This is the third year we’ve run our research on how consumers view the protection industry and the products on offer. We’ve also taken another look at adviser confidence in the market and what the new threats and opportunities could be.

While results show little variation over the three years in terms of confidence overall, we can see an increasing desire from advisers for further innovation, alongside relatively consistent consumer scepticism about the suitability of products for them.

It’s not every day consumers are asked to think about their protection needs, and the responses can vary, as any adviser will certainly know. There are some interesting differences between what advisers believe consumers think and what consumers are actually thinking.

It’s horses for courses though, and not everyone thinks alike. This year we’ve taken a few different types of consumer and examined what makes them tick, as well as their differing levels of financial resilience and scepticism about the protection products available.

Through our research we’ve managed to identify some potential opportunities for advisers who want to build their protection business. And we’ve considered ways advisers can show the value of their advice to these consumer types, by understanding new clients’ needs and tailoring the right products to suit them and their budgets.

With so much insight to digest, we were spoilt for choice on how we’d gather it together into a report to share the most exciting findings with the market. I hope you enjoy finding out more about the State of the Protection Nation in 2019.

Jennifer Gilchrist
Protection Specialist
Methodology

We commissioned Opinium Research to run our State of the Protection Nation research. The research is based on the results of an online survey that took place from 11 to 15 March 2019. 2,005 nationally representative UK adults (aged 18+) and 202 advisers were surveyed. The results have been weighted to nationally representative criteria.

We asked a separate series of questions to consumers and advisers. We wanted to test how consumers perceived need and trust in the protection industry and the products available. Our survey included both those who already have protection and people who don’t. We also measured adviser confidence in the protection market and what threats and opportunities they feel are impacting the market.

We attributed scores to the questions asked, which gave us an overall score that we’re calling the State of the Protection Nation Index.

The index finds that, currently, consumers have a confidence ranking of 52.6 out of 100. This ranking focuses on consumers’ awareness, usage and confidence of protection products.

It also found that advisers have a confidence level of 60.3 out of 100. This ranking focuses on advisers’ perceived relevance of protection products and their ability to meet, or adapt to, consumers’ needs.

We can see that consumer confidence has remained relatively stable, with the consumer index dropping overall slightly since 2017. Adviser confidence fell by just 0.2 points over the past year, but by a similar margin overall as the consumer index since 2017. Despite very little change in the adviser index ranking since last year, it continues to suggest that advisers remain more cautiously optimistic about the protection market than consumers.
Under the bonnet – consumer confidence

The consumer confidence index, on the whole, has dropped only slightly over the past three years. But when you look more closely at some of the underlying measures, an increasingly sceptical sentiment emerges. For example, those who believe life insurance is essential for anyone with a mortgage or dependants has dropped by seven percentage points this year.

Only 15% of consumers believe that everyone in employment should consider income protection.

And a third say they’re sceptical about buying any kind of protection product.

The percentage of consumers who are anxious that their protection products might not pay out has remained relatively stable since 2017, at 26% this year.

We asked consumers to rate the following statements on a scale of 1-10.

27% of consumers are confident that the cover they have in place meets their needs.

How can we help the other 73%?

Under the bonnet - adviser confidence

Advisers have become steadily less optimistic over the years, citing cost and difficulty in selling protection as key drivers. Optimism about opportunities in the protection market has fallen, with increasing calls for greater innovation in the market to make protection products more accessible for consumers.

Percentage of advisers who agree that greater innovation is required to make protection products more accessible for consumers

Percentage of advisers who are optimistic about the current opportunities in the protection market
THE ROAD AHEAD

STATE OF THE PROTECTION NATION 2019

**Threats**

We asked advisers what they perceived as the biggest threats to the protection market over the coming year. While it was no surprise that the rising cost of living came out on top, the perceived threat is lower in 2019 than it was in 2018, dropping from 65% to 55%.

With Brexit on the horizon, it’s seen as less of a threat now than it was in 2018. In fact over 50% of all advisers we spoke to felt that Brexit would have no impact on them at all. Perhaps once uncertainty has dispelled either way, advisers and consumers will find it easier to navigate the current unknown.

**Opportunities**

By far the strongest opportunity advisers have identified in the market is the ageing population, but almost as many advisers again see this as a threat.

Looking more closely at the ageing population, we found that advisers who saw it more as a threat were predominantly mortgage advisers. Whereas those who specialise in structured investment products saw this area as an opportunity for growth.

