iress #keeptheconversationgoing #LetsTalkIP

Profile of an **IP customer**

Preferences & Needs

In collaboration with iptf

Profile of an IP customer

In recent years, the landscape of income protection (IP) insurance has undergone a significant transformation, marked by a noticeable increase in sales and a shift in demographic interest towards younger generations.

In this report we will look at how the profile of an IP customer has changed over the years (from 2017 to 2023).

This comprehensive examination has enabled us to construct an updated profile of the IP customer today resulting in rich insight into where the growth is coming from and what type of people are buying what types of policies against changing economic and demographic factors.

Jacqui Durbin
Global Head of Product | Sourcing

Gaining deeper insights

Gaining deeper insights into both existing and potential IP customers, understanding who they are and their expectations regarding proposition features and customer service can inform market strategies, refine product offerings, enhance customer service and, ultimately, broaden the reach of protection coverage for individuals facing unforeseen circumstances.

In collaboration with Iress, we analysed over **23,000** customer applications from **2023**. This comprehensive examination enabled us to construct an updated profile of the IP customer today.

Comparing this profile with that of five years ago revealed shifts in needs and emerging trends. This comparison prompts an evaluation of whether product and market adjustments have adequately kept pace with the evolving demands of Income Protection customers.

Vicky Churcher
Executive Director | IPTF

iptf

A growing trend

Protecting the future

2023 was a record year for IP

According the the ABI, sales were **16%** higher in 2023 than in 2022

Record number of individuals take out Income Protection

At Iress, we saw a **22%** increase in applications in 2023 over 2022

(from a mixture of organic market growth and new client wins)

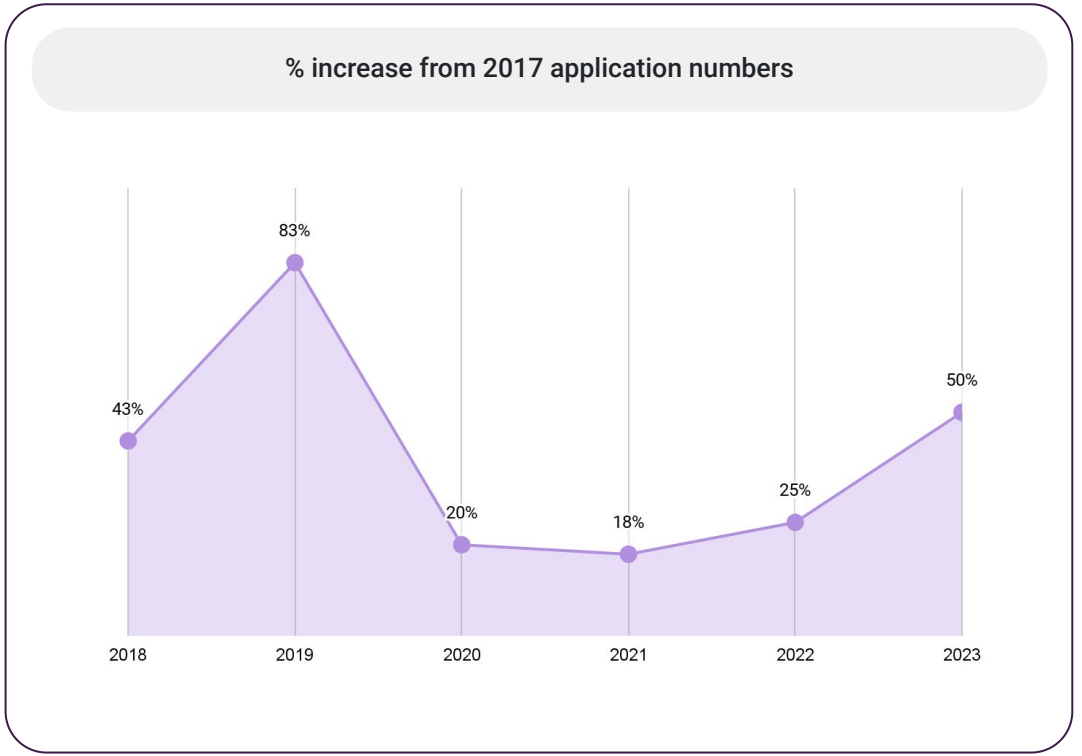
Based on New Business clicks (Applications) 2022 - 2023 - Personal IP

IP applications over the years

Applications have continued to increase

In 2019 there was a **significant increase** in the sale of Income Protection policies

Was this because of higher employment or concerns over Brexit?

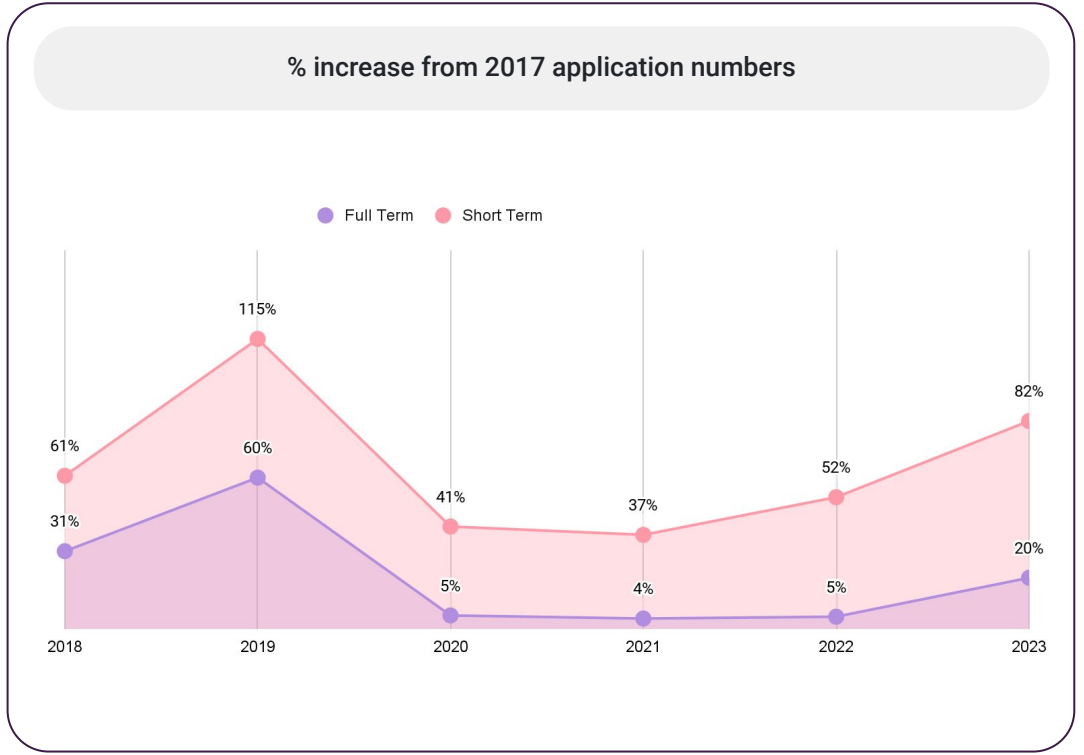


Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

IP applications over the years

Applications have continued to increase

Short term policies have seen the biggest change, with an **82%** increase on 2017, while Full term policies have only seen a **20%** increase

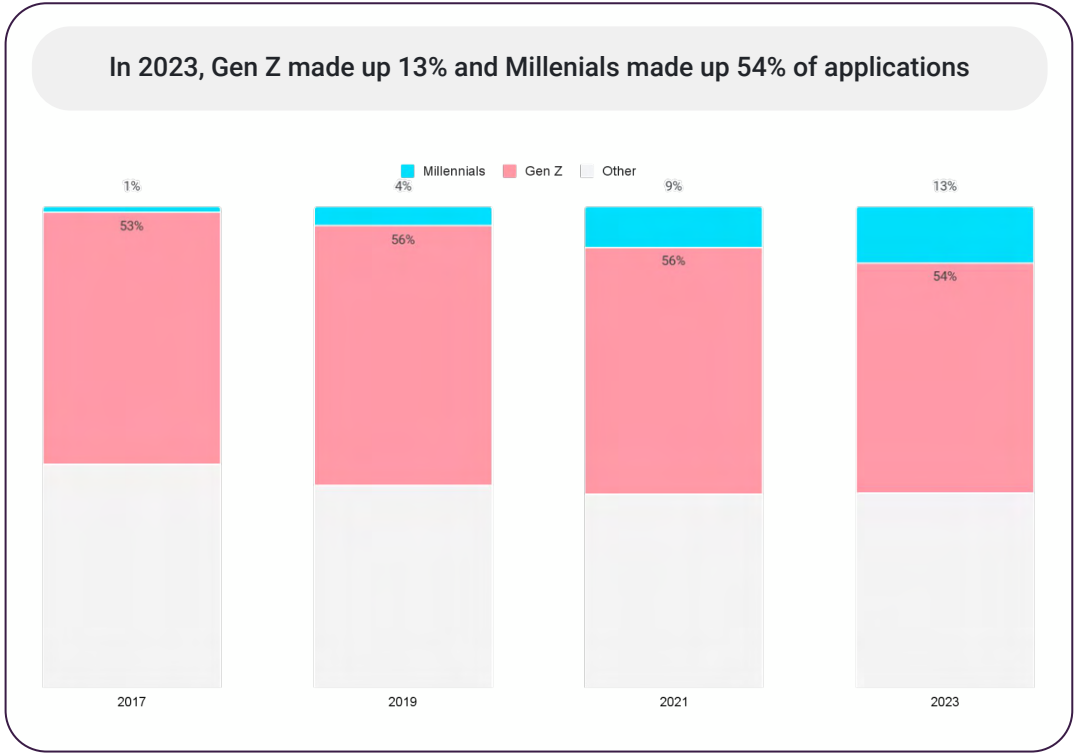


Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

IP and younger generations

Gen Z & **Millennials** are increasingly recognising the value of protection, and now make up almost 70% of IP applications

Gen Z (11- 26) and Millennials (27 - 42)



Based on New Business clicks (Applications) July - October 2023

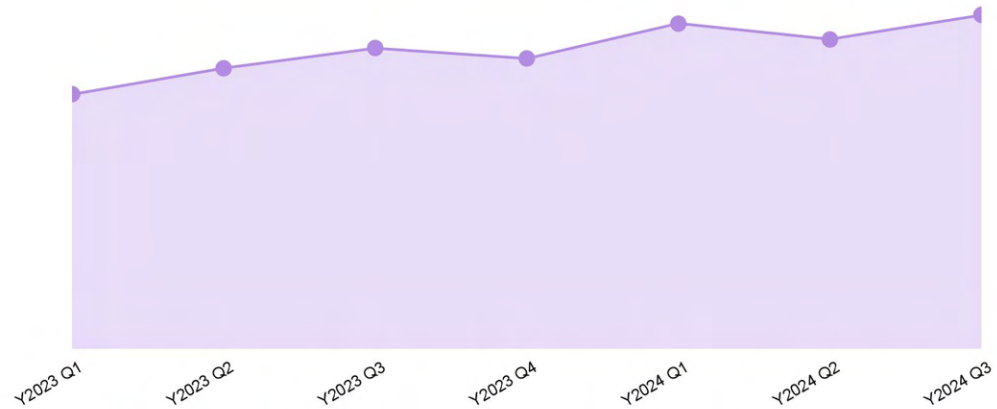
2024 is shaping up to be even better

All 3 quarters in 2024 are **higher** than **anything** seen in 2023

Q3 2024 was us up **11%** on the same period in 2023

Q3 2024 was **2.5%** up on Q1 2024 (which was previously a record quarter for Iress)

IP applications continue to increase



Based on New Business clicks (Applications) 2023- 2024 (Q1, Q2, Q3) - Personal IP

Customer influences

Why are more people choosing IP?

Understanding customer influences

Warren O'Connell
Head of Business Development | Iress

"The increase in people buying income protection insurance can be attributed to several key factors that reflect changing societal norms, economic conditions, and personal financial awareness.

Understanding not only who is buying income protection but why is crucial, as it provides valuable insights into consumer behavior, preferences, and needs."

Matt Chapman
The Protection Coach

"Being able to understand the drivers behind why more advisers are recommending Income Protection and why more consumers are choosing to protect their income sources is critical in helping us, as an industry, to develop better resources, training, and guidance to support and aid advisers in maintaining the incredibly welcome growth we're currently seeing in IP sales."

Why are more people choosing Income Protection?

Financial Literacy

Is there a growing emphasis on financial education?

Do more people understand the importance of safeguarding their income?

Changing Employment Patterns

Has the rise of the gig economy, freelance work, and self-employment contributed to a less stable income for many workers?

