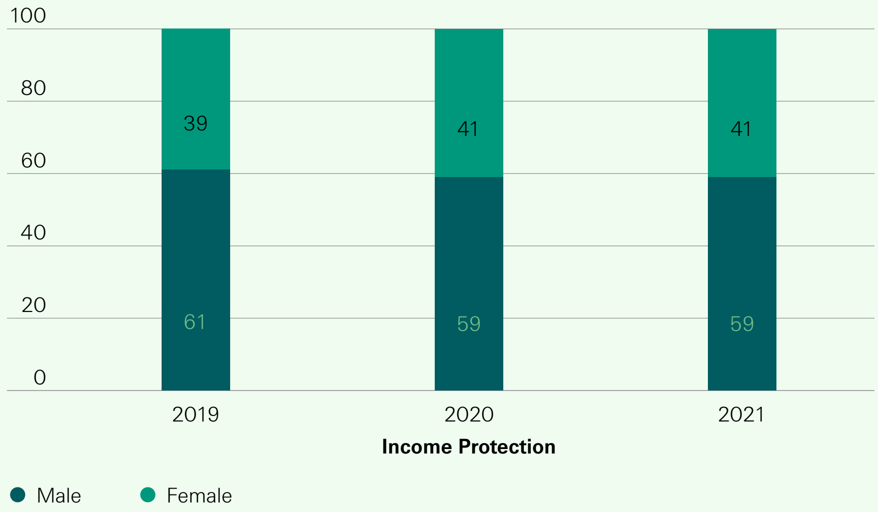
New LTA and DTA, split by gender, 2019–2021

The proportions of total new LTA and DTA with and without CI sales, split by gender, are as follows;

Gender mix, new LTA, LTA with CI, DTA and DTA without CI, 2019–2021



Gender mix, new income protection sales, 2019–2021



For the first time in 2022, we asked product providers offering employer-sponsored group risk products (life assurance, income protection and critical illness) to provide the gender split for in-force business. Some product providers were unable to provide that data but, for those that could, 59.5% of members of group life policies are male and 40.5% female.

For employer-sponsored income protection policies, the mix is little different being 60.0% male and 40.0% female This is similar to what we are seeing for individual income protection sales.

Employer-sponsored critical illness is split between 53.7% of male and 46.7% female policy members.

While some product providers were not able to supply a data split, we believe that the percentages are a reasonable representation of the market overall.

New average sum assured, split by gender, £, 2019–2021, males and females

	Males, 2019	Males, 2020	Males, 2021
LTA without CI	161,168	177,340	183,296
LTA with CI	99,219	95,740	88,314
DTA without CI	169,670	182,184	180,501
DTA with CI	127,054	131,151	130,433

	Females 2019	Females 2020	Females 2021
LTA without CI	141,738	158,315	163,413
LTA with CI	79,539	69,676	63,973
DTA without CI	163,689	166,853	177,331
DTA with CI	118,165	117,103	118,629

New average premium, split by gender, £, 2019–2021, males and females

	Males, 2019	Males, 2020	Males, 2021
LTA without CI	371	343	394
LTA with CI	470	451	416
DTA without CI	247	234	230
DTA with CI	542	549	519

New average premium, split by gender, £, 2019–2021, females

	Females 2019	Females 2020	Females 2021
LTA without CI	243	259	269
LTA with CI	350	322	291
DTA without CI	198	194	197
DTA with CI	288	245	200

The average new Level Term benefit purchased by males is 17% higher than the equivalent benefit purchased by females. The equivalent annual premium is 46% higher.

For new Level Term with CI, the average new benefit purchased by males is 26% higher than the equivalent benefit purchased by females. The equivalent annual premium is 43% higher.

The average new Decreasing Term benefit purchased by males is 8% higher than the equivalent benefit purchased by females. The equivalent annual premium is 17% higher.

For new Decreasing Term with CI, the difference in average new benefits purchased is 9%, but the equivalent annual premium is more than double for males than females.