Overall, advisers currently see more threats than opportunities in the market. With the level of uncertainty sitting relatively high, it’s interesting to see that two of the biggest opportunities identified are legislative changes and the rising cost of living – again something most advisers see as a threat.

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**Percentage of advisers who perceive the following as representing a threat or opportunity for the protection market**

- **Lack of income growth**: 50% Threat, 50% Opportunity
- **Rising cost of living**: 65% Threat, 35% Opportunity
- **Legislative changes such as to bereavement support payments**: 40% Threat, 60% Opportunity
- **Aging population**: 55% Threat, 45% Opportunity
- **Consumer inertia**: 40% Threat, 60% Opportunity
- **Brexit**: 50% Threat, 50% Opportunity
- **Rising Interest Rates**: 40% Threat, 60% Opportunity
- **Housing Market Crash**: 30% Threat, 70% Opportunity

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Innovation and potential opportunities

We’re seeing a story of cost-conscious consumers reluctant to pay for protection, making advisers’ work more difficult in selling life insurance, critical illness cover and income protection. More innovation seems to be the key to improving the marketplace, with 27% of advisers suggesting that more development is required to make protection products more accessible.

What sort of innovation does the market need? We’re already seeing providers start to open up access to protection for people with medical conditions who would traditionally struggle to get insurance. End-to-end service for advisers and their clients is critical to the market’s success, and we continue to work to improve this. And underserved areas of the market – those on lower wages perhaps – may be in need of protection but unable to afford a comprehensive solution, but could consider budget options that are on offer.

Creative advisers and good service from providers can go some way to bridging these gaps until more innovation comes out in these areas. Some products can be mixed and matched, and shorter-term products or those with shorter payout periods can help here.

But there could be more obvious opportunities in the market that might be easier and quicker to address with the products currently available. The next section will consider the shape of the modern household and their finances.
Segmentation

We asked consumers how likely they were to buy protection products in the next five years, and we split them into age categories.

It’s a little surprising that advisers see the ageing population as their biggest opportunity, given that they appear to be the least likely to buy protection: only 2% of over-55s will be considering income protection or critical illness cover in the next five years. This is more consistent with mortgage advisers’ view that the ageing population is more of a threat than an opportunity.

There appears to be more of an immediate opportunity in 18-34 year olds, with 19% planning to take out income protection and 21% considering critical illness cover. 35-54 year-olds are also significantly more likely to buy protection than the over 55s.

Different life stages and lifestyles lead to different protection needs and attitudes towards protection. The millennial generation is a huge market to tap into, but they’re not necessarily buying houses or having children at the same stage that previous generations did – traditionally triggers for protection conversations with financial advisers. So we’ll take a look at specific types of millennials, and some generation X too, to analyse their behaviours and suggest ways of targeting them.

Rather than discuss developing products to suit the changing market, which is something providers will always be working on in the background, we’ve focused this report on joining up protection opportunities with products currently available in the market. So, using Experian’s Financial Strategy segments model, we’ve identified a few customer segments that could readily benefit from financial advice about their protection needs.

Likelihood of buying products in next 5 years by age

Single earners

These are individuals who live in low-cost housing, working hard to make ends meet using their own resources.

Single earners, as a group, are the most sceptical about protection as a whole, with only 9% agreeing that people in employment should consider income protection. Almost 80% have never had any type of critical illness cover stating that it’s too expensive or they don’t need it. Only 18% consider the cover they currently have in place adequate for their needs, making this group the least confident of all.

77% of single earners have never had or currently don’t have a mortgage.

52% would last less than three months on their savings or investments if they couldn’t work due to illness or injury.

63% currently have a credit card.

These are one of the most financially vulnerable groups of people, with the greatest need for protection. The opportunity is to help them understand their protection needs and access the market. If single earners can overcome some of their scepticism about protection, and appreciate the benefit a little income protection could bring them in difficult times, they could build their financial resilience and be less exposed to their risks.
Earning potential

These are aspiring young adults, mostly known as millennials; they are very much online based and are taking their first steps in building their prospects.

19% of earning potential agree that people in employment should consider purchasing income protection. This group believes that protection products give a solution to their needs, responding with less scepticism than the single earners. But they share single earners’ concerns around price, with the majority who don’t have critical illness cover stating that it’s too expensive, and a third of those without income protection saying that it’s too expensive as well.

68% of earning potential have never had or currently don’t have a mortgage.

