Term & Health Watch 2023

Contents

Introduction

Welcome to Term & Health Watch 2023, Swiss Re's analysis of new individual long-term life and health protection sales in the UK. In this Report, we present the results for individual mortality, critical illness, and income protection sales in 2022.

Last year brought more turbulence than was expected – with an energy and cost-of-living crisis, narrowly avoiding a technical recession despite 40-year high levels of inflation, three Prime Ministers, and four Chancellors.

There is no doubt that the financial pressure on households was the highest it has been in more than a decade. While the average salaries across the UK are increasing, inflation continues to grow at a faster rate.

The average salary in the UK in 2022 for all employees was £27,756, a **6.8%** increase from 2021. For full-time workers, the average UK salary in 2022 was £33,000 exactly, a **5.7%** increase year-on-year.

Part-time employees in the UK earned an average of £12,247 in 2022, an **8.6%** increase from 2021.

The Consumer Prices Index (CPI) rose by **10.5%** in the 12 months to December 2022.[1]

1 Office for National Statistics

Our market is there to help consumers when they need it the most, but a reduction in discretionary spending can understandably have an impact on new business sales. How well did the protection market weather the storm?

- The number of new income protection policies sold increased, as the market continues to grow.
- Unsurprisingly, by narrowly escaping a credit crisis and the resulting impact on the housing market, new term sales – particularly those with a critical illness rider – experienced a hit.
- Despite a drop in new sales for term and critical illness overall, there was a rise in average new sums assured and premiums.
- We saw a shift in the way some products are distributed which could be linked in part to preparations for the Financial Conduct Authority's (FCA) forthcoming Consumer Duty.

Looking back over the last four years, with the pandemic in 2020 and the bounce back in 2021, 2019 could be a better comparison for new business sales. We have included 2018 and 2019 figures in most tables in the report.

Once again, we are grateful to iPipeline for its contribution to our Report by sharing analysis and data. In 2022, it's estimated that over 50% share of directly-authorised and tied business was processed through the system, from over 30,000 users.

In addition to iPipeline's commentary which follows here, it has contributed valuable content to the product chapters.

Market changes

In the last 12-months, two providers, Canada Life and Aegon, withdrew from the UK retail protection market. The impact on the market will only fully materialise in our numbers next year, given the timing of the announcements.

Each year, we are grateful for the time which each provider takes to provide a submission. A report like this is only as good as the data it is based on. Unfortunately, three smaller providers were unable to provide data this year due to competing resource requirements with the Consumer Duty fast approaching implementation deadline approaching.

The combined data from these providers in last year's report made up less than 1% for Term, Critical Illness, and Income Protection and less than 3% for Guaranteed Acceptance Whole of Life.

Throughout the Report, we use the following abbreviations in the Tables:

- Level Term Assurance – LTA
- Relevant Life Policy – RLP
- Decreasing Term Assurance – DTA
- Family Income Benefit – FIB
- Whole Life Assurance – WL
- Critical Illness Cover – CI
- Stand-Alone Critical Illness Cover – SACI
- Income Protection – IP
- Limited Benefit Payment Term -LPT

iPipeline overview of 2022

Overall comment

Data from iPipeline's InsureSight platform shows a protection market which has found a 'not so new normal', partially as a result of the pressure applied from a range of macro-economic factors.

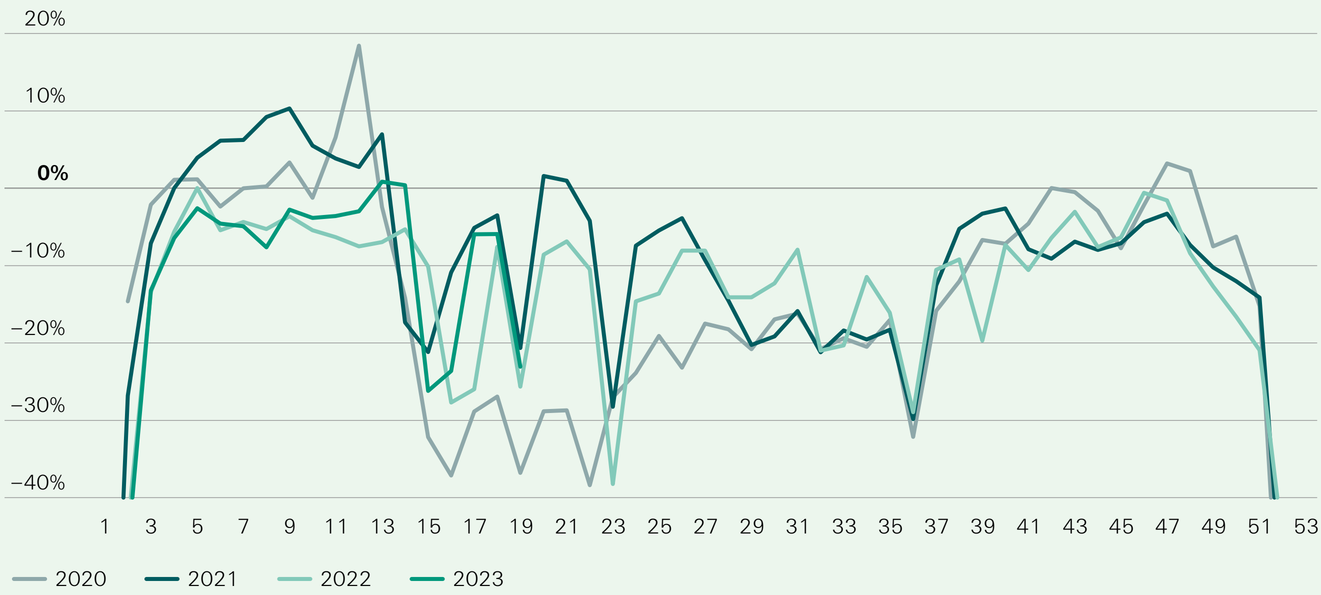
In a country where poverty of various types (fuel, food...) become everyday accepted terms, protection poverty will likely fail to register with anyone outside of our industry.

Whilst the market boom of 2021 isn't forgotten, it is perhaps a fading memory. Post-COVID-19 growth has long-since peaked. Volumes, largely attributed to pent-up demand, lockdown savings and the impact of a housing market still basking in the glow of the (political fertiliser) stamp duty holiday, have fallen to below pre-pandemic levels as the cost-of-living crisis bites.

The beginning of 2023 has been slow when compared to the previous year, with January showing a fall of 3% in new application volumes. Although, this figure was contrasted by an increase of new business APE of 9%. There are fewer people buying protection, but those who do, are buying bigger.

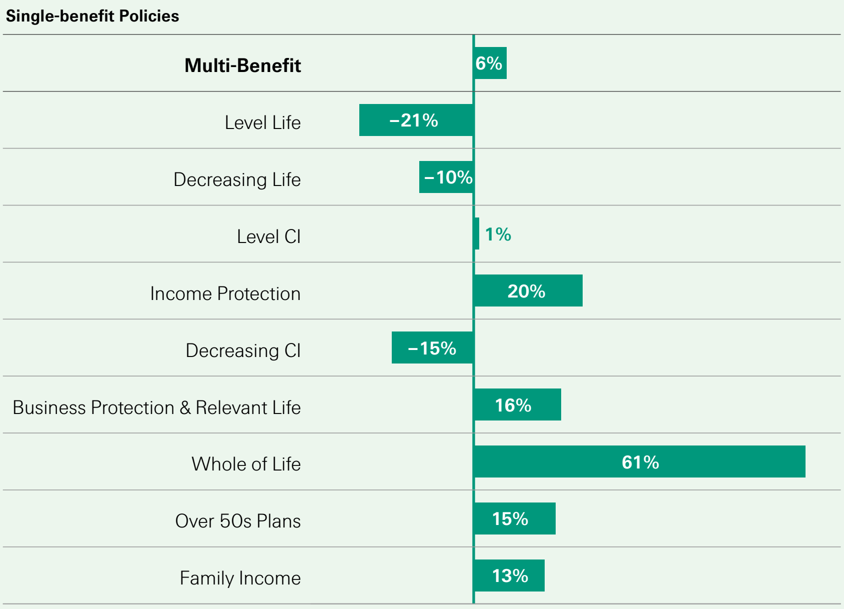
The below shows total activity levels compared with the pre-COVID-19.

