This report looks at the following areas:

- Analysis of the market performance, including a five-year forecast.
- Trends in market segmentation, channel distribution and claims experience.
- Overview of consumer ownership and interest in taking out term assurance.
- Examining the barriers to taking out life insurance.
- Understanding what additional benefits would encourage consumers to take out life insurance.
- Analysis of how the cost of living crisis is impacting the market.

Life insurance products can be complex, with various types having distinct features, benefits, and limitations. This complexity can be confusing, and 58% of adults think it’s difficult to understand the different types of life insurance products. This sentiment extends to existing policyholders and potential consumers, suggesting there is a clear need for simplified and clear explanations of the different types of life insurance policies.

High inflation and the cost of living crisis continue to place pressure on household finances, creating a defensive mindset among consumers, who are increasingly careful about their spending habits. As a result, 57% of adults think that the cost of living crisis has made life insurance less of a priority, as immediate financial needs take precedence over long-term protection, such as life insurance.

The biggest challenge for the term assurance market will remain high inflation and the cost of living crisis. The term assurance market is interlinked with the performance of the mortgage market, which is expected to remain subdued. This, in turn, will lead to a decrease in term assurance sales. Not being able to afford cover is also the main barrier preventing individuals from taking out life insurance, indicating that attracting new customers to the market will remain challenging.

“Term assurance sales contracted in 2022, and the outlook remains challenging as the cost of living crisis continues to place pressure on household finances. This makes consumers more focused on immediate financial needs, which take precedence over long-term protection.”

– Stefania Apostol, Senior Financial Services Analyst
Despite this, there are still opportunities for providers to increase the pool of customers. Consideration of life insurance remains higher than pre-pandemic. 29% of adults without life insurance say they are likely to consider taking out life insurance, peaking at 54% among 18-34s. This suggests that providers have an opportunity to engage consumers at an earlier stage, but more affordable options, alongside educational campaigns and transparent communication about the benefits of life insurance, are needed.
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