56% would last less than three months on their savings or investments if they couldn’t work due to illness or injury. This is the highest proportion out of all the segments, showing that there is still significant financial vulnerability in this group.

53% currently have a credit card.

17% of earning potential say they’re likely to buy income protection in the next five years - the highest of all the segments. They’re also the most likely to buy critical illness cover, at 19%.

While the earning potential group may be a little more financially sound than single earners, they still lack confidence in the protection market and what it can do for them. The opportunity is there to show them the different options they have, and the adaptability as their income grows.

Money makers

Money makers are a high income household, typically midlife individuals in the process of accruing assets to give them financial security despite their high expenditure.

Money makers are of the same mind as earning potentials when it comes to income protection with 20% agreeing or strongly agreeing that everyone in employment should consider buying it. They have the highest proportion of people who currently have critical illness cover (22%), but like others, a large majority of those without it believe it’s too expensive. They are strong advocates of life insurance: 52% state that it’s essential for anyone with a mortgage or dependants. 58% have life insurance or have had it in the past.

Money makers are among the largest credit card users at 73%, supporting the characteristic that they have high expenditure.

73% currently have a credit card.

It’s clear that money makers are the most financially comfortable group out of the three we have highlighted, but there is still some scepticism about protection. While this group are more likely to be interested, they still believe that it’s too expensive. Having protection conversations with money makers will undoubtedly be easier, but some convincing will still be required.
Financial resilience

Half of single earners and earning potential have never had a mortgage. When you consider that over **62% of working renters wouldn’t last three months financially**, compared to a more comfortable outlook for homeowners, it begins to paint a picture of how financially vulnerable some of these individuals might be.

Money makers are the highest users of credit cards. The majority of single earners and earning potential use credit cards too. They will be at risk if they suddenly lose their income and can’t pay the monthly credit card bill.

Meanwhile, over half of single earners (57%) and earning potential (52%) have never had a personal pension. The figure for money makers is 39%. With no pensions, they may struggle to survive in retirement, or even have to work longer.

**57%**

of single earners

**52%**

of earning potential

**39%**

of money makers

Percentage of those who feel they could only survive financially up to 3 months

Financial resilience

It’s worrying to think that only **11% of both earning potential and single earners have income protection**, with fewer still single earners having critical illness cover. Although money makers have the highest proportion of critical illness cover, with 22% having policies at the moment, only **10% have income protection**.

It seems our industry is plagued by avoidance and scepticism, and yet it provides valuable solutions designed to support people in building their financial resilience. So the challenge is helping people understand this, and getting them to see the need for solutions.

If you’d like tools and literature to help bring the protection need to life, why not take a look at some of our case study sales aids in our protection literature library at [adviser.royallondon.com/literature](adviser.royallondon.com/literature)

You’ll find fictional case studies about:

- **Amir**: a self-employed millennial who claims on income protection when he has a stroke
- **Catherine**: a millennial who experiences mental health problems and claims on income protection
- **Diane**: a part-time worker and single parent who injures her back and claims on income protection
- **Jasmin**: an accountant who uses our Helping Hand support service to help the family cope with her cancer diagnosis, as well as making a critical illness cover claim
- **Leyla**: a woman who claims for a heart attack, easing the financial burden at a difficult time
- **Sonia**: a sandwich generation mother who, after going through a divorce, is diagnosed with cancer and claims on her policy
The value of advice

The two main triggers for taking out protection are recognised by advisers and consumers as buying a house and having children.

When we compare what advisers see as the other triggers with what consumers told us, we see a few interesting differences. While advisers consider a customer’s friend or relative being ill or dying as the next biggest trigger, not many consumers had taken out protection for that reason.

But a salary increase, which advisers don’t report much of, was an important reason for consumers - 12% have taken out income protection as a result of a salary increase. Starting a business, or a new job, or becoming self-employed, all score highly for consumers taking out income protection.

It might be sensible, then, to look out for customers whose salaries change, or who start new jobs or entrepreneurial ventures. They’re more likely to connect income protection with the income their minds are focused on at that point in time. And these events could be more common for the younger generations than buying a house or having a child.
The value of advice

Consumers told us they don’t see the benefit of protection - 25% of those without cover said they don’t need income protection, and 16% don’t see the benefit of it. What’s more, they think it’s too expensive.

The top three advantages advisers say their clients get from taking financial advice give us the answers to those consumer concerns.