iPipeline New Business Applications by Week – Benchmarked against February 2020



Quarter	Protection Market	Wider Society
Q1-2022	2022 starts strongly, tracking 2021 until mid-February when activity reduces. Overall, Q1 was 3% down on the same period in 2021.	Omicron wave peaks early Jan; reduced risk of hospitalisations mean full lockdown is avoided. Cost of living and Ukraine crises dominate discourse.
Q2-2022	Protection volumes experience the usual peak around bank holidays and half-term, though not quite keeping up with 2021, ending the quarter 6% down YoY.	The first fully open summer season in two years provides a release (and relief). Bank holidays and a reduced workforce. Ukraine war begins to impact fuel prices on the forecourt and in the home.
Q3-2022	Aggressive and highly effective repricing stirs-up providers' market share of the Income Protection and Multi-Benefit space.	The country mourns the death of Queen Elizabeth II. Additional Bank Holiday impacts productivity across industries.
Q4-2022	Although we see some intermediaries' attention turn to the annuities market with a rise in interest rates, advised protection volumes are strong until the final months of the year where volumes are impacted by a decline in mortgage approvals, finishing the quarter 3% down YoY.	The mini budget puts markets in freefall. Gilt mayhem, mortgage interest rate spikes (and mass product withdrawal) ensue. The knock-on impact on inflation squeezes household spending. A small silver lining, increasing annuity rates.
Q1-2023	2023 has started slower than 2022; advised protection business is tracking marginally under last year by 3%, though the premium value of business written is up 9%. Providers' interests turn to the Critical Illness proposition space, with new product launches, and heightened desire for more CI-related pricing, product and distribution insight from iPipeline's InsureSight services.	Despite welcome government assistance on energy bills, the cost-of-living crisis bites most households. Only the affluent are left untouched by its impact. The housing market begins to feel the impact of rising rates, prices begin to drop despite ongoing shortage of supply.

iPipeline – analysis of applications: January 2023 preview



- In January 2023 Multi-Benefit policies were up 6% on the same period in 2022, absorbing some of the market for single-benefit term assurance.
- Level Life saw the biggest fall by –18% across both multi and single-benefit policies and both Decreasing Life and Decreasing CI also fell though less severely.
- The demand for Level CI has continued to expand, with 5% growth when looking across both multi and single-benefit policies, and a 1% growth as just a single-benefit.
- The Whole of Life market saw tremendous growth with record January 2023 applications 61% up on last year.
- Price competition for life cover continued into 2022, meaning the average of the cheapest 5 products, excluding low start plans, for a basket of cases was 2% lower in December 2022 compared with January 2022. Market pricing for Critical Illness cover has been getting marginally more expensive, increasing by 0.5% over the same period.

The market at a glance

In 2022, **2,114,559** new term assurance, whole life, critical illness and income protection policies were sold, a decrease of 7.8% from 2021.

Product type by sales volume

−5.9%

New individual term assurance sales including accelerated critical illness

	2020	2021	2022	% change 2022/2021
Total new sales	**1,587,829**	**1,698,252**	**1,598,809**	**−5.9%**

New individual critical illness sales

	2020	2021	2022	% change 2022/2021
Accelerated policy- term assurance	428,747	484,110	448,833	−7.3
Accelerated policy- whole life	9,513	3,122	4,992	+59.9
Stand-alone policy	83,173	94,426	95,602	+1.2
Total new sales	**521,433**	**581,658**	**549,427**	**−5.5**

+2.0%

Income protection

	2020	2021	2022	% change 2022/2021
Total new sales	**162,515**	**176,965**	**180,547**	**+2.0**

Whole life assurance

	2020	2021	2022	% change 2022/2021
Guaranteed acceptance	303,265	300,217	206,802	−31.1
Underwritten WL	20,481	23,795	27,807	34.5

Top five product providers, measured by number of new term assurance sales, with and without CI, 2021 – 2022

2022 position	Product provider	Sales	2021 position
1	Legal & General	440,723	1
2	Aviva	225,654	2
3	AIG	206,631	3
4	Royal London	145,124	4
5	Vitality	112,821	–

Top five product providers measured by number of new CI sales, 2021 – 2022

2022 position	Product provider	Sales	2021 position
1	Legal & General	119,624	1
2	Aviva	99,876	2
3	AIG	61,018	4
4	Royal London	60,105	3
5	Vitality	50,708	–

Top five product providers measured by number of new income protection sales, 2021 – 2022

2022 position	Product provider	Sales	2021 position
1	Legal & General	49,456	1
2	Aviva	42,254	2
3	LV=	21,254	3
4	Royal London	18,894	4
5	The Exeter	12,691	5

Top five product providers, measured by number of new guaranteed acceptance whole life sales, 2021 – 2022

2022 position	Product provider	Sales	2021 position
1	SunLife	113,740	1
2	Scottish Friendly	27,517	4
3	AIG	26,971	5
4	iptiQ	14,968	2
5	One Family	11,674	–

Top three product providers, measured by premium for new term sales, with and without CI, 2021 – 2022

2022 position	Product provider	2022 premium (£)	2021 position
1	Legal & General	156,877,323	1
2	Aviva	94,983,064	2
3	AIG Life	70,543,086	3

Top three product providers measured by premium for new income protection sales, 2021 – 2022

2022 position	Product provider	2022 premium (£)	2021 position
1	Aviva	20,260,487	2
2	Legal & General	20,114,016	1
3	LV=	9,589,309	3

Distribution by product line, % market share, 2022

2022	Directly- authorised	Tied	Bancassurance	Direct
Term	82.4	4.2	5.0	7.9
Critical illness	82.4	5.8	4.4	7.4
Income protection	87.7	11.1	0.6	0.6
Underwritten WL	80.5	10.8	1.1	8.7

The distribution is split as follows:

- Directly-authorised – where regulatory responsibility for product advice and sales lies with the distributor (this includes Independent Financial Advisers, limited panels and providers which are directly-authorised and arrange products on a non-advised basis).
- Tied – where the product provider has responsibility for the sales channel.
- Bancassurance – where a bank has responsibility for the sales channel.
- Direct – this includes internet, direct mail and telesales made direct by a product provider.

See the Distribution section for a further breakdown of business reported as directly-authorised.

2022 in more detail

The number of new term assurance only policies decreased by 5.3%

The number of new term assurances with critical illness insurance decreased by 7.3%

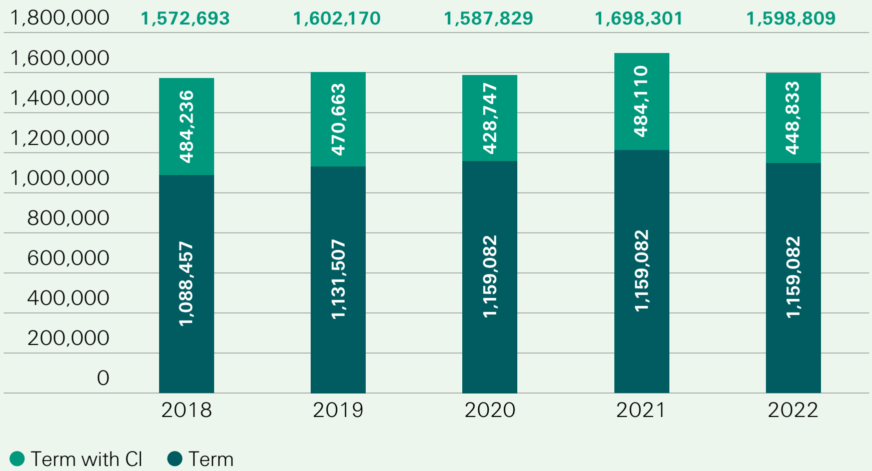
New term assurance sales with a CI benefit represent 28% of total new term sales

Term assurance and critical illness

As the majority of new sales of policies including a critical illness benefit are linked to term life assurance cover, both are combined within a single section.

Total new term assurance sales in 2022 fell by 5.9%.

Total new term policy sales, with and without a CI benefit, 2018 – 2022



The number of new term-only sales decreased by 5.3% to 1,149,976 in 2022. The number of term assurances with critical illness insurance fell by 7.3% – a strong contributing factor to this fall was a 12.5% drop in sales of decreasing term with critical illness sales.

