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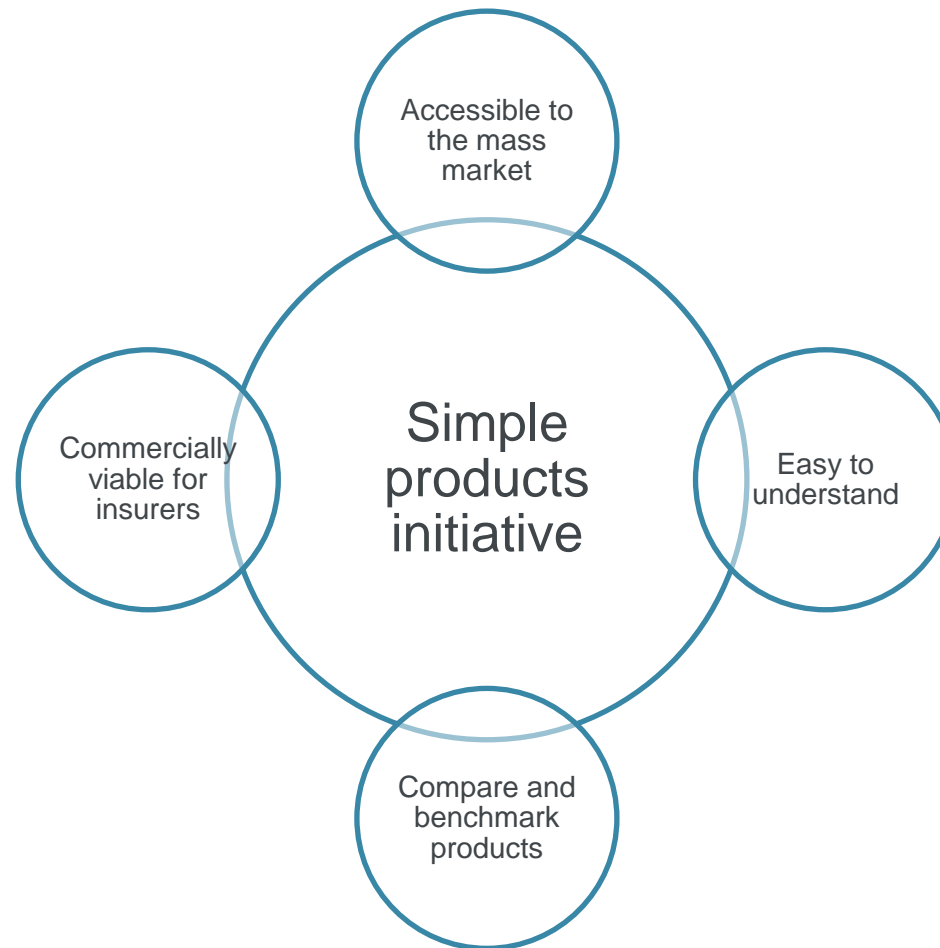
# IF ONLY LIFE WERE THAT SIMPLE

## Are simple products the solution?

Adrian Stevenson, Munich Re  
David Wells, Beagle Street



# The simple products initiative



Are simple products the solution?



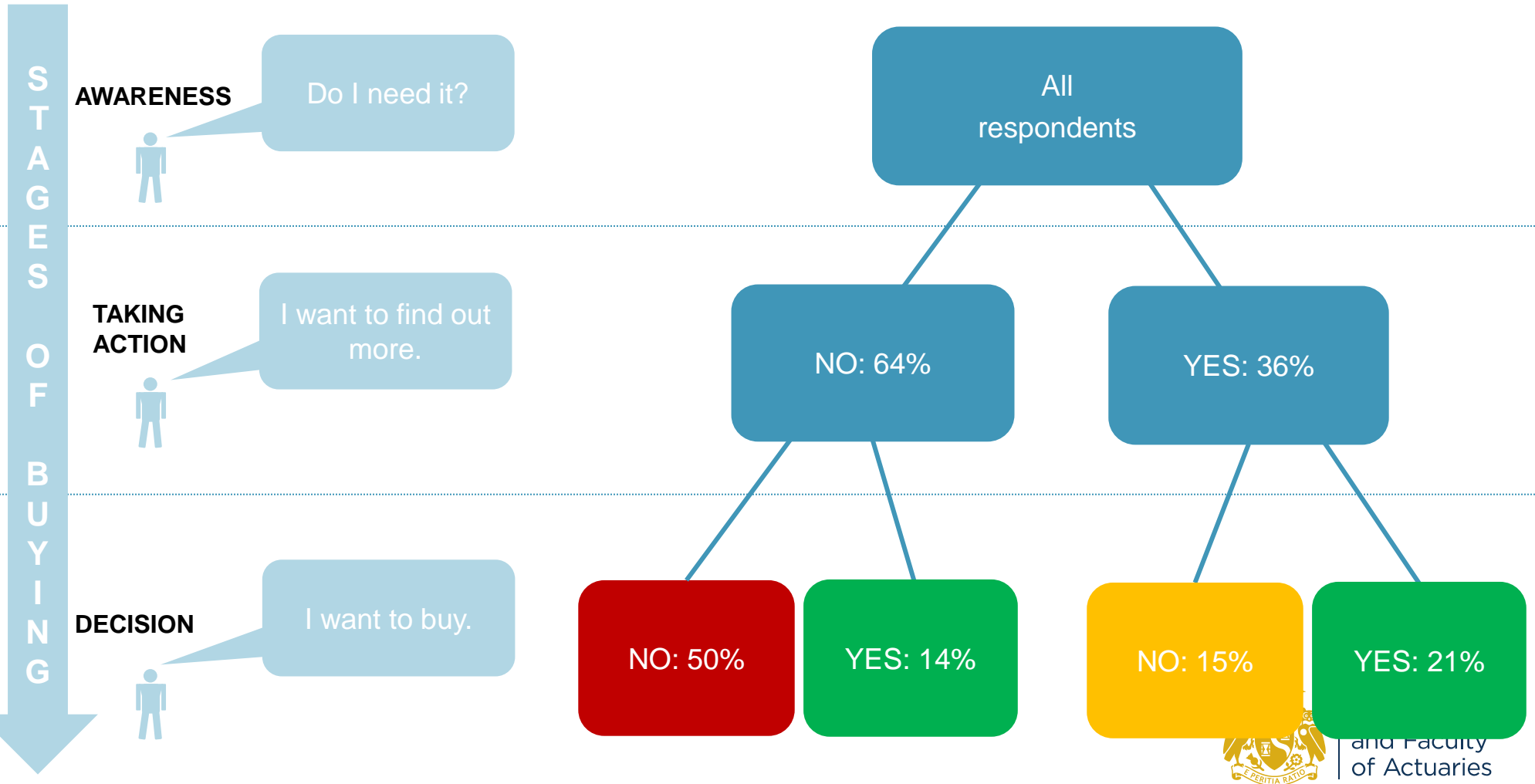
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# Consumer research

- 2000 online interviews
  - The sample is representative of the UK population by age, location, gender and working status.
- The research explores:
  - The triggers for purchasing
  - Where people get information
  - Their product perceptions
  - Barriers to purchase.
- ICM were our chosen research company and have experience in this sector.



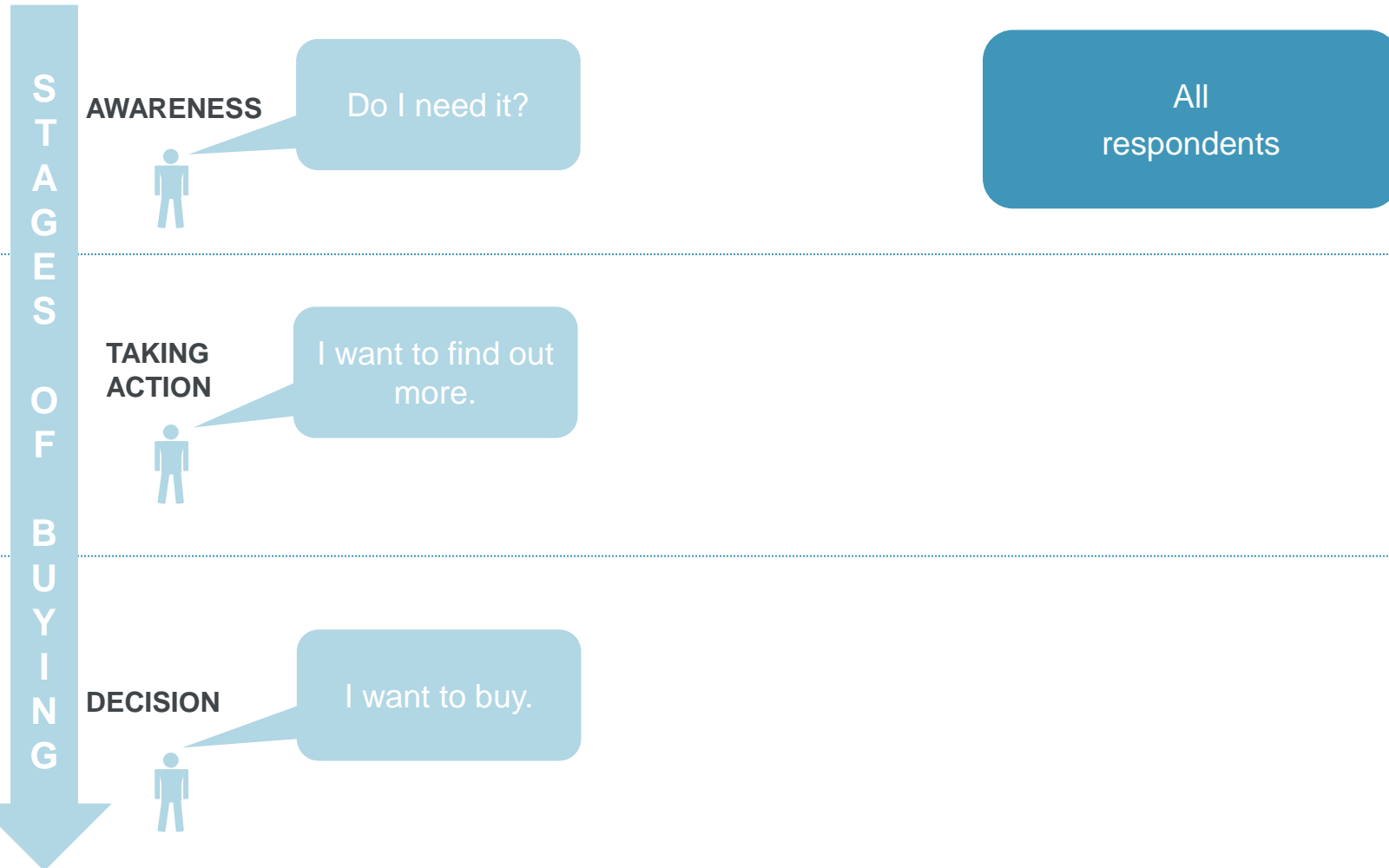
# Format of today's presentation



**AWARENESS**



## Starting at the beginning



# Reactions to adverts



	LIFE	MOBILE	PET
	% who agree strongly/slightly		
Makes me consider purchasing this kind of insurance	34%	32%	39%
Encourages me to seek advice about insurance	37%	29%	36%
Encourages me to contact the company by phone	19%	19%	20%
Encourages me to contact the company website	30%	32%	37%

- 30 - 40% consider a call to action after watching an insurance advert.
- Life insurance shows no greater importance than other products.