Economic Uncertainty

Have economic fluctuations, recessions and the global COVID-19 pandemic, highlighted the vulnerability of employment and income stability?

Healthcare & Sickness

With the NHS facing increasing pressures, are people more concerned about the impact of long-term sickness on their financial stability?

Early Financial Planning

Are younger generations, such as Millennials and Gen Z, starting their financial planning earlier, and being more proactive?

Employer Benefit Awareness

As employers increasingly include income protection in their benefits packages, has employee awareness and uptake of these products grown?

Technological Advancements

Has technology / digital platforms made it simpler for consumers to understand, research and buy income protection?

Cultural Shift Towards Risk Aversion

Is there a cultural shift towards being more risk-averse?

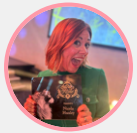
Are individuals are more inclined to insure against various forms of risk?

Recognition of Mental Health Issues

As society becomes more aware of mental health issues, is there an increased interest in policies that cover mental health-related absences?

Why are more people choosing Income Protection?

We reach out to advisers and providers to understand customer influences and gain deeper insights into the factors driving the continued growth in income protection sales.



Nicola Huxley
Director | Sphere Financial Services

"I think the pandemic started the shift towards more people feeling both vulnerable and also thinking about their income. Furlough made everyone realise just how important a monthly sum into their homes meant – the security it brought and the reassurance it gave was amazing.

This mental shift has been timed perfectly with the industry (and organisations such as The IPTF) providing more education on the product and improvements in the products available. These things combined with our clients educating themselves, advisers sharing their passion for the product and the lack of faith in government support has all together provided a the perfect storm for an amazing product – long may it continue!"

Why are more people choosing Income Protection?

Dylan Smith
Director and Mortgage & Protection Adviser | Mortgage & Protection Surgery Limited

"I believe there are 2 main factors why more people are choosing income protection: -

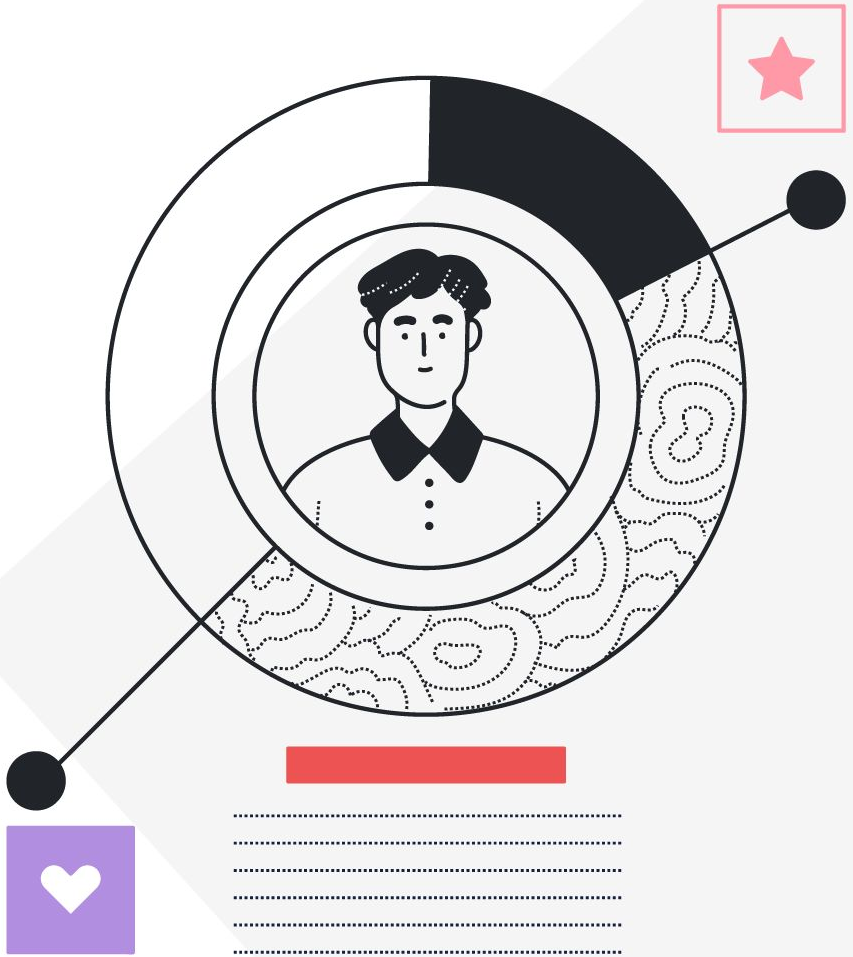
Covid 19 - The pandemic exposed many people's vulnerabilities. Initially people were worried about catching a deadly disease, but the longer-term impact has been how it affected people's mental health due to the lockdowns creating greater uncertainty.

A New Era and a Change of attitude - Younger people are happier talking about their health, including mental health, than their parents' generation. Therefore, having discussions with these age groups is much more like talking to an open book as there are less boundaries.

As a result, more people are looking at how they can increase their financial security so they can be better prepared for any future significant changes."

Customer profile

Gaining deeper insights



Income protection at a glance

There are two main types of Long term Income Protection (IP) policies: Full term and Short term. Within those each offers different levels of coverage, benefit durations and underwriting requirements to meet a variety of needs. One insurer offers an Accident Only Income Protection (a type of Short term IP, available via The Exchange since 2022). This was developed to support individuals who may face challenges qualifying for traditional income protection or cannot afford full coverage.

Outside the scope of this report are AS and ASU (Accident, Sickness and Unemployment) covers which can also be used to provide alternative coverage in the short term.

Types of policies assessed as part of this report

Policy Type	Coverage	Benefit Period	Underwriting
Full Term	Illness + Injury	Until return to work or retirement	Full medical underwriting, detailed health checks
Short Term	Illness + Injury	12–60 months	Often medically underwritten, with some simplified options
Accident Only	Accident Injury Only	12–60 months	No medical underwriting required

Is Income Protection more likely to be purchased by someone in their 30's and 40's?

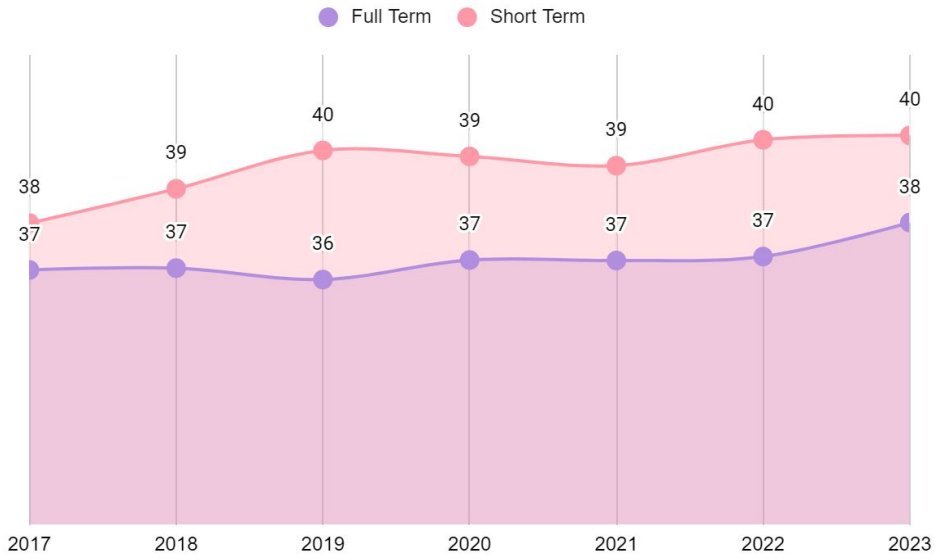
38 The average age for **Full Term** IP was **38**

40 The average age for **Short Term** IP was **40**

43 The average age for **Accident Only** IP iwas **43**

Since 2017, the average age for people buying IP has gone up by **2 years**, from 37 to 39

Average age by policy type



Based on New Business clicks (Applications) 2023 - Personal IP

The national average for purchasing a first home in 2023 was **34**, is it surprising that Income Protection is more likely to be purchased by someone in their 30's and 40's?

What else is driving the increase in IP sales, especially to younger generations?

Income protection is not just for homeowners!

The number of first time buyers was down by a **fifth** in 2023

Gen Z and Millennials are being priced out of the housing market (**Generation Rent**)

The continuing high costs of living

First-time buyer stats 2023

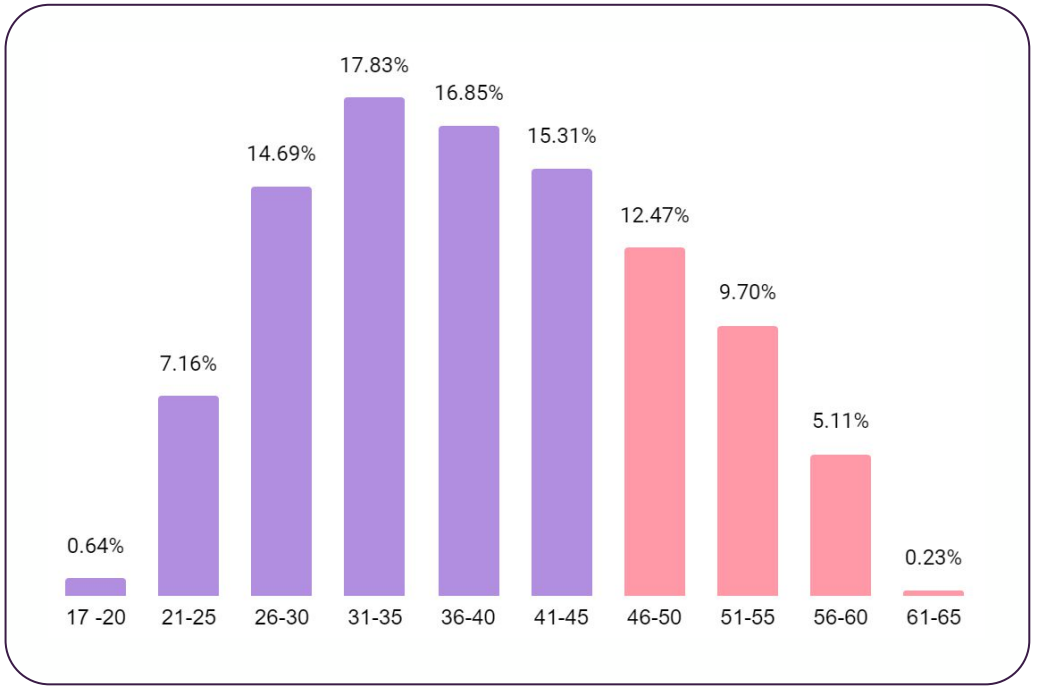
Number of UK first-time buyers in 2023 lowest in a decade

Based on New Business clicks (Applications) 2023 - Personal IP

The national average for purchasing a first home in 2023 was **34**, is it surprising that Income Protection is more likely to be purchased by someone in their 30's and 40's?

