

Critical Illness Cover - UK - 2023

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This report looks at the following areas:

- The size of the critical illness cover market and a five-year forecast for new business.
- Key drivers for the critical illness cover market, including the impact of cost of living, and record NHS wait times.
- How the FCA's Consumer Duty initiative is likely to impact the protection market.
- Competitive strategies, launch activity and innovation among the market's key players.
- Ownership and consideration of critical illness cover among UK adults.
- Main barriers to arranging critical illness cover.
- Attitudes towards critical illness cover and other protection insurance products.

The COVID-19 pandemic and subsequent cost of living crisis has increased attention on health and financial wellbeing. The proportion of UK adults without critical illness cover who say they are very or somewhat likely to consider taking out a policy has risen from 22% in 2019 to 26% as of February 2023.

Nevertheless, Mintel research indicates that ongoing pressure on household finances will continue to act as a drag on the critical illness cover market prospects over the coming year. The rising cost of outgoings remains the biggest financial concern for UK adults, and just 24% say they are currently willing to take on new financial commitments like monthly insurance premiums.

Critical illness cover is widely viewed as a luxury product that is more of a nice to have than a necessity. In the current economic environment where people are looking to cut down costs as much as possible and may be prioritising life insurance ahead of other forms of protection, there is a risk that today's depressed interest in the product could become permanent once economic conditions normalise. Expanding the range of simplified and more affordable policy options that are easier for consumers to understand and less complex



"The mid-to-longer term prospects for the critical illness cover market are more favourable. Over the next year, new sales are likely to remain flat, due to a weaker housing market and the ongoing effects of the rise in the cost of living on household budgets. However, conditions should start to improve going into 2024."

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

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for advisers to select on behalf of their customers can help to ensure it remains relevant.

The introduction of the Financial Conduct Authority's (FCA) Consumer Duty initiative, which will require providers to meet higher standards when it comes to customer outcomes should help to improve trust. It has potential to also drive innovation and could lead to the emergence of more viable and flexible lower-cost policy options. This could be a powerful way expand ownership among those for whom affordability is a primary barrier to ownership. This includes renters, who remain the largest source of untapped growth potential.

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