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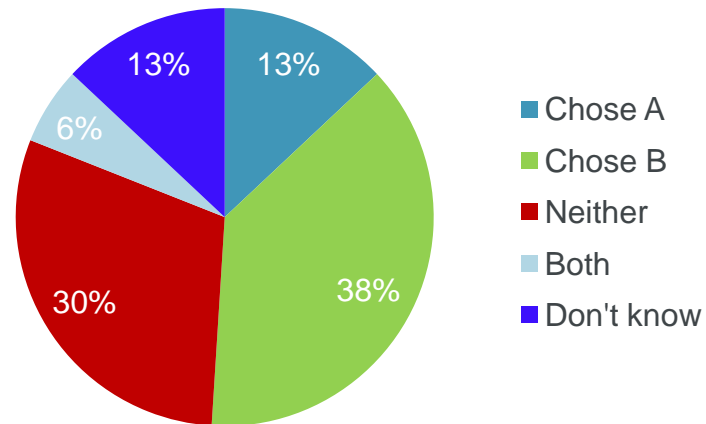
## Watch your language

A

The Life Insurance Amount will be payable to the Planholder on death of the Life insured provided this occurs on or before the End Date.

B

You die, we pay



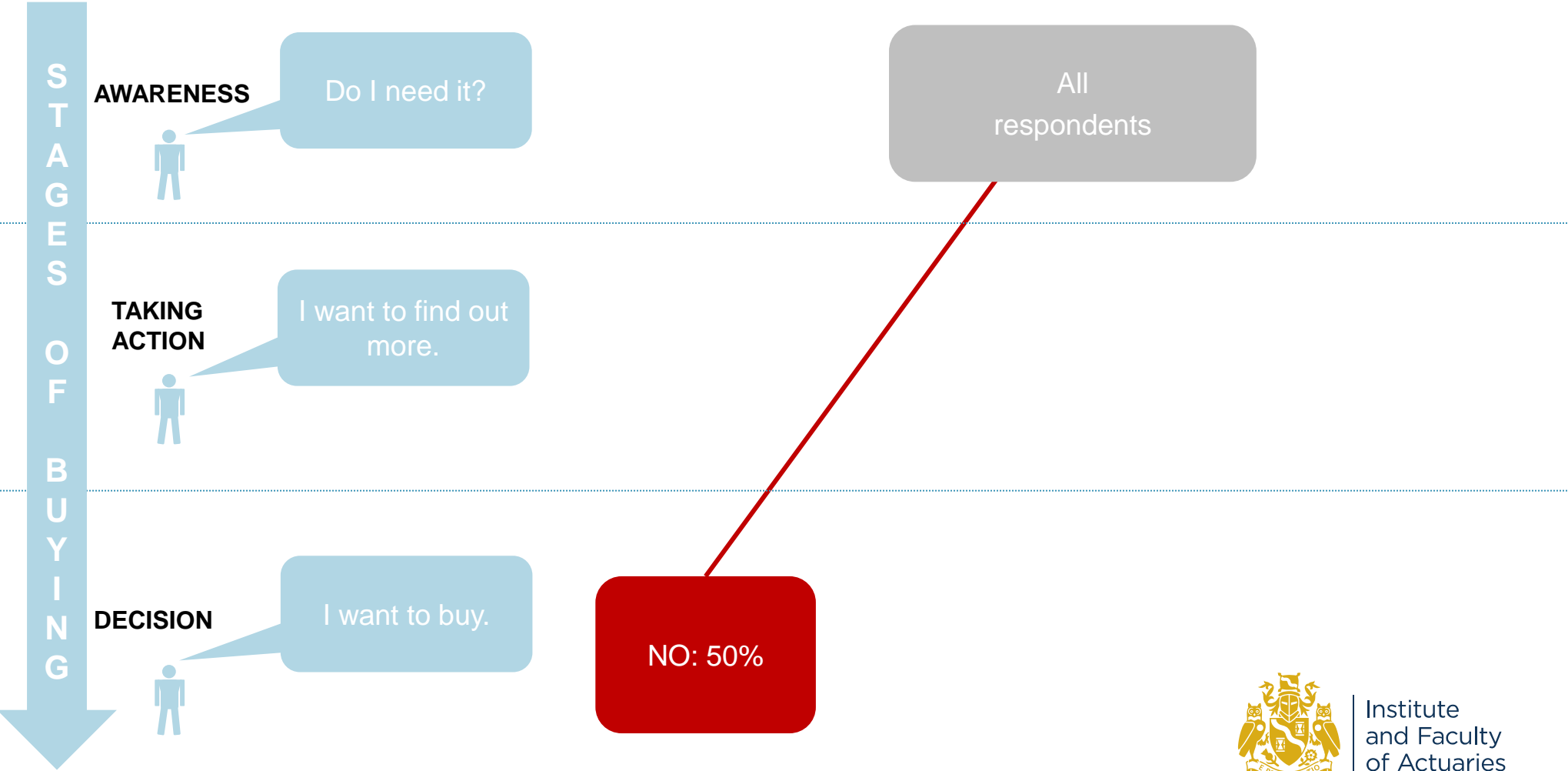
- The simple product initiative is right to simplify product language.
- FCA will focus on clearer outcomes for consumers.



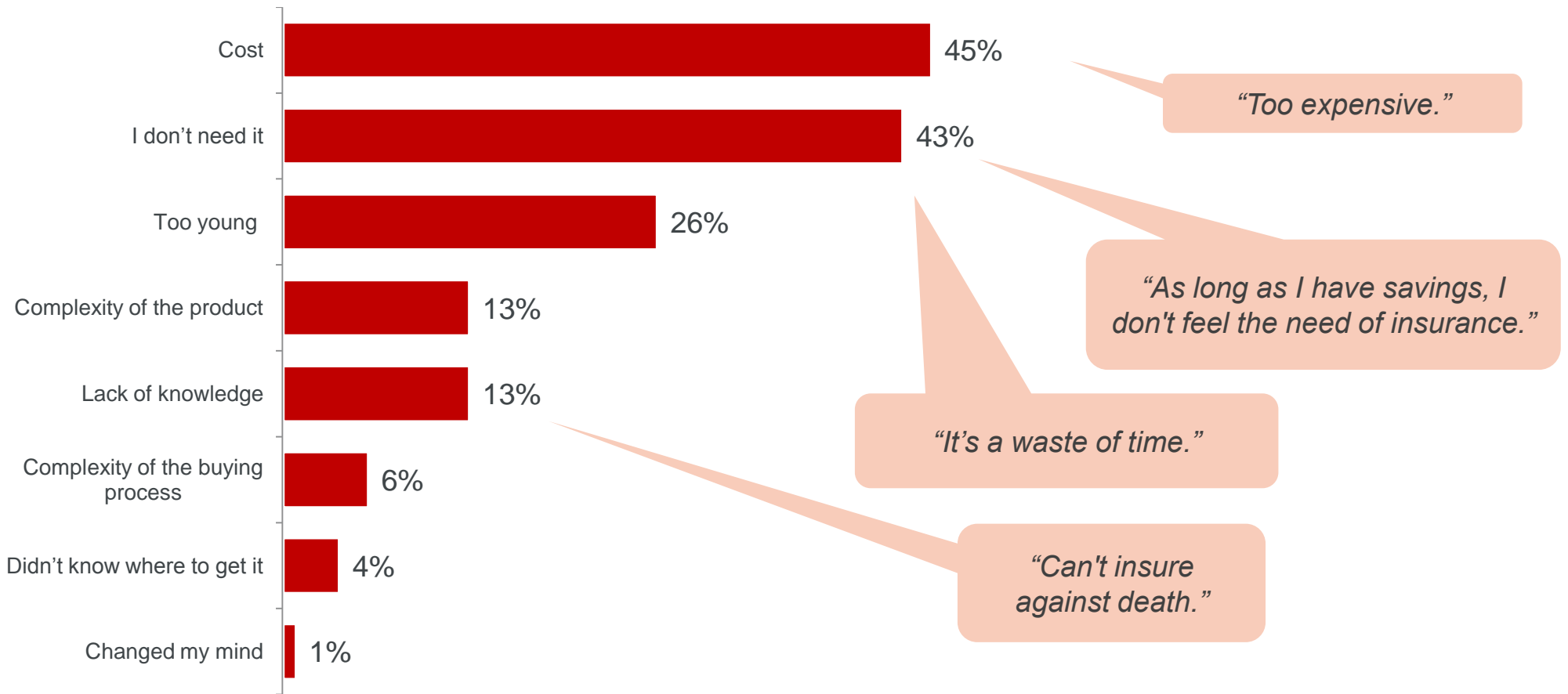
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# Half of individuals don't even consider buying Life insurance



# Why don't individuals consider Life insurance?



- Cost and lack of perceived need are the two main barriers.
- Simple products initiative has a focus on complexity which is not the main barrier.



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# How would the simple products initiative help change this group's mind?

Make it easier to understand

3%

Having a family

11%

Reduce the cost

12%

Increase in income

5%

Nothing

40%

Getting older

4%

More information

4%

Complexity is only 7% of the problem.



