

Term Assurance - UK - August 2010

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What is this report about?

This report undertakes a detailed analysis of the term assurance market. The size of the market is explored in both volume and value terms, as well as the expected growth over the next five years. The key players in the market are analysed, including an overview of how the market breaks down in terms of market share. The various distribution channels within the sector are explored before embarking on a consumer-focused analysis of the market, covering product ownership levels, potential purchase triggers and people's attitudes towards life insurance.

Conditions in the term assurance market are far from ideal at present. Mortgage lending has fallen sharply, and consumers cut back on discretionary items during the recession. In addition to this, providers have to battle against consumer apathy, a general distrust of life insurance companies, as well as the misconception that life insurance is too expensive. As a result of this, the life assurance protection gap increased for the first time since 2004 last year, rising to £2.4 trillion, from £2.3 trillion in 2008.

What have we found out?

- According to Swiss Re, the life assurance protection gap increased for the first time since 2004 last year, rising to £2.4 trillion in 2009, from £2.3 trillion in 2008.
- The decline in mortgage lending and the impact of the recession on consumer spending have had a detrimental impact on the term assurance market, although new policy sales held up relatively well in 2009, increasing by 2% in volume and 1% in value.
- The dominance of the top five term assurance providers in the UK has declined over the last few years as the market becomes more competitive and diverse. This is demonstrated by the fact that the top five's combined share of the market has fallen from 62% in 2007 to 55% in 2009 (Swiss Re).
- Over the next five years, Mintel predicts that the total number of new term assurance policies sold will increase by 16%, with total new premiums also rising by 17%, as the conditions in the mortgage market gradually improve and consumer confidence/spending increases.
- According to Mintel's consumer research, a fifth of people feel they don't need life insurance due to their own circumstances (ie no children/no mortgage), rising to 35% of people who don't own a policy.
- Looking at potential purchase triggers, over a quarter of adults say that if they were to consider taking out a life policy, buying a house would be their reason for doing so (twice as many as the second most popular reason – having a baby, 13%).

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