In 2023, **72%** of applications were from people **45** or younger

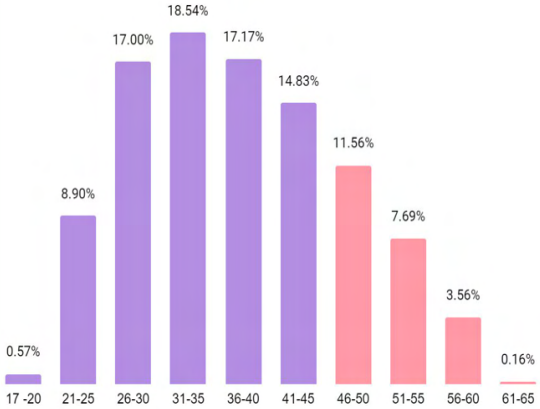
The age group most likely to buy IP was **31-40** (Millennials), making up around **35%** of all applications



Based on New Business clicks (Applications) 2023 - Personal IP

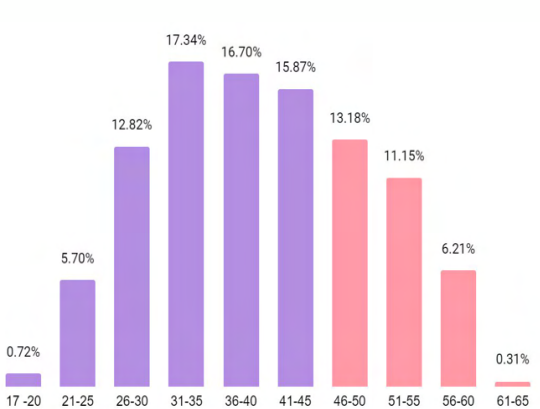
31-35 is the most likely age group for **Full Term** & **Short Term**, but for **Accident Only** it's much older at **51-55**

Full Term IP



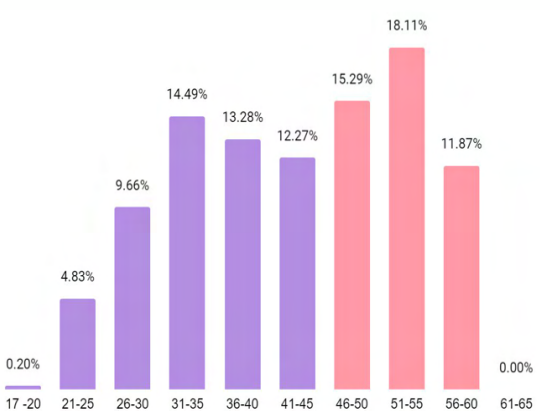
77% of applications are from people 45 or younger

Short Term IP



69% of applications are from people 45 or younger

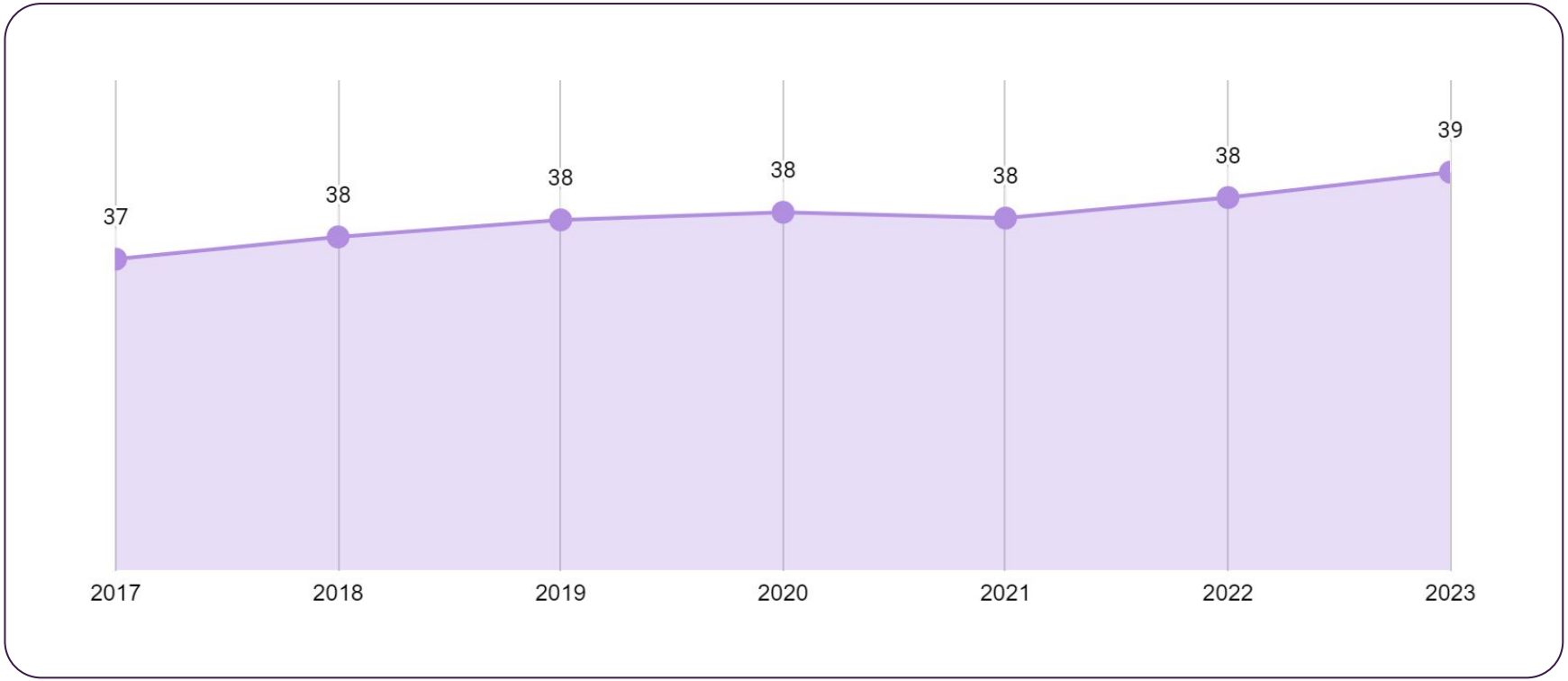
Accident Only IP



55% of applications are from people 45 or younger

Based on New Business clicks (Applications) 2023 - Personal IP

Since 2017, the average age for people buying IP has gone up by **2 years**, from **37** to **39**

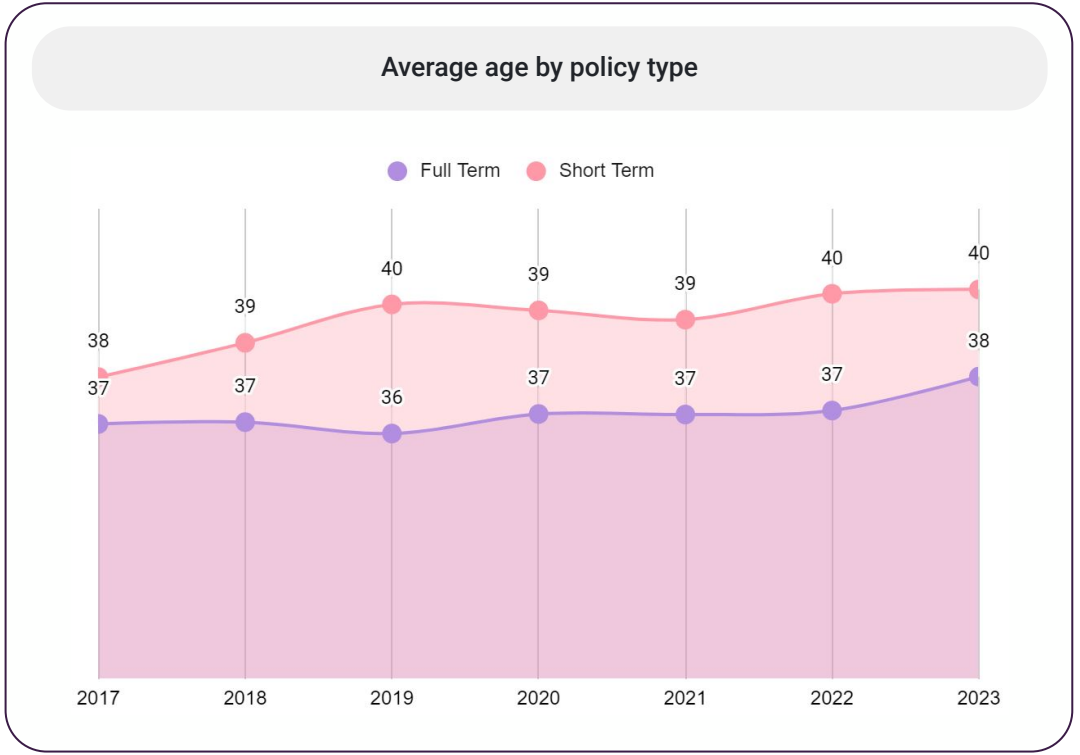


Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Since 2017, the average age for people buying IP has gone up by **2 years**, from 37 to 39

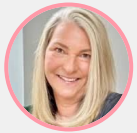
For **Full Term** policies the average age has gone up by **1 year**

For **Short Term** policies the average age has gone up by **2 years**



Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Profile of an IP Customer: Age



Vicky Churcher
Executive Director | IPTF

The data presents valuable insights into the dynamics surrounding the purchase of individual IP and its relevance across different age groups, particularly in the context of the housing market and cost of living challenges.

Does the IP policy bought differ by age group?

Firstly, despite the national average age for first-time home purchases currently standing at 34, IP is not solely a product for homeowners. With a significant decline in first-time buyer numbers and younger generations, such as Gen Z and Millennials, facing obstacles in entering the housing market (often referred to as "Generation Rent"), there's a notable shift in the factors driving the increase in IP sales, especially among younger demographics.

The statistics reveal that a substantial portion of IP applications, 72% to be exact, originate from individuals aged 45 or younger, with the age range of 31-40 emerging as the most likely group to purchase IP. This trend challenges the assumption that IP is predominantly sought after by older individuals.

Profile of an IP Customer: Age

Delving deeper into the data, it's evident that the type of IP policy purchased varies across age groups. While individuals aged 31-35 are more inclined towards full-term and short-term IP policies, the preference shifts towards accident only IP among older age brackets, particularly in the 51-55 range.

Analysing the changing landscape over the years, there's a notable increase in the average age of IP buyers, rising by two years since 2017. This shift supports the evolving perceptions and priorities regarding income security and protection, probably influenced by changing economic conditions and societal trends.

In summary, this data highlights the importance of IP as a financial safeguard, not limited to homeowners but increasingly relevant across diverse age groups, which reflect the changes in our society.

COVER Profile of an IP Customer: Age (covermagazine.co.uk)

Industry perspective

In challenging industry perspectives, we reach out to advisers and providers to understand what this data might mean for the value chain.

David Mead
Director | Future Proof

"Unsurprisingly, most income protection policies are bought by the under 45s."

The risk of having to take time off work due to illness increases as we get older, therefore the need for protection increases. I wonder if the relatively small proportion of IP policies purchased by the over 45s is not simply down to cost, it could be to do with the way it's positioned by advisers (it's going to be expensive, so my client probably won't want it, or be able to afford it)?

With so many ways to be able to tailor the cover and the cost, it's still an important conversation if a need has been identified."

COVER Profile of an IP Customer: Age (covermagazine.co.uk)

Industry perspective

Alan Waddington
Distribution Director | Cirencester Friendly

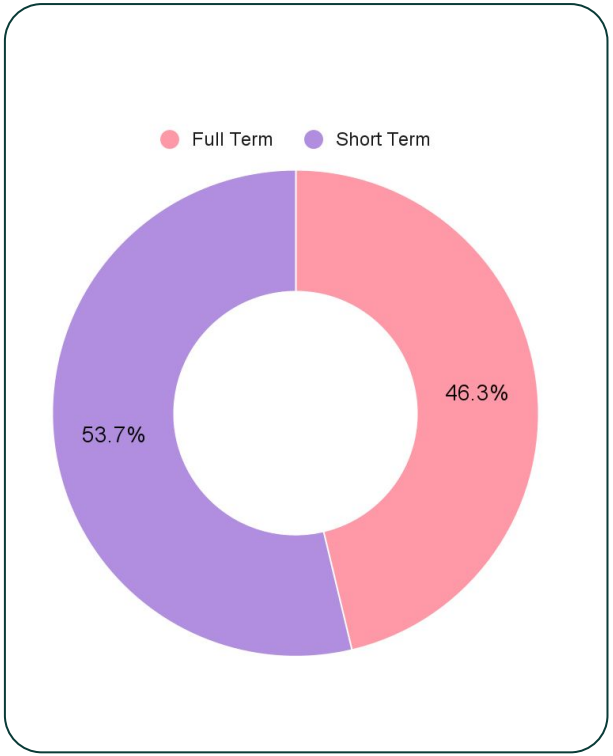
"This interesting data highlights the importance of advisers understanding their audience and tailoring their advice accordingly. What's right for a 35-year-old may not be right for a 20-year-old or indeed a 50-year-old. Whilst cost is clearly a factor when quoting for clients over the age of 45, there can also be questions around how long they will need the benefit. Why pay for long term cover when there could be an option to retire early and utilise pensions?

There is clearly a demand for accident only policies for those clients who may not be able to take out fully underwritten IP, especially for applicants over 45, but we should take care to ensure that clients with medical history disclose and are given the full facts so that they know what they can and can't claim for and that underwritten IP has at least been considered to cover illness and non-accident related conditions.

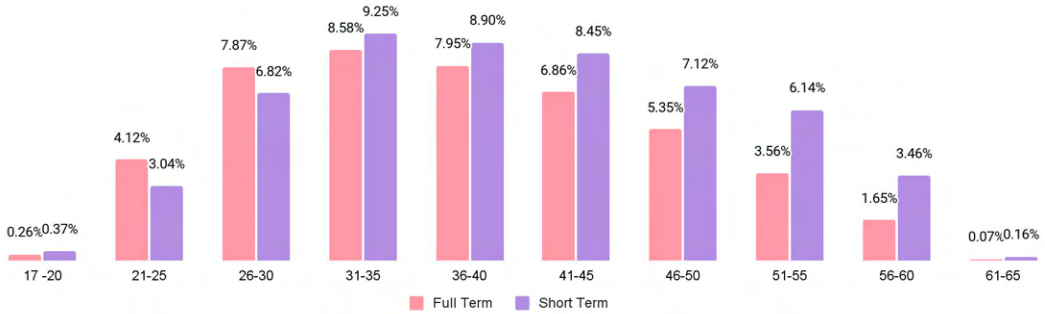
It is not entirely surprising that the average age of people buying IP has gone up when you consider that first time buyers are that much older, but that once again raises the question about when should people protect their income? Is it only when they have debts or should we be finding ways to encourage Gen Zs to buy earlier, when it's potentially cheaper?"