Decreasing term sales without critical illness, on the other hand, increased by 4%. This could signal affordability concerns throughout the cost-of-living crisis, compounded by a slowing housing market.

New term assurance sales with a CI benefit represent 28% of total new term sales, one percent lower than in 2021. The split of total new individual term assurance sales by product type is as follows:

Total new term assurance and term assurance with CI sales split by product type, 2018 – 2022

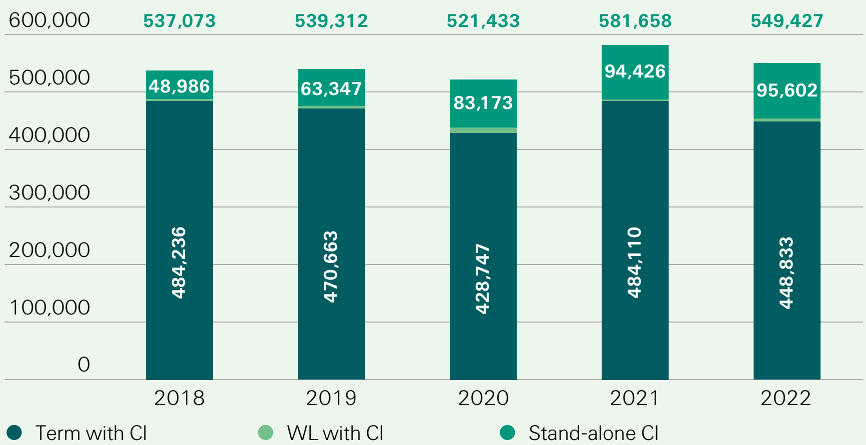
Product type	2018	2019	2020	2021	2022	% change 2022/2021
LTA	744,595	757,546	790,335	825,857	751,187	–9.0
RLP	27,287	28,495	23,521	23,405	22,292	–4.8
LTA with CI	269,577	252,434	248,250	290,668	279,683	–3.8
DTA	292,036	315,034	315,686	335,077	348,405	4.0
DTA with CI	212,472	216,230	179,134	192,302	168,342	–12.5
FIB	24,539	30,433	29,540	29,853	28,092	–5.9
FIB with CI	2,187	1,999	1,363	1,141	808	–29.2
Total	**1,572,693**	**1,602,170**	**1,587,829**	**1,698,301**	**1,598,809**	**–5.9**

Additional sales of CI cover on a stand-alone basis or linked to a whole life policy are below.

Product type	2018	2019	2020	2021	2022	% change 2022/2021
SACI	48,986	63,347	83,173	94,426	95,602	1.2
WL with CI	3,851	5,302	9,513	3,122	4,992	59.9

The total number of new critical illness policies, attached to life cover and stand-alone combined, fell by 5.5%, but were higher than the 2019 sales of 539,312. Much of the pipeline business was delayed in 2020 due to the pandemic as applications were postponed due to COVID-19 and there were severe delays to obtaining medical evidence. This then was recorded in 2021 as normal business resumed. This resulted in a drop in 2020 and a larger increase in 2021.

Total new individual CI policy sales, 2018 – 2022

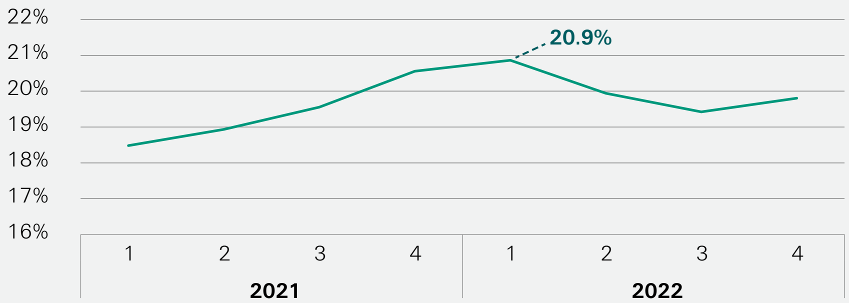


iPipeline comment

Term Assurance & Critical Illness

The UK, along with other developed countries, has become accustomed to low interest, low inflation economies. That is until the cocktail of recent events, both globally and nationally, which changed that status quo rapidly. We've seen the knock on effects in terms of consumer behaviour and the protection market hasn't been immune to change. Policy choices now reflect consumers who are more aware of the impacts of inflation, and therefore more likely to select indexation. This proportion has risen steadily, to a peak of 21% during Q1 2022. We have since seen a reduction, but the trend once again looks to be on the up.

Percent of Level Term policies with Indexation



Average new sums assured

The average sum assured for all new term assurance sales, including term assurance with a critical illness benefit was £177,665 (an increase of 9.4% on the previous year). The largest percentage increases were seen with level term assurance (11.7%), relevant life (21.9%) and family income benefit (13.8%) – see full table below.

The increase could be reflective of rising inflation referred to earlier and the desire to keep cover in line with rising costs.

The new average sum assured by product type is:

Average new sum assured (£) by policy type, all term assurance, with and without CI and stand-alone CI, 2019 – 2022.

Product	Average new sum assured, 2019	Average new sum assured, 2020	Average new sum assured, 2021	Average new sum assured, 2022	% change 2022/2021
LTA, excluding RLP	164,551	172,645	179,430	200,411	11.7
RLP	469,244	444,463	472,010	575,568	21.9
LTA with CI	92,599	79,437	73,163	78,953	7.9
DTA	187,775	195,110	207,555	216,848	4.5
DTA with CI	133,213	128,515	131,424	133,433	1.5
FIB	24,880 p.a.	24,820 p.a.	17,724 p.a.	20,167 p.a.	13.8
FIB with CI	19,212 p.a.	15,587 p.a.	16,309 p.a.	17,518 p.a.	7.4
SACI	56,774	45,505	45,314	61,309	35.3

Housing-related sales

Whilst our market is less reliant on the mortgage market than it was in the mid-2000s, it remains a significant distribution channel today. When the mortgage market slows, as it did last year, we expectedly saw a dip in new business numbers.

This was the case for decreasing term assurance sold with critical illness, typically taken out to cover a mortgage, as well as other level term assurances. During the last credit crisis, in 2008 – 9, we saw 6.1% drops in term and 4.7% critical illness sales, whereas last year we saw new business numbers fall by 5.9% and 5.5% respectively.

Interestingly, the decreasing term numbers alone rose by 4% but those with a CI rider decreased by 12.5%. This could suggest that mortgage advisers continue to promote protection, but with a move towards more affordable products – the average premium for a DTA policy was £272 in 2022, whereas for DTA with CI it was £632.

Likewise, while new business sales for most products are down, the average sums assured have risen with the largest increases seen in level term assurances. This indicates that while fewer people are taking out cover, it is for higher amounts as average sums assured are up for most product lines. This would correlate with rising household rising costs caused by inflation.

While fewer policies overall are now explicitly used to support a mortgage commitment (we use decreasing term assurance sales as a reasonable proxy for mortgage-related sales), there is clearly still a link between term sales and the wider economic and housing environment.

Average new premiums

The average premium for all new term assurance sales, including term assurance with a CI benefit was £371 (£359 in 2021).

The new average premium by product type is:

New average premium (£) by policy type, all term, with and without CI, and stand-alone CI, 2019 – 2022

Product	Average new premium, 2019	Average new premium, 2020	Average new premium, 2021	Average new premium, 2022
LTA, excluding RLP	307	311	323	342
RLP	843	785	859	919
LTA with CI	445	397	369	384
DTA	277	265	268	272
DTA with CI	608	613	613	632
FIB	233	212	217	231
FIB with CI	762	800	847	969
SACI	373	316	312	364

Income protection

2022 was a steady year for income protection sales. This is in comparison to relatively slow growth over a number of years and a dip in 2020 due to several providers pulling products from the market during the COVID-19 pandemic. For context, our report from 20 years ago showed new sales of 245,063 in 2002, yet over the last five years new business sales have ranged from 140,000 – 180,000.

