

ReThink – the protection gap

The one question that our industry repeatedly asks is; “why don’t people buy life insurance?”

From 2013 to 2017, there has been a 14%¹ reduction in the number of individual term, whole of life, income protection and critical illness insurance policies in force in the UK.

With advances in our underwriting journey, our efforts in tackling cognitive biases and offering more comprehensive cover, why have these improvements not reflected in increased sales across the industry? Surely, today’s customer should find it easier to buy our products, feel a greater need to plan ahead and find greater value in our products. Have we missed the mark? Can we do more?

One could argue that a period of austerity following the 2008 financial crisis, the decline in the number of IFAs and the PPI scandal have played their part in reduced sales. But, if people truly saw the need for the product, our sales should, at the very least, remain resilient to these shocks.

ReFlect – the three buckets

This is a multi-faceted issue but allow me to simplify and make a bold statement. All the possible explanations for why people do not buy insurance fall into one of these, or across these three buckets: perception, expertise and reputation. Below are some comments that explain what each bucket covers. It is by no means an exhaustive list.

If you think of a reason that does not fit in these buckets, write to us!

Various **perceptions** about life insurance exist:



- I don’t need it
- I find it uncomfortable to talk about
- The government will look out for me
- It’s too expensive
- I’ll get declined anyway
- I don’t trust insurers (with my data)

These factors manifest themselves in postponement or inaction; kicking the bucket down the road, so to speak. If the person overcomes this initial inertia, they face the next roadblock, **expertise** or the ‘how’ factor.



- How do I start the process?
- How do I know what product to buy?
- How can I be confident in my choice?

There are a lot of tools out there to help ‘demystify’ the world of insurance but that requires a willingness to learn. And let’s face it, for many people, insurance is a bit of a dry subject. For those willing to put in the effort, there is a final mental barrier to overcome, **reputation** as companies put it or ‘trust’ as customers do.



- Will they pay my claim?
- Will they use jargon to get out of paying?
- Profits will always come first.

Overcome these buckets, and you are likely to have people buying insurance. Simply put, a person should want the product, know how to get it and trust that the product will deliver.

Now, would it not be nice to have one idea that could tackle all three buckets?

Tune in next quarter for a potential solution.

¹ See UK Insurance Key Facts 2014 & 2018

Author



Nay Wynn
Research Actuary
Hannover Re UK Life Branch
Tel. +44 20 3206 1778
nay.wynn@hannover-re.com

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