



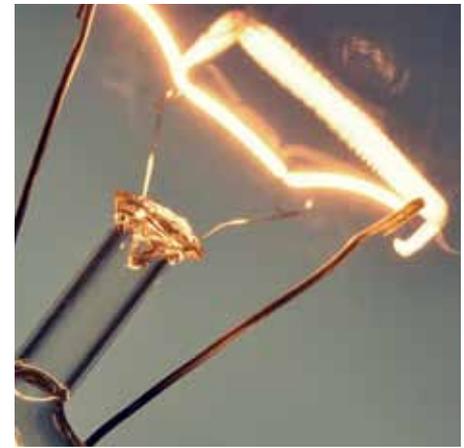
PACIFIC LIFE RE

# KEEP INSURANCE SIMPLE

Consumer Insight

PACIFIC LIFE RE | EUROPE

MAY 2014



This brochure highlights the key findings from our ongoing research<sup>1</sup>, which investigates consumers' attitudes towards purchasing life insurance.

Following the Retail Distribution Review, the UK protection industry has become more focussed on consumer buying behaviour, attempting to engage directly with the large number of people unlikely to seek advice or unwilling to pay for it.

Headlines earlier this year raised more general awareness of insurers' access to personal data; this research also looks at consumers' willingness to share personal data, what motivates consumers to purchase life insurance, and conversely, what they perceive to be barriers.

### ARE WE REACHING ENOUGH CONSUMERS?

When we asked consumers about what insurance or protection products they own, only 29% had life insurance. This is suggestive of a steady decline in the purchase of life insurance.

Our research in 2010 found that 48% had never bought life insurance, and this increased to 50% in 2012. More worrying perhaps, only 7% had Critical Illness and only 4% had Income Protection, implying a very low resilience to loss of income following illness given the modest level of typical savings.

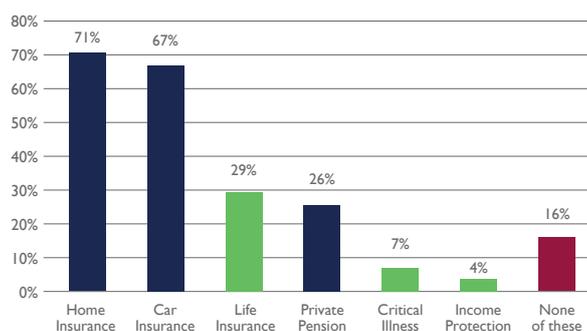
### WHAT ARE THE MAIN BARRIERS TO PURCHASE?

Our research shows that the largest consistent barrier to buying life insurance is that it is viewed as too expensive (40%).

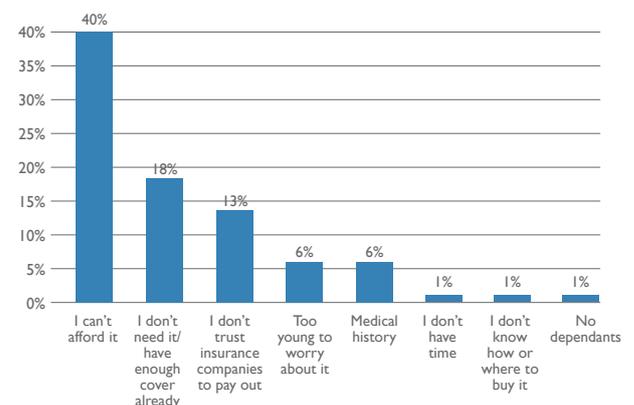
Unsurprisingly, this varies by socio-economic class. A larger proportion (48%) of people in the lower occupation classes (D and E) said expense was the biggest barrier to buying life insurance, compared to 33% amongst the higher classes (A and B).

“...only 4% of consumers have Income Protection”

### WHICH OF THE FOLLOWING INSURANCE OR PROTECTION PRODUCTS, IF ANY, DO YOU CURRENTLY HAVE IN YOUR NAME OR JOINTLY WITH SOMEONE ELSE?