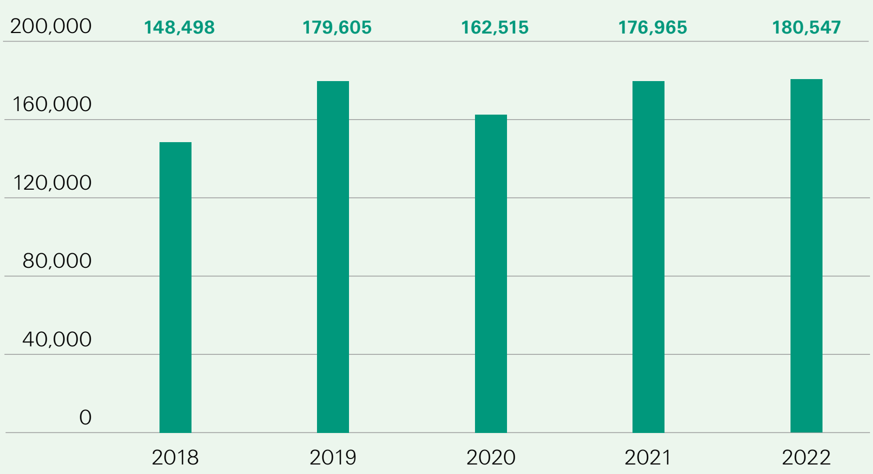
It is, though, good to see new sales improving with an increase of 2% compared to 2021. New sales have recovered and surpassed the number recorded in 2019. This could be a better comparison, given the lasting impact of 2020. In addition, we saw an increase in total market premiums of 12% for all IP sales from 2021 to 2022.

There has been an increased awareness of the importance of protecting your income in recent years, from the impact of the pandemic and the ongoing cost-of-living crisis. This is complemented by the work done by industry groups like the Income Protection Task Force which saw another successful Income Protection Awareness Week.

While we do not specifically collect data on Accident, Sickness and Unemployment (ASU) insurance instances, we understand that that it is a growing market. Some intermediaries see these products as a useful introduction into income protection – the broker ActiveQuote found that short-term income protection accounts for 57% of all "Income protection" (IP) sales in the first part of this year. Some customers may convert to long term IP having originally taken out short-term income protection, while others may simply take the unemployment only element of short-term IP as a standalone product and then take out a long-term policy to run alongside it. This data, however, is not captured in this report.

The breakdown for new income protection sales is as follows:

Total new individual IP policy sales, 2018 – 2022



56.6% of new policies sold in 2022 were subject to a maximum benefit payment period in claim irrespective of whether the policyholder was still unable to work at the end of that period. This rose from 50.8% in 2021.

This shows a growing trend towards limited payment term policies over "to retirement" products. New maximum two-year benefit payment policies increased by 23% in 2022 and 33% in 2021, as new policies potentially paying benefit up to the policy expiry term fell by 12.8%.

New income protection policy sales, by maximum benefit payment term, 2019 – 2021

Benefit duration	2019	2020	2021	2022
IP (excluding LPT policies)	83,639	93,107	89,862	78,397
IP one year LPT	19,350	14,687	14,112	13,940
IP two year LPT	74,175	52,632	70,123	86,309
IP five year LPT	2,441	2,035	2,762	1,901
IP 'other' payment term	–	54	106	–

15.8% of new policy sales were from smaller specialist mutuals compared with 15.3% in 2021 and 17.9% in 2020.

In 2022, we saw a rise in the average benefit per annum for income protection, for both two-year benefit payment term products and those which could be paid to retirement (by 8% and 14% respectively). This could be due to wage inflation throughout the year – average salaries increased by 6.8% for fulltime workers and 8.6% for part-time workers in 2022. To compound this, the rising cost of energy and bills means that households may need higher levels of cover to meet their essential expenses.

The average benefit for new policies providing benefits payable up to a selected policy expiry age and for a maximum two-year benefit term for the period from 2019 to 2022 is:

New average benefit per annum, in £, to selected policy expiry age and maximum two-year benefit payment period, 2019 – 2022

Maximum benefit payment duration	2019	2020	2021	2022	% change 2022/2021
To selected policy expiry age	18,815	20,188	19,810	22,590	14.0
Two years	14,761	15,800	17,263	18,649	8.0

There is a further breakdown on the difference in cover between males and females in the chapter on Gender.

The average new **premium** for policies providing benefits payable up to a selected policy expiry age and for a maximum two-year benefit term is as follows. Note that age-banded products, with premiums rising throughout the policy term, may distort these figures.

New average premium, in £, to selected policy expiry age" and maximum two-year benefit payment period, 2019 – 2022

Maximum benefit payment duration	2019	2020	2021	2022
To selected policy expiry age	519	468	485	606
Two years	272	271	290	290

iPipeline comment

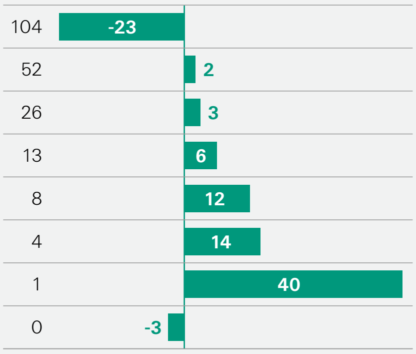
Income Protection

Income protection (IP) has long been regarded as the most underperforming protection product, so it is pleasing to see IP experience the biggest growth during 2022. Most, if not all, will want this growth to pave the way towards a new dawn for the product, so it is encouraging to see the trend continue into 2023, with a 16% increase in applications when compared against the previous year.

During 2022, IP plans with no deferred period suffered from a 3% reduction in demand, whilst plans with a one week deferred enjoyed a huge bounce-back from 2022, with 40% growth. Could this be the result of budgetary pressures, as those with limited sick-pay provision look to reduce their premium?

iPipeline Income Protection Applications

Change in Income Protection Applications vs 2021 by Deferred Period (weeks)



2022 saw a small but definite increase in indexed Income Protection with 41% applications for Retail Price Index (RPI)-linked in 2022 Q4 vs 39% in 2021 Q4.

Towards the end of 2022 and into 2023 there was an uptick in Income Protection for the self-employed; in 2023 Q1 13.5% of Income Protection was for self-employed vs 11.5% in 2022 Q1, thought the mix in Occupation Risk Class has been stable throughout 2022.

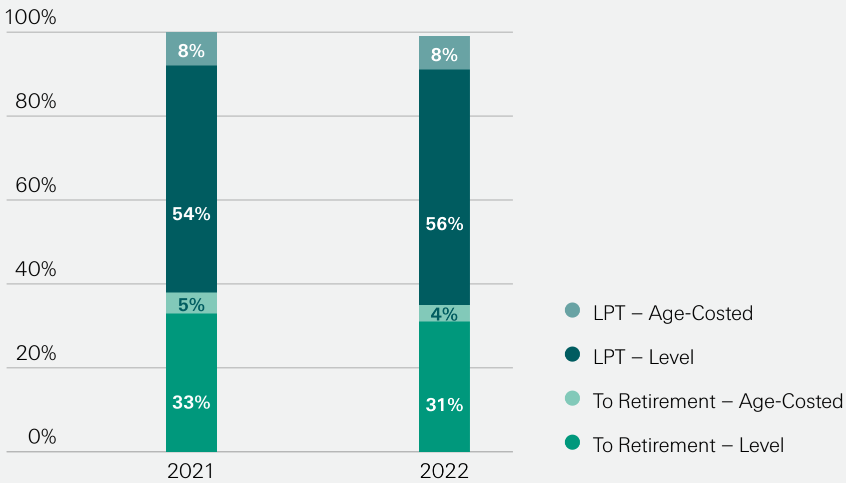
The trend towards 'Short Term' IP (plans with limited payment periods) has continued, with 65% of business in Q1 2023, vs 63% in Q1 2022 and 61% in Q1 2021. As the cost-of-living crisis continues, we would expect this trend to continue.

Dual Deferred Period options have been chosen in around 3% of cases in 2022, consistent with 2021.

iPipeline comment

Limited Payment Term Income Protection

Limited Payment Term Level policies' majority share grew slightly in 2022 by 2% points, with full payout 'To Retirement' policies' share shrinking by the equivalent amount. Again, could this be further evidence of household budgetary pressures increasing?



Business protection

In this section, we show the number of reported new business protection sales.