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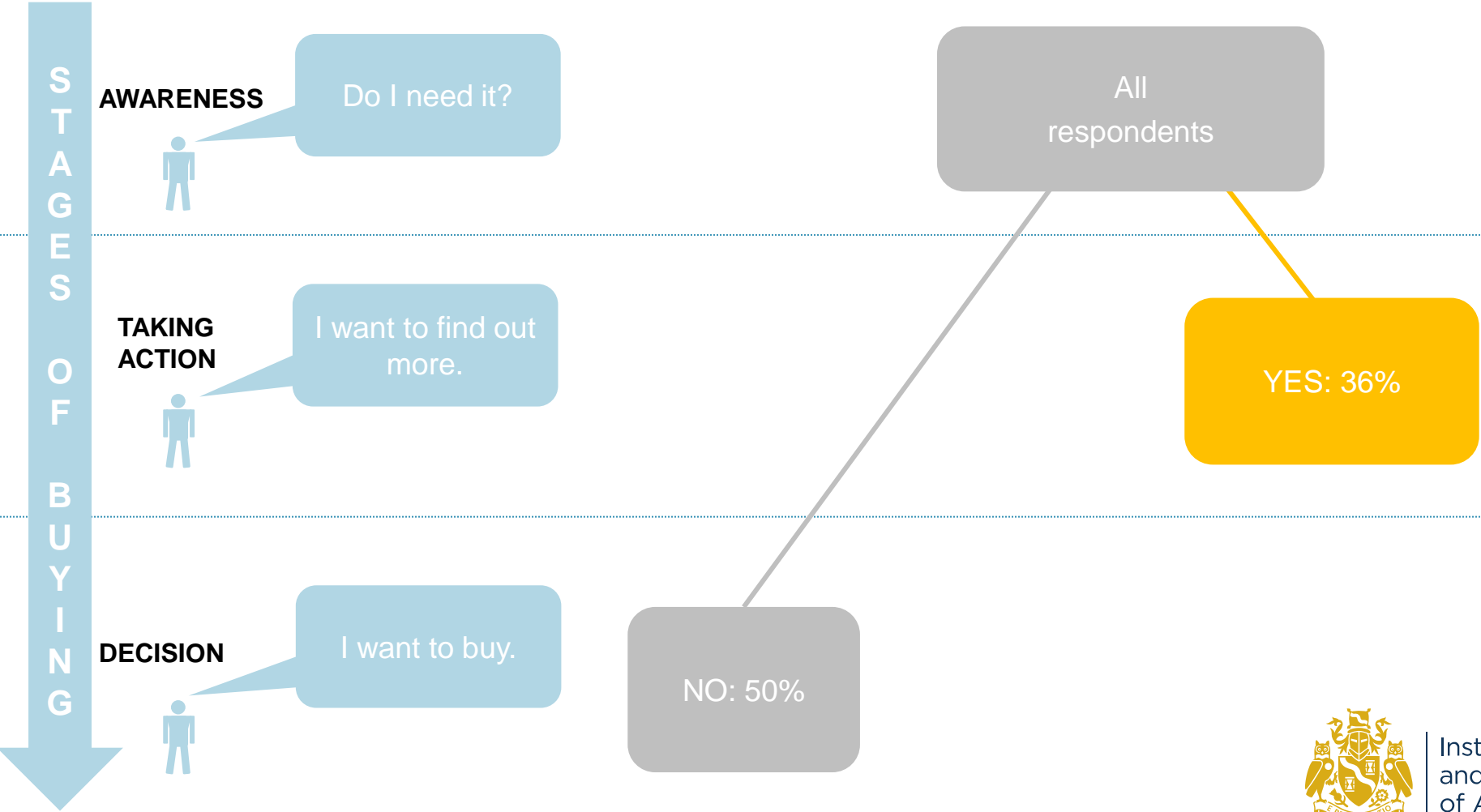
# TAKING ACTION



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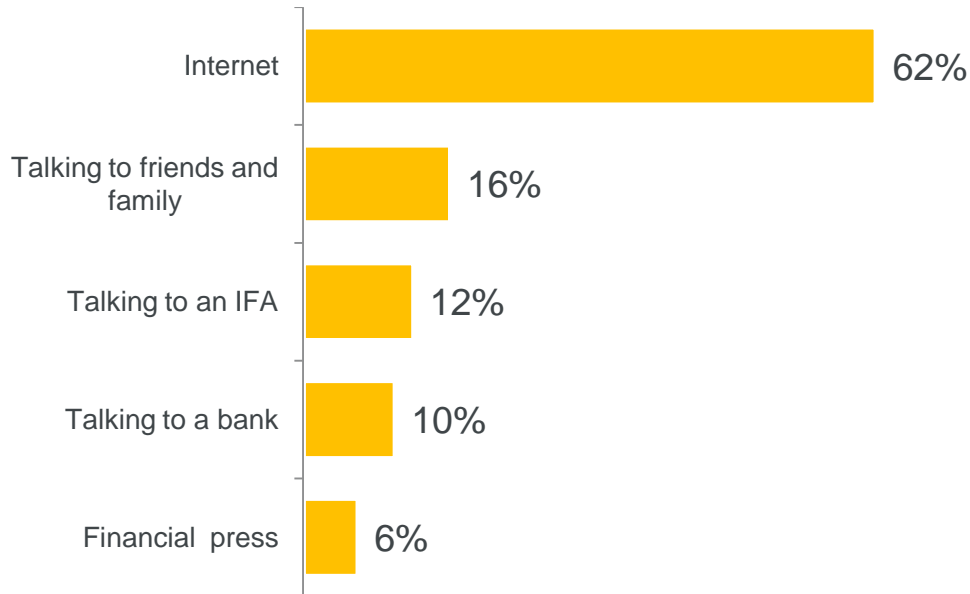
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# 36% of people do some research

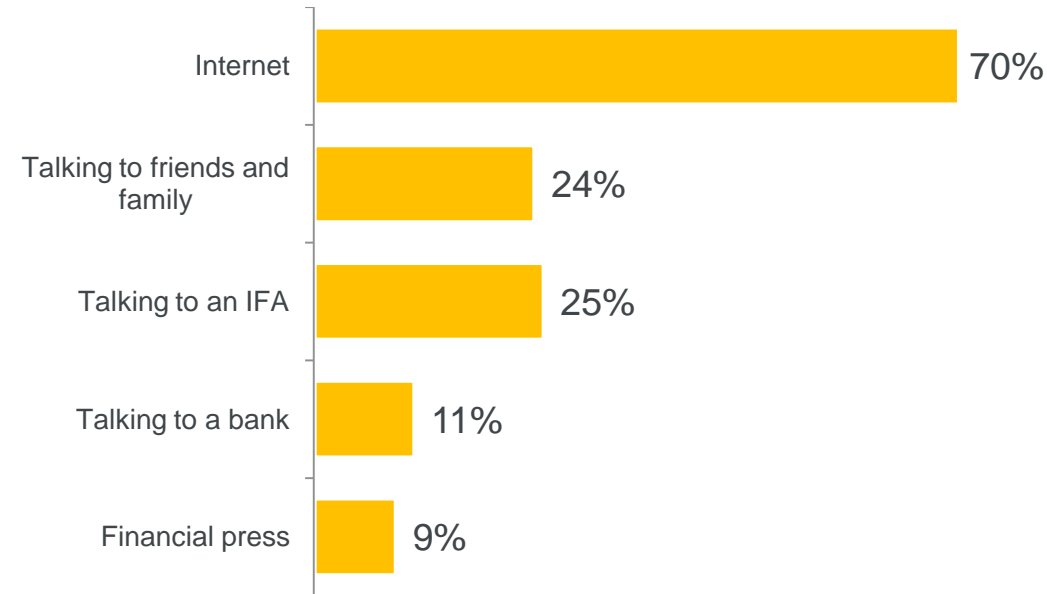


# Where do people look for information?

Where they would instinctively look



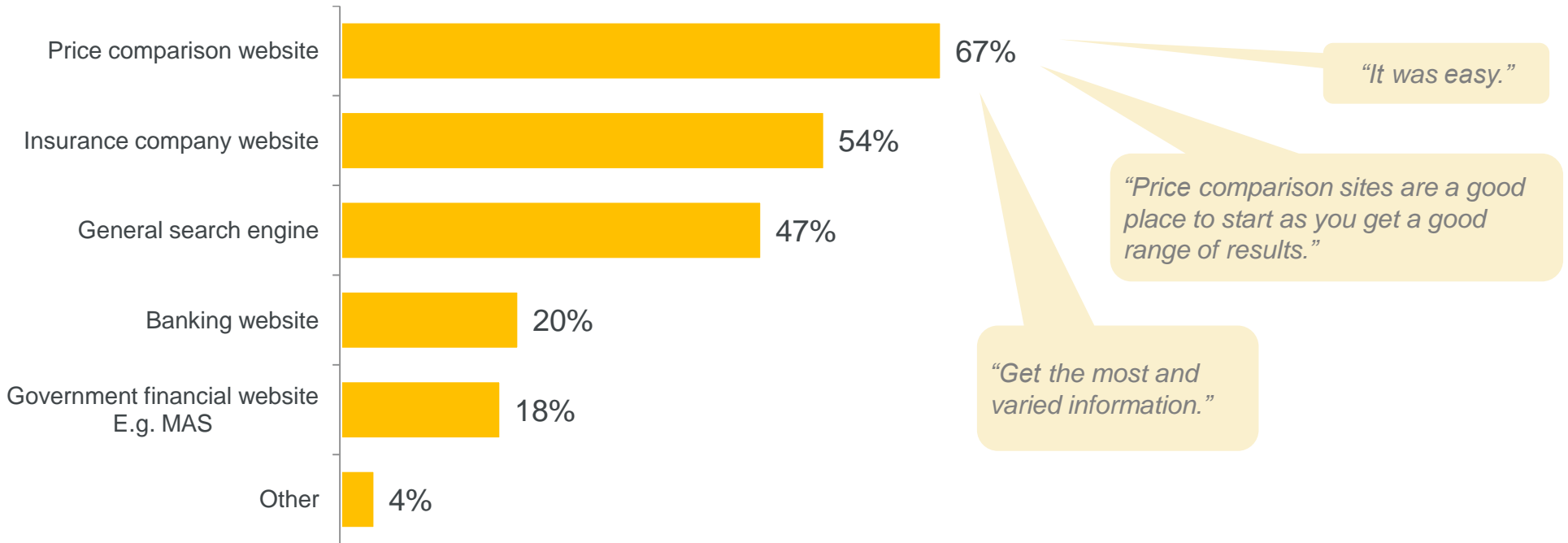
Where they actually looked



- Internet is here to stay – is social media the way forward?
- In practice people are more likely to speak to someone.



