



PACIFIC LIFE RE

MAKE PROTECTION SIMPLE

Consumer Insight

PACIFIC LIFE RE | EUROPE

NOVEMBER 2010



The UK economy continues to face severe challenges and even the most optimistic of commentators expect any sustained recovery to be slow and painful. The full extent of government measures to tackle budgetary deficits is only just beginning to emerge and the impact these will have on the industry and individuals will not be fully known for months or possibly years.

What is clear is that state welfare provision will be reduced with the inevitable consequence that safety nets currently preventing some families from suffering severe poverty will be removed. At the same time, rates of individual savings show few signs of increasing and levels of personal debt remain stubbornly high despite the much more cautious bank lending criteria now in place.

Against this background, the need for life and health protection cover has never been greater, yet despite a brief temporary recovery in 2009, sales volumes continue to be depressed. Furthermore, mortgage-related sales which have historically made a substantial contribution, are likely to remain depressed for the foreseeable future.

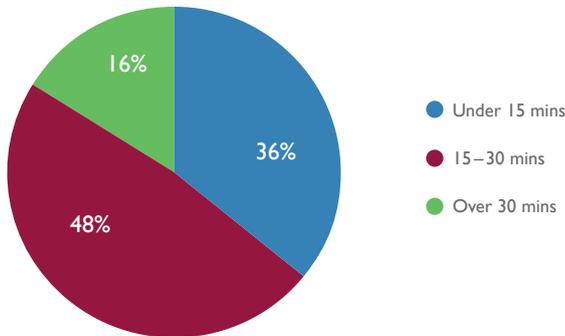
Pacific Life Re commissioned a consumer research study¹ to examine the below questions. This brochure summarises our findings.

- What can insurers do to respond to this increasing need?
- What barriers are preventing more customers from buying cover?
- Can we do more to make our products more accessible?
- Are customers now confident that insurers will treat them fairly?



¹ The study was conducted by ICM Research who interviewed a random sample of 2,006 adults aged 18+ in Great Britain via an online omnibus. Fieldwork took place between 1st and 3rd October 2010 and the results have been weighted to be nationally representative of all adults in Great Britain.

HOW MUCH TIME WOULD YOU BE WILLING TO SPEND ANSWERING THE QUESTIONS TO COMPLETE A LIFE INSURANCE APPLICATION?



HOW MANY APPLICATION QUESTIONS ARE CONSUMERS WILLING TO ANSWER?

71% thought an application form should have 15 or fewer questions and 45% of people felt it would be unreasonable to have to answer more than 10 questions. Only 16% of people would be willing to spend more than 30 minutes completing an application form.

We expected this proportion to be higher among older applications, but in fact we saw a slightly reducing trend with age with less than 14% of over-45s willing to spend more than 30 minutes completing an application form.

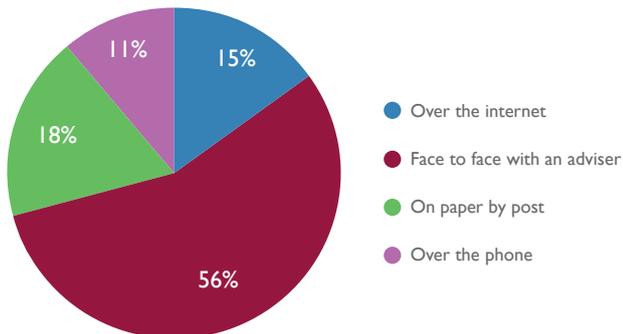
These responses differed very little between those who had already bought life insurance and those who had not.

We anticipated that many people would be nervous about buying life insurance with no medical questions, because of doubts about benefits being paid. However, 59% of respondents said they would be happy to buy life insurance which required them to answer no questions about their personal medical history. This proportion was higher still (66%) among respondents who had already bought life insurance.

The overall proportion of people who had never bought life insurance was 48%. Unsurprisingly, this was highest in the younger age-groups (71% for under-35s), but still worryingly high at 43% for the 35-44 age group.

Among those who had bought life insurance, we asked about the method used and what their preferred method would be.

PEOPLE WHO HAD ALREADY BOUGHT LIFE INSURANCE: THINKING ABOUT THE LAST TIME YOU BOUGHT LIFE INSURANCE WAS IT...?



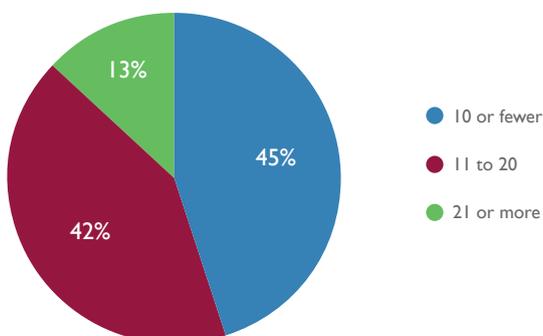
ARE WE MAKING PROTECTION PRODUCTS EASY ENOUGH TO BUY?

Despite increased use of technology and telephone-based underwriting, customers in the UK are still frequently required to complete lengthy paper application forms in order to purchase long term protection products.

