

Life and Protection: Intermediary Focus - UK - October 2011

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"Changing consumer attitudes towards life and protection products will be vital if protection sales are to increase significantly. While this has proved difficult in the past, it will be up to providers and intermediaries to challenge common misconceptions which make consumers misjudge the cost of cover and fear payout disputes. Increasing transparency and communication with existing and potential customers will help to grow sales, particularly once market conditions improve."

– Stevan Obradovic, Financial Services Analyst

In this report we answer the key questions:

- Can providers and intermediaries remarket life and protection products in order to change consumer attitudes?
- How can intermediaries and providers deal with consumer scepticism?
- What does uncertainty in the advisory landscape mean for life and protection sales?
- Are direct sales a threat to intermediated distribution of life and protection products?

Despite a stuttering economy and weak housing market, the life and protection industry has performed relatively well. One of the main drivers of growth and stability in the term assurance, critical illness and income protection markets is the increasing intermediary focus on distributing these products. IFAs have turned towards life and protection products in a bid to offset losses in other business areas, and there are suggestions that many more advisers will follow suit.

However, there are several challenges that protection providers and intermediaries will have to overcome in order to significantly boost future business. In 2010, the life assurance and income protection gaps remained vast at £2.4 trillion and £190 billion respectively. Optimistically, it could be argued that this provides a large potential consumer base for future sales. More realistically these figures expose the widespread apathy, distrust and lack of awareness consumers have towards protection products.

Intermediaries also have to adapt to regulatory changes which are pushing up the costs of running an IFA firm. This has resulted in a steady decline in the number of directly authorised intermediary firms, which could make it more difficult for consumers to receive independent advice.

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