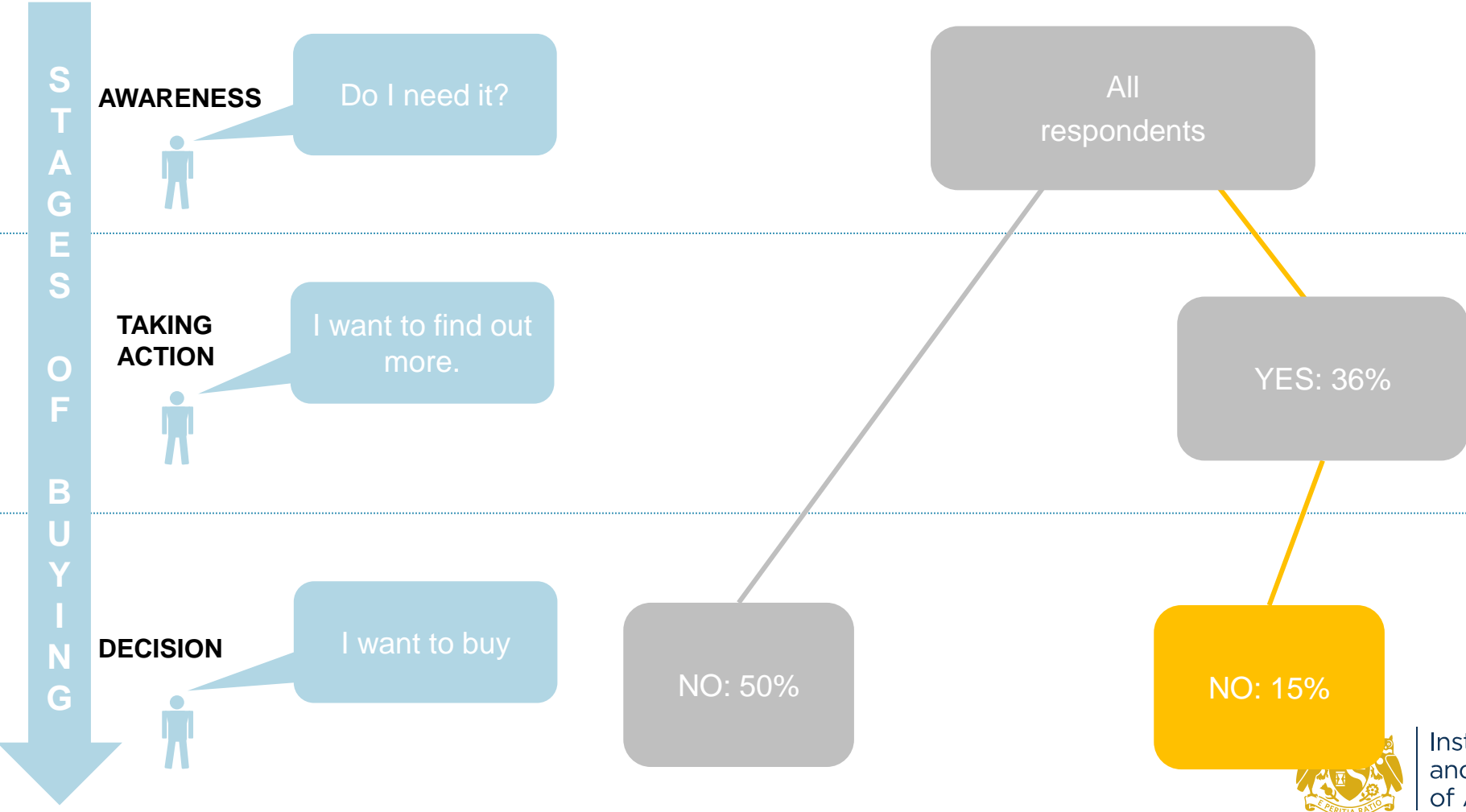
## Where on the internet and why?



- Be aware of the price comparison websites.
- Don't underestimate the power of your website.
- Money Advice Service will be promoting the simple products initiative yet it has one of the lowest scores.

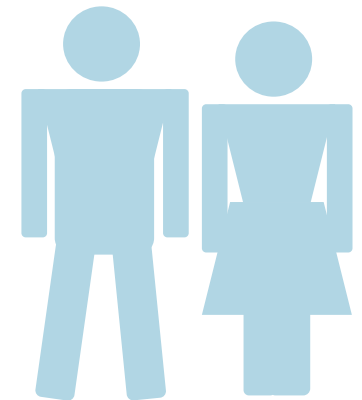
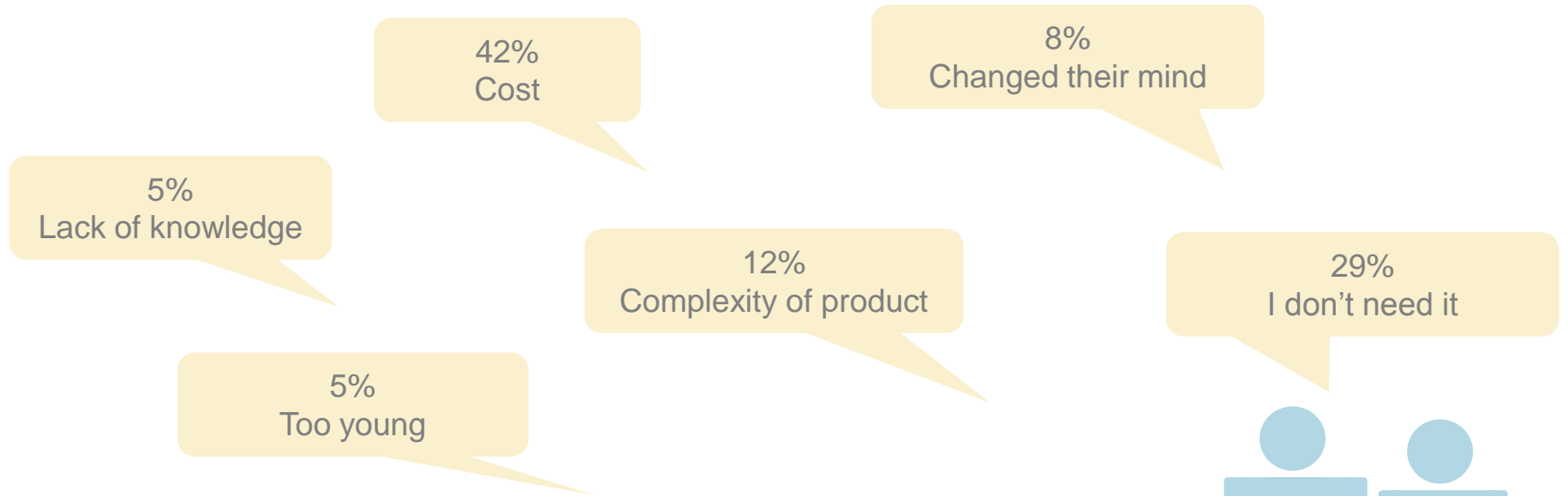


# After research 42% of people drop out





# Why didn't you buy?



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- 42% of people do not buy a Life product after undertaking research.
- The simple products initiative will not address the biggest barriers.

# How will the simple products initiative help?

What would make you change your mind?	
Nothing/no need of it	31%
Reduction in costs	27%
Having a family	5%
Increase in income	5%
Better returns on premiums	4%
Easier to understand the product	4%
More information/someone to explain it	3%
More straightforward process	3%

*“If I could have a straightforward policy with a set price and guaranteed payout.”*

*“Insurance companies that don't lie and cheat people out of their money.”*

*“The fees and upfront charades, the current economic climate. A financial product in risky times.”*

*“Cheap monthly payments.”*

The simple products initiative does not address the two biggest barriers of awareness and cost.



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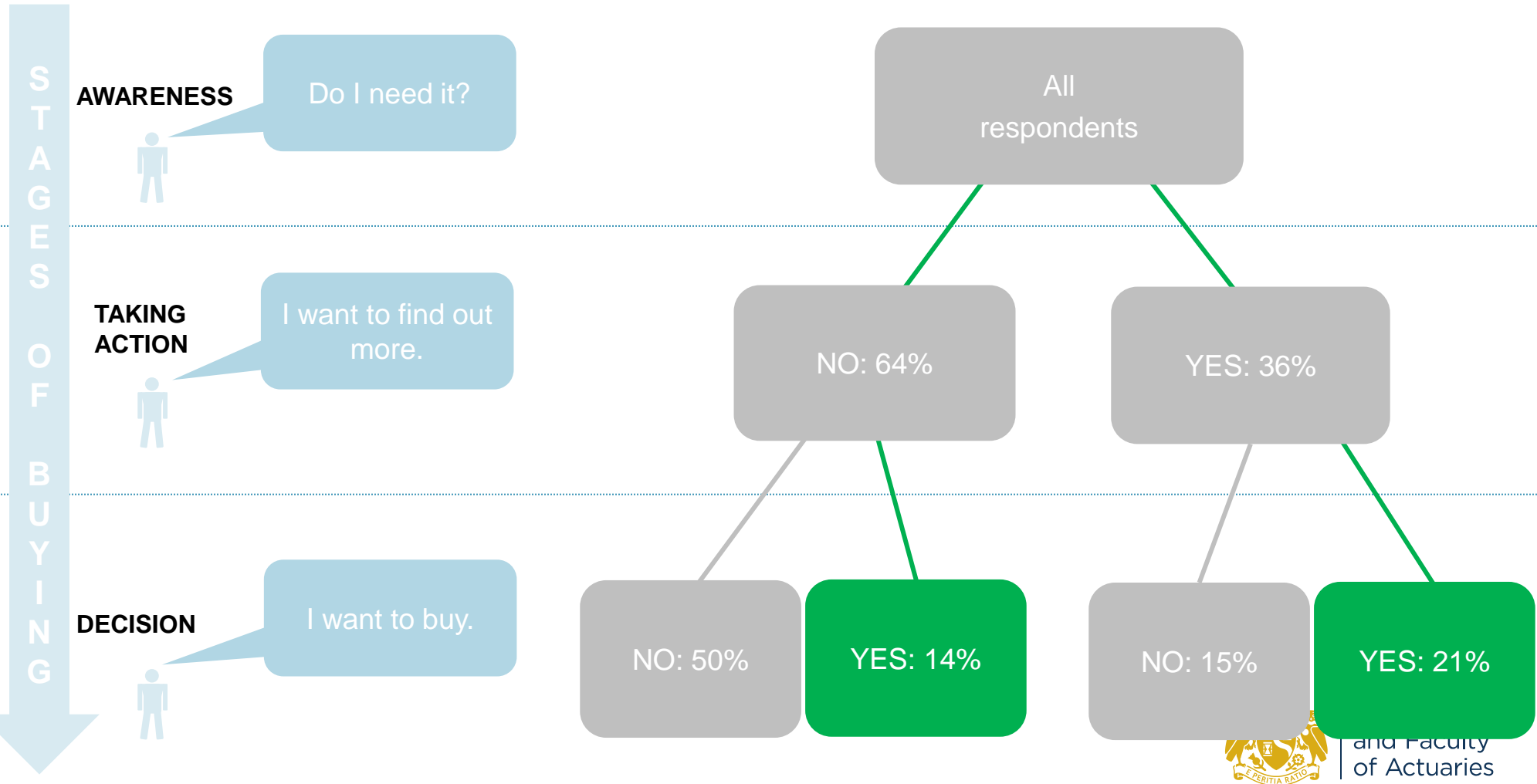
# DECISION



