



PACIFIC LIFE RE

# KEEP PROTECTION SIMPLE

Consumer Insight

PACIFIC LIFE RE | EUROPE

AUGUST 2012



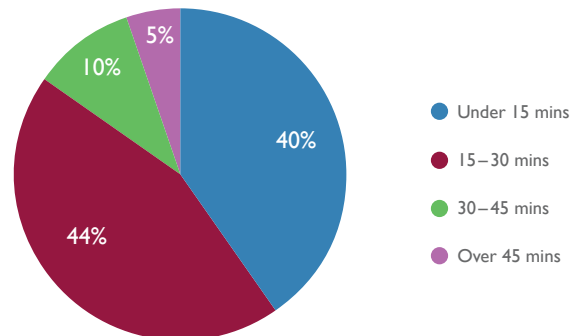
In 2010 Pacific Life Re published a short booklet, “Make Protection Simple”, highlighting the key findings from consumer research we had commissioned to explore attitudes towards purchasing life insurance. Given mounting industry interest in new ways of engaging with customers we decided to refresh<sup>1</sup> that research to see if attitudes have changed. We also wanted to dig a bit deeper into what might motivate consumers to purchase life insurance. This brief report summarises our findings.

## ARE WE MAKING PROTECTION PRODUCTS EASY ENOUGH TO BUY?

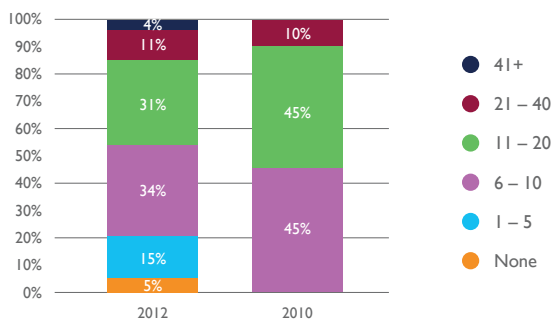
In advised channels, typical application forms continue to include over 40 questions which may appear both complex and intrusive to consumers. Even with guidance from advisers most people would struggle to complete these forms in less than 30-45 minutes. At variance with this (but broadly in line with our previous study) nearly 85% of customers would expect to be able to complete their application within 30 minutes. A significant proportion (40%) would not be willing to take more than 15 minutes.

When we asked how many questions would be reasonable, most (55%) indicated 10 or fewer (up from 45% in 2010) and only 4% were comfortable with over 40 questions.

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



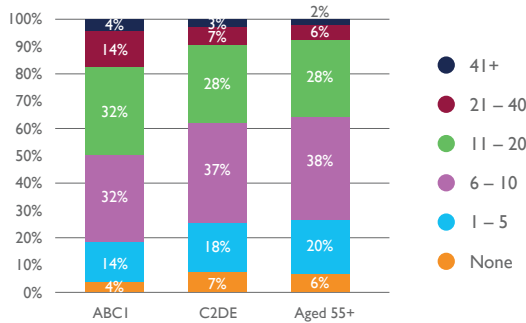
## HOW MANY QUESTIONS DO YOU THINK IS REASONABLE, IF ANY, TO HAVE TO ANSWER WHEN BUYING A LIFE INSURANCE POLICY (excluding name, address and bank details)?



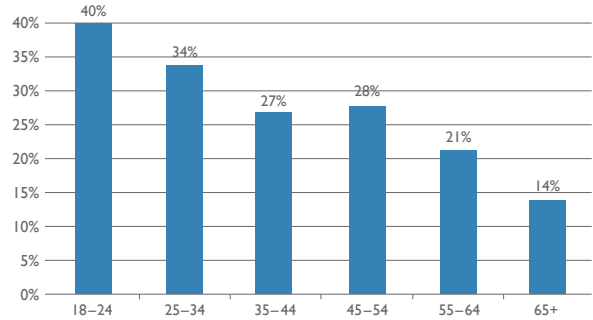
“...only 4% were comfortable answering over 40 questions”

<sup>1</sup> The study was conducted by ICM Research who interviewed a random sample of 2,013 adults aged 18+ in Great Britain via an online omnibus. Fieldwork took place between 11th and 12th July 2012 and the results have been weighted to be nationally representative of all adults in Great Britain.

VARIATION BY SOCIO-ECONOMIC GROUP AND AGE (2012)



PROPORTION WHO WOULD PAY EXTRA FOR A SIMPLER PROCESS BY AGE



Drilling deeper, the proportion of people unwilling to answer more than 10 questions above age 55 was much higher (65% compared with 55% for all ages). This works against the higher expected prevalence of positive disclosures at older ages.

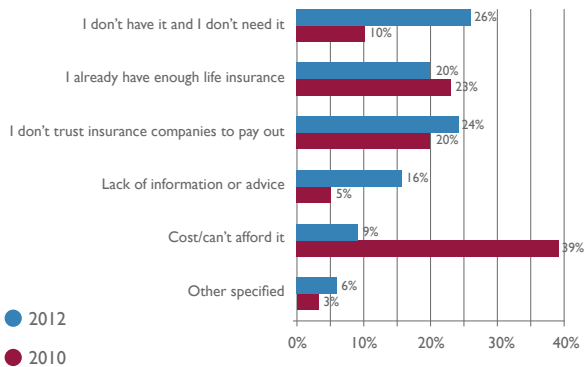
A similarly skewed aversion to large numbers of questions is apparent amongst the lower occupation classes (i.e. C2, D & E) who would be less likely to have life insurance currently.

