IF ONLY LIFE WERE THAT SIMPLE
Are simple products the solution?

Adrian Stevenson, Munich Re
David Wells, Beagle Street
The simple products initiative

Accessible to the mass market

Commercially viable for insurers

Easy to understand

Compare and benchmark products

Are simple products the solution?
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

STAGES OF BUYING

AWARENESS
Do I need it?

TAKING ACTION
I want to find out more.

DECISION
I want to buy.

All respondents

NO: 64%
YES: 36%

NO: 50%
YES: 14%

NO: 15%
YES: 21%
AWARENESS
Starting at the beginning

**STAGES OF BUYING**

- **AWARENESS**
  - Do I need it?
  - All respondents

- **TAKING ACTION**
  - I want to find out more.

- **DECISION**
  - I want to buy.
Reactions to adverts

<table>
<thead>
<tr>
<th></th>
<th>LIFE</th>
<th>MOBILE</th>
<th>PET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makes me consider purchasing this kind of insurance</td>
<td>34%</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>Encourages me to seek advice about insurance</td>
<td>37%</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Encourages me to contact the company by phone</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Encourages me to contact the company website</td>
<td>30%</td>
<td>32%</td>
<td>37%</td>
</tr>
</tbody>
</table>

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

Q: Please select the image that you feel best fits the phrase
N.B. Respondent can pick multiple answers
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.

You die, we pay

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

Q: Which of these policies are you most likely to buy?
Half of individuals don’t even consider buying Life insurance

- 50% of respondents

STAGES OF BUYING

AWARENESS
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NO: 50%
Why don’t individuals consider Life insurance?

- Cost: 45%
- I don’t need it: 43%
- Too young: 26%
- Complexity of the product: 13%
- Lack of knowledge: 13%
- Complexity of the buying process: 6%
- Didn’t know where to get it: 4%
- Changed my mind: 1%

Q: Which, if any, of these are reasons why you don’t have a life insurance policy?
N.B Respondent can pick multiple answers

- “Too expensive.”
- “As long as I have savings, I don’t feel the need of insurance.”
- “It’s a waste of time.”
- “Can’t insure against death.”

- 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.
How would the simple products initiative help change this group’s mind?

- Make it easier to understand: 3%
- Reduce the cost: 12%
- Having a family: 11%
- Increase in income: 5%
- Getting older: 4%
- More information: 4%
- Nothing: 40%

Complexity is only 7% of the problem.

Q: What would encourage you to change your mind?
N.B Can pick multiple
TAKING ACTION
36% of people do some research

**Stages of Buying**

**Awareness**
- Do I need it?

**Taking Action**
- I want to find out more.

**Decision**
- I want to buy.

All respondents:
- YES: 36%
- NO: 50%

All respondents: 50% say NO.
Where do people look for information?

Where they would instinctively look
- Internet: 62%
- Talking to friends and family: 16%
- Talking to an IFA: 12%
- Talking to a bank: 10%
- Financial press: 6%

Where they actually looked
- Internet: 70%
- Talking to friends and family: 24%
- Talking to an IFA: 25%
- Talking to a bank: 11%
- Financial press: 9%

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

Q: Where would you instinctively look to get advice about this?
Q: Where did you get this information from?
N.B. Respondent can pick multiple answers
Where on the internet and why?

- Price comparison website: 67%
- Insurance company website: 54%
- General search engine: 47%
- Banking website: 20%
- Government financial website: 18%
- Other: 4%

“It was easy.”

“Price comparison sites are a good place to start as you get a good range of results.”

“Get the most and varied information.”

- 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

All respondents

YES: 36%

NO: 15%

Do I need it?

I want to find out more.

I want to buy

TAKING ACTION

STAGES OF BUYING

AWARENESS

TAKING ACTION

DECISION

All respondents

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TAKING ACTION

STAGES OF BUYING

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Do I need it?

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TAKING ACTION

STAGES OF BUYING

AWARENESS

TAKING ACTION

DECISION

All respondents

NO: 50%

YES: 36%

NO: 15%
Why didn’t you buy?

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

Q: Having done this research why didn’t you purchase any Life Insurance?
N.B Respondent can pick multiple answers
How will the simple products initiative help?

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

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

Q: What do you think would likely encourage you to change your mind?

- “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.”
35% of people buy

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YES: 21%
What was the trigger for buying Life insurance?