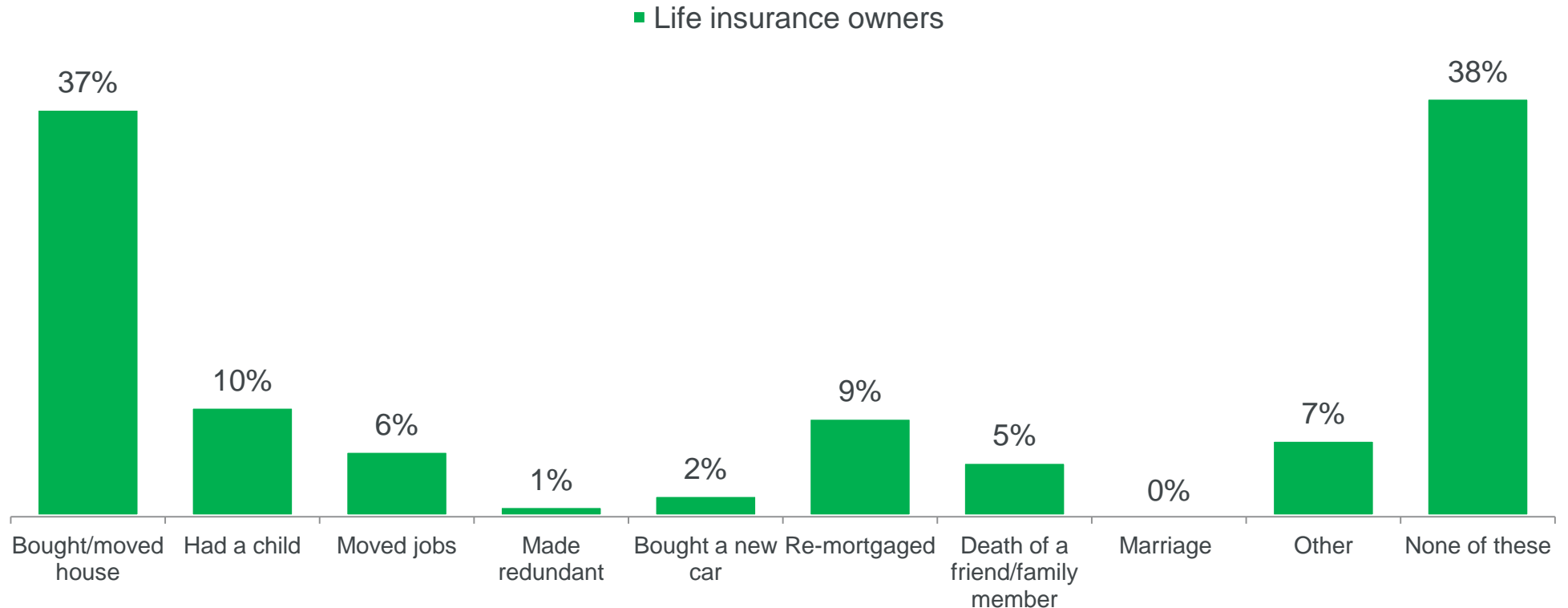
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# 35% of people buy



# What was the trigger for buying Life insurance?



- Are insurers' effective at targeting customers at key life stages?
- Can insurers use their data better to sell to customers' needs?

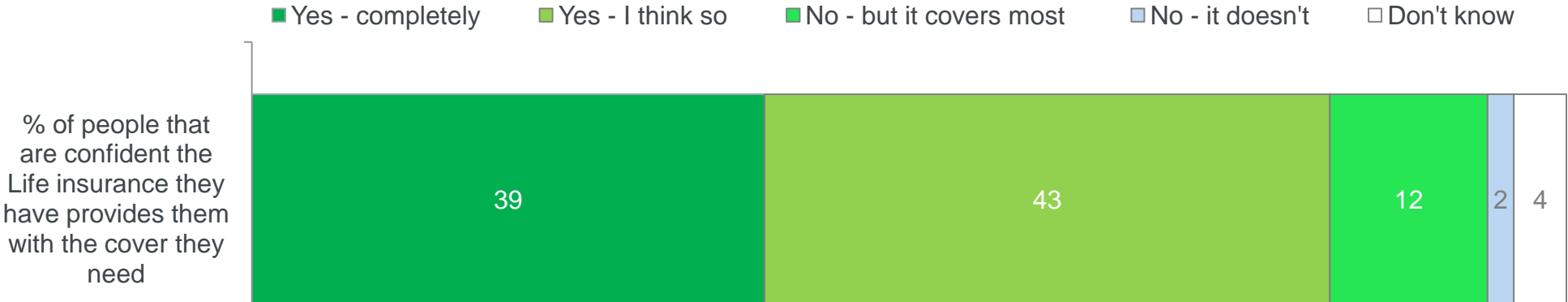


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Q: Which, if any, of the following events did you go through around the same time as deciding to start looking into purchasing life insurance?

N.B Respondent can pick multiple answers

# Customer confidence



% of people that are confident the Life insurance they have provides them with the cover they need

*"It was organised by my employer and wasn't something I selected independently."*

*"Because the premium was significantly higher and would simply cover other items that I might need but would probably not be necessary."*

*"It was taken out a long time ago."*

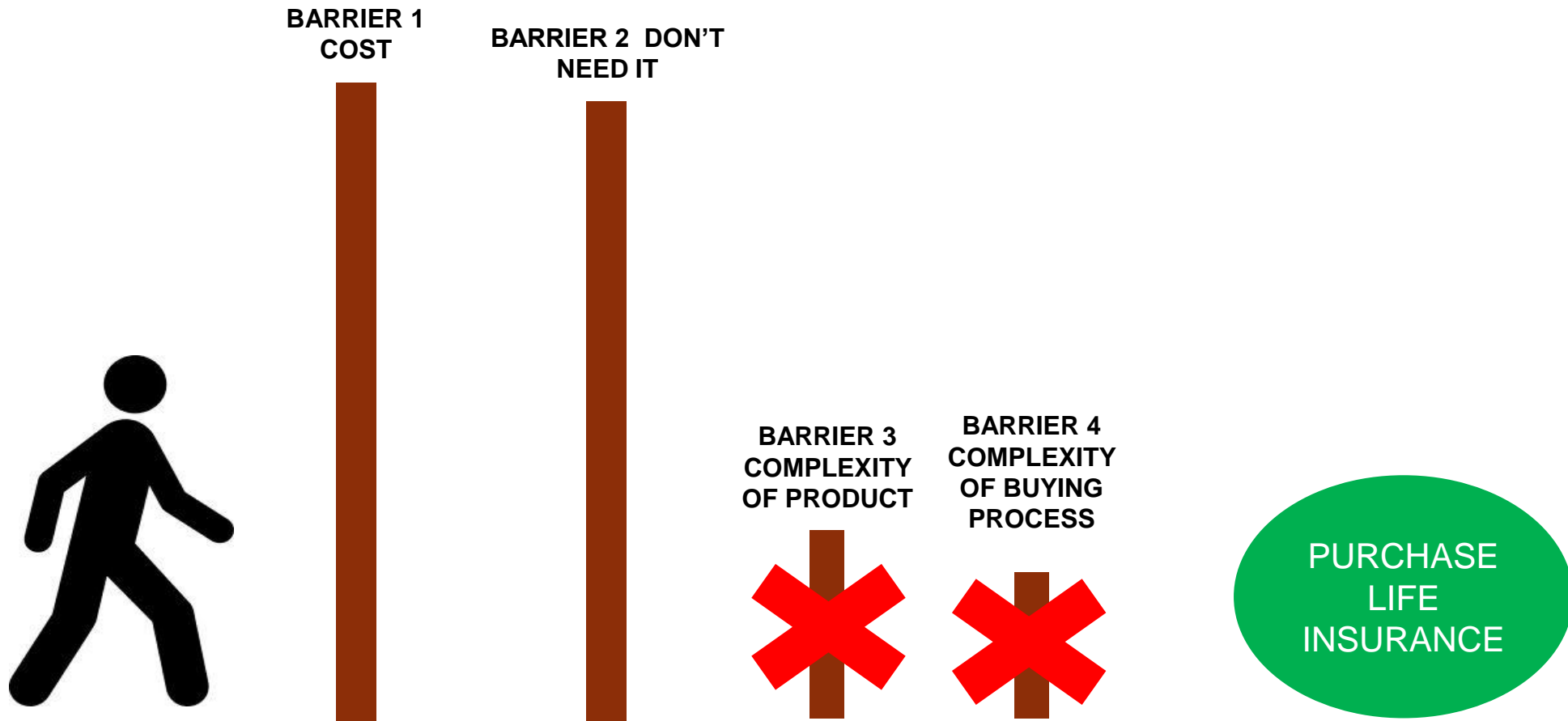
**82% believe they have a product that provides them with the cover they need without the simple products initiative.**



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Q: Are you confident the life insurance you have provides all the coverage you need?

# If only Life were that simple



Even if you make it simple, you still need to overcome the more significant hurdles of 'cost' and 'don't need it'



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- The language we use
- Perceived costs
- The increased use of social media
- Price comparison

ertise  
ponsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
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Support





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# Life products are overcomplicated

Guaranteed  
Insurability Options

Guaranteed, reviewable and  
renewable premium options

Life Insurance, Term  
Insurance, Level Term, Life  
Assurance!!!

Accelerated or standalone  
critical illness

Terminal Illness

Waiver of premium



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# Why?