COVER Profile of an IP Customer: Age (covermagazine.co.uk)

Most age groups prefer **short term** policies (inc. Accident Only)



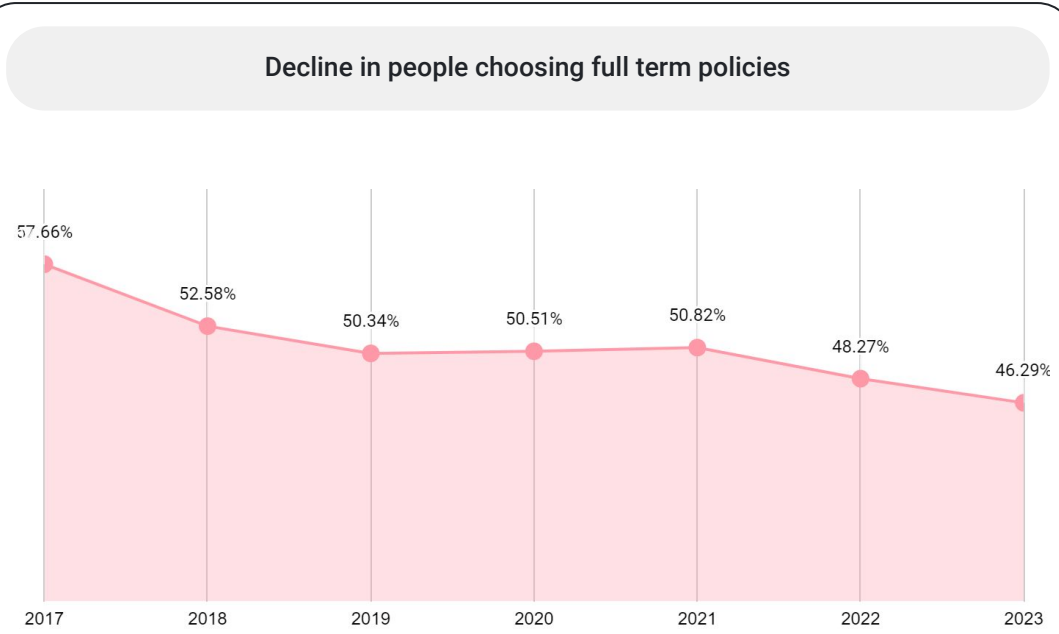
Younger age groups are more likely to go for Full Term policies



Based on New Business clicks (Applications) 2023 - Personal IP

The % of people choosing **full term** policies has gradually **decreased** since 2017

Since 2017, there has been a **12% reduction** in people choosing full term IP policies over short term policies



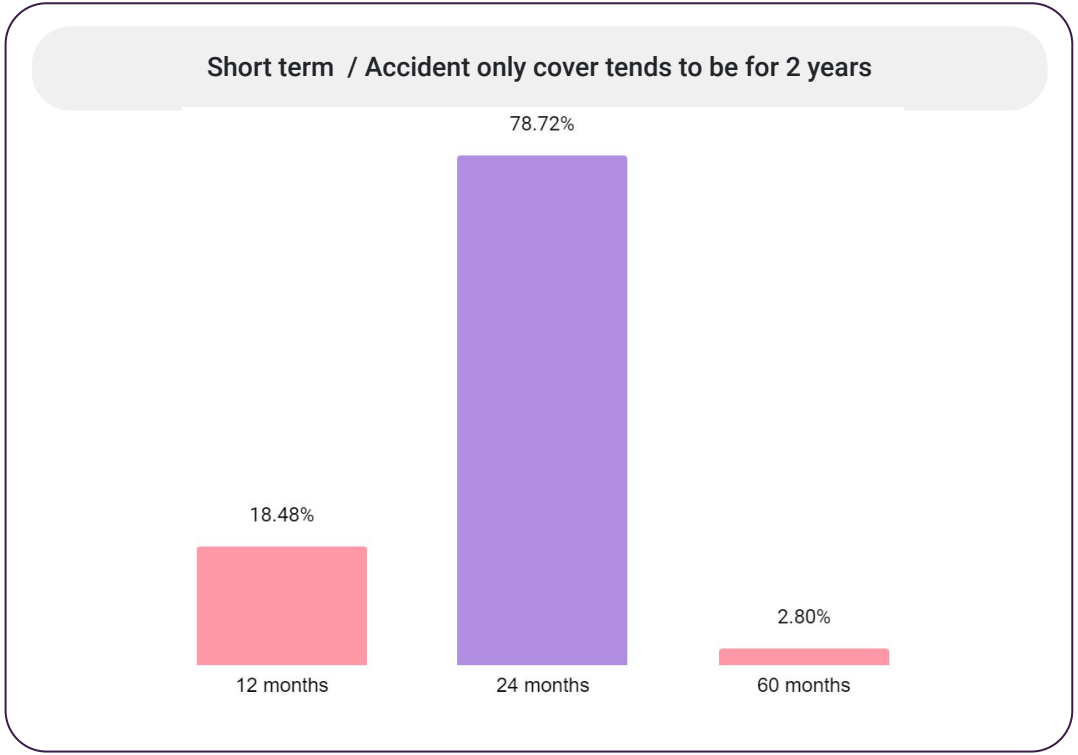
Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, **97%** of short term / accident only cover was for 2 years or less

Almost **79%** of applications are from cover lasting 2 years (24 months)

Is cover for 2 years enough?

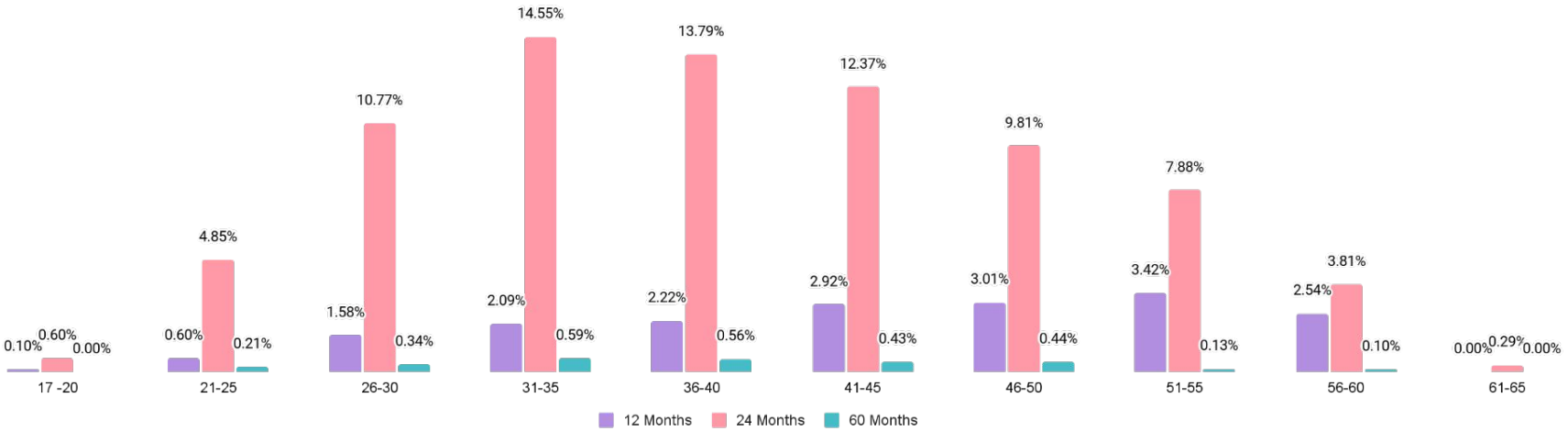
What is the average length of claim for an Income Protection Policy?



Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, **97%** of short term / accident only cover was for 2 years or less

Older age groups are more likely to go for 1 year (12 month) policies

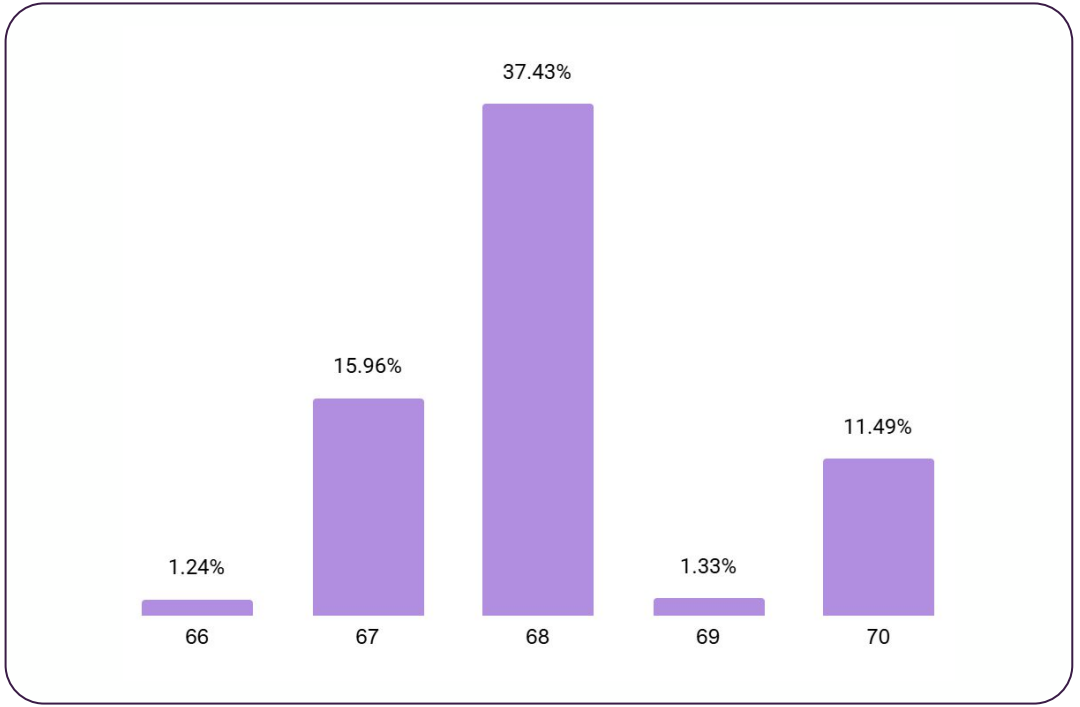


Based on New Business clicks (Applications) 2023 - Personal IP

As the state pension age continues to rise are people looking to protect their income for longer?

in 2023, **67%** of IP policies bought went to age **66** (or longer)

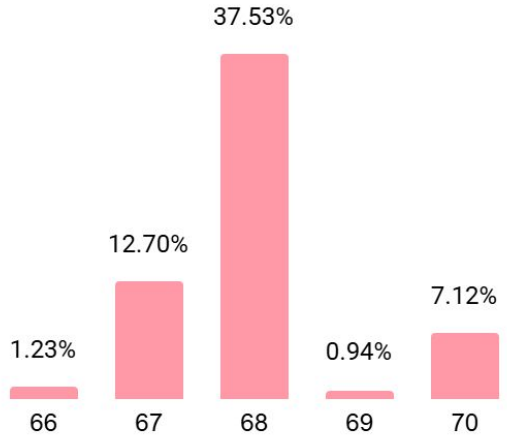
The UK pension age of 66 is expected to rise to 67 by March 2028 and then to 68 from 2044. Will the UK pension age reach 71 by 2050?



