

Income Protection and Critical Illness Cover - UK - May 2011

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What is this report about?

This report looks at the long-term protection market, focusing on CIC and IP. It assesses the factors that influence the market, such as mortgage lending, as well as recent political, regulatory and legislative changes. Competing products (namely PPI) are looked at before assessing the size of the market and its growth in recent years. A summary of the key players in the market is presented along with their respective market shares. The report concludes with a consumer-oriented analysis of the market covering product ownership, attitudes and price expectations.

What have we found out?

- People who own PPI are significantly more positive about protection products than the general population. With the mis-selling scandal no doubt convincing many PPI holders to re-assess the suitability of the policies they own, there is a window of opportunity to convince them to trade up to longer-term protection products.
- A good proportion of people who are currently unprotected wouldn't rule out buying cover, but they would only be interested in relatively low-cost policies. There is scope to further expand the budget section, potentially with a view to moving policyholders onto a higher-value policy at a later date.
- The market has remained remarkably resilient in the face of the recession and the ensuing income squeeze. Providers have worked hard to keep average premium levels low in order to minimise cancellations and to keep new business flowing.
- Apathy remains a problem, with a fifth of people who don't own either CIC or IP saying that they simply hadn't thought about it. Increasing awareness remains the key challenge for those in the market.
- Government spending cuts could have at least one positive effect on the market. Making it harder to claim benefits in the event of ill-health means that it is even more important for people to protect themselves against illness and accidents.
- Providers still need to do more work when it comes to convincing potential purchasers that they will be treated fairly if they try to make a claim. Three in ten say that they do not trust insurers to pay out on these policies - a figure that is totally at odds with the relatively small number of claims that actually are rejected.

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