



Institute
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of Actuaries

Understanding insurance needs

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Money Advice Service



28 May 2013



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About the Money Advice Service



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The impartial authority for life's money matters



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Who we are

FREE

INDEPENDENT

IMPARTIAL

- Money advice
- Debt advice
- Expertise and leadership
 - Research and consumer insight
 - Young people
 - UK strategy for financial capability



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What we do

We help people to manage
their money.....

.....and help others to help
people manage their money



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Our statutory role



- To enhance the understanding and knowledge of members of the public of financial matters;
- To enhance the ability of members of the public to manage their own financial affairs.

Financial Services Act 2010

- Working with other organisations which provide debt services, with a view to improving
 - (i) the **availability** to the public of those services;
 - (ii) the **quality** of the services provided;
 - (iii) **consistency** in the services available, in the way in which they are provided and in the advice given.



Financial Services Act 2012

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How we do it

Face to face service



- UK-wide network
- Priority for most vulnerable financially
- Accessed via 0300 500 5000 or contractor
- Action Plans

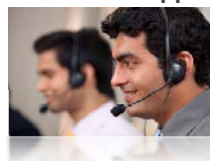
Our publications



Our website Moneyadvice.org.uk



Call centre support



- 8am-8pm weekdays
- 9am-1pm Saturdays
- Contact us 0300 500 5000



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Working in partnership

- Working in partnership to complement and support the activities of other organisations so that we can reach as many people as possible that need our help. By working together we can jointly address people's needs.
- Several partners in the commercial sector (e.g. high street banks, insurers and building societies). Others are in the charitable or public sectors. We can't name all of them due to confidentiality agreements in place, but some examples are to follow.
- Significantly increasing our work with partners over the next year, giving them access to our written content, enabling them to integrate our tools and videos into their own websites and digital communications, and working with them to develop information for their own customers.
- Our advice covers a range of areas including Pensions, Life Cover and Personal Health Care information, using a combination of written content and tools, dynamically fed via our publishing platform. Examples could be making our content available to populate employee benefits portals, or supporting the financial organisations active in the corporate market.
- We are also working with organisations that have direct contact with consumers, providing content such as annuity tables, warranties, and general insurance products.
- With partners, the Money Advice Service is also looking to see how we can support consumers in making better informed purchase decisions (i.e. beyond just price based purchase decisions). We are also seeking ways to help them evaluate any resulting issues should they be thinking about lapsing a policy and continuing life without protection products.



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Working in partnership



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Our focus on key outcomes

We have identified five outcomes that represent a level of financial capability and resilience....we want to get MORE people doing these

Saving Regularly

Managing Debt Well

Saving for Retirement

Protecting your Assets

Providing for your dependants

Two of the five outcomes have a link to insurance (specifically home contents and life assurance)

Plus an additional over-arching outcome

Managing Money Well



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Research Techniques – A break from the ‘norm’?

- We conduct numerous surveys with customers, non-customers, target market, stakeholders, industry and partners
- Using some ‘regular’ techniques, plus some that are a bit different.....
- **Ethnography** – gaining deep insight into people themselves by immersing ourselves into their lives (used in our Money Lives programme)
- **Decisioning** – using insight to understand an individual and inform their most appropriate customer journey online and offline (i.e. what is their next best action?)
- **Online Community** – Engaging with customers via a community platform

Introducing our target market

Although we remain a universal service, we design with some key groups in mind. Our target market is approximately 20% of the population.

Focussing the service means:

- Ensure we have **awareness** of the Service amongst our key target groups to drive action and behaviour change
- **Deeply understanding** the barriers to, and the motivations for, behaviour change amongst our target population
- Focusing development of our **proposition** on delivering behaviour change amongst our target population
- Working closely, and in some cases integrating with, **partners** to deliver behaviour change

But not without its challenges as these groups tend to have....

- Very high inertia
- 'Head in the sand' mentality
- Little spare resource to divert into financial products
- Reluctance to give up 'essentials' (Sky TV, internet, cars etc)

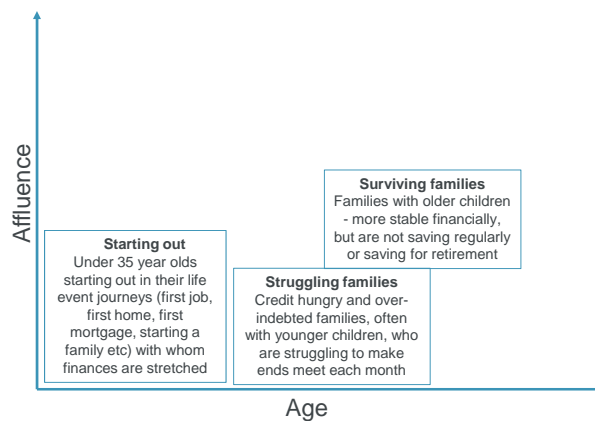


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3 Key Target Segments



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Insurance - “Something is better than nothing”