New average sums assured and premiums for joint life policies are;

New average sum assured, £, 2019–2021, joint lives

	Joint life, 2019	Joint life, 2020	Joint life, 2021
LTA without CI	189,960	191,086	206,244
LTA with CI	107,345	90,117	87,917
DTA without CI	199,906	217,636	229,156
DTA with CI	139,351	137,688	144,031

New average premium, £, 2019–2021, joint lives

	Joint life, 2019	Joint life, 2020	Joint life, 2021
LTA without CI	403	398	418
LTA with CI	567	544	569
DTA without CI	331	316	319
DTA with CI	807	814	817

New average income protection benefit per annum, split by gender, 2019–2021, £

New average income protection benefit per annum, split by gender, 2019–2021, £, males

Year	Male, 2019	Male, 2020	Male, 2021
Income protection	17,407	19,717	19,275

New average income protection benefit per annum, split by gender, 2019–2021, £, females

Year	Female, 2019	Female, 2020	Female, 2021
Income protection	15,115	16,405	16,896

New average income protection premium, split by gender, 2019–2021, £

New average income protection premium, split by gender, 2019–2021, £, males

Year	Male, 2019	Male, 2020	Male, 2021
Income protection	421	422	415

New average income protection premium, split by gender, 2019–2021, £, females

Year	Female 2019	Female, 2020	Female, 2021
Income protection	338	339	330

The average benefit per annum insured by males is 14% higher than the average insured benefit for females. The equivalent annual premium paid by males is 26% higher.

Distribution

In this chapter, we show the distribution mix for new term assurance, critical illness and income protection policies.

As in the 2021 report, we have provided a more detailed split of the business classed as "directly-authorised", split between aggregator sites, IFAs and networks, and execution only.

Term assurance and critical illness

The split of new term assurance policy sales by distribution channel is as follows:

Total new term assurance policy sales by distribution channel, 2017–2021

Distribution channel	2017	2018	2019	2020	2021
Directly-authorised	1,062,192	1,111,247	1,203,751	1,303,317	1,406,255
Tied	181,314	207,456	105,499	64,364	74,837
Direct	173,274	162,918	177,693	147,435	139,027
Bancassurance	74,319	91,072	115,227	72,713	78,182
Total	**1,491,099**	**1,572,693**	**1,602,170**	**1,587,829**	**1,698,301**

One product provider amended its methodology for collecting distribution data in 2019. The data included in 2017 and 2018 above may overstate the number of tied sales by approximately 25%.

The split of new stand-alone CI sales by distribution channel is as follows:

New stand-alone CI policy sales, by distribution channel, 2017–2021

Distribution channel	2017	2018	2019	2020	2021
Directly-authorised	29,286	38,788	34,531	53,932	60,984
Tied	7,991	5,229	10,301	10,176	11,287
Direct	4,600	1,502	16,527	17,324	20,320
Bancassurance	7,822	3,467	1,988	1,741	1,835
Total	**49,699**	**48,986**	**63,347**	**83,173**	**94,426**

In percentage terms and by product type, the proportions for 2021 (2020 percentages shown in brackets) are:

Distribution by policy type by new sales, 2020 and 2021

Directly-authorised,		Tied	Direct	Bancassurance,
LTA	81.5 (82.3)	2.8 (2.5)	11.8 (11.5)	3.9 (3.8)
RLP	95.3 (95.9)	4.4 (3.8)	0.3 (0.3)	– (–)
LTA with CI	90.5 (88.6)	3.9 (3.7)	3.8 (6.3)	1.7 (1.4)
DTA	77.3 (75.1)	8.5 (7.7)	7.9 (6.7)	6.3 (10.5)
DTA with CI	82.9 (80.8)	5.2 (5.2)	1.9 (3.7)	10.0 (10.3)
FIB, with and without CI	94.4 (92.9)	3.3 (3.8)	2.2 (0.1)	0.1(3.2)
SACI	64.6	12.0	21.5 (20.8)	1.9 (2.2)

The split of directly-authorised new term with CI policies and stand-alone CI policies for 2020 and 2021 is shown in the next table. In collecting the data for 2021, we removed the option to report business as "other". We have not attempted to respread business reported in 2020 as "other". Consequently, data percentages for 2020 for SACI have been omitted.