Based on New Business clicks (Applications) 2023 - Personal IP

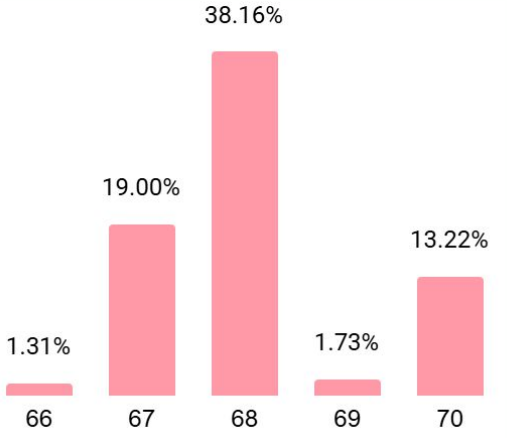
In 2023, **67%** of IP policies bought last until age 66 (or longer)

Full Term IP



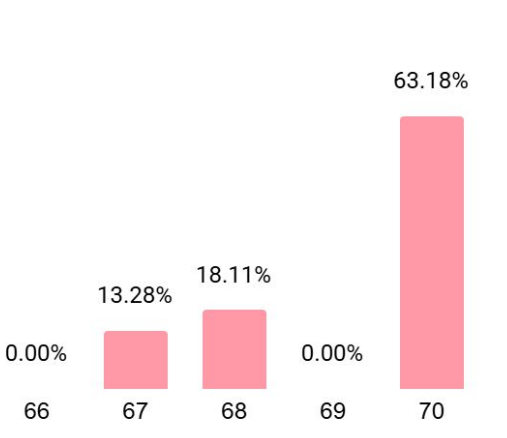
60% of applications went to age 66 (or longer)

Short Term IP



73% of applications went to age 66 (or longer)

Accident Only IP



90% of applications went to age 66 (or longer)

Based on New Business clicks (Applications) 2023 - Personal IP

To retirement or not to retirement

How short-term income protection may be impacting customers' retirement plans.

In this article digging into Iress's data to better understand the income protection (IP) market we're looking at some of the differences between short-term IP (for one, two or five years) and IP to retirement.

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There is no doubt that much of the growth in the IP market has been fuelled by a growth in products that restrict the IP payment. Last year slightly more short-term products were bought than to retirement products, a seismic change from a decade ago when over 90% of new IP policies were to retirement. This is a factor in explaining why the growth in IP premium being written sometimes lags behind the increase in numbers of policies being sold.

These products have the benefits to the insurer of less risk of a long claim and consequently mean lower prices can be obtained. They still have value added services included and cover the period that most people will return to work within.

A memorable phrase from Income Protection Action Week (IPAW) was Matt Chapman's suggestion when necessary to "ski downhill" from the best solution for the client rather than try and clamber up the mountain.

COVER https://www.covermagazine.co.uk/opinion/4376445/retirement-retirement

To retirement or not to retirement

Because Nevertheless, there are clients where the best option is a shorter-term product to provide reassurance, access to services and financial guarantees for a period of time. Indeed, the IPTF's own 7 Families campaign showed just how much of a difference with a year's worth replacement income and services to support an individual.

The Iress data shows that in general people applying for short-term IP (STIP) apply for a lower benefit amount – the average monthly benefit for IP to retirement is 29% higher than for short term products at £2,411 to £1,866.

Another angle to this is the insight that for full term insurance 39% of people proceed with the maximum cover they can obtain rather than applying for a lower fixed amount, compared to 31% of people applying for the maximum cover for a short-term contract.

It also suggests that people applying for short-term IP are in worse health than those taking out cover to retirement. 9% of people applying for long term policies declare themselves as smokers, compared to 19% of people applying for short term policies. Similarly, 20% of people applying for long term policies were clinically obese (with a BMI of 30 or over) as opposed to 29% of people applying for short term policies.

This highlights some of the challenges in ensuring that you find the best insurer for a specific individual. Many insurers do not differentiate underwriting approaches between short and to retirement IP policies, but some already do and with the increased market and extent of health issues in this portfolio it is expected that insurers will focus on this area more in coming years.

To retirement or not to retirement

Advisers should be aware of these differences when considering IP cases where a rating may be applied.

Ian Sawyer, commercial director, Howden Life and Health, says: *"To retirement is undoubtedly the best advice but the premium remains out of reach for many. As well as the rise in STIP, age costed schemes have also helped make this product accessible to many more people, and consumers get the concept that it goes up with age, as many other products do such as PMI and travel insurance. Immediate needs unfortunately tend to trump the long-term view.*

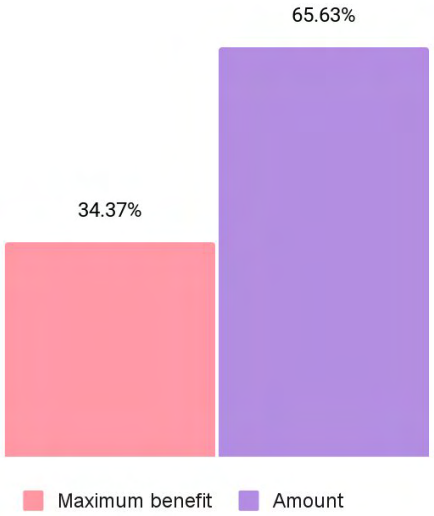
Underwriting remains a problem, as logically a STIP should attract a different underwriting strategy to long term, I'd love to see some more differentiation in terms and the reduction in permanency of exclusions for STIP - this will help increase lives on risk."

For all advisers and insurers understanding the different factors that cause someone to favour these different features is vital in meeting Consumer Duty requirements and providing products and services that meet the needs of all.

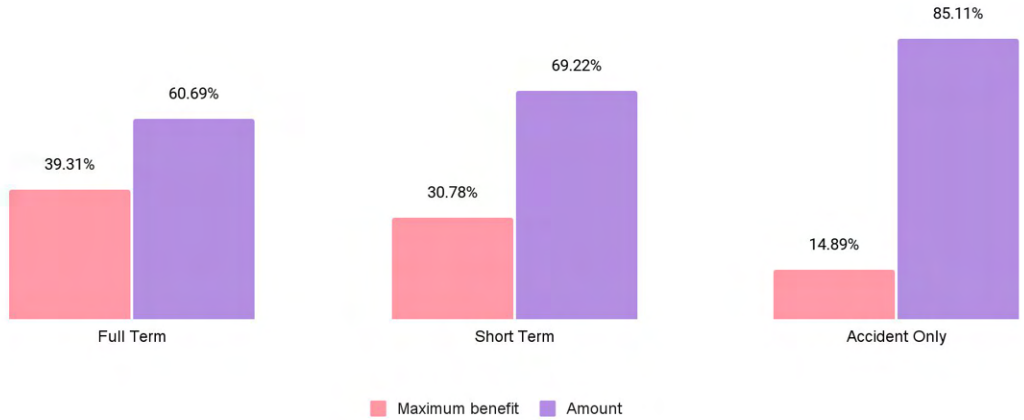
Ian Sawyer
Commercial Director | Howden Life & Health

In 2023, **66%** of policies were for a specific amount (not maximum benefit)

Overall



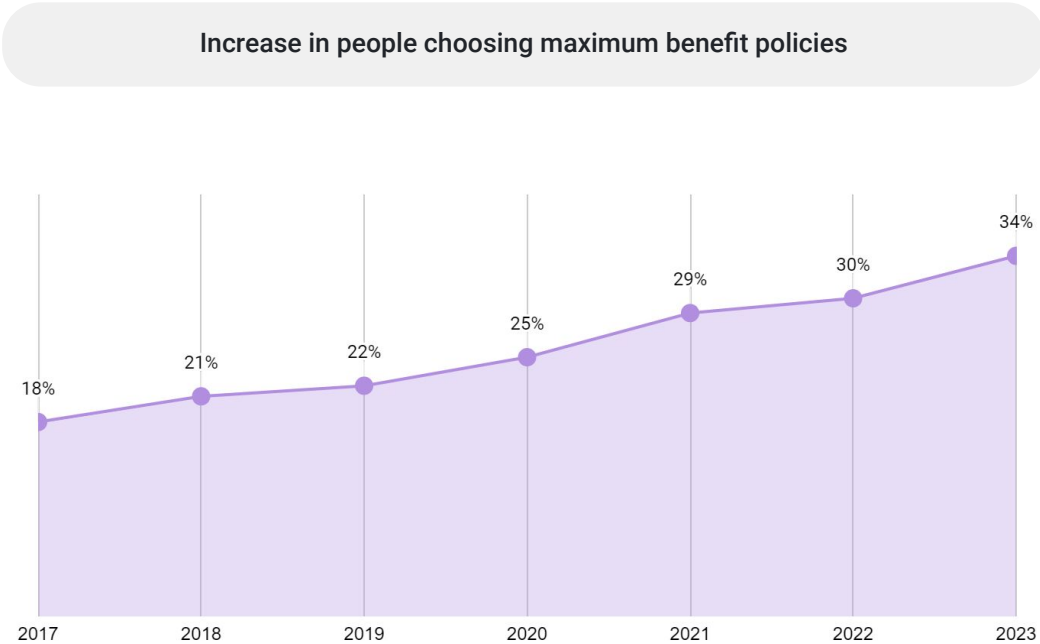
Do people specify an amount to cover expenditure rather than income?



Based on New Business clicks (Applications) 2023 - Personal IP

The % of people choosing **maximum** benefit policies has gradually **increased** since 2017

Since 2017, there has been a **16% increase** in people choosing maximum benefit policies



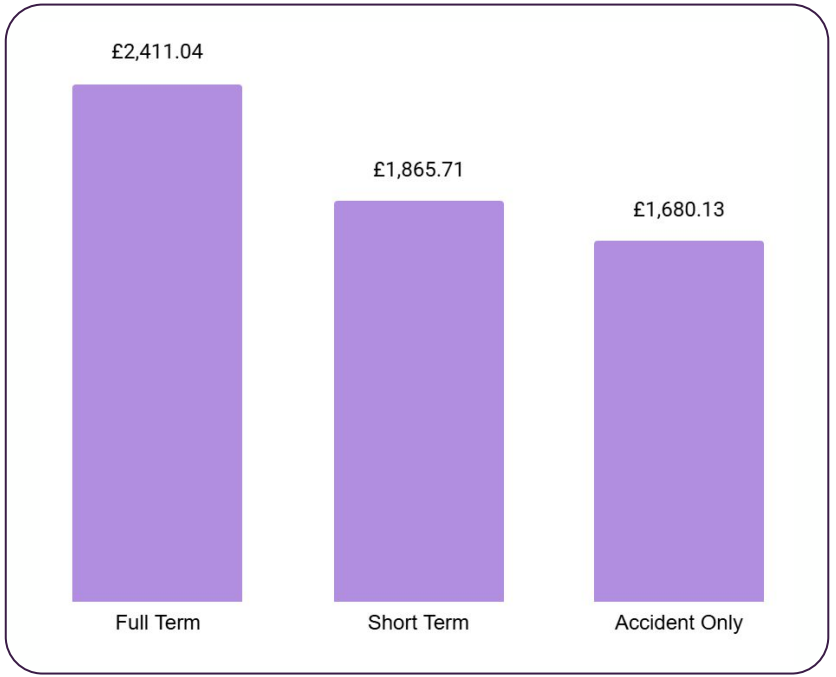
Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

With the majority of policies covering around 60% of clients income do people have adequate cover?

In 2023, the average monthly benefit amount was **£2,114.04** which is in line with ONS figures (75% of payrolled employees)

50% of payrolled employees earn equal to or less than £2,299 per month (**£1,379 @60%**)

75% of payrolled employees earn equal to or less than £3,549 per month (**£2,129 @60%**)

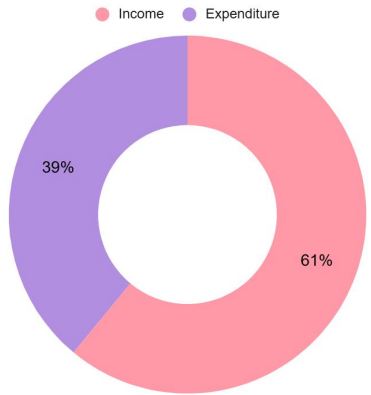


Based on New Business clicks (Applications) 2023 - Personal IP

Income vs. Expenditure - What do Advisers quote for?

Overall, income-based starting points are slightly more popular, but many advisors flex to expenditure-based quotes when budget sensitivity or client age suggests it's more appropriate. Both income and expenditure perspectives are often combined to create a quote that fits each client's financial situation, with most advisers highlighting that a flexible, case-by-case approach can be more effective than a set formula.

Split between Income & Expenditure



61% favour Income

Most advisers prefer starting with income to ensure clients can maintain their current lifestyle if they can't work.

This approach often begins at 60-65% of income and adjusts based on affordability or client interaction.

Starting high, with the maximum benefit and term, is a default for many, with adjustments made as needed to balance client budget constraints.

39% favour Expenditure

Some advisors prefer to calculate based on essential outgoings, especially for clients sensitive to cost-of-living pressures.

This approach often includes only fixed household expenses (or "share of household bills") as clients find these figures tangible.