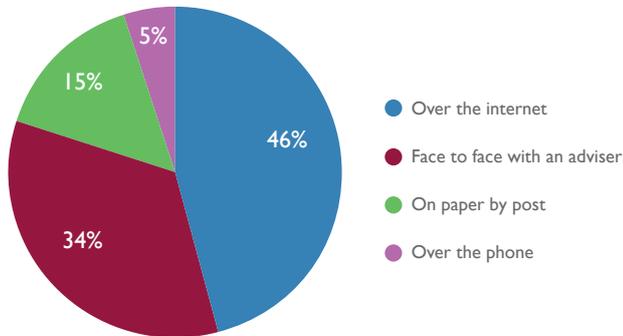
There are some notable exceptions, but these forms typically include well over 20 questions, many of which are both involved and intrusive. Even with guidance from advisers, most people would struggle to complete these forms in less than 30-45 minutes.

We asked how many questions would be reasonable and how much time customers would be prepared to spend completing an application form. The responses clearly indicated that many people would find the current process unacceptable.

HOW MANY QUESTIONS DO YOU THINK IS REASONABLE TO HAVE TO ANSWER WHEN BUYING A LIFE INSURANCE POLICY?



PEOPLE WHO HAD ALREADY BOUGHT LIFE INSURANCE: IF YOU WERE TO BUY LIFE INSURANCE, HOW WOULD YOU PREFER TO BUY IT?



While these results might have been influenced by the fact that this was an online survey, there appears to be a strong desire to switch away from face-to-face advice for online purchase.

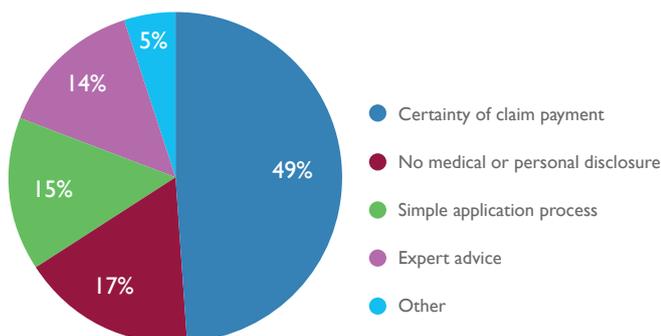
WHAT ARE THE MAIN BARRIERS TO PURCHASE?

When asked “what would be the biggest barrier to you buying life insurance?” the most common answer (39%) was “too expensive”. However, 28% confessed to having “no idea” when asked how much a healthy 40-year old might have to pay for life insurance.

A further 22% over-estimated the cost. 30% correctly selected the £10-£20 category, which was higher than we expected based on results from other surveys. Nonetheless, it seems likely that price would be much less of a barrier to purchase if customers were better-informed on the true cost of protection.

Taking price out of the equation, we asked what other factors would be most likely to persuade customers to buy.

IF PRICE IS REASONABLE, WHAT IS MOST LIKELY TO PERSUADE YOU TO BUY LIFE INSURANCE?



Despite the extensive changes the industry has made around “treating customers fairly”, there remains considerable concern among customers about whether insurers will pay claims. Beyond this, simplifying the process and reducing the amount of medical and other information customers are required to disclose would clearly make a difference.

Surprisingly and disappointingly, the proportion who would expect to be persuaded by expert advice was slightly lower among those who had already bought life insurance (11%) than those who had not (14%).

We tested this further to understand what customers thought would be reasonable responses by insurers to policyholder non-disclosure. The results indicated that customer views are based largely on the distinction between “linked” and “non-linked” claims, for example:

- Only 20% thought a death claim for heart failure should be paid in full if the policyholder had failed to disclose high blood pressure or increased cholesterol;
- However, 74% felt an undisclosed previous diagnosis of cancer should not invalidate a claim on death from heart attack; and
- Over 90% thought non-disclosure of heart attack or cancer should not validate an accidental death claim.

Many people do not see family history as a reasonable factor for insurers to consider, in fact, only 25% of people thought that non-disclosure of family history of cancer should warrant declination of a death claim for cancer.

Products which make it very clear whether specific previous illnesses will or will not invalidate future claims may increase confidence among potential customers.

CONCLUSION

This research provides further evidence that fundamental changes are required to insurance products and sales processes if we are to close the growing gap between those who have adequate protection cover and those who need it. Shorter, simpler application processes and greater clarity over whether future claims will be paid are key to success. However, customers accept that individuals who have already suffered a serious illness cannot expect full cover for future claims from that same illness.

These do not seem unreasonable expectations and Pacific Life Re is keen to work with clients to develop future products which meet these requirements.



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ABOUT PACIFIC LIFE RE



Pacific Life Re works with clients in Europe, Asia and North America to manage their mortality, longevity and morbidity risk. We have built a strong, experienced team with a reputation for technical expertise, responsiveness, innovation and excellence in service delivery to our clients.

Pacific Life Re Limited is a wholly-owned subsidiary of Pacific LifeCorp, the parent company of Pacific Life Insurance Company.

For more information about Pacific Life Re please visit our website www.pacificlifere.com or follow us on LinkedIn.

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