"Directly-authorised" new term and critical illness sales and stand-alone CI policies, 2020 and 2021, split between aggregator sales, IFAs and networks and Execution only by policy type

	Aggregator sites	IFAs and networks	Execution only
LTA	6.6 (8.7)	83.1 (81.4)	10.3 (9.0)
RLP	0.2 (0.1)	99.4 (98.5)	0.4 (0.3)
LTA with CI	1.2 (3.2)	94.6(94.1)	4.2 (1.8)
DTA	7.2 (9.8)	91.6 (87.3)	1.2 (1.4)
DTA with CI	1.1 (3.6)	98.0 (95.2)	0.9 (0.2)
FIB, with and without CI	0.2 (0.5)	99.6 (99.0)	0.2 (–)
SACI	14.1	85.8	0.1

We have omitted reported comparable figures for stand-alone CI for 2020 as almost 25% of new sales were reported as other so year-on-year comparison is misleading.

The split of advised and non-advised based on all new term assurance policy sales, including policies with a CI benefit for 2020 and 2021 is as follows:

New advised and non-advised policy sales, 2020 and 2021

	Total, 2020	Non-advised, 2020	Percentage	Total, 2021	Non-advised, 2021	Percentage
LTA	790,335	394,544	49.9	825,857	415,610	50.3
LTA with CI	248,250	59,248	23.9	290,668	69,407	23.9
DTA	315,686	76,657	24.2	335,077	73,844	22.0
DTA with CI	179,134	18,398	10.3	192,302	16,655	8,7
FIB	29,540	2,307	7.9	30,994	2,584	8.3
FIB with CI	1,363	29	2.1	1,141	33	2.9
RLP	23,521	1,543	6.6	23,405	2,031	8.7

As we saw 12 months previously, the simpler the perceived proposition, the greater the likelihood the consumer is prepared to take up cover without recourse to advice. Even then, we have not seen the increases in the numbers purchasing without advice that some may have expected.

The following table breaks down "directly-authorised" new sales further between those concluded directly from an aggregator site and those reported as from IFAs and networks or on an Execution Only basis.

Split "directly-authorised sales, aggregator site, IFAs and networks, and Execution Only, 2020 and 2021

	Aggregator sites, 2020	IFA and network, 2020	Exec only, 2020	Aggregator sites, 2021	IFA and network, 2021	Exec only, 2021
LTA	56,577	529,353	58,527	44,436	559,487	69,347
RLP	23	22,229	68	45	22,167	89
LTA	7,034	206,856	3,957	3,157	248,894	11,050
DTA	23,238	207,014	3,320	18,639	237,130	3,107
DTA with CI	5,212	137,822	290	1,754	156,253	1,435
FIB	137	27,122	–	56	28046	56
FIB with CI	83	919	1	156	951	1
Total	**92,304**	**1,131,315**	**66,163**	**68,243**	**1,252,928**	**85,085**

4.0% of the total 1,698,301 new sales (5.8% in 2020) were reported as through aggregator sites.

New sales direct from aggregator sites fell by 26.1%.

73.8% of the total (71.2% in 2020) were reported as through IFAs and networks.

New sales from IFAs and networks increased by 10.7%

5.0% of the total (4.2% in 2020) were reported as concluded on an Execution Only basis.

New sales on an Execution Only basis increased by 28.6%

Income protection

Directly-authorised firms remain the main distribution method for individual income protection policies with 86.8% (86.6% in 2020) of new purchases made in this way.

New individual income protection sales split by distribution channel used, 2017–2021

Distribution channel	2017	2018	2019	2020	2021
Directly-authorised	115,788	122,471	153,678	140,663	153,523
Tied	2,972	23,755	23,335	19,370	21,316
Direct	90	76	389	903	1,061
Bancassurance	2,234	2,196	2,203	1,579	1,065
Total	**121,084**	**148,498**	**179,605**	**162,515**	**176,965**

Putting the results into perspective

In a difficult environment, it's good to see positive results across all product lines. Although direct comparison is not possible between new business data shown in this Report and in-force group risk business, the overall performance of the market in 2021, taken together, was very positive.