- For many, **price** is the primary driver for most policy types
- As such, many will be **under-insured**, preferring to pay a smaller premium, albeit for insufficient cover
- Many will not **review**, even after major changes in circumstances
- Insurance is seen by many as a **cost**, for something they are unlikely to see the benefit of
- For many in the target market, it is a choice of an insurance premium or food on the table – cannot think beyond the coming month or two

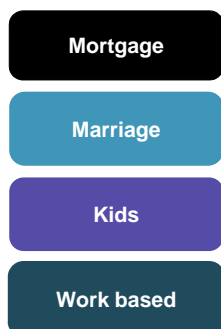


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Life Assurance

Obtaining life cover stemmed from these trigger events



- Frequently life cover is attached to the mortgage – fear of losing mortgage if they cancel life cover
- But some also sold life cover when married/kids (not always knowing exactly what is covered)
- Some resentment about having to have it
- For some in employment, there is a view that having their employers' basic cover will be enough should the worst happen
- Others had become aware of frailty through direct experience
- But most accepted need to insure in the case of death – seen as a low cost but high benefit product



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Contents insurance



The few without insurance...

- Tended to be renting unfurnished
- Tended to be younger
- Feeling that don't have anything worth insuring
- But may cover key items e.g. mobile
- Higher cost for some in 'bad' areas
- "I'll take the risk"*
- "Nothing worth nicking in here"*



The many with insurance...

- Common sense decision
- Own home/built up possessions
- But may have inadequate cover and primarily think in terms of being stolen rather than damaged
- A few have a pragmatic approach to contents (not just the big items – e.g. *"How much would it take just to replace the bras in my top drawer?"*)



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Critical Illness / Income Protection

- For many in the target market, there is little knowledge about how these products work
- For those employed, it is not important as they believe their employer will still pay them if they become ill
- For those self employed, awareness is much higher as they realise that wages stop on the first day they are off sick. As a result, some did have critical illness

Too little, too late

- A number of respondents found out the hard way that critical illness cover was beneficial. E.g. partners who have become disabled or ill and no longer able to work. The loss of income has forced them into debt problems as there was no cover in place



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What our community are saying...

"We have insurances for health, contents and building for our home as well as travel and car. We don't have life insurance now as our family is grown up and left home and don't feel the need for this now we are retired.

We are risk adverse so only have savings in Bank accounts or ISA but regularly look for the best savings rates. As with previous contributors spreading the risk around several accounts is the best thing to do."

"I don't have any assets, and although I have some belongings I couldn't possibly afford to insure them... I haven't had any form of insurance for many years. I'm not sure what else I could do really..."

"I take a bit of assurance that I have paid sufficient from the mortgage that I am in positive equity and am making regular deposits into a savings account. This provides some short-term comfort around unexpected bills but apart from various pension pots I haven't got much other cover. I feel that this is less vital for me as I don't have any children."

I've never had any insurance of any sort and if for some reason I had to get some I would have no idea where to start.



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Quotes from MAS Online Community

What our community are saying...

"I wish I had the opportunity to take out life insurance as I have seen the benefit firsthand of how it can help should the worst happen. But I don't have the spare income to cover a pension contribution let alone if I am not here on the planet. So for now the only cover I have is contents insurance for the things I do own so if something happens to them I can get them replaced. Luckily I have only had to claim once and have found the experience with my insurers to be first class."

When your renewal comes in be prepared to get a few quotes. Some companies just offer to cut your renewal by say 20%.

When you contact your insurance company just be sure that you are comparing like for like and play them off against each other. Its worked for me.

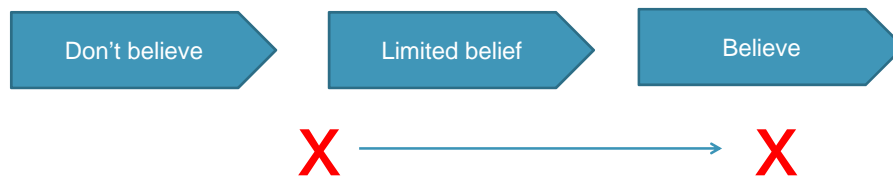
"The amount of protection I take out depends on the amount of confidence I have in finding another job quickly."



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Quotes from MAS Online Community

Bridging the 'Belief Gap'



Thank you!