

Income Protection - UK - April 2021

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This report looks at the following areas:

- The impact of COVID-19 on the income protection market.
- Key factors influencing new business growth.
- Ownership and interest in taking out an income protection policy.
- Financial resilience of households
- Motivations for arranging income protection.
- Reasons people do not own income protection.

The need for income protection among UK working adults is significant, with just 44% of workers entitled to sick pay beyond the statutory minimum. 13% of working households would struggle financially within the first month of being unable to work due to sickness or injury, while 44% would run into trouble within six months.

New sales of individual income protection policies declined in 2020 for the first time in several years as COVID-19 held back housing transactions and restricted opportunities for advisers to sell. Government support for the housing market via the stamp duty holiday and mortgage guarantee scheme will help the market return to growth from 2021. However, this will be tempered by rising unemployment, which is not expected to fall back toward pre-COVID-19 levels until 2024.

Although cost is the most common barrier to ownership, a lack of awareness is arguably a more significant factor preventing the market from achieving greater growth. Those with the greatest need or show the most interest in taking out a policy are also among the least likely to be aware of the product.

A reliance on financial intermediaries to generate new business has made it difficult to reach under-protected sections of the target market, such as younger working adults and renters. Providers have a big opportunity to spread product awareness and ownership among these groups by forging stronger



“COVID-19 brought to an end the extended period of rising new income protection sales, but an improving operating environment will enable a return to growth in 2021.”

– **George Zaborowski, Senior Financial Services Analyst**

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alliances with letting agents and providers of app-based financial services and management tools popular among younger demographics.

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