Indeed, the group risk market showed 5.9% growth in policy membership in 2021, almost 800,000 more people covered and the highest recorded growth, both in percentage terms and numbers since our first Group Watch report in 2007. The group income protection market increased with a further 128,347 members of insured employer-sponsored policies.

Expanding the disability market

New critical illness sales numbers showed impressive growth in 2021, in part fuelled by the recovery in the mortgage sector as seen in increased sales of decreasing term policies. Undoubtedly, a number of level term policies with a critical illness benefit were also linked to a housing transaction.

Twelve months ago, we reported that new individual income protection sales had fallen by 9.5%, this because of the withdrawal of some shorter deferred period, shorter benefit payment policies from March 2020 in response to COVID. Despite this, the market data showed an 11.3% increase in new policies with benefits potentially payable through to the selected retirement or expiry age.

It is encouraging to see new individual income protection sales returning to close to 2019 levels although this is accompanied by a fall in the number of new policies going to the selected retirement or expiry age and an increase in products with a two year maximum payment period.

Short-or long-term fix?

Success should be measured by more than just increased policy sales, however, albeit that is one useful measure. The extent to which we can claim to have helped people become more resilient must be tempered by whether we are providing long-term support or just a quick fix.

Affordability will be a challenge for many consumers. How well placed are we to return to customers with shorter benefit payment periods and extend their protection when they are able to consider the additional cost?

While so many people in the life and health sector are very clear about the priority that protecting income should have, the market still completed over three times more new individual critical illness transactions than new individual income protection policies in 2021.

This, of course, may be partly because more people have their income protected through a workplace arrangement than those who purchase critical illness cover through the workplace.

On an insured basis, the number of people with their income protected in a workplace scheme outnumbers those with a workplace based critical illness cover by a factor of four.

We were pleased to re-join the Income Protection Task Force and to support and participate in its programme of work to grow awareness and, hopefully, lead to improved coverage.

Growing the market

A view which was expressed by a number of people in the group risk sector is that we are good at talking to ourselves, for instance through messaging online and in publications read by those who are already aware rather than potential new customers. Is this a fair challenge to improve messaging to those who are not provided for by their employer?

There are 2.90m members of insured employer-sponsored disability income protection policies and others who are members of arrangements which are not insured. The majority is likely to be public sector workers, 5.72m people at the end of 2021 (source: ONS) out of a total UK employed workforce of 32.49m

It's entirely natural that most people enjoy their cover as a result of an employer arrangement, whether insurance-backed or not. After all, it does link directly to the source of that income.

We might expect demand for employer-sponsored arrangements to grow. Skills shortages are likely to mean that there is more need to offer a package of benefits and services which are demanded to attract and retain new workers. This, though, will get nowhere near the market potential.

Inheriting, an opportunity?

The inheritance tax (IHT) exemptions, thresholds and reliefs, have been frozen since 2009 and will remain so until at least 2026. A sustained period of higher inflation will mean that more people are impacted by these limits.

The opportunity for financial planning can be seen in the following table which projects anticipated IHT receipts.

Tax year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
£bn	6.0	6.4	6.5	6.8	7.2	7.6

Source: Office for Budget Responsibility, Inheritance Tax, April 2022.

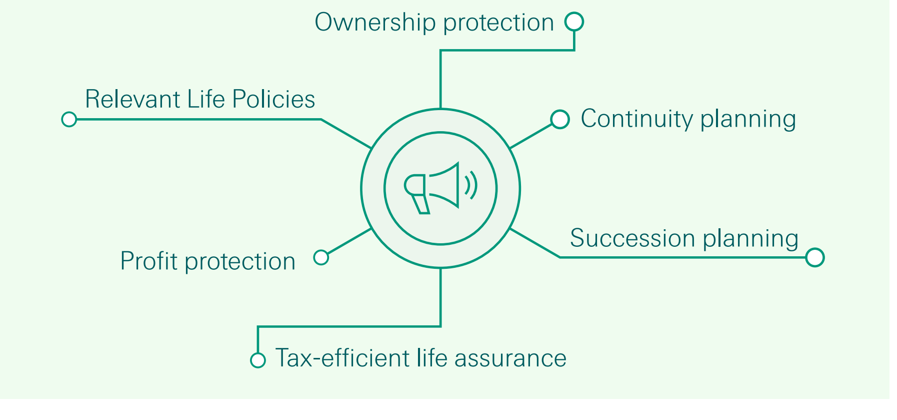
Business protection

We might also consider the similar challenges with making businesses more aware of the financial risks they are facing as a result of the death or prolonged disability of someone key to their business success.