- Life insurance owners

<table>
<thead>
<tr>
<th>Event</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bought/moved house</td>
<td>37%</td>
</tr>
<tr>
<td>Had a child</td>
<td>10%</td>
</tr>
<tr>
<td>Moved jobs</td>
<td>6%</td>
</tr>
<tr>
<td>Made redundant</td>
<td>1%</td>
</tr>
<tr>
<td>Bought a new car</td>
<td>2%</td>
</tr>
<tr>
<td>Re-mortgaged</td>
<td>9%</td>
</tr>
<tr>
<td>Death of a friend/family member</td>
<td>5%</td>
</tr>
<tr>
<td>Marriage</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>None of these</td>
<td>38%</td>
</tr>
</tbody>
</table>

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)

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

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

- Yes - completely: 39
- Yes - I think so: 43
- No - but it covers most: 12
- No - it doesn’t: 2
- Don’t know: 4

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

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

“It was organised by my employer and wasn’t something I selected independently.”

“It was taken out a long time ago.”

“Because the premium was significantly higher and would simply cover other items that I might need but would probably not be necessary.”
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’
• The language we use
• Perceived costs
• The increased use of social media
• Price comparison
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

Waiver of premium

Terminal Illness
Why?

‘Features’ left over from a bygone age

Justify the need for advice!

Customers find it hard to obtain security and reassurance
<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 13</td>
<td>- 2 new partials (Cardiac arrest and Accidental hospitalisation)</td>
</tr>
<tr>
<td></td>
<td>- Improved Major organ transplant definition</td>
</tr>
<tr>
<td></td>
<td>- Enhanced Child CI definition</td>
</tr>
<tr>
<td>May 13</td>
<td>- Addition of Chronic Lymphocytic Leukaemia</td>
</tr>
<tr>
<td></td>
<td>- Extension of skin cancer definition</td>
</tr>
<tr>
<td>June 13</td>
<td>- Added 2 new conditions (spinal cord tumour &amp; pneumonectomy)</td>
</tr>
<tr>
<td></td>
<td>- 6 new partial payments</td>
</tr>
<tr>
<td></td>
<td>- 150% of cover if diagnosed with neurological disease before 40 &amp;</td>
</tr>
<tr>
<td></td>
<td>- 200% of cover if certain conditions caused by accident</td>
</tr>
<tr>
<td></td>
<td>- 3 improved ABI+ conditions</td>
</tr>
<tr>
<td>July 13</td>
<td>- 3 new partials</td>
</tr>
<tr>
<td></td>
<td>- Devic’s</td>
</tr>
<tr>
<td></td>
<td>- Spinal Stroke</td>
</tr>
<tr>
<td></td>
<td>- Cardiac Arrest</td>
</tr>
<tr>
<td></td>
<td>- Improved Heart Attach definition</td>
</tr>
<tr>
<td>September</td>
<td>- Enhanced Heart Attach definition</td>
</tr>
<tr>
<td></td>
<td>- Extended Cancer &amp; Organ Transplant to ABI+</td>
</tr>
<tr>
<td></td>
<td>- 5 ABI+ enhancements</td>
</tr>
<tr>
<td></td>
<td>- Enhanced child CI to cover any number of children</td>
</tr>
<tr>
<td>June 13</td>
<td>- £10,000 offered free to new customers</td>
</tr>
<tr>
<td></td>
<td>- £2100 for one of 18 defined fractures</td>
</tr>
<tr>
<td>July 13</td>
<td>- 3 new partials added</td>
</tr>
<tr>
<td></td>
<td>- Carcinoma in situ</td>
</tr>
<tr>
<td></td>
<td>- Oesophagus</td>
</tr>
<tr>
<td></td>
<td>- Testicle</td>
</tr>
<tr>
<td></td>
<td>- Urinary bladder</td>
</tr>
<tr>
<td>September</td>
<td>2 new partials</td>
</tr>
<tr>
<td></td>
<td>- 5 ABI+ enhancements</td>
</tr>
<tr>
<td></td>
<td>- Enhanced child CI to cover any number of children</td>
</tr>
<tr>
<td>July 13</td>
<td>- Free fracture cover</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>September</td>
<td>3 new partials added</td>
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<tr>
<td></td>
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<td>September</td>
<td>5 condition enhancements</td>
</tr>
<tr>
<td></td>
<td>- Cancer, Coronary by-pass surgery, Heart Attach, MS, Stroke</td>
</tr>
<tr>
<td>September</td>
<td>3 new partials added</td>
</tr>
<tr>
<td></td>
<td>- Partial payment for significant loss of sight</td>
</tr>
<tr>
<td></td>
<td>- Enhanced child CI from birth</td>
</tr>
<tr>
<td>September</td>
<td>5 condition enhancements</td>
</tr>
<tr>
<td></td>
<td>- Cancer, Coronary by-pass surgery, Heart Attach, MS, Stroke</td>
</tr>
</tbody>
</table>
Solution No. 1

