

Term Assurance - UK - July 2012

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"Besides difficult economic conditions, one of the main barriers to term assurance sales is a lack of consumer awareness and engagement with the protection sector. The lack of education leads many adults to misjudge the cost of cover and distrust life insurance providers, despite low average premiums and improving standards. Industry wide campaigns, such as the current proposals for a protection awareness day, could be beneficial in changing consumer attitudes and boosting ownership of term assurance products."

– Stevan Obradovic, Financial Services Analyst

In this report we answer the key questions:

- How will forthcoming legislative changes have an impact on the term assurance market?
- What are main reasons that prompt adults to take-out life insurance?
- Do consumers understand life insurance products?
- How many adults are thinking about entering the market in the next 12 months?

Economic uncertainty and subdued mortgage lending has had a negative impact on the term assurance market, as the value and volume of new sales declined by 4% in 2011. However, given the squeeze on household finances and fragile consumer confidence, the small scale of the decline in sales shows that most consumers are not cutting back significantly on protection products. There is scope for new sales to increase over the next five years, especially if the mortgage market starts to show signs of real growth, as buying a home is still the number one reason adults take out life insurance.

However, there are several challenges facing the term assurance market in the near future. Changes in the regulatory environment will have an impact on insurers' profit margins and future premiums, while the switch to gender-neutral pricing and changes to the I-E tax regime will certainly push up costs for some potential clients.

This report provides a detailed analysis of the term assurance market, while highlighting some of the main challenges facing the industry. Analysis also covers the wider economic conditions, recent innovations and distribution trends in the term assurance sector. There is a full breakdown of the market size in terms of volume and value, with a forecast showing the expected growth over the next five years. The report concludes with Mintel's exclusively commissioned research exploring product ownership, purchase triggers and attitudes towards life insurance products.

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