

Whole of Life Insurance - UK - November 2010

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What is this report about?

The UK whole-of-life insurance market is a story of two halves. While total new sales increased by two fifths in 2009, the growth spurt was solely driven by the non-linked sector, which mainly comprises guaranteed acceptance plans for the over-50s. This side of the market is flourishing, thanks to both rising supply and demand. The growth is underpinned by the emergence of new innovative products and new distribution opportunities. In contrast, the unit-linked sector, which mainly refers to fully underwritten policies used for inheritance tax (IHT) funding/mitigation, has suffered recently from deteriorating market conditions, reduced adviser support and changes to the rules governing IHT.

Mintel's report examines these changing market dynamics and considers how they are affecting the performance and prospects of these two discrete sectors of the whole-of-life market.

What have we found out?

- In terms of new business, it's a story of two halves. The non-linked (mainly guaranteed acceptance plan) market is faring very well, with sales having risen strongly over the past five years.
- Demand for unit-linked policies has fallen due to changes to the IHT rules benefiting married couples and civil partners, and reduced adviser support.
- Demand for guaranteed acceptance plans will continue to increase, because of factors such as an expanding over-50s population and rising funeral costs.
- Online sales are also set to grow strongly, as broadband take-up among the target market increases and as more web aggregators cover the market.
- Less than half (45%) of UK over-50s have life cover. However, there is significant consumer confusion over the type of policy owned, with 15% not sure whether they have a whole-of-life or term policy.
- There is huge scope to expand the guaranteed acceptance plan market, by taking advantage of new distribution opportunities (eg bancassurers and web aggregators) and the potential to link-up with other products (eg funeral plans, will writing services, packaged current accounts).

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