**'Features'** left over  
from a bygone age



Justify the  
**need for advice!**

Customers find it hard to  
obtain **security** and **reassurance**



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**April 13**

- 2 new partials (Cardiac arrest and Accidental hospitalisation)
- Improved Major organ transplant definition
- Enhanced Child CI definition

**July 13**

- 3 new partials
  - Devic's
  - Spinal Stroke
  - Cardiac Arrest
- Improved Heart Attach definition

**Sept 13**

- Enhanced Heart Attach definition
- Extended Cancer & Organ Transplant to ABI+

**May 13**

- Addition of Chronic Lymphocytic Leukaemia
- Extension of skin cancer definition

**July 13**

- Free fracture cover
  - £2100 for one of 18 defined fractures

**Sept 13**

- 2 new partials
- 5 ABI+ enhancements
- Enhanced child CI to cover any number of children

**June 13**

- Added 2 new conditions (spinal cord tumour & pneumonectomy)
- 6 new partial payments

**July 13**

- £10,000 offered free to new customers

**Sept 13**

- 3 new partials added
  - Carcinoma in situ
    - Oesophagus
    - Testicle
    - Urinary bladder

**June 13**

- 150% of cover if diagnosed with neurological disease before 40 & 200% of cover if certain conditions caused by accident
- 3 improved ABI+ conditions

**Sept 13**

- Partial payment for significant loss of sight
- Enhanced child ci from birth

**Sept 13**

- 5 condition enhancements
  - Cancer, Coronary by-pass surgery, Heart Attach, MS, Stroke

# Solution No. 1

**STOP** the conditions race

**Simplify** the language

**Broaden** definitions

**Differential** products for D2C

Work with online distributors to  
**improve education**

**Remove** some of the complexities developed  
for the advisor market



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# What people say....and what they do!

**5.2m** adults state they  
intend to purchase in the near  
future

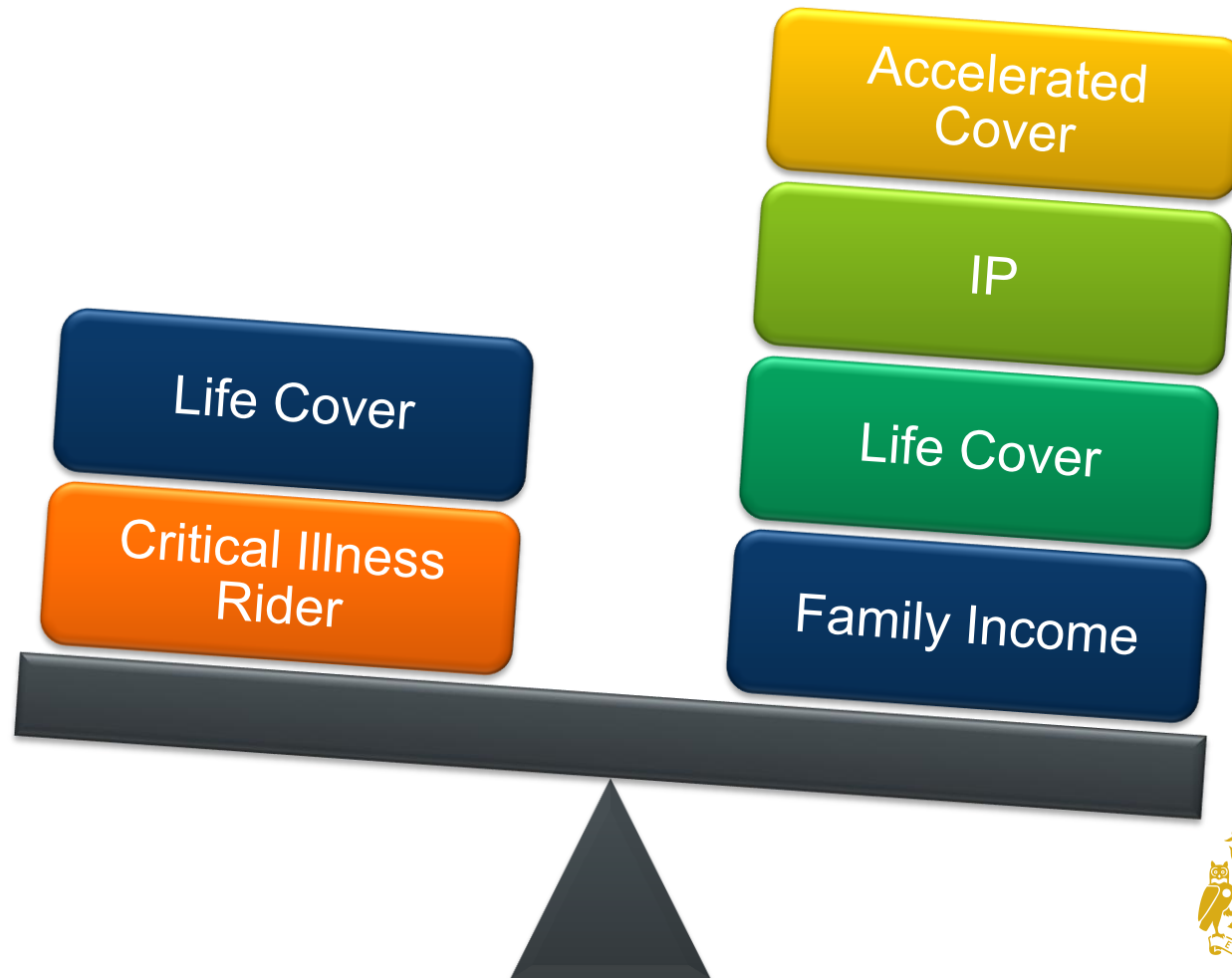
**1.7m** policies bought  
annually

**150,000**  
policies bought  
Direct



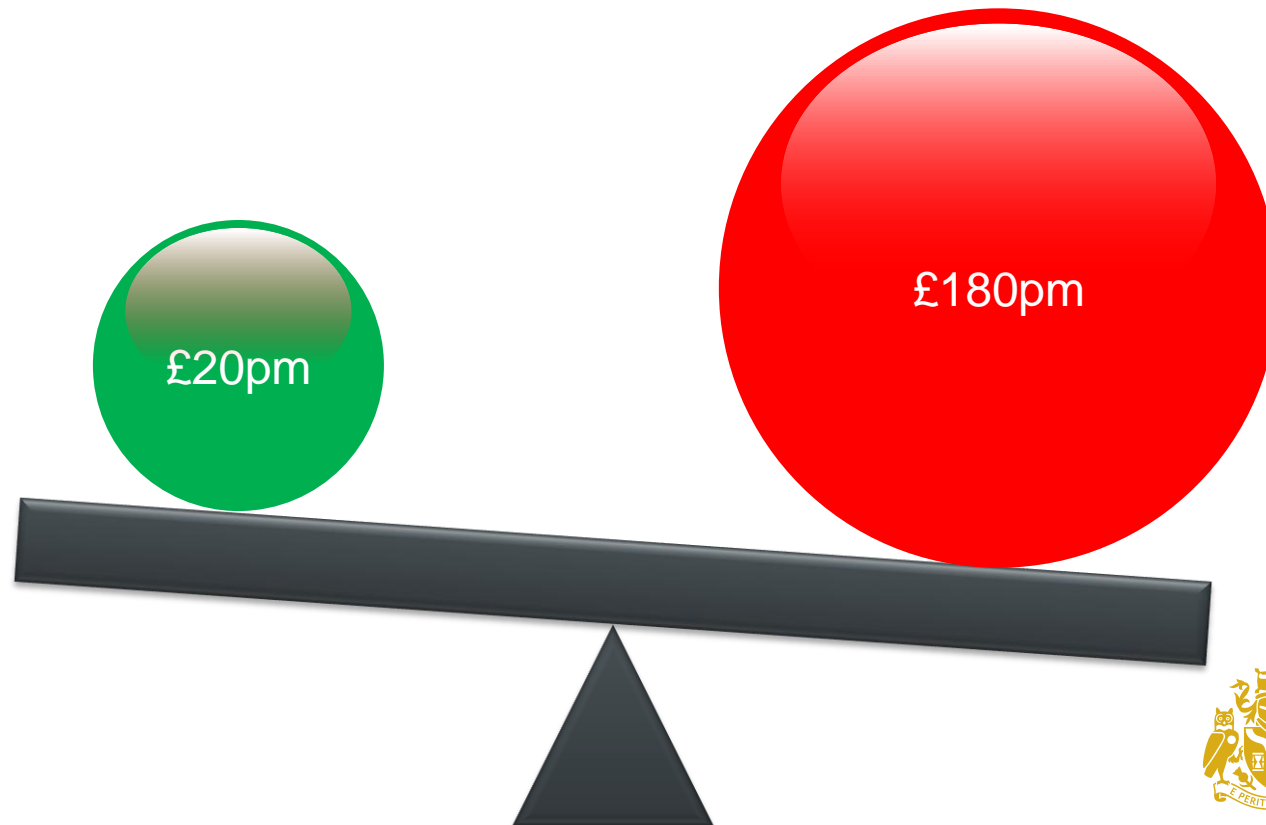
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# Are we frightening people away?





