

Life and Protection - Intermediary Focus - UK - October 2013

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"The next 12 months will remain challenging for intermediaries, but there are reasons to be cheerful. The recovery in both the UK economy and housing market finally appear to be gaining strength, while certain regulatory changes may also create fresh opportunities to grow protection business."

– Sarah Hitchcock, Senior Analyst – Financial Services

This report looks at the following areas:

- How is the new regulatory framework impacting on the protection advice industry?
- Is the introduction of simplified protection products viewed as a positive development by advisers?
- What impact will welfare reforms have on the protection industry?
- Should protection advisers be concerned about the growing influence of price comparison sites?
- How confident are protection advisers feeling about the next 12 months?

The UK intermediary market is mature and remains heavily populated, despite heightened consolidation activity over the past few years. It is also undergoing huge upheaval, with firms having to adapt to a host of new rules and requirements. Topping this list is new regulation linked to the Retail Distribution Review (RDR) introduced in January 2013.

Although pure protection products fall outside the scope of RDR regulation, the majority of advisers active in the protection sector are still impacted. Many are affected directly, because they also advise on pensions and investments; and others indirectly. For example, some firms specialising in protection have reported rising competition from advisers active in other sectors, as well as from unqualified advisers moving into protection as a way of remaining in business.

Simultaneously, protection is starting to attract interest from direct-only operators and price comparison sites. Although the majority of protection sales are intermediated, product providers are increasingly keen to explore new ways of reaching a wider audience and tackling the protection gap. This includes developing more simplified propositions for the direct-to-consumer market.

This report explores how these competitive pressures and changing market conditions are impacting on the protection advice market. It draws on a mix of trade and desk research in order to provide a comprehensive overview. Additionally, the report presents the findings of Mintel's latest IFA survey, conducted by NMG Consulting. The survey offers insight into how protection advisers have performed recently and how they view their future prospects. It also reveals the areas in which advisers would like product providers to make further improvements.

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