We were very pleased to host a webinar to discuss how we might work together to make businesses more resilient to these risks, a subject which should be at the very heart of protecting a business but which, instead, sits outside in a market which is largely siloed and not built around the wider needs of the customer.

Following that webinar, we have set up a Working Group, branded Building Resilient Businesses to explore the potential in this market.

Initial discussions have highlighted a number of themes to work on to complement work carried on elsewhere. It should be no surprise that one theme is the terminology used to describe business protection which is often inconsistent and not clear across all of the market.



More fundamentally, though, does the industry need to do something based on the learnings from the 7Families campaign to build awareness, build stronger relationships with employer bodies and across the different types of insurance distributor to kickstart activity in this underserved sector of the market? Furthermore, this should be a subject of great interest to the Department for Business, Energy and Industrial Strategy and to HM Treasury.

The opportunity is massive to work with businesses. According to ONS data, there are 1.4m businesses which employ people with just 8,000 employing 250 or more people.

Signposting

Signposting is now an established discussion topic in the insurance market. There is no doubt that the use of signposting as a way to expand opportunities for customers to buy has been well received and it has to become an integral part of making the market more professional and inclusive. At the very least, it should make the market more customer-centric where, historically, it has been aligned more to the legislative and regulatory framework under which we operate. Nowhere is there more apparent than in the industry's dealings with its corporate customers.

Advising the customer

Once again, the results show an increase in the number of people purchasing life and health policies without advice and the direct link between the complexity of the proposition and the propensity to purchase without advice.

In collating these numbers, we recognise that there may be some differences in the way that data are reported to us, for instance where directly-authorised firms offer a number of different ways to market. In sharing these numbers and the table showing the split between advised and non-advised business, we recognise there may be some blurring of the distinctions between the channels

The economy

The results in this year's Report paint a positive picture of a market which, over two years, has withstood well the difficulties presented by the unforeseen consequences of the pandemic. The increased awareness of the financial impact of death or disability on an individual and their family should result in more protection purchases.

Perhaps the most critical factor driving market confidence over the coming period will be public confidence? Will the natural caution and the harsh reality that we will see as utility costs rise, the cost of living increases and in the face of uncertain politics both globally and nationally lead to suppressed market activity and lower new protection sales?

The stark reality of this can be seen in the Office of National Statistics' April 2022 Report, "The rising cost of living and its impact on individuals in Great Britain: November 2021 to March 2022" which highlights some of the challenges to be faced.

- Of adults currently paying off a mortgage and/or loan, or rent, or shared ownership, 30% reported that it was very or somewhat difficult to afford housing costs, and 3% claimed to be behind on rent or mortgage payments in March 2022.
- Around 9 in 10 (87%) adults reported an increase in their cost of living over the previous month in March 2022, an increase of 25 percentage points compared with around 6 in 10 (62%) adults in November 2021.
- Among all adults, 43% reported that they would not be able to save money in the next 12 months, in March 2022 (16 to 27 March 2022); this is the highest this percentage has been since this question was first asked in March 2020 (27 March to 6 April 2020).
- Among all adults, 17% reported borrowing more money or using more credit than they did a year ago, in March 2022 (16 to 27 March 2022).

Our data have historically related to activity linked to the purchase or re-mortgage of property, an important source of new life and CI business for many years, at its peak being up to 50% of reported new sales.

We do not have data linking life and health insurance to protecting rental commitments. Anecdotally, levels of protection are low in an area where the number of renters has been growing.

Based on Office of National Statistics data, NimbleFins has published that there are 8.5m renters in the UK, of whom 4.5m are private renters. The same research shows 15m homeowners, of whom just under 7m are owner occupiers with a mortgage.