In 2022, new life assurance sales purchased to protect a business grew by 13.9% following the 43.1% drop between 2019 and 2020 as businesses struggled to cope with the immediate impact of the pandemic on their businesses and slow growth through 2021 (2.0%).

The total number of new term assurance policies, with and without a critical illness (CI) benefit used for business protection purposes, is:

Total number of new business protection policies, with and without a CI benefit, 2018 – 2022

Product	2019	2020	2021	2022	% change 2021/2022
LTA	16,015	7,252	7,923	9,132	+15
LTA with CI	5,045	4,723	4,290	4,773	–7
Total	**21,060**	**11,975**	**12,213**	**13,905**	**+14**

There was a 15% increase in average new sums assured for level term key person policies in 2022. The average sums assured were £694,403 up from £602,782 in 2021 and £540,563 in 2020.

Average new sums assured for level term key person policies with a CI benefit decreased by 2% to £290,205 (£297,636 in 2021 and £239,008 in 2020).

New income protection policies used for business protection purposes were reported as 1,629. This increased from 1,354 in 2021 and from 1,194 in 2020.

Total number of new IP policies used for business protection, 2019 – 2022

Product	2020	2021	2022	% change 2021/2022
IP	1,194	1,354	1,629	+20

Total premiums at £1,685,879 were up (£1,366,081 in 2021 and surpassed the 2020 figures of £1,586,899 in 2020), with an average premium of £1,035 per policy.

New average annual benefits were £43,619, up from £40,089 the previous year.

Whole life assurance

In this chapter, we show new sales figures for underwritten policies, such as those used to fund an inheritance tax liability or for other protection, needs and for guaranteed acceptance plans, usually – but not always – targeted at the over 50s market or with the express purpose of paying for a funeral or expenses on death.

The number of new underwritten whole life policies without a CI benefit increased by 34.5%.

New fully underwritten whole life policies, 2018 – 202

Product type	2018	2019	2020	2021	2022
Underwritten WL	16,422	17,892	10,968	20,673	27,807

As with previous reports, the policies with a CI benefit reported below were written by one product provider. For the latter, we are just showing new sales covering the period from 2018 to 2022 with no breakdown of sums assured and premiums.

New underwritten whole life with CI policies, 2018 – 2022

Product type	2018	2019	2020	2021	2022
Underwritten WL with CI	3,851	5,302	9,513	3,122	4,992

The average sum assured and premium for new underwritten whole life policies (excluding those with a CI benefit) was:

New average sum assured and premium (£), underwritten whole life policies, 2018 – 2022

Product type	2018	2019	2020	2021	2022
Sum assured	119,355	91,882	103,984	149,803	126,392
Premium	1,618	1,246	1,425	986	849

The number of new guaranteed acceptance plans reduced by 31.1%. Sales were hit considerably, largely due to strategic withdrawals from some providers and from an overall reduction in marketing spend for this product line.

As stated earlier, unfortunately, a minority of providers was not able to supply data for this year's report. This would add just under 3% if their guaranteed acceptance numbers were similar to those reported for 2021.

Product type	2018	2019	2020	2021	2022
Guaranteed acceptance	297,798	316,602	303,265	300,217	206,802

The average sum assured and premium for new guaranteed acceptance plans was:

New average sum assured and premium (£), guaranteed acceptance plans, 2018 – 2022

Product type	2018	2019	2020	2021	2022
Sum assured	4,339	4,070	4,232	4,372	3,877
Premium	276	274	252	261	256

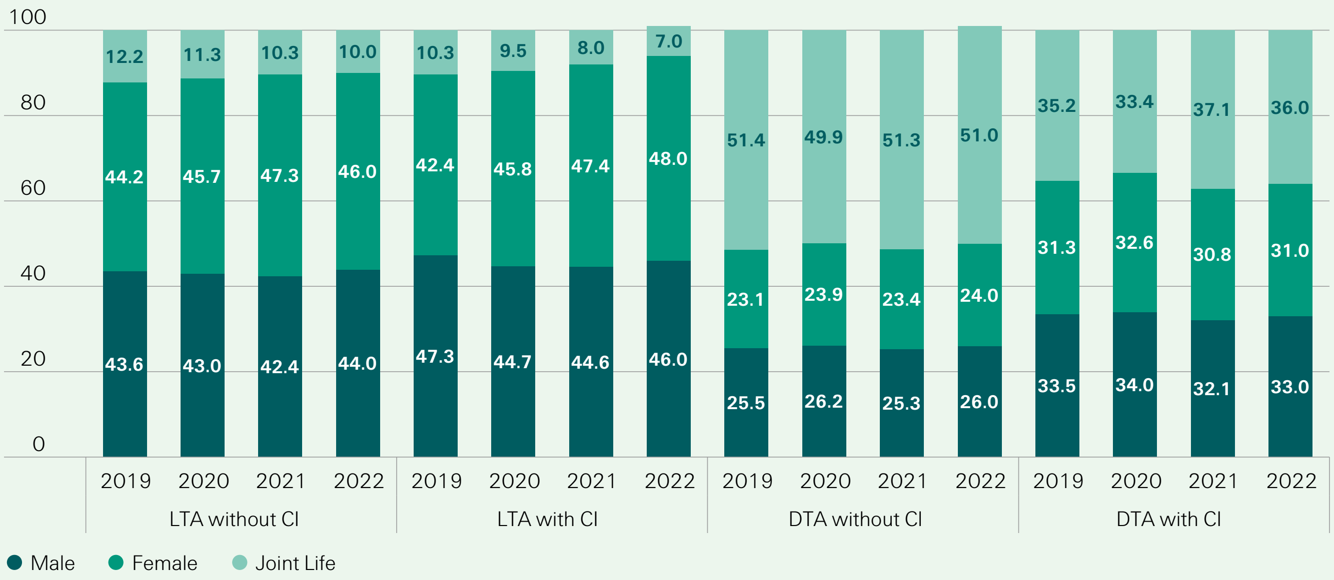
Gender

For the fourth consecutive year, we asked product providers to share the gender mix for new term assurance and income protection policies.

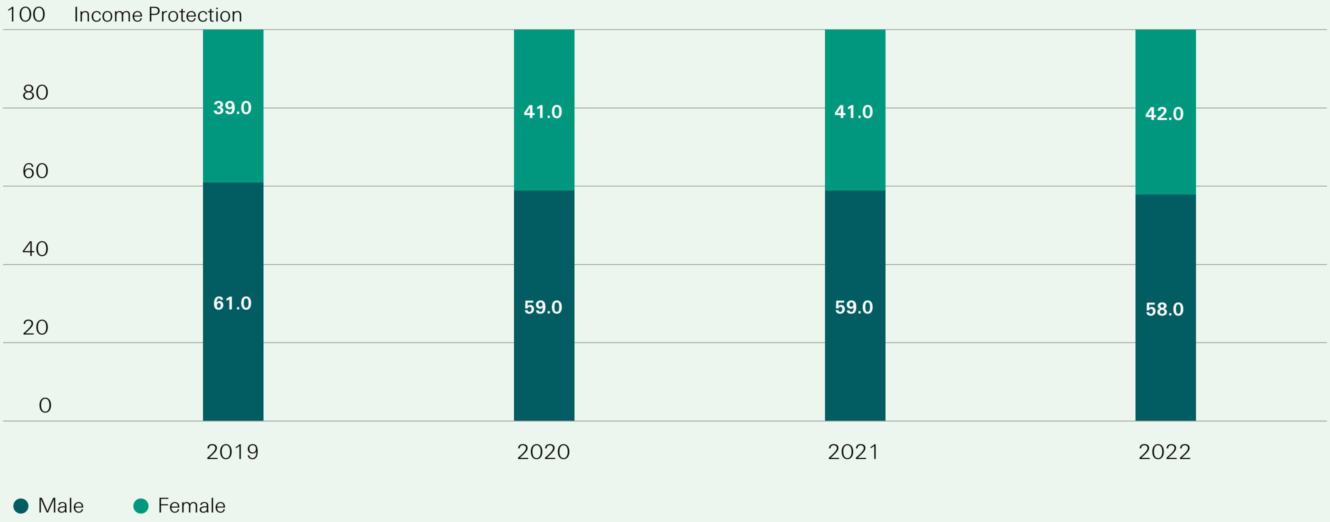
New LTA and DTA, split by gender, 2019 – 2022

The proportions of total new LTA and DTA with and without CI sales, split by gender, are as follows.