IS THERE A PREMIUM FOR A SIMPLE PROCESS?

Given a clear message that many customers 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? Overall there was limited appetite for paying extra with 74% indicating they wouldn't be prepared to pay any extra. Interestingly, acceptance of an additional premium for a simpler process was highest at youngest ages with over a third of those aged below 35 prepared to pay extra.

Of those prepared to pay extra the average additional amount above a basic premium of £15 per month was £3.37 (or +22%) overall with limited variation by age.

BIGGEST BARRIER TO BUYING LIFE INSURANCE



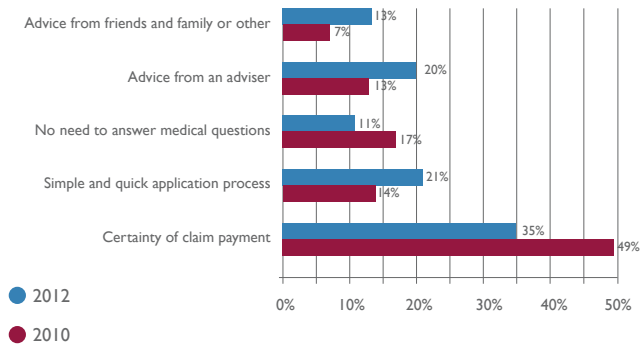
WHAT ARE THE MAIN BARRIERS TO PURCHASE?

Our 2010 survey indicated that the biggest barrier to buying life insurance was that it was "too expensive" (39%) – although when questioned separately, significant proportions of respondents either overestimated (22%) or had "no idea" (28%) of the realistic costs. Our updated survey suggests that cost is now a far less significant factor (9%), although awareness of actual costs may not yet be widespread.

Perhaps surprisingly, nearly half (46%) of respondents either didn't need life insurance (i.e. without dependants), or had enough cover already (compared with 33% previously). Consistent with the previous survey, trust remains a disappointingly significant barrier for many (24% up from 20%) ahead of increasingly significant perceived lack of information or advice to purchase with confidence.

“...certainty of claim payment...  
most likely to encourage purchase  
of life insurance”

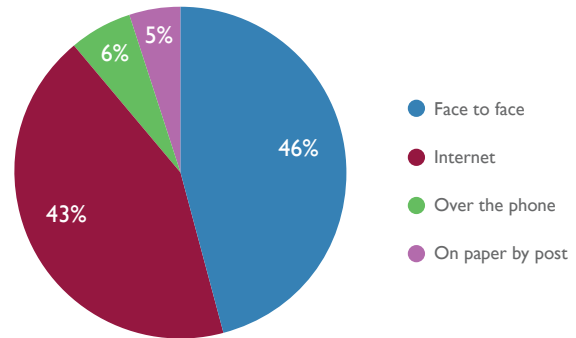
IF PRICE IS REASONABLE, WHAT IS MOST LIKELY TO ATTRACT YOU TO BUY A LIFE INSURANCE POLICY?



We asked what would be most likely to encourage the purchase of life insurance given a reasonable price. The top response “certainty of claim payment” (35%) was consistent with the biggest barrier to purchase i.e. a lack of trust but had markedly dropped from the previous study (49%). 32% cited either a simple and quick application process, or at least one devoid of intrusive medical questions echoing themes from the previous section. Overall, this is consistent with the previous study, although the balance has shifted towards speed and simplicity and away from no medical questions. The remaining 33% would look to advice from either advisers or friends and family, an increase when compared with the results from last time across both categories.

“...A more polarised choice... internet based or face to face purchasing”

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



HOW WOULD CUSTOMERS LIKE TO BUY?

Of those expressing an interest in purchasing life insurance in the future, the preferred medium was heavily polarised between “face to face” and “internet”, perhaps mirroring a split between appetite for advice and confidence to execute only. Previously “internet” was the clear winner with the same overall share (46%), but “face to face” has grown from 37% to 43% at the expense of “by post” which has shrunk from 13% to 5%.

CONCLUSION

Overall there have been some surprising shifts in consumer attitudes in the relatively brief period between studies, particularly around both the barriers against, and the enablers for, the purchase of life insurance. A strong call for a simpler quicker application process for protection remains one of the main messages.

There appears to be increasing tolerance for limited medical questions, especially amongst the younger age groups and the higher socio-economic groups. A more polarised choice between either internet based or face to face purchasing preference is also emerging. Encouragingly, there is evidence of a segment of younger lives confident to buy online, without advice, and prepared to pay a little extra for the convenience of a streamlined process that retains the most pertinent underwriting questions.

Our full study considers other areas including purchase triggers, use of social media, attitudes towards specific medical questions and claims philosophy in the light of non-disclosure. Results can also be filtered by respondent profile. We would be delighted to discuss these fuller 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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