We welcome the announcement in the Queen's Speech that the Government intends to introduce a Rental Reform Bill in this Parliamentary Session. This provides an opportunity for cross-industry collaboration to present the case for reforms to improve the position for renters protecting their commitments with insurance.

In the past, personal protection markets have held up reasonably well during economic downturns. This time, however, there is the added dimension that the downturn comes while we are still dealing with the consequences of COVID. Office for Budget Responsibility forecasts are being revised down all the time, further denting public confidence. Furthermore, there is no certainty that we will not see more COVID variants.

As with COVID, the impact across society will not be equal, for instance by region, and will be impacted by financial exposures, for instance to rising transport costs.

Will there be a fall in saving as people tighten their belts and how will this impact protection products? This could be impacted by consumer confidence measured by gender and by age band and socio-economic group. iPipeline data, reported earlier, show that there was a 3% fall in activity in Q1 2022 compared with a year earlier.

Business retention strategies should be to the fore in supporting consumers to keep their protection products and benefits going.

About the authors

Ron Wheatcroft

Ron works with the market, looking at the likely impact of legislation and regulation. He is a regular commentator in the media.

He is a member of GRiD's Steering Group and on the Steering Group of the Building Resilient Households Group.

He is Joint Chair with Katharine Moxham from GRiD of the Cabinet Office Champion Access to Insurance Workplace Protection Group.

Ron has led Swiss Re's work to grow awareness of the opportunities to make businesses more resilient to the financial impact of death and disability through the use of long-term products and services.

Outside work, Ron ignores Premiership hype, settling instead for watching Gillingham. Sadly, the trapdoor back into League Two opened at the end of the 2021/22 season but there is at least optimism that things can surely improve.

Hajanth Pasgarathasan

Hajanth joined Swiss Re's graduate programme in September 2021 and is on a rotation with the UK & Ireland Client Markets team. Prior to his rotation, Hajanth worked in Life & Health Business Management within the Shareholder Value Delivery team, supporting with performance management, and modelling for the IFRS Project.

Hajanth is also a student Actuary, working on his actuarial journey to become a Fellow. Outside of work, Hajanth is an avid musician who can play the piano, flute, and drums. He is also an Arsenal supporter.

Abbie Marlow

Abbie is responsible for managing UK client relationships and meeting our clients' needs by providing both commercial and technical expertise along with reinsurance solutions to the Life & Health market. Abbie is also a qualified Actuary, meaning she is additionally responsible for pricing reinsurance deals for our clients.

Outside of work, Abbie enjoys exploring riverside towns in her new county, Berkshire, whilst trying to spot the Queen in Windsor! She spends weekends visiting family and making up for all the missed social occasions over the past couple of years.

Rachel Sullivan

Rachel works in the Client Markets team with UK and Ireland clients. Prior to joining Swiss Re, Rachel worked as a reinsurance broker at Willis Re, managing APAC P&C corporate and mutual clients and placing treaties into the reinsurance market.

Rachel is a member of the Chartered Insurance Institute's New Gen programme in Underwriting for 2022 and is close to achieving the ACII qualification. She is excited to be able to travel again and can't wait to meet family and friends again in person soon.

Guest Author

Simon Cox

Funeral Planning Expert

An end-of-life sector expert having spent 35 years in funeral planning and later life sectors working for and with leading players Co-Op, Dignity, Royal London, Sun Life, Golden Charter and Perfect Choice. Developed and managed award winning Over 50 and Funeral plans.

Driven by achieving better outcomes for consumers in the funeral sector, Simon's extensive body of research work spanning 20 years has seen him work with English and Scottish Governments; he's appeared at Parliamentary Select Committees on bereavement benefits and his work liberally quoted in CMA and FCA funeral sector consultations.

A champion for end-of-life regulatory change, his research identifying poor practise, together with his campaigning work (with others) has helped lead to FCA regulation of the funeral plan market and improvements to the Funeral Expenses/ Support Payments.

A regular contributor in national media appearing on BBC Breakfast, BBC Radio 4 and 5, Sky News, LBC and widely in the national press.

Simon co-founded Funeral Solution Expert, an independent Research and Consultancy business, early in 2021

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