

## The 2003 Healthcare Conference

5-7 October 2003  
Scarman House, The University of Warwick

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## The Future of the UK Protection Market

**Andy Couchman**  
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## What is the UK protection market?

- £15bn+pa industry
- Comprising: Life; CI; IP; MPPI; HCP; LTCI; PMI S&A
- Fantastic growth e.g. CI, MPPI and term and employee benefits
- Established mature markets – IP; cash plans; PMI
- Problem children? LTCI; personal PMI; major medex; guaranteed rates
- It is NOT pensions; it is NOT investments

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## Agenda

- Where are we now?
- External drivers
- Internal drivers
- Products of the future
- What the consumer thinks
- What the industry thinks
- Conclusions

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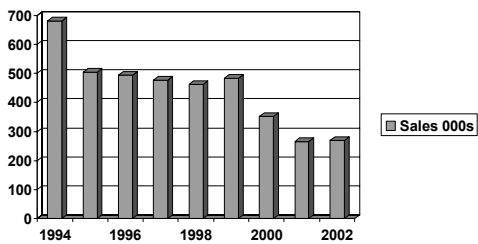
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## Whole of Life



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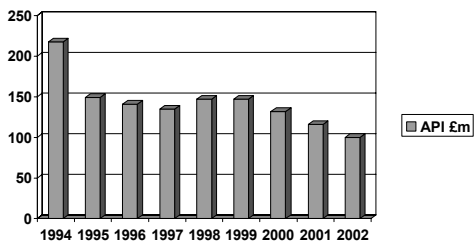
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## Whole of life



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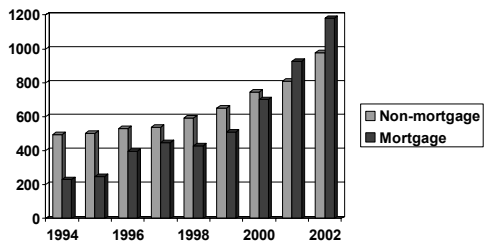
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### Term – sales 000s



Source: ABI

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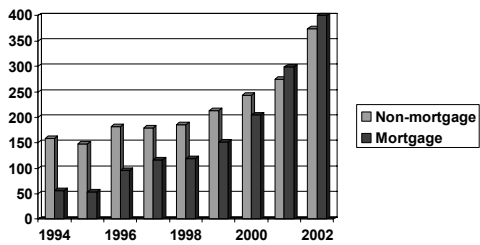
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### Term – API £m



Source: ABI

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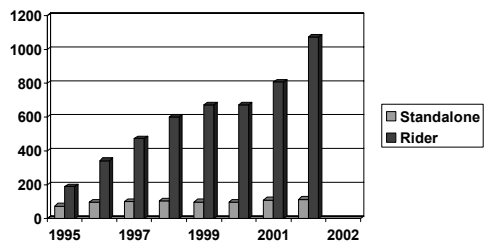
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### Critical Illness – sales 000s



Source: ABI

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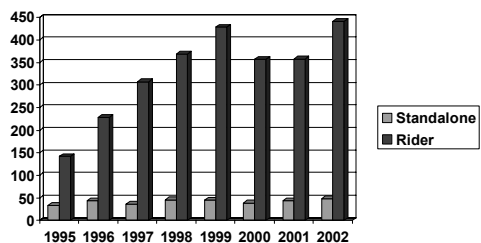
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### Critical Illness – API £m



Source: ABI

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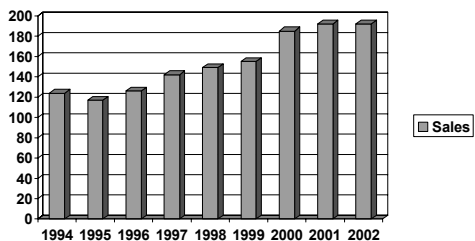
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### Income Protection



Source: ABI

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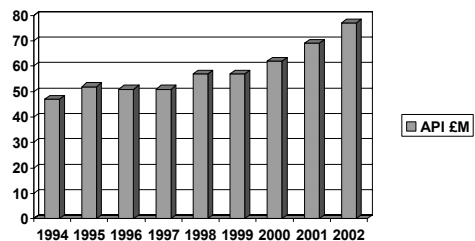
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### Income Protection



Source: ABI

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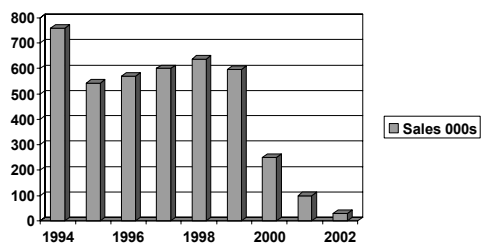
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## Mortgage Endowment