### WHAT, IF ANYTHING, WOULD BE THE BIGGEST BARRIER TO YOU BUYING LIFE INSURANCE IN THE FUTURE?

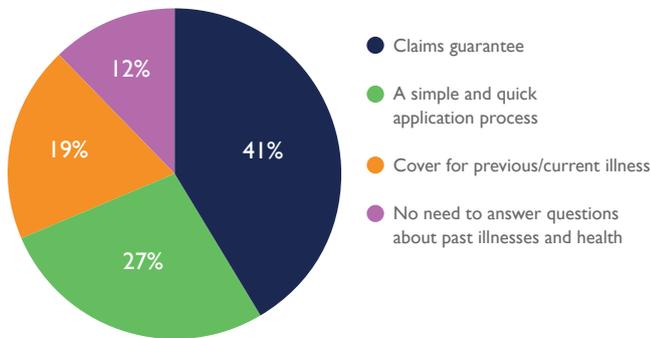


<sup>1</sup> The study was conducted by ICM Research who interviewed a random sample of 2,000 adults aged 18+ in Great Britain via an online omnibus. Fieldwork took place between 15th and 17th April 2014 and the results have been weighted to be nationally representative of all adults in Great Britain.

WHAT ARE THE MAIN DRIVERS FOR PURCHASING LIFE INSURANCE?

In our research, certainty of claim payment has consistently been the most significant factor attracting people to buy life insurance, but there is evidence that this is beginning to change. In 2010 49% selected this option, falling to 35% in 2012. Our latest research shows that a “claims guarantee” remains the biggest single feature that would attract people to buy life insurance (41%). This suggests that industry efforts to promote claims payment statistics have not fully addressed consumers’ lack of trust in insurance companies and there is clearly further work still to be done.

IF PRICE IS REASONABLE, WHAT ELSE IS LIKELY TO ATTRACT YOU TO BUY A LIFE INSURANCE POLICY?

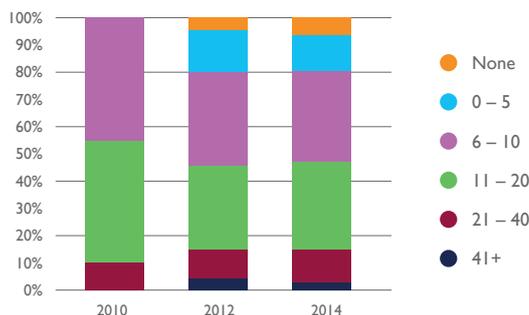


A simple and quick application process is now the second most significant driver (27%), having increased from 14% in 2010. A significant proportion (19%) selected “cover for previous/current illnesses” (a new option in this years’ survey).

ARE WE MAKING IT EASY ENOUGH TO BUY PROTECTION PRODUCTS?

A typical application form still includes around 40 questions, which can appear overwhelming to consumers and usually takes 30-45 minutes to complete.

HOW MANY QUESTIONS DO YOU THINK IS REASONABLE, IF ANY, TO HAVE TO ANSWER WHEN BUYING A LIFE INSURANCE POLICY (excluding name, address and bank details)?



When we asked how many questions it would be reasonable to answer, most people (53%) selected options up to 10, although a significant proportion (32%) selected 11 to 20. Only 3% were comfortable with answering over 40 questions.

The general expectation is clearly moving towards answering fewer questions with 47% being happy to answer more than 10 questions, compared with 55% in 2010.

In addition to this, only 14% of consumers would be willing to spend more than 30 minutes on an application. Not surprisingly, the amount of time people are willing to spend has continued to decrease gradually since 2010.

“...customers are increasingly uncomfortable with answering lots of questions”

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



ARE CONSUMERS WILLING TO PAY A PREMIUM FOR A SIMPLE PROCESS?

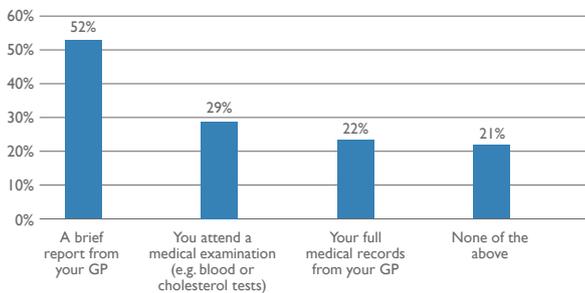
Given the clear message that many consumers are increasingly uncomfortable with answering lots of questions, would they be prepared to pay a bit extra for a simpler (but potentially less selective) application process? In fact, 77% indicated they would not be prepared to pay any extra (up from 74% in 2012).