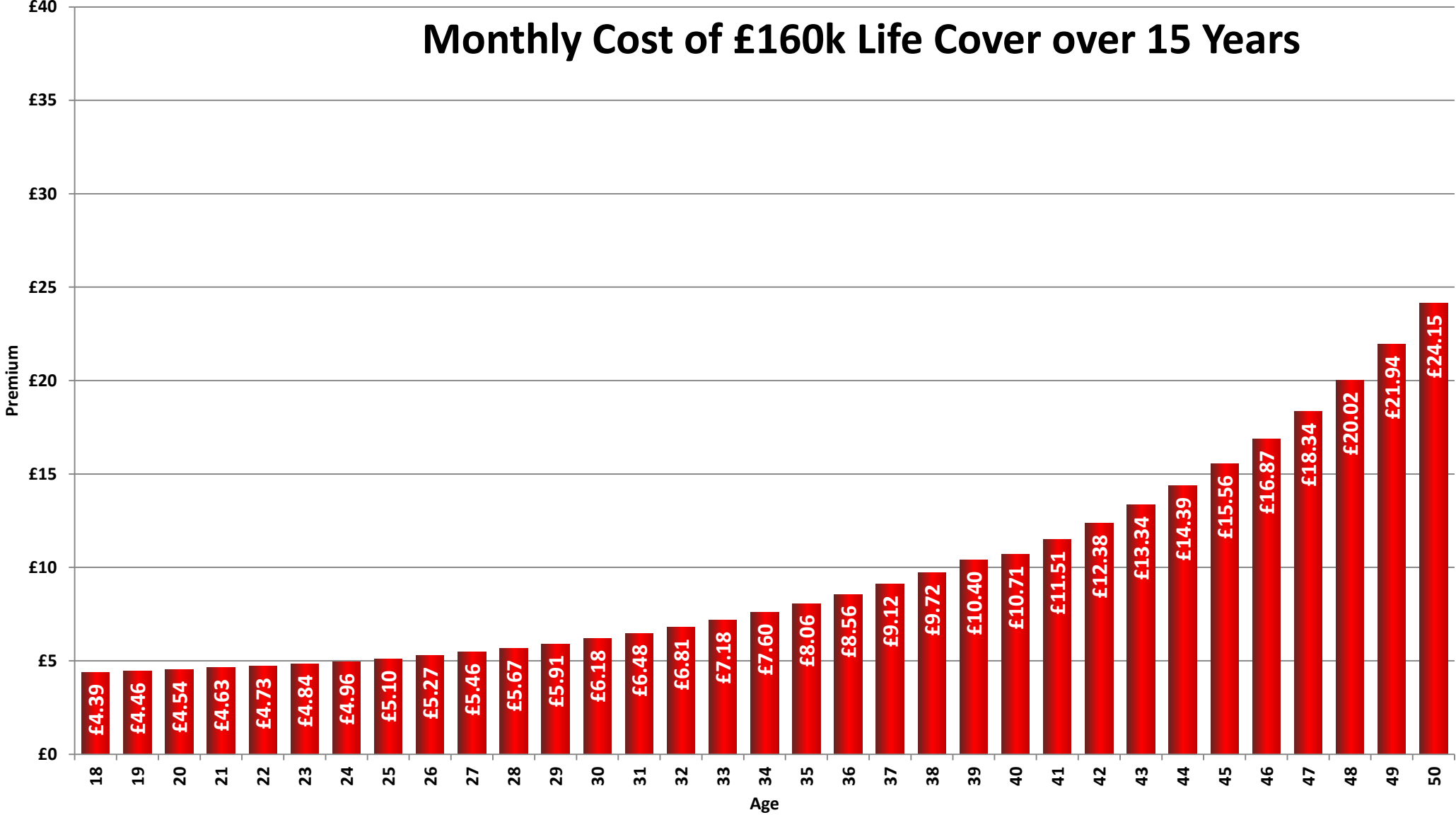
# Affordability is an issue...



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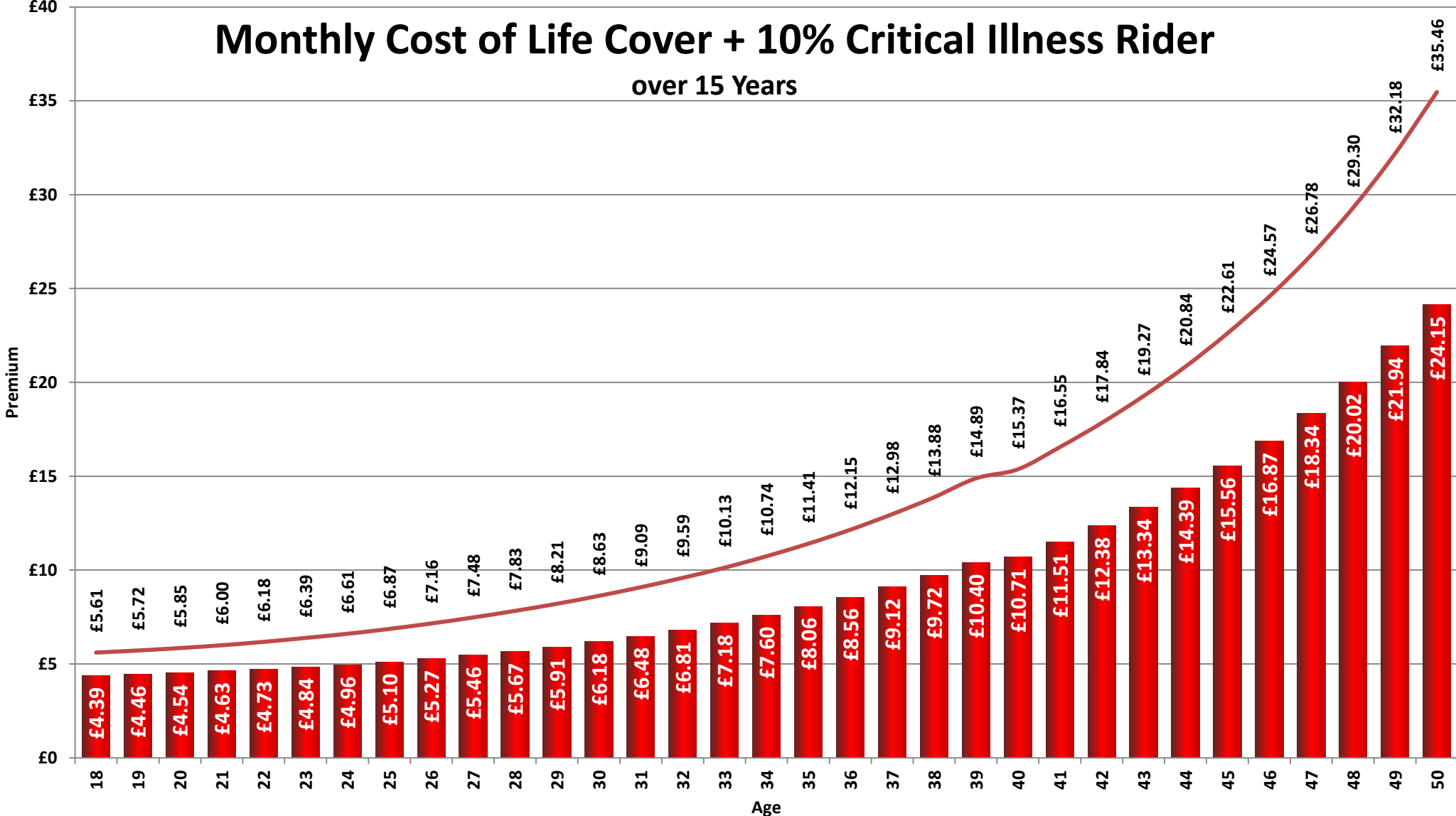
# Product Comparison

## Monthly Cost of £160k Life Cover over 15 Years



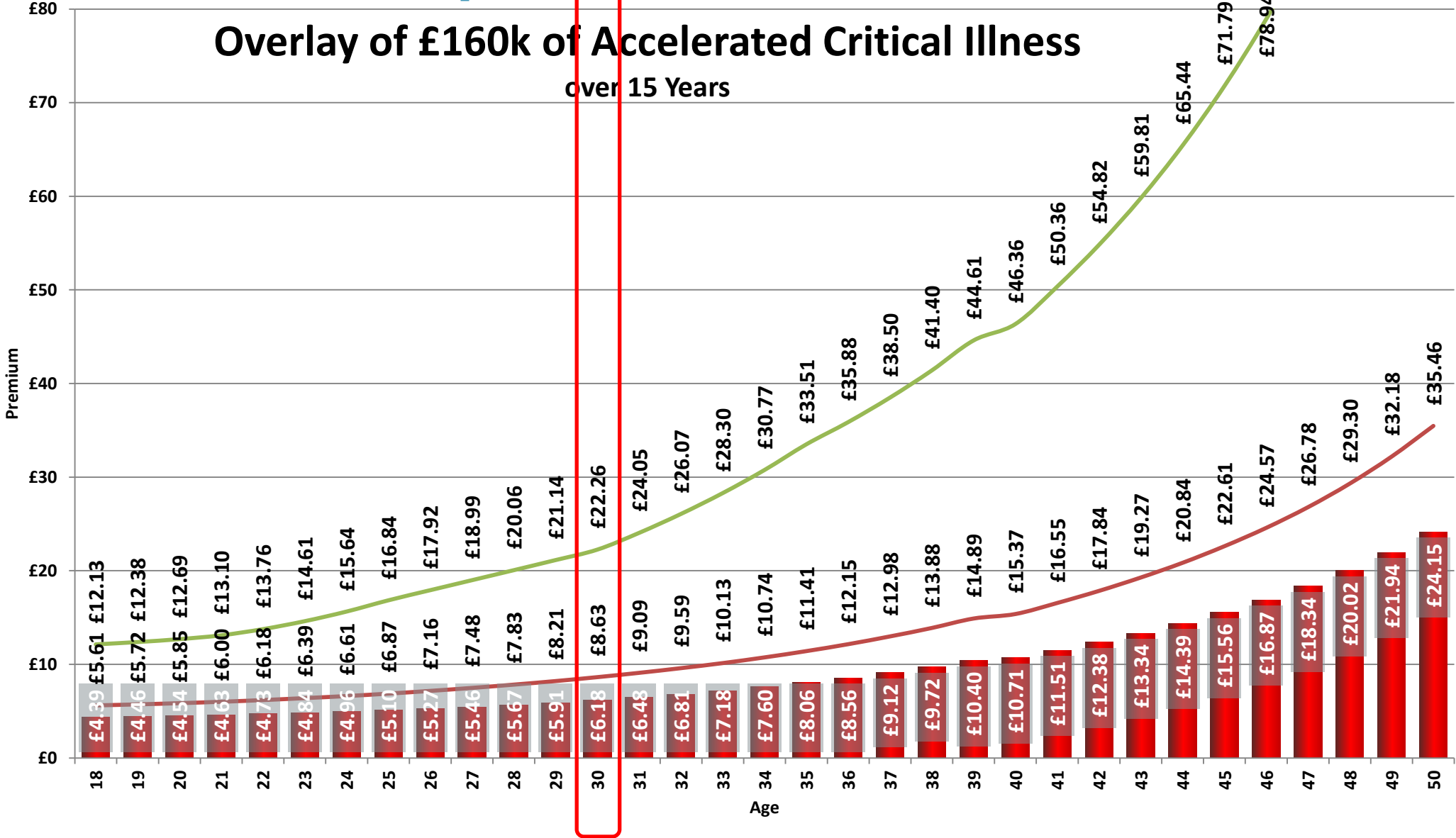
# Product Comparison

## Monthly Cost of Life Cover + 10% Critical Illness Rider over 15 Years



# Product Comparison

## Overlay of £160k of Accelerated Critical Illness over 15 Years



## Solution No. 2

**Design** more affordable rider products

**Reassure**

“People like you bought...”