Source: ABI

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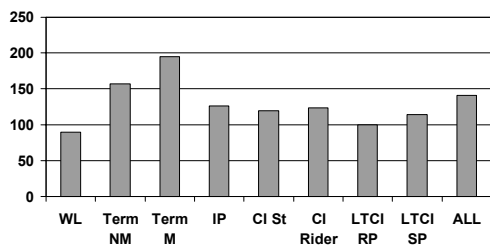
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## The Protection Review indices 2002



Base 100 in 2000: API based

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## Conclusions: long term business

- Winners
  - term – especially mortgage-related
  - income protection
  - critical illness
- Losers
  - whole of life
  - LTCI

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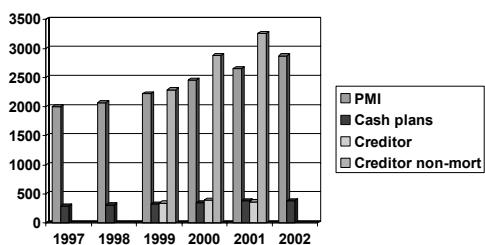
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## Short term protection – AP £m



Sources: Laing & Buisson; ABI

## Protection: £15bn a year success story

- In force business:
  - term: £2.7bn API; 10.3m policies
  - whole of life: £1.4bn API; 9.7m policies
  - standalone CI: £0.2bn API; 0.5m policies
  - rider CI: £1.6bn API; 3.5m policies (estimate)
  - income protection: £0.4bn API; 1.8m policies
  - PMI: £2.8bn API 3.7m policies
  - creditor: £3.7bn API
  - health cash plans: £0.4bn API; 3m policies
  - sickness & accident: £1.8bn API (estimate)
  - Total: £15bn a year

Sources: ABI; Laing & Buisson; TPR estimates

## Is our data good enough? Recording differences – IP 1999

Source	Sales	=/- on 1998
ABI	155,000	+4.0%
GE Frankona Re	173,782	+9.4%
Swiss Re L&H	189,244	+21.0%

### External drivers

- Regulation
- Demographics
- Economics
- Genetics
- Attitudinal: claims and blames
- Decline of the occupational pension?
- Government?

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### Internal drivers

- Mergers and acquisitions
- Reinsurance – capacity, risk and commitment
- Distribution
- Reputation
- Costs
- Hunger

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### Products of the future?

- Commodities – e.g. term
- Service led propositions – e.g. rehab
- Menu products
- Workplace products
- Employee benefits, flex and pseudo flex
- Affinity products
- Embrace true innovation

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### **Innovation**

- True partnerships with the NHS
- ...and DWP
- Cross border plans
- Major medex + CI + personal physician + rehab + advice + tax return
- Keep you healthy plan
- Chameleon
- Is consumer research the answer or the problem?

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### **What the consumer thinks**

- Life assurance is most important
- The consumer is learning fast
- Power is shifting towards the consumer, who is protected by the people they vote for

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### **What the industry thinks...**

- Top 5 priorities
  - customer care/service
  - maintaining corporate profit and growth
  - well structured products
  - ongoing product innovation
  - keeping shareholders onside
- As an industry we need to be more innovative, not only in product design but also in service delivery and in communications (weighted response 4.55 out of 5)

Source: The Protection Review 2003, base 49 senior industry people

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### Industry growth

- 52% expect more than 10% growth in 2003
- Leading product growth will be IP and CI
- Least growth expected in...CI
- Non-regulated intermediaries will fall by 10-20% (35%) or by 20-30% (25%)

Source: The Protection Review 2003, base 49 senior industry people

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### Top 4 issues facing the industry

- Regulation/compliance (23)
- Lack of reinsurance capacity and pricing (8)
- Critical illness design/stability (6)
- Need to improve public image/PR/customer confidence (5)

Source: The Protection Review 2003, base 49 senior industry people

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### Conclusions

- Broadly in good health
- Pockets of concern: costs; profitability; reinsurance; on or off the political agenda; communications
- Distribution, as always, is key
- Regulation will harm us before it benefits us
- Profits follow service
- Need to innovate and change OUR attitudes
- Need better data to draw better conclusions

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### **The real problem...**

- Car crash: both legs broken
- Possible cancer symptoms
- 'Breakdown' due to stress
  
- What does the customer want?
- What does their employer want?
- What do we currently offer?

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### **2 final questions**

- In future will we know better where we are today?
- Are we prepared to make the commitment and take the commercial risks to really meet what the customers of tomorrow will want tomorrow?

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