Gender mix, new LTA, LTA with CI, DTA and DTA without CI, 2019 – 2022



Gender mix, new income protection sales, 2019 – 2022



New average sum assured, split by gender, in £, 2019 – 2022, males and females

	Males, 2019	Males, 2020	Males, 2021	Males, 2022
LTA without CI	161,168	177,340	183,296	218,543
LTA with CI	99,219	95,740	88,314	88,244
DTA without CI	169,670	182,184	180,501	206,315
DTA with CI	127,054	131,151	130,433	132,406

	Females, 2019	Females, 2020	Females, 2021	Females, 2022
LTA without CI	141,738	158,315	163,413	168,645
LTA with CI	79,539	69,676	63,973	68,534
DTA without CI	163,689	166,853	177,331	189,073
DTA with CI	118,165	117,103	118,629	125,391

New average premium, split by gender, in £, 2019 – 2022, males and females

	Males, 2019	Males, 2020	Males, 2021	Males, 2022
LTA without CI	371	343	394	381
LTA with CI	470	451	416	391
DTA without CI	247	234	230	238
DTA with CI	542	549	519	540

	Females, 2019	Females, 2020	Females, 2021	Females, 2022
LTA without CI	243	259	269	280
LTA with CI	350	322	291	268
DTA without CI	198	194	197	198
DTA with CI	288	245	200	192

The average new Level Term benefit purchased by males is 23% higher than the equivalent benefit purchased by females: this rose from 12% in 2021. The equivalent annual premium is 27% higher which fell from 46% higher in 2021.

For new Level Term with CI, the average new benefit purchased by males is 22% higher than the equivalent benefit purchased by females, this fell from 38% in 2021. The equivalent annual premium is 31% higher (43% in 2021).

The average new Decreasing Term benefit purchased by males is 8.4% higher than the equivalent benefit purchased by females, rising from 1.8% in 2021. The equivalent annual premium is 17% higher which was the same as 2021.

For new Decreasing Term with CI, the difference in average new benefits purchased for males is now 3.4% higher (10% in 2021), but the equivalent annual premium 64% and was over 50% the previous year.

New average sums assured and premiums for joint life policies are as follows:

New average sum assured, in £, 2019 – 2022, joint lives

	Joint life, 2019	Joint life, 2020	Joint life, 2021	Joint life, 2022
LTA without CI	189,960	191,086	206,244	241,769
LTA with CI	107,345	90,117	87,917	89,862
DTA without CI	199,906	217,636	229,156	235,091
DTA with CI	139,351	137,688	144,031	145,276

New average premium, £, 2019 – 2022, joint lives

	Joint life, 2019	Joint life, 2020	Joint life, 2021	Joint life, 2022
LTA without CI	403	398	418	449
LTA with CI	567	544	569	611
DTA without CI	331	316	319	323
DTA with CI	807	814	817	929

New average income protection benefits per annum, split by gender, 2019 – 2022, in £

Year	Males, 2019	Males, 2020	Males, 2021	Males, 2022
Income protection	17,407	19,717	19,275	20,851

Year	Females, 2019	Females, 2020	Females, 2021	Females, 2022
Income protection	15,115	16,405	16,896	18,359

New average income protection premium, split by gender, 2019 – 2022, in £

Year	Males, 2019	Males, 2020	Males, 2021	Males, 2022
Income protection	421	422	415	465

Year	Female 2019	Female, 2020	Female, 2021	Female, 2022
Income protection	338	339	330	373

The average benefit per annum for both males and females continues to grow, as well as the premium which we would expect to reflect this.

The gap between the size of male and female coverage is narrowing:
- The average benefit per annum insured by males is 12% higher than the average insured benefit for females (this fell from 14% in 2021).
- The equivalent annual premium paid by males is 20% higher (decreasing from 26% in 2021).

Similar to the reported gender pay gap and pensions gap, there appears to be a gender protection gap. The gap in coverage between males and females is decreasing, however, women continue to take out less protection than their male counterparts. The FCA Financial Lives 2022 survey found that women were more likely than the UK average to have low financial resilience (28% compared to the average of 24%) and be in financial difficulty (9% compared to the UK average of 8%). This is an issue across financial services which should be examined further.

iPipeline comment

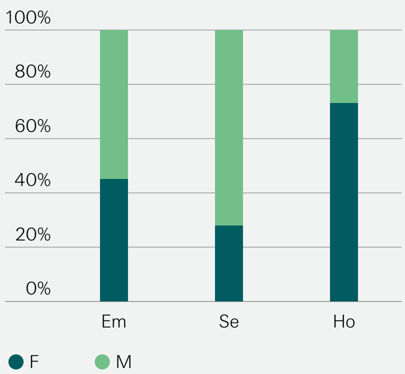
Gender

The shift to female lives continued through 2022 with a further 0.25%-point increase to females in the gender split, though male lives are still the majority at 57%. Do these figures accurately reflect the decision making of modern households though, some recent research from Women In Protection would indicate not.

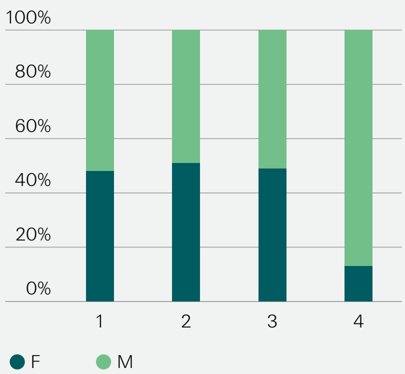
Examining the gender split by Employment Status shows a strong skew towards male lives for the self-employed. Analysis by Occupation Risk Class, again, shows a strong skew towards male lives for the highest risk occupations. This skew levels for the lower risk classes (1, 2, & 3) with an even distribution between gender.

Recent analysis showed that, whilst the conversion rate of clients to applications is consistent for both male and female lives, male clients tend to consume more quote comparisons and policy illustrations than female clients.

Gender Split by Employment Status

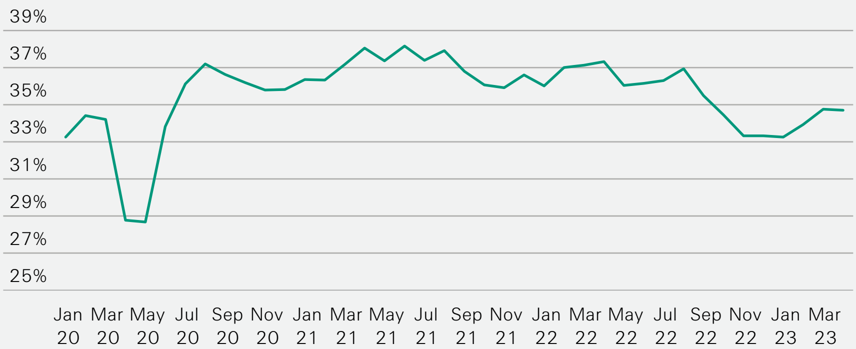


Gender Split by Occupation Risk Class



During the early stages of the COVID pandemic, there was a reduction in sales to under 35s. However, from mid-2020, this segment recovered to surpass pre-COVID levels, with the proportion staying around 37% for the next 2 years. At the end of last year, it dropped close to pre-COVID levels around 33%.

Proportion of Policy Applications to Under 35s



Distribution

In this chapter, we show the distribution mix for new term assurance, critical illness and income protection policies.

As in the 2021 and 2022 reports, we have provided a more detailed split of the business classed as "directly-authorised", split between aggregator sites, IFAs and networks, and execution-only.