Of those prepared to pay extra, the most popular amount was less than £1 per month (the lowest option), suggesting that very few are willing to pay a significant premium for a quicker and easier process.

WHAT INFORMATION DO CONSUMERS THINK IS REASONABLE FOR AN INSURANCE COMPANY TO HAVE ACCESS TO (if it means they can get the best possible price)?

The insurance industry's access to data has been a contentious topic in the press this year. Despite the negative comments in the press, only 21% of respondents to our survey thought that an insurance company should not get any evidence at all. The majority thought that getting some form of medical evidence (full records, brief GP report or medical exam) was reasonable.

WHICH OF THE FOLLOWING, IF ANY, DO YOU THINK IS REASONABLE FOR AN INSURANCE COMPANY TO ASK YOU OR YOUR GP TO PROVIDE, AS PART OF THE APPLICATION PROCESS FOR LIFE INSURANCE?

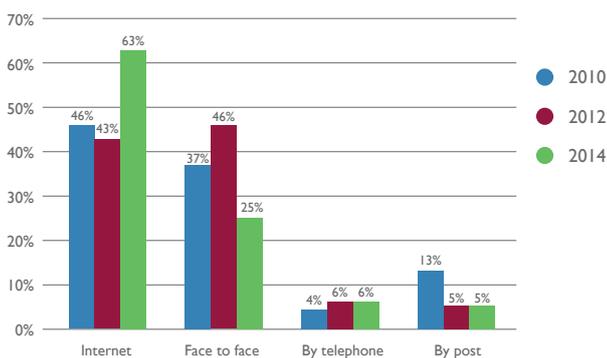


Nearly three times as many thought a brief report from a GP was reasonable compared to full medical records.

However, when consumers were asked "would you be happy for an insurer to review your full medical records if it meant you got the best possible price?" the response changed: 71% said 'yes/maybe'.

A higher proportion of the younger population would be happy for their insurer to have their full medical records: 50% of 18-24 year olds, compared to only 30% of 55-64 year olds. This may reflect the fact that the younger population is less likely to have any material medical history. It could also highlight a more general attitudinal shift between generations.

IF YOU WERE TO BUY LIFE INSURANCE, HOW WOULD YOU PREFER TO BUY IT?



HOW WOULD CONSUMERS PREFER TO BUY LIFE INSURANCE?

It would seem that consumers are becoming more empowered and trusting of online systems as 63% would prefer to buy their life insurance online, compared to only 25% who would prefer to buy face-to-face with an adviser. Not surprisingly, the majority of 25-44 year olds would prefer to buy life insurance on the internet, however this drops to only 21% for over 65 year olds.

CONCLUSION

Unfortunately a disproportionate number of consumers still see life insurance as too expensive, or do not perceive that they have a need which can be met by protection products.

Consumers who appreciate the need for protection appear to be driven in their buying habits by price, effort and time.

There is predictably a continuing shift in consumer attitudes towards buying insurance via quick and easy online methods based on fewer questions. A significant majority of consumers are happy for insurers to request medical information as part of the process with a strong preference towards brief GP reports or examinations.

The research found relatively low levels of support for insurance companies receiving full medical records, however, this increased when consumers were asked "would you be happy for an insurer to review your full medical records if it meant you got the best possible price?". A general reluctance to subsidise sub-optimal underwriting selection with higher premiums stands out.

Delivering fast and simple application processes whilst still offering a good deal therefore becomes an ever more key challenge for insurers. In order to offer value for money and meet consumers' expectations, insurers need to find a way to quickly and easily analyse risk online. This topic has been a strong focus of Pacific Life Re activity and we would be happy to share our insights with interested clients.



PACIFIC LIFE RE

## 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](http://www.pacificlifere.com) or follow us on LinkedIn.

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