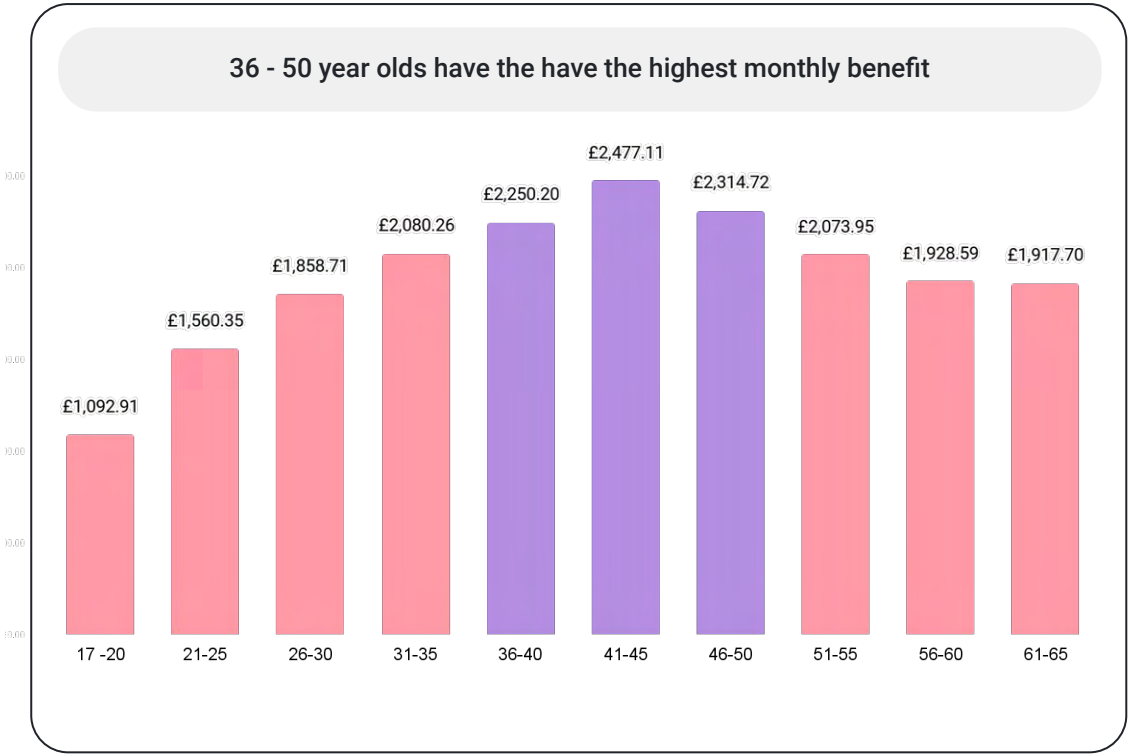
This can be more appealing when full income coverage becomes cost-prohibitive.

For older clients, expenditure-based quotes are common, as full income replacement can be too expensive.

Based on IPTF poll

In 2023, the age group with the highest average monthly benefit (£2,477.11) was **40-45**

According to the ONS, 75% of payrolled employees earn equal to or less than £3,549 per month (£2,129 @60%)



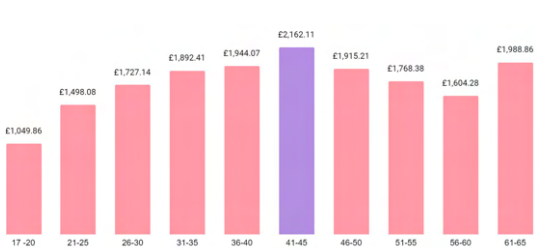
Based on New Business clicks (Applications) 2023 - Personal IP

41-55 is the age group with the highest average monthly benefit for **Full Term** & **Short Term**, but for **Accident Only** it's younger at **31-35**

Full Term IP

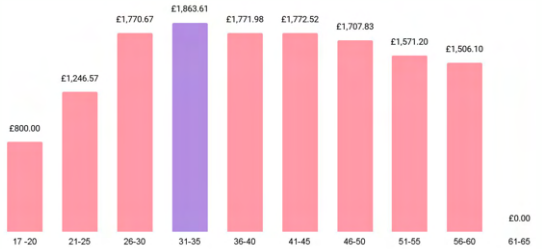
41-45 age group has the highest average monthly benefit (£2,879.97)

Short Term IP



41-45 age group has the highest average monthly benefit (£2,162.11)

Accident Only IP



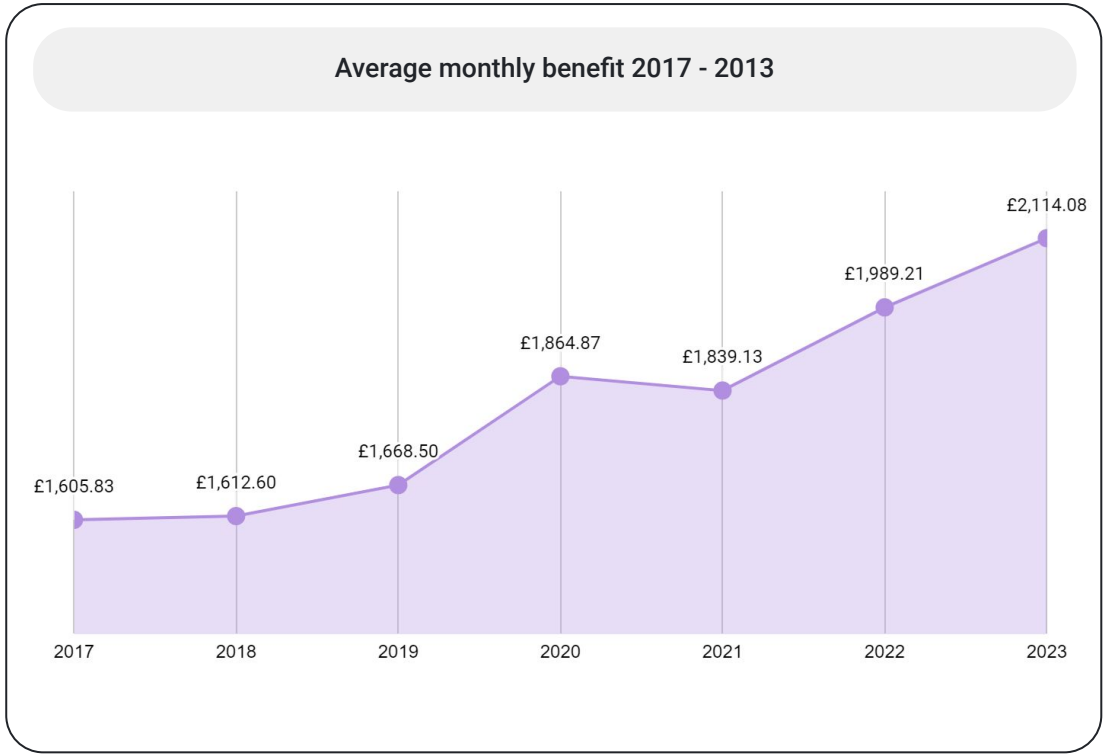
31-35 age group has the highest average monthly benefit (£1,863.61)

Based on New Business clicks (Applications) 2023 - Personal IP

Overall, the average monthly benefit has gradually **increased** since 2017

The average amount of benefit has increased by **£508.25** in the last 7 years (that's an **increase** of almost **32%**)

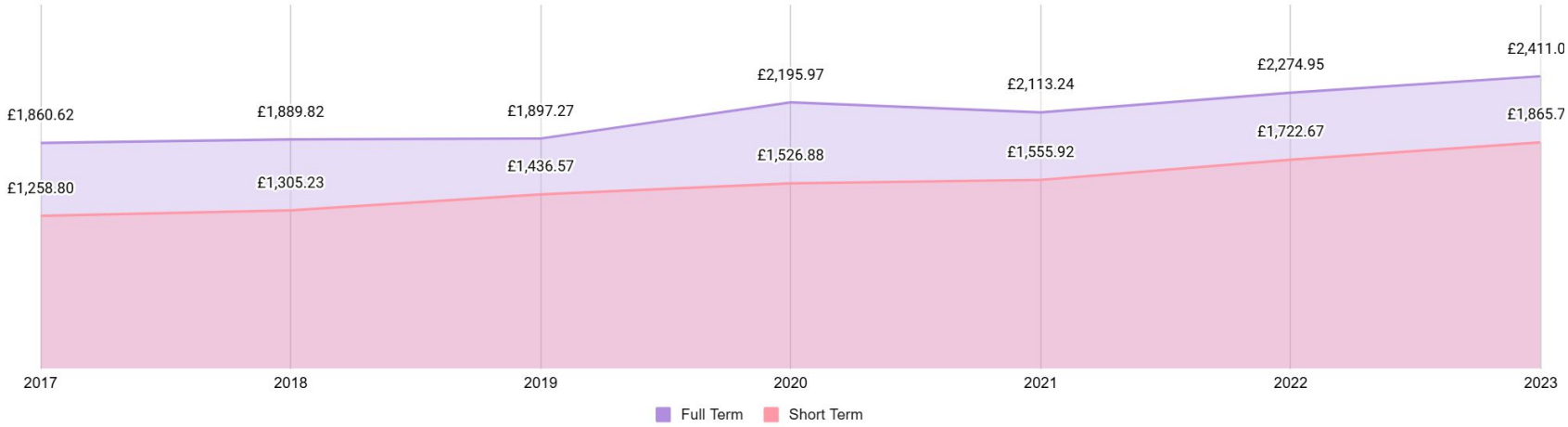
According to ONS the average income in the same period has gone up by almost **35%**



Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Overall, the average monthly benefit has gradually **increased** since 2017

Short term IP has seen the biggest increase in monthly benefit of £606.92, with Full term increasing by £550.42



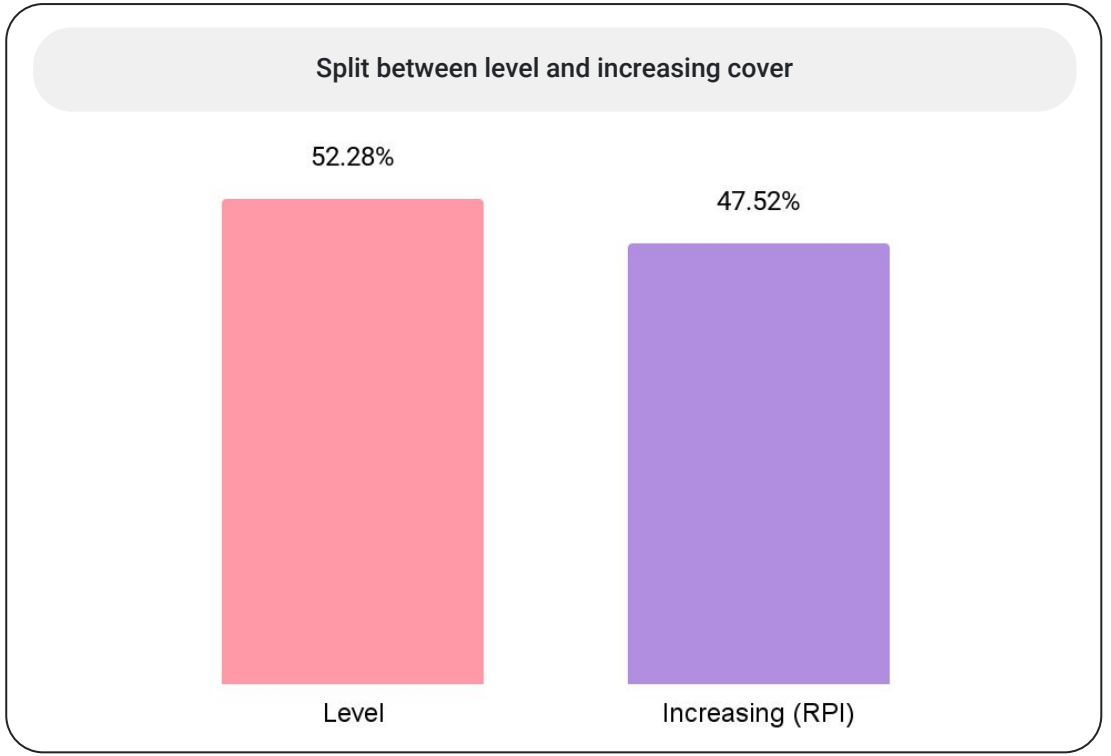
Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

In 2023, **52%** of all policies sold had level cover

Almost even split between **level** and **increasing** (RPI) cover

Are advisers confident in explaining indexation to customers?