Term assurance and critical illness

The split of new term assurance policy sales by distribution channel is as follows:

Total new term assurance policy sales by distribution channel, 2019 – 2022

Distribution channel	2019	2020	2021	2022
Directly-authorised	1,203,751	1,303,317	1,406,255	1,295,944
Tied	105,499	64,364	74,837	66,853
Direct	177,693	147,435	139,027	134,459
Bancassurance	115,227	72,713	78,182	79,261
Total	**1,602,170**	**1,587,829**	**1,698,301**	**1,576,517**

The split of new stand-alone CI sales by distribution channel is as follows:

New stand-alone CI policy sales, by distribution channel, 2019 – 2022

Distribution channel	2019	2020	2021	2022
Directly-authorised	34,531	53,932	60,984	59,948
Tied	10,301	10,176	11,287	9,359
Direct	16,527	17,324	20,320	23,021
Bancassurance	1,988	1,741	1,835	3,274
Total	**63,347**	**83,173**	**94,426**	**95,602**

In percentage terms and by product type, the proportions for 2022 (2021 in brackets) are:

% Distribution by policy type by new sales, 2022 and 2021

	Directly-authorised,	Tied	Direct	Bancassurance,
LTA	80.6 (81.5)	2.3 (2.8)	12.1 (11.8)	5.0 (3.9)
RLP	94.7 (95.3)	4.9 (4.4)	0.4 (0.3)	– (–)
LTA with CI	90.5 (90.5)	5.1 (3.9)	2.9 (3.8)	1.5 (1.7)
DTA	77.9 (77.3)	7.7 (8.5)	8.6 (7.9)	5.8 (6.3)
DTA with CI	82.6 (82.9)	4.9 (5.2)	2.5 (1.9)	10.0 (10.0)
FIB, with and without CI	94.1 (94.4)	2.3 (3.3)	3.5 (2.2)	0.1 (0.1)
SACI	67.7 (64.6)	9.8 (12.0)	24.1 (21.5)	3.4 (1.9)

"Directly-authorised" new term and critical illness sales and stand-alone CI policies, 2022 and 2021, split between aggregator sales, IFAs and networks and Execution only, by policy type

	Aggregator sites	IFAs and networks	Execution only
LTA	7.7 (6.6)	82.6 (83.1)	9.7 (10.3)
RLP	0.1 (0.2)	99.6 (99.4)	0.3 (0.4)
LTA with CI	1.2 (1.2)	96.1 (94.6)	2.7 (4.2)
DTA	7.3 (7.2)	90.2 (91.6)	2.5 (1.2)
DTA with CI	1.7 (1.1)	97.7 (98.0)	0.6 (0.9)
FIB, with and without CI	0.3 (0.2)	99.5 (99.6)	0.2 (0.2)
SACI	22.0 (14.1)	77.3 (85.8)	0.7 (0.1)

The split of advised and non-advised based on all new term assurance policy sales, including policies with a CI benefit for 2021 and 2022 is as follows:

New advised and non-advised policy sales, 2021 and 2022

	Total, 2021	Non-advised, 2021	%, sales	Total, 2022	Non-advised, 2022	% sales	% change, 2021/2022
LTA	825,857	415,610	50	751,187	316,849	42	–24
LTA with CI	290,668	69,407	24	279,683	50,633	18	–27
DTA	335,077	73,844	22	348,405	72,545	21	–2
DTA with CI	192,302	16,655	9	168,342	12,668	8	–24
FIB	30,994	2,584	8	28,092	3,056	11	18
FIB with CI	1,141	33	3	808	42	5	27
RLP	23,405	2,031	9	22,292	1,916	9	–6

2022 bucked the trend towards term assurances being sold through non-advised sales channels. In our last report, we reported that over 50% of level-term sales were sold on a non-advised basis. This fell to 42% in 2022.

We usually see that the simpler the perceived proposition, the greater the consumer is prepared to take up cover without advice. This is demonstrated by non-advised sales for level term assurance dwarfing the 8% for decreasing term assurance with CI. However, anecdotally, greater regulatory controls and a contraction of the market for distribution leads may be impacting some of the non-advised market activity.

Further analysis of the directly-authorised data for 2021 and 2022 shows the split between aggregators, IFAs and networks, execution only. The following table breaks down "directly-authorised" new sales further between those concluded directly from an aggregator site and those reported as from IFAs and networks or on an Execution Only basis.

Split "directly-authorised sales, aggregator site, IFAs and networks, and Execution Only", 2021 and 2022

	Aggregator sites, 2021	IFA and network, 2021	Exec only, 2021	Aggregator sites, 2022	IFA and network, 2022	Exec only, 2022
LTA	44,436	559,487	69,347	45,442	484,951	56,714
RLP	45	22,167	89	21	20,963	69
LTA with CI	3,157	248,894	11,050	2,903	239,431	6,766
DTA	18,639	237,130	3,107	20,103	247,655	6,933
DTA with CI	1,754	156,253	1,435	2,426	135,904	787
FIB	56	28046	56	75	26,980	57
Total	**68,243**	**1,252,928**	**85,085**	**70,971**	**1,155,883**	**71,326**

4.4% of the total 1,598,809 new term sales (4.0% in 2021) were reported as through aggregator sites.

New sales direct from aggregator sites increased by 3.4%.

72.3% of the total (73.8% in 2021) were reported as through IFAs and networks.

New sales from IFAs and networks decreased by 7.7%, a contrast from increasing by 10.7% 12 months ago.

4.5% of the total (5.0% in 2021) were reported as concluded on an Execution Only basis.

New sales on an Execution Only basis decreased by 16.2%, this compared to a steep increase by 28.6% in 2021.

Income protection

Directly-authorised providers remain the main distribution method for individual income protection policies with 87.7% (86.8% in 2021) of new purchases made in this way.

New individual income protection sales split by distribution channel used, 2018 – 2022

Distribution channel	2018	2019	2020	2021	2022
Directly-authorised	122,471	153,678	140,663	153,523	158,271
Tied	23,755	23,335	19,370	21,316	20,027
Direct	76	389	903	1,061	1,107
Bancassurance	2,196	2,203	1,579	1,065	1,142
Total	**148,498**	**179,605**	**162,515**	**176,965**	**180,547**

There is growing discussion in the industry on whether more income protection policies could be sold without advice. Consumer understanding of the product, through whatever channel they choose, is the most important aspect as the Consumer Duty will reinforce the need for clarity in understanding. This is crucial for income protection where a customer would need to understand the interaction between an Individual Income Protection (IIP) policy with their access to means-tested State Benefits – currently Universal Credit is reduced £ for £ if they were to receive an IIP benefit simultaneously.

Whatever your view on the advised versus non-advised debate, distribution continues to diversify as non-advised sales become a cemented option for customers. We will monitor this as it becomes a growing theme; however, the numbers are currently small in comparison to total sales. In 2022, 12,991 policies were sold through non-advised channels which is 7.2% of all policies. This was down from 7.7% in 2021 with 13,626 policies sold, but up from 5% in 2020.

Putting the results into perspective

The mortgage market – a perfect storm?

One week in September wreaked havoc on the mortgage market. The infamous "mini budget" caused the Bank of England to hike interest rates to combat inflation. This had a ricocheting impact on the mortgage market as banks and building societies subsequently pulled fixed deals for new customers and raised rates across the board. This effectively wiped out the low-interest mortgage deals we have become used to in the last 10 years – iPipeline reported that 40% mortgage deals were retracted in one week in September until after the Autumn Statement.

We will look at the impact on households planning to refinance their mortgage below, but looking more widely, the Swiss Re Institute expects there to be a re-adjustment of house prices and mortgage rates over the coming 12 – 24 months. When the pandemic broke, a combination of (1) ultra-low interest rates; (2) rising wage costs; and (3) a swift increase in remote work generated a surge in house prices globally.[1] In the UK, the average house prices increased by 9.8% in the 12 months to December 2022, down from 10.6% in November 2022.[2]

1 Swiss Re Institute - Global house prices: the road back to earth
2 UK House Price Index - Office for National Statistics (ons.gov.uk)

The economy

Last year saw inflation increase month on month, peaking by the end of 2022 with the highest levels seen in 40 years. The Swiss Re Institute (SRI) labelled inflation as the number one macro risk to leading economies, such as the UK. As the Bank of England continues to raise interest rates to combat inflation, the impact may be more prolonged than expected.

Looking at the impact on our market specifically, the inheritance tax (IHT) exemptions, thresholds and reliefs, have been frozen since 2010/11 and will remain so until at least 2028. A sustained period of higher inflation will mean that more people are impacted by these limits.

In January this year, HMRC published details of its tax receipts for 2022. It showed that inheritance tax receipts (IHT) were just under £7.1 billion, which is just over £1 billion higher than in the same period a year earlier. This far surpassed initial Office for Budget Responsibility's predictions of £6.4 billion which has been revised upwards to £7 billion.