Develop better **premium-led** options

Allow greater **flexibility** on product selection

Design systems and UI's that allow customer to **test & learn**

**Don't default** to the most expensive options



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HOME WEEKLY EMAIL NEWS BLOG MSE STUFF STUDENTS FINANCE

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Cards Loans Reclaim £1,000s Shopping Deals Vouchers Utilities Phones Banking Saving

Latest Martin's Money Tips Email

**£16 designer specs, reclaim card PPI FREE**

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LAST 25 NEWS

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Do you need life insurance?



Life insurance – choose the right policy and cover



How and where to buy life insurance



Do you need critical illness insurance?



# the Money Advice Service™

...al illness – what does a policy look like?



How and where to buy critical illness insurance

Do you need private medical insurance?

Do you need dental insurance?

# PROTECTION CLAIM PAYOUTS

**£222,458**

The cost of raising a child from birth to age 21



**1,473,404**

The number of life and critical illness policies bought in 2012



**£6,000,000**

The amount paid out every day for life cover, critical illness & income protection claims



**19**

The age of the youngest person to claim on a critical illness policy in 2012

...ct information available online and in  
**...e consumers understand**

## Perception vs Actual



The percentage of life cover, critical illness and income protection claims people believe are paid each year

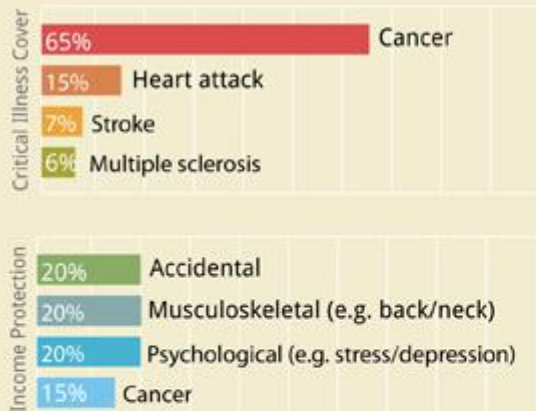


The actual amount covered

## Packaged Products

## People like you...

### Most common reasons for claims



Survival estimates for those diagnosed with breast cancer have nearly doubled since 1971

We asked how much people would be willing to spend on life and health insurance?

The average answer was £50 per month



**£200,000**

The amount of life cover for 20 years that a 30 year old non-smoker can buy for £10 per month



“Protection insurance can be one of the most important insurances we ever buy. We all hope we never need it of course, but being able to pay the bills if something goes wrong is important to everyone.”  
- LifeSearch



- The language we use
- Perceived costs
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Pre 2000 half (50%) of our home and motor sales came through the high street.

SMART PEOPLE  
**BUDGET**

SMART PEOPLE  
**BUDGET**

car insurance



SMART PEOPLE  
**BUDGET**

home insurance



SMART PEOPLE  
**BUDGET**

car insurance



SMART PEOPLE  
**BUDGET**

home insurance



**In 2004 73% of sales came through our call centres.**



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# 1. Your life cover

Want some help? [Use our Cover Calculator](#)

Who do you want to cover? 



Just myself



Myself and another person



How long would you like your cover to last? 

Years

How much cover would you like? 

Next

## 2. About you

## 3. Your contact details

### — Terms & Conditions

Important information: comparethemarket.com does not offer financial advice in respect of life insurance products. If you are in any doubt as to whether this product is suitable for you, you should consider seeking independent financial advice. Please note that receiving a quote via comparethemarket.com does not guarantee that an insurer will accept you for the policy.

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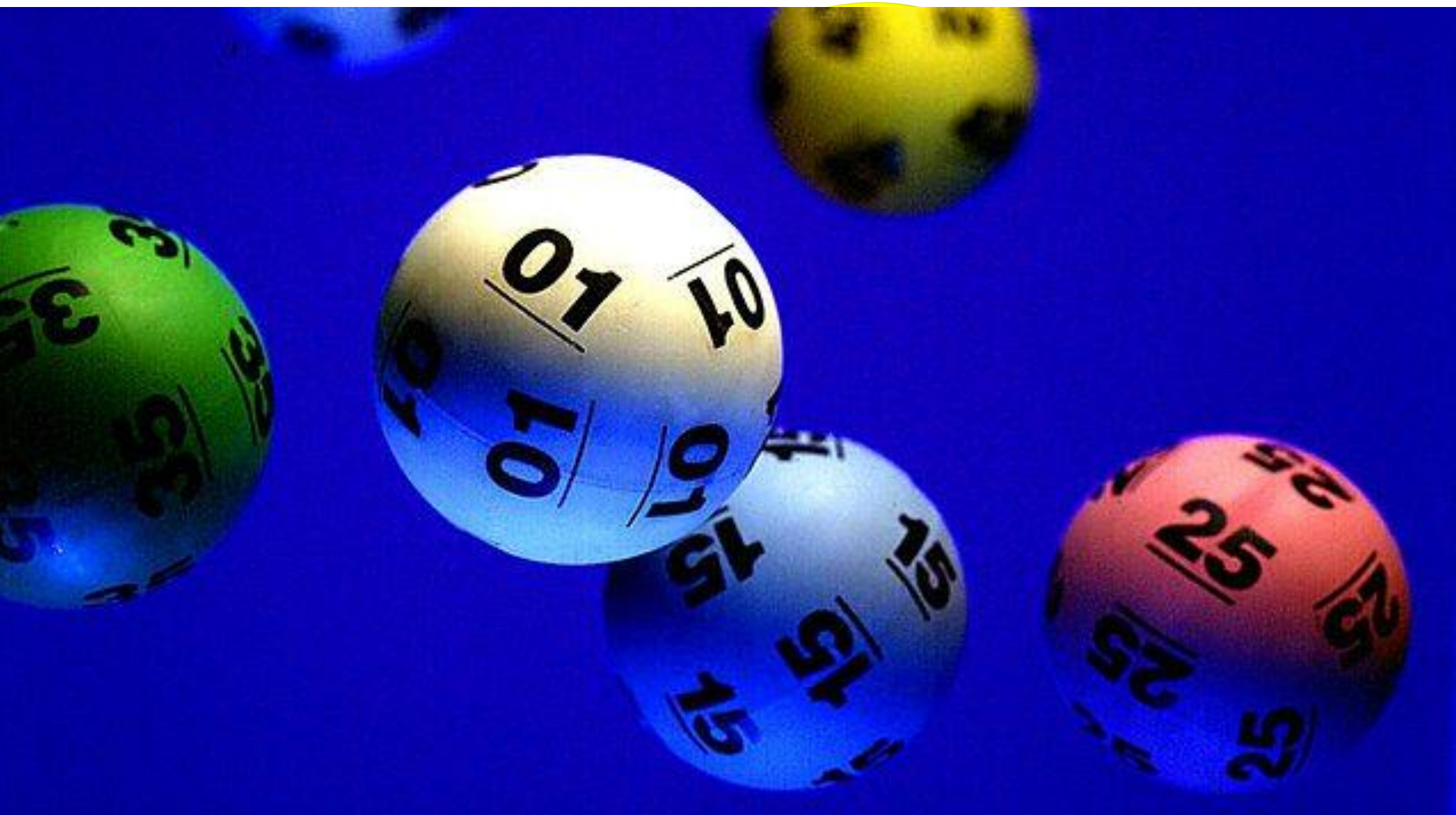
Quality  
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# Price Comparison

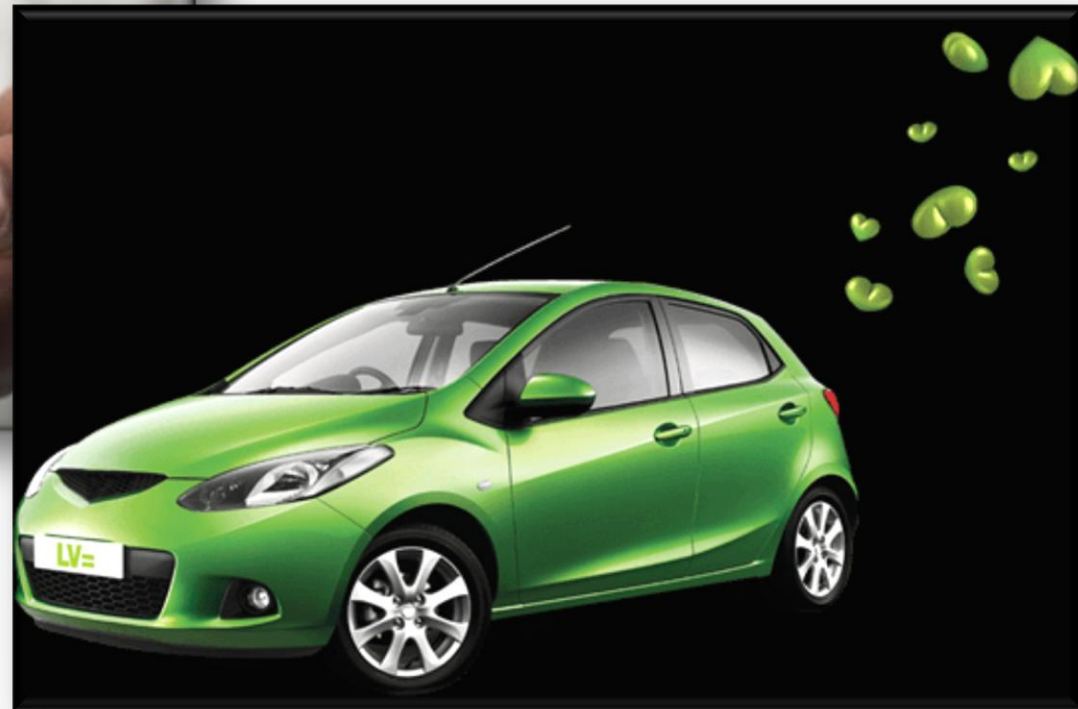




# Overall offers at point of purchase



# Learning from the home and car experiences...



## Solution No. 4

Work with Aggregators to develop **simpler product wording**

Learn from non-life businesses and develop **slicker online journeys**

Look to improve online **acceptance** at the **point of application**

Work towards a **single application journey** and eliminate indicative pricing and **application lottery**.

Be clear on what **product combinations** are available

Provide clearer **online information** that helps the self-directed customer gain **meaningful knowledge**





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# Adrian Stevenson



# David Wells



Life Insurance that's easy  
to understand & easy to buy...

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