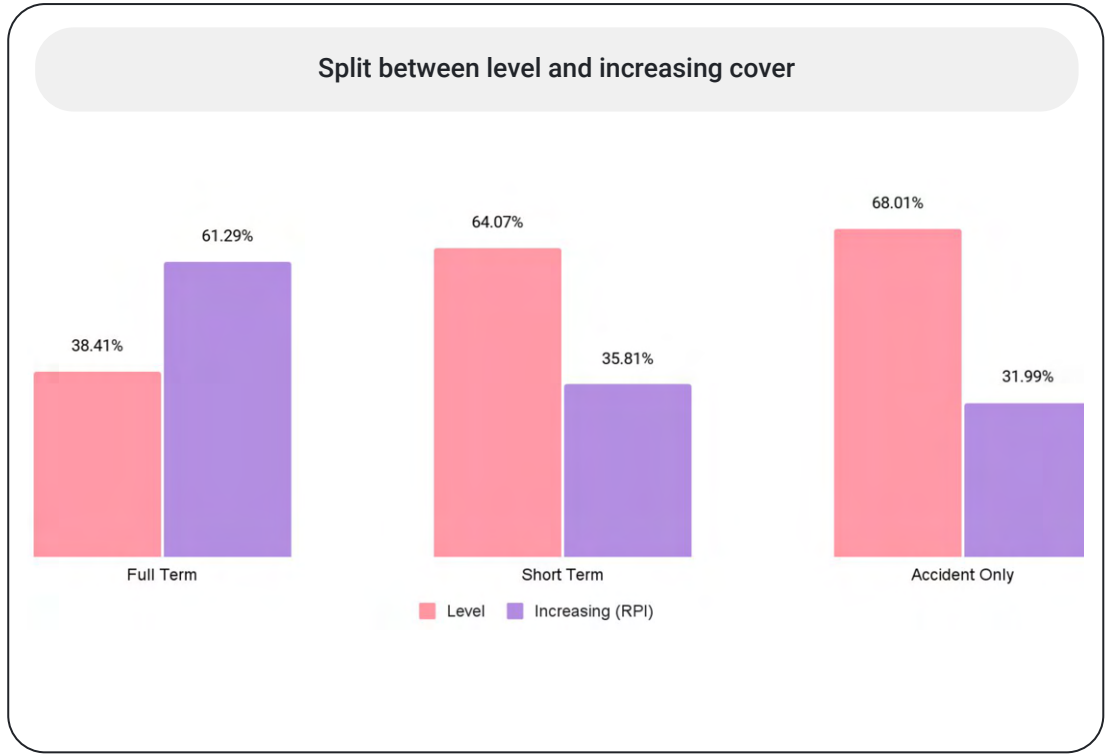
Is choosing level cover a way to keep premiums down?



Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, **52%** of all policies sold had level cover

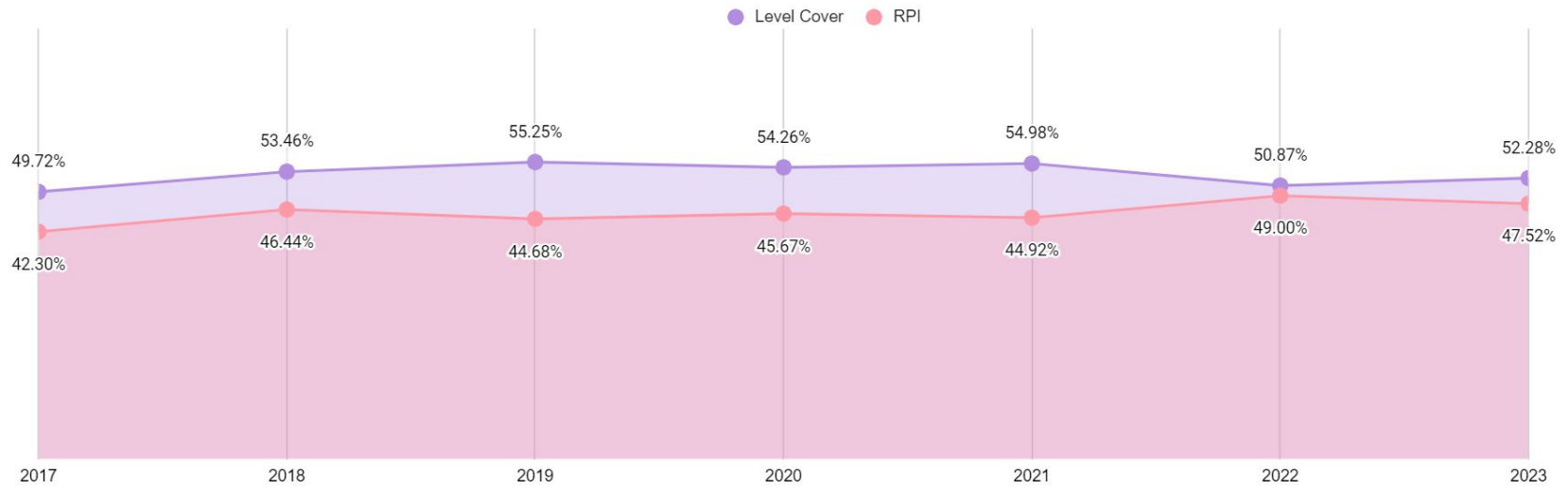
Short Term & **Accident Only** IP is more likely to have **level cover**, while **Full Term** products are more likely to have **increasing** (RPI) cover



Based on New Business clicks (Applications) 2023 - Personal IP

The split between **level** and **increasing** (RPI) cover has remained fairly static since 2017

Applications for level cover has increased by 2.5%



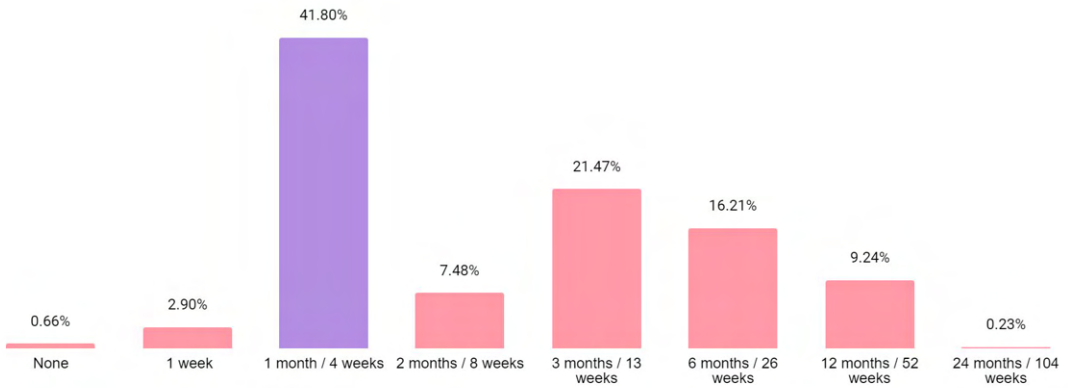
Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

In 2023, over **40%** of policies sold had a 1 month deferred period

According to the AMI Viewpoint report (2023) - **1 in 6** consumer said that being off work for a short time would leave them vulnerable

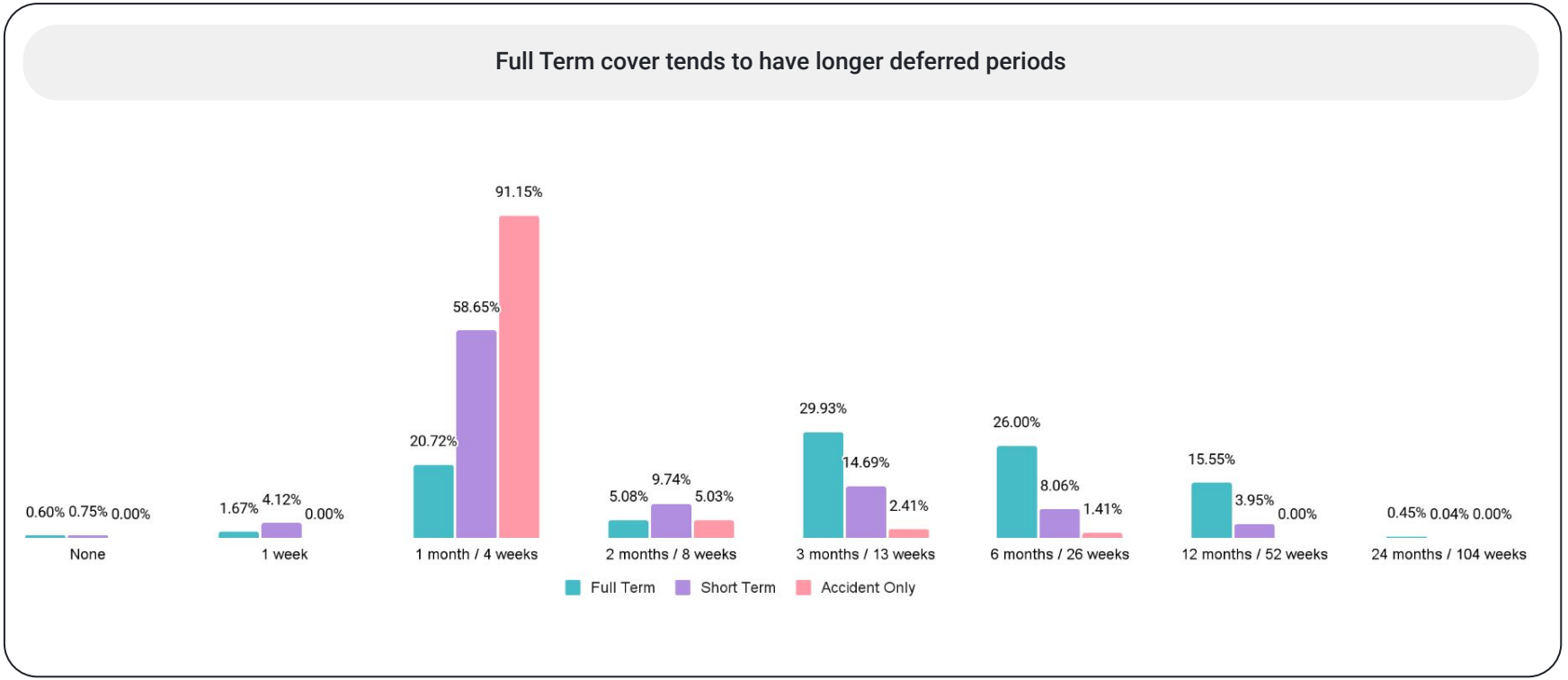
https://www.a-m-i.org.uk/wp-content/uploads/2023/11/AMI-Protection-Viewpoint-2023-The-Perception-Gap.pdf

Almost 50% of policies had a deferred period of 1 month or less



Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, over **40%** of policies sold had a 1 month deferred period



Based on New Business clicks (Applications) 2023 - Personal IP

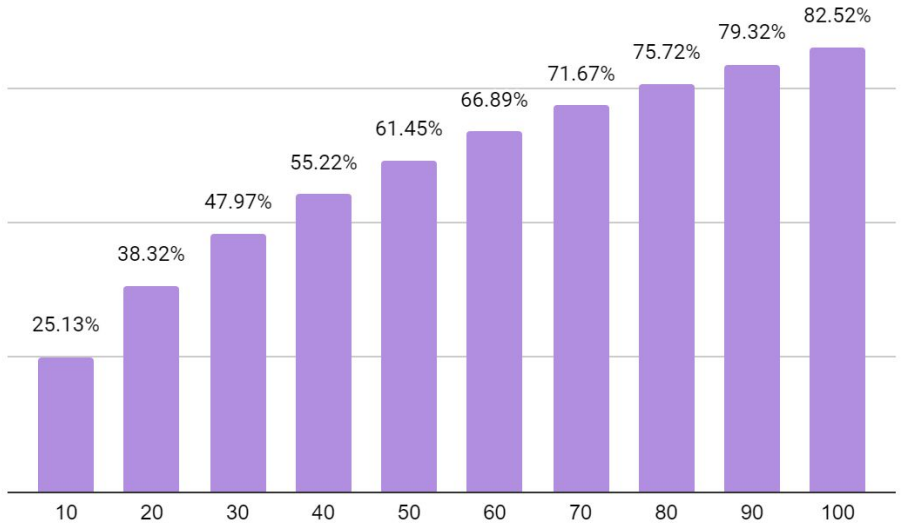
Are some occupations more common than others?