This shows that there is a huge opportunity for the industry in offering insurance-based solutions as part of the IHT planning process. It highlights the importance of working across the industry, for example, with wealth managers, to signpost and promote insurance as a solution. This will become increasingly crucial as more individuals will become impacted by IHT thresholds.

Consumer Segmentation

Last year, many households faced significant financial pressures and a sustained period of rising costs pushed more and more families into financial vulnerability. However, the cost-of-living crisis impacted different groups hugely. Those which felt the squeeze most acutely were, and may continue to be in 2023:
- Small businesses
- Customers expecting to take out a mortgage or refinance
- Price sensitive customers

This filtered through in our figures where we saw a reduction in new term sales and only a marginal rise in business protection cover. Unfortunately, we are not out of hot water yet. We would expect price sensitive customers to cut back on discretionary purchases, of which non-compulsory insurance is usually one. This could lead to a negative impact acorss all individual protection lines.

As mentioned in the distribution chapter, the trend towards term assurances being sold through non-advised sales channels reversed. We reported that over 50% of level-term sales were sold on a non-advised basis in 2021 which fell to 42% in 2022. Level term assurance is traditionally viewed as an affordable and simple product, but it appears more customers are pulling back from direct channels for life and health purchases.

Small businesses
In August 2022, figures from the Federation of Small Businesses predicted that 53% of SMEs are expected to stagnate, shrink or fold with 78% saying that they are feeling the impact of rising costs.[3] The business protection market has struggled to recover since the pandemic, leaving millions of businesses unprotected against the loss of a key person and, potentially, the collapse of the business. New business sales are slowly beginning to increase, but the rate is still modest.

As mentioned in last year's report, Swiss Re has set up a Working Group called *Building Resilient Businesses* with an aim to understand the challenges around selling business protection. The group is made up of providers and intermediaries and has focused on discussing industry terminology and the different distribution channels to businesses. Everyone, industry, business and workers, benefits if organisations are adequately protected and understand the options available to them.

BEIS statistics show that 74% of SMEs have external finance which highlights the importance of life insurance or other key people in a business to cover the liability. However, with only 13,905 business protection policies sold a year and over one million small businesses with fewer than 10 staff and four million sole traders in the UK, there is a clear protection gap.[4]

Mortgage holding customers
As mentioned above, while we slowly returned to some sense of normality with the mortgage market, the interest rate increases may cause lasting concern for many who are looking to refinance – UK Finance estimated that 1.8 million fixed rate mortgage deals would come to an end in 2023.[5] This could impact lower income households where any increase in their mortgage would significantly impact their financial resilience.

Hargreaves Lansdown's excellent Resilience Barometer in partnership with Oxford Economics included a "deep dive" on the housing market which expects continued pressure on households with a mortgage. It found that, on average, households planning to refinance their mortgage between 2022 Q4 and 2023 Q4 will experience an increase in their payments worth **3.1% of their net income.** For a typically affected household, this would be approximately equivalent to an **80% increase in energy bills.**[6] Individuals, living in London, who are not in relationships and the self-employed are predicted to be more at risk.

3 Business news 22 August 2022 - CPA | The Credit Protection Association
4 BEIS Longitudinal Small Business Survey: SME Employers, 2021 and BEIS business stats 2021
5 Mortgage lending to fall 15 per cent next year, returning to pre-pandemic levels | Insights | UK Finance
6 Hargreaves Lansdowne: Resilience Barometer

Price sensitive customers
The FCA's Financial Lives Survey 2022 found that 1 in 4 UK adults had low financial resilience. This rose by 2.2 million compared to the 2020 survey. The main reason behind this was a jump in household bills and credit commitments.

Customer spending nosedived across the board (at or below the levels of the first lockdown) but we are unlikely see a savings splurge like we did post pandemic with reduced government interventions and rising bills. Customers who are the most impacted by the cost-of-living crisis may be less likely to purchase a new product, such as insurance, despite it providing a vital safety net.

Legal & General reported in *On the Breadline* that 60% of households have less than £5,000 in savings, 16% having no savings at all, and that 67% prefer to save for an unforeseen event rather than insure.[7] These are concerning numbers, especially in the context of rising energy bills and the end of government support in July of this year.

The findings suggest that while people say they prefer to save than insure, the majority of households still do not have enough in savings to cover a financial shock. This is a concern for the UK as a whole if people are not adequately protected through periods of low financial resilience.

Consumer Duty and policy ownership

The FCA's much-awaited Final Rules on the Consumer Duty marked the halfway point of 2022. This requires providers to put good outcomes for consumers at the heart of everything they do. The regulation signals a significant cultural shift, with a movement to put yourself in a customer's shoes.

One aspect brought into sharper focus is around policy ownership. In February 2023, we published a follow-up report *Life cover payouts: under the microscope*. This was the third report which used data we collect as part of Term and Health Watch to calculate the uptake of trusts across the market. The report examined the issues with policy set up through the lens of the Consumer Duty.

It is a reasonable assumption that consumers would have someone in mind when they apply for a life insurance policy, indicated through a trust or nominating a beneficiary on a policy. But they are often unaware that making sure this happens efficiently is dependent on how the product is set up (i.e., for it to pay out to the intended beneficiaries).

There is an onus on the industry – insurer or distributor – to explain this to them and to ensure that it happens. As consumer understanding is a central outcome of the Consumer Duty, policy ownership should be at the forefront of any policy sale. Then, a customer can be empowered to make their own decision, with the right information and, where relevant, financial advice or guidance.

[7] Legal & General: Deadline to Breadline

About the authors

Joanna Scott

Jo Scott is a Technical and Industry Affairs Manager at Swiss Re. She works across the industry and helps Swiss Re navigate key regulatory and policy changes.

Jo joined Swiss Re in May 2022 from the Association of British Insurers, where she was a Senior Policy Adviser in Health and Protection. She advised on various policy issues, including leading on key areas such as mental health in insurance.

Outside of work, she likes to explore the wide variety of restaurants across London and then try to recreate new dishes at home (with varying degrees of success), usually to the sound of any reality television she can get her hands on or a Grand Prix.

Rebekah Murray

Bekki joined Swiss Re in 2018 working in the Technical Accounting team based in Folkstone, and has recently moved into the L&H Client Markets' team supporting the client managers with market activity, insight and client strategy.

Outside of work, Bekki enjoys running and most recently run Manchester Marathon as her first marathon, as well as training for an upcoming local 10k. She also has a love for all live music, and exploring different parts of the world.

Ron Wheatcroft

Ron works with the market, looking at the likely impact of legislation and regulation. He is a regular commentator in the media.

He is a member of GRiD's Steering Group and on the Steering Group of the Building Resilient Households Group.

He is Joint Chair with Katharine Moxham from GRiD of the Cabinet Office Champion Access to Insurance Workplace Protection Group.

Ron has led Swiss Re's work to grow awareness of the opportunities to make businesses more resilient to the financial impact of death and disability through the use of long-term products and services.

Outside work, Ron ignores Premiership hype, settling instead for watching Gillingham.

Journalists should contact

Nicole Egger

Senior Manager, Media Relations

Tel: +41 43 285 84 82

Guest Author

iPipeline: Charlie Dellar – Data Scientist

At iPipeline, we exist to accelerate and simplify advice, sales, compliance operations and customer support through technology for the life insurance industry. We automate processing for every stage of the business – from pre-sales, new business and underwriting to policy administration, point-of-sale execution, post-sale sale support and data analytics.

Charlie joined iPipeline's Data Analytics team in 2021 to focus on data product innovation for our clients and creating new data-driven initiatives internally. Outside of data, Charlie enjoys exploring new destinations, unleashing culinary creativity in the kitchen, and embarking on Cotswold walks with his beloved dachshunds.

To find out more visit: uk.ipipeline.com

Swiss Re Europe S.A.
UK Branch
30 St. Mary Axe
EC3A 8EP London
United Kingdom

www.swissre.com

Swiss Re Europe S.A., UK branch

Title: Term & Health Watch 2022

Graphic design:
Swiss Re Corporate Real Estate & Services/
Media Services, Zurich