

Critical Illness and Income Protection - UK - May 2012

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“There are a number of key challenges currently facing the protection industry. Providers will have to carefully position their products and brands in order to maximise the opportunities that lie ahead, such as the RDR, and to mitigate the potential pitfalls, such as those associated with Solvency II.”

– Sarah Hitchcock, Senior Analyst – Financial Services

In this report we answer the key questions:

- What factors have led to the recent recovery in critical illness sales?
- What proportion of UK adults have income protection?
- What are the key elements of the welfare reforms and what impact will they have on the protection industry?
- What are the short-term prospects for protection providers?

Sales of individual critical illness insurance policies surpassed 1 million in both 2002 and 2003, before falling sharply over the next few years to less than half this volume by 2008. The income protection market experienced a similar downward trend in new business during this period. Not surprisingly, it has been a difficult few years for the protection industry, with providers having to contend with adverse media attention, rising cost pressures, a downturn in the housing and mortgage markets and new regulatory requirements. At the same time, the industry has worked hard to overcome these challenges and to address the criticisms, with some success. Over the past two years, volume sales of both individual critical illness cover and income protection have picked up strongly. This is particularly impressive given the wider economic context. However, premium growth has been much less remarkable, as providers have launched more affordable cover options in order to generate demand.

Taking into account these factors, this report provides a comprehensive overview of the consumer market for critical illness cover and income protection insurance. Although both products serve distinct needs, they are viewed as complementary solutions which share the same audience as well as the same market pressures. This report will explore these pressures, and assess the strategies used to silence the critics and to restore faith in the industry. In addition, Mintel’s consumer research examines trends in ownership and barriers to purchase, as well as general attitudes towards protection insurance.

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