**Solution 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
• The language we use
• Perceived costs
• The increased use of social media
• Price comparison
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.

Are we frightening people away?
Affordability is an issue…
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

<table>
<thead>
<tr>
<th>Age</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>£4.38</td>
</tr>
<tr>
<td>19</td>
<td>£4.46</td>
</tr>
<tr>
<td>20</td>
<td>£4.54</td>
</tr>
<tr>
<td>21</td>
<td>£4.63</td>
</tr>
<tr>
<td>22</td>
<td>£4.73</td>
</tr>
<tr>
<td>23</td>
<td>£4.84</td>
</tr>
<tr>
<td>24</td>
<td>£4.96</td>
</tr>
<tr>
<td>25</td>
<td>£5.10</td>
</tr>
<tr>
<td>26</td>
<td>£5.27</td>
</tr>
<tr>
<td>27</td>
<td>£5.46</td>
</tr>
<tr>
<td>28</td>
<td>£5.67</td>
</tr>
<tr>
<td>29</td>
<td>£5.91</td>
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<tr>
<td>30</td>
<td>£6.18</td>
</tr>
<tr>
<td>31</td>
<td>£6.48</td>
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<td>32</td>
<td>£6.81</td>
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<td>33</td>
<td>£7.18</td>
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<td>34</td>
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<td>36</td>
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<td>38</td>
<td>£9.72</td>
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<td>39</td>
<td>£10.40</td>
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<td>40</td>
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<td>43</td>
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<td>£15.56</td>
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<td>£16.87</td>
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<td>46</td>
<td>£18.34</td>
</tr>
<tr>
<td>47</td>
<td>£20.02</td>
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<td>48</td>
<td>£21.94</td>
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<td>49</td>
<td>£24.15</td>
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<td>51</td>
<td>£29.30</td>
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<tr>
<td>52</td>
<td>£32.18</td>
</tr>
<tr>
<td>53</td>
<td>£35.46</td>
</tr>
</tbody>
</table>

### Notes
- The chart shows the premium cost for an accelerated critical illness insurance policy over a 15-year period.
- The policy provides £160k of coverage.
- The premiums increase with age, reflecting the higher risk as you get older.
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
• The language we use
• Perceived costs
• The increased use of social media
• Price comparison
Packaged Products

People like you...

06 November 2013

Perception vs Actual

The percentage of life cover, critical illness and income protection claims people believe are paid each year: 38%
The actual percentage: over 90%

Most common reasons for claims

- **Cancer** (65%)
- **Heart attack** (15%)
- **Stroke** (7%)
- **Multiple sclerosis** (6%)

Critical Illness Cover:

- Accidental (20%)
- Musculoskeletal (e.g. back/neck) (20%)
- Psychological (e.g. stress/depression) (20%)
- Cancer (15%)

Income Protection:

- **Cancer** (20%)
- **Employment income protection** (20%)
- **Income protection** (20%)
- **Unemployment income protection** (20%)

**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

Sources:
- LifeSearch
- F&I, TRC, LVP, Bright Grey, ABI, Swiss Re, Protection Review, Office National Statistics, Cover magazine.
- All information applies to the UK only and is correct as of October 2013.
• The language we use
• Perceived costs
• The increased use of social media
• Price comparison
Pre 2000 half (50%) of our home and motor sales came through the high street.
In 2004 73% of sales came through our call centres.
1. Your life cover

Who do you want to cover?  

- Just myself  
- Another person

How long would you like your cover to last?  

- Years

How much cover would you like?  

- £

2. About you

3. Your contact details
Overall offers at point of purchase
Learning from the home and car experiences…
Learn from non-life businesses and develop slicker online journeys

Work with Aggregators to develop simpler product wording

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