81% To ensure they get the right product for their circumstances
66% To ensure they understand what they’re buying
48% To ensure they have an appropriate sum assured

Advisers can tailor protection products to clients’ individual needs - making sure they get the right products, the right level of cover, and that they understand what they’re buying. The better tailored the solution for the client, the more an adviser can work with the budget their client can afford to get the most appropriate protection. Instead of getting into early discussion around price, start with the benefits available and then ask what they can afford.

A little of the right cover can be better than the wrong cover, or none at all.

Sales aids to tailor your conversations

For sales aids aimed at renters, millennials with new jobs, people with debts, self-employed people, part-time workers, and more, visit our marketing studio. You can brand sales aids with your logo and contact details, or just use the ready-made Royal London versions.

Income protection

Consumers think they’re almost twice as likely to die during their working life than to have an accident that prevents them from working. They also consider an early death more likely than a serious health condition. It would be interesting to know what they think might cause this sudden, early death.

But it’s the most absolute, clear idea to grasp – you’re either dead or not – whereas being ill or having an accident could involve any number of overwhelming possibilities that don’t bear thinking about.

Income is an easier idea – it comes in or it doesn’t. If it didn’t, how would you keep a roof over your head?

Almost a quarter of workers (22%) feel they could only survive financially for a month or less if their income stopped.

Research from Pacific Life Re* shows the risk of a 30-year-old being off work for two months or more before their retirement at age 65 is significantly higher than people might believe.

As an industry, we need to improve consumer education around the likelihood of being off work for any prolonged period of time. The protection conversation should begin with the biggest risks. To highlight your clients’ risks, you can produce personalised risk reports at studio.royallondon.com

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*Pacific Life Re, March 2018. These figures have been produced based on their interpretation of the Institute and Faculty of Actuaries’ Continuous Mortality Investigation insured lives incidence rates together with their estimated view of future trends. Incidence rates for the entire population may be different to those lives that take out insurance products.
How we can help

Looking at the research, many consumers are aware of the various protection products available to them, but without good advice they’re unable to reconcile their needs with the array of products on the market. They can often end up either not having the correct protection in place or not having any at all.

We’re determined to help you help the 73% of consumers who aren’t confident that the cover they have in place meets their needs.

Helping a client understand their risks is the first step towards making sure they’ve got the right cover. And reinforcing the importance of having at least some protection against their biggest risks can be tricky without the evidence to support your argument. Our marketing studio is a free tool that gives you a selection of sales aids, reports and posters that’ll help you make the case for protection.

Here are just some of the tools you can use in your client conversations:

- **Case study sales aids**
  to help bring protection to life – adviser.royallondon.com/literature

- **Sales aids**
  aimed at particular client types. You can brand these too – studio.royallondon.com

- **Personalised risk reports**
  to highlight your clients’ biggest risks – studio.royallondon.com

Conclusion

Now in its third year, our State of the Protection Nation research is beginning to show a consistent picture of advisers cautiously optimistic about the market, with consumers still viewing protection as unnecessary and too expensive.

The state of the protection nation

Looking at the results there’s a clear need for both critical illness cover and income protection, with some consumers interested in buying. However, there’s a requirement for education and tailored advice to cut through the complexity and jargon consumers are seeing about protection, and to make sure they have the right cover in place for their circumstances. With the rising cost of living identified as the strongest threat to our industry, now more than ever we need to dispel the myth that protection is expensive.

The road ahead

The more financially vulnerable the consumer, the more sceptical they appear to be about the protection industry. Advisers and providers alike will need to find a way to speak to the more doubtful in society, show them the value of advice and the importance of protecting their incomes. The key to accessing some of these customer segments will be in looking beyond the more traditional triggers of buying a house and having a child, to life events like starting a new job or getting a pay rise, or even starting a business.

There’s a clear call from advisers for innovation in the market to make protection more accessible, with simple processes and support materials to share with their clients. While the ageing population may provide future opportunities, until the long awaited government green paper on social care is published, advisers may fare better focusing on providers’ current drive to open up access to insurance, including people with existing health conditions.

With the legislative road ahead somewhat unknown, it’s becoming increasingly important to make people aware of what will happen if they’re off work due to illness and injury and the serious implications if they can’t keep up with their rent or mortgage payments. Advisers are key to helping consumers get the right protection cover in place to suit their circumstances and to help support their financial resilience.
We’re happy to provide your documents in a different format, such as Braille, large print or audio. Just ask us when you get in touch. All of our printed products are produced on stock which is from FSC® certified forests.

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