When quoting for income protection, there are **1,809** different occupations to choose from

Financial adviser ranked **30th**

IFA ranked **174th**

In 2023, almost 83% of applications were for the same 100 occupations



Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, the most common applicants for IP were medical professionals

Top 10 overall

1	Doctor - Health
2	Administrator - office
3	Nurse
4	Manager - admin only
5	Teacher
6	Project Manager/Programme Manager
7	Manager - other
8	Driver - HGV
9	Accountant
10	GP - general practitioner - Doctor

Top occupation by age group

17 -20	Joiner - Construction Industry
21-25	Doctor - Health
26-30	Doctor - Health
31-35	Doctor - Health
36-40	Doctor - Health
41-45	Doctor - Health
46-50	Nurse
51-55	Nurse
56-60	Care Assistant
61-65	Administration Manager

Based on New Business clicks (Applications) 2023 - Personal IP

The **top 10** occupations for the different **product types** in 2023

Full Term IP

1. Doctor - Health
2. GP - general practitioner - Doctor
3. Teacher
4. Administrator - office
5. Manager - admin only
6. Project Manager/Programme Manager
7. Airline Pilots
8. Accountant
9. Nurse
10. Manager - other

Short Term IP

1. Nurse
2. Driver - HGV
3. Administrator - office
4. Manager - admin only
5. Care Assistant
6. Project Manager/Programme Manager
7. Manager - other
8. Teacher
9. Builder
10. Carpenter & Joiner

Accident Only IP

1. Taxi Driver
2. Driver - HGV
3. Delivery Driver
4. Care Assistant
5. Carpenter & Joiner
6. Warehouseman
7. Nurse
8. Groundworker
9. Bricklayer
10. Care Worker - Residential

Based on New Business clicks (Applications) 2023 - Personal IP

The **top** occupation by **age group** for the different product types in 2023

Full Term IP

17 -20	Roofer - 40' up
21-25	Doctor - Health
26-30	Doctor - Health
31-35	Doctor - Health
36-40	Doctor - Health
41-45	Doctor - Health
46-50	Doctor - Health
51-55	Doctor - Health
56-60	Project Manager/Programme Manager
61-65	Administration Manager

Short Term IP

17 -20	Joiner - Construction Industry
21-25	Carpenter & Joiner
26-30	Financial Adviser
31-35	Nurse
36-40	Manager - admin only
41-45	Driver - HGV
46-50	Nurse
51-55	Nurse
56-60	Care Assistant
61-65	Manager - Sales

Accident Only IP

17 -20	Cafe Worker
21-25	Childminder
26-30	Spray Painter
31-35	Delivery Driver
36-40	Warehouseman
41-45	Project Manager/Programme Manager
46-50	Cleaner - domestic premises
51-55	Taxi Driver
56-60	Taxi Driver
61-65	Occupation

Based on New Business clicks (Applications) 2023 - Personal IP

As an industry, do we practice what we preach?

Let's challenge ourselves and ensure we're as protected as we advise others to be

Occupation	Rank	Approx number in the UK*
Mortgage Adviser	34th	35,000
Sales Exec of BDM	39th	90,000
Compliance Manager	92nd	50,000
Financial Adviser / IFA	174th	20,000
Sales and/or Marketing Manager	201st	150,000
Insurance Broker or Agent	378th	35,000
Actuary	510th	30,000

*Approx figures from Iress / Google search

Doctor, doctor! Which protection policy should I buy?

Andrew Wibberley
Co-chair | IPTF

The data is clear that the most common applicants for income protection (IP) come from medical professions. This reveals a simple sales message for advisers, or insurers – "Buy the protection product that your doctor does" (or something more 2020s than 1920s).

iptf

Full term IP

As well as the medical knowledge and awareness of risk that doctors possess, another primarily public service role sits at number three in the charts. Teachers follow the overlapping duo of "Doctor-health" and "GP – doctor" to complete the podium of well-insured occupations. This should remind advisers that even where there are good basic sick pay schemes, as are received in these occupations, the long-term risk requires insurance.

Chris Blyth, founder, Protect365, said: *"Medical professionals see first hand people being off work due to injury and illness, the recovery time and how it can impact on finances, plus the waiting lists can mean income is affected well before the client hits the NHS."*

Nick Erskine, director of distribution, Zurich, cites this as an example of the power of education. He said: *"Certain medical professions receive training about locum and other insurances, as well as the importance of protecting their income."*

Doctor, doctor! Which protection policy should I buy?

"This demonstrates how consumer education at an early age can help to drive greater awareness of the risks associated with a lost income and, ultimately, the take up of IP."

Because of the scale of these occupations, there is also the potential for advisers and insurers to specialise in these areas. Advisers need to understand the schemes that may be in place and can use insurer products to supplement these. Exceptional protection advisers will know this is true for local businesses as well – as advisers understand company schemes and get referrals from colleagues, there is the opportunity to educate and assist people more effectively.

Blyth confirms the advantages of advisers having this knowledge and there being bespoke features available to these professions. He said: *"It's a happy conversation when you can highlight special deals from providers because the client is a surgeon, dentist, nurse etc. We're seeing more and more medical professionals go private and set up limited companies, losing their sick pay but increasing their earnings. They are fully aware what a great benefit they're losing and that it needs replacing."*

COVER https://www.covermagazine.co.uk/opinion/4324003/doctor-doctor-protection-policy

Doctor, doctor! Which protection policy should I buy?

Shorter term IP

As we look at shorter term IP products, the story becomes more varied in terms of occupation. It is interesting to note that doctors disappear from the list completely, potentially for a combination of:

- Being able to afford the long-term IP.
- Understanding the risk of long-term sickness.
- Their existing benefits covering them for a "breathing space" type product.

Shorter term products have really driven the growth in IP sales over the last three years, it is fascinating to look at the occupations that are driving interest in this space. Again, there is a medical profession at the top of the pile – nurses, with care assistants sitting at number five. Another reminder that those who see the impact of illness, see value in the product. It is a reassuring sign for the industry and a message we need to amplify.

COVER https://www.covermagazine.co.uk/opinion/4324003/doctor-doctor-protection-policy

Doctor, doctor! Which protection policy should I buy?

Other jobs in the top 10 list are varied – emphasising that IP is increasingly needed across a broad range of society.

Erskine said: *"Short term IP is typically bought when full term IP is out of budget resulting in this broader range of occupations and less uptake in higher paying roles. However, under the Consumer Duty it's more important than ever for customers to understand the potential impact and shortfall in cover when short term cover is chosen over full term and determining the right balance for the customer."*

An observation is that there is a lack of growth jobs. Outside a project/programme manager there is nothing overtly tech-based and interestingly nothing in there that appears to be financial services related.

It will be interesting to see what this list looks like in five years' time as occupation, state and employer support continue to evolve.

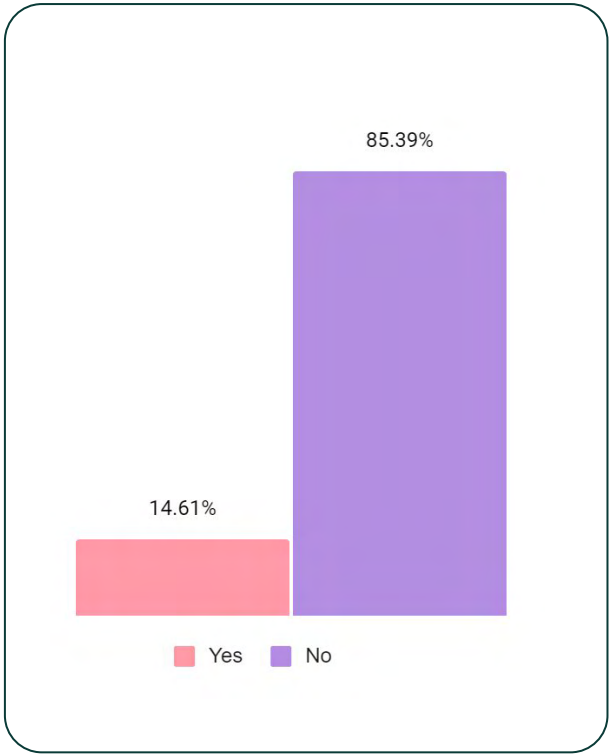
We look forward to tracking this and sharing insights to further expand IP coverage in the future.

Chris Blyth
Founder | Project365

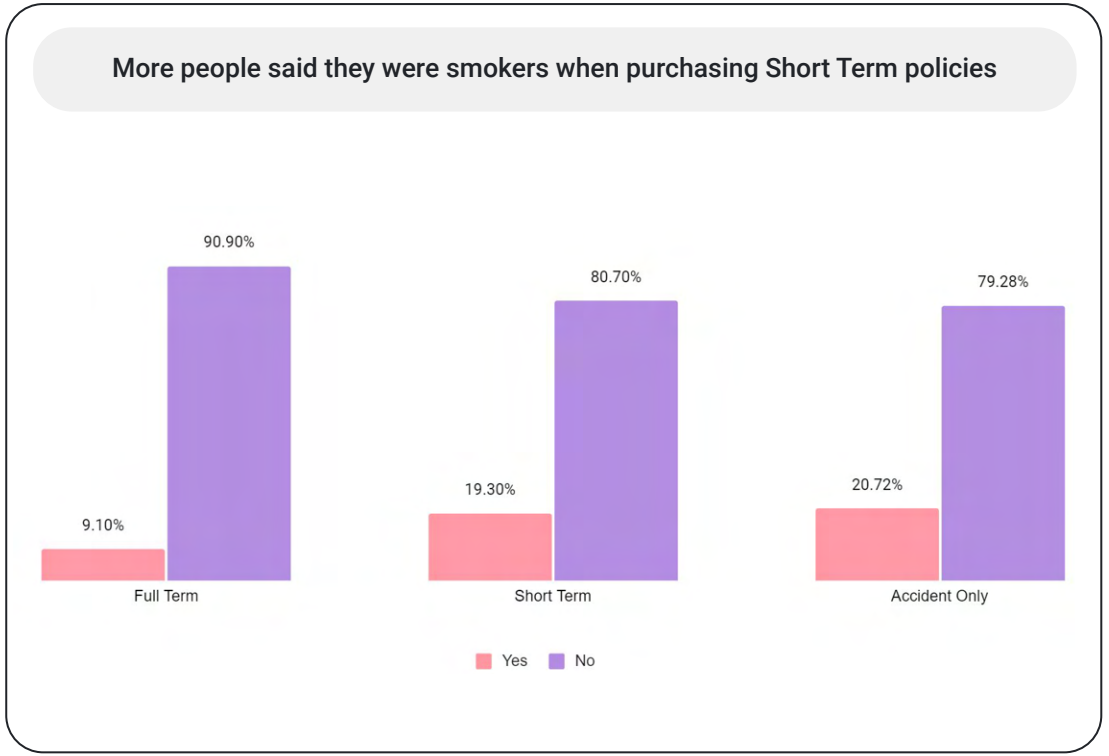
Nick Erskine
Director of distribution | Zurich

COVER https://www.covermagazine.co.uk/opinion/4324003/doctor-doctor-protection-policy

In 2023, almost **15%** of people who bought IP said they smoked



More people said they were smokers when purchasing Short Term policies



Based on New Business clicks (Applications) 2023 - Personal IP

The split between **smoker** and **non smoker** has remained fairly static since 2017

According the the ONS, the number of people smoking cigarettes has reduced over the last decade from 20% to 12%

Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Smokin' hot topics - Cigarettes, vapes and IP

Andrew Wibberley
Co-chair | IPTF

What to do about smoking is a hot topic, not just in insurance but in public health and politics. With Nigel Farage promising never to go to a pub again if the government ban smoking in beer gardens, there will certainly be plenty of noise around this in the coming months.

iptf

In the world of insurance, we have seen a lot of smoke (and possibly one or two mirrors) around the topic in recent years. The evolution from a once simple smoker or non-smoker divide to never smoked, time since last smoked and non-smoker splits has been compounded by the transformative changes to public behaviour brought about around vaping.

The numbers of people smoking cigarettes has reduced steadily over the last decade from about 20% to 12%. Iress data shows that the number of people applying for income protection (IP) as smokers has remained stable at 15%. This is largely driven by the continuing categorisation of most vapers by most insurers as smokers. It highlights the difficulty advisers may have in explaining smoker terms to people who do not consider themselves to be smokers.

Even before public health, nicotine product and insurance pricing, IP stood out in its relationship with smoking. Unlike for term assurance and critical illness (CI), there is a significant split between insurers who offer smoker and non-smoker rates for IP and those insurers who offer a single rate.

COVER https://www.covermagazine.co.uk/opinion/4357210/smokin-hot-topics

Smokin' hot topics - Cigarettes, vapes and IP

Nicola Huxley, director, Sphere Financial Services, comments: *"I often use the mutuals to offer smoking clients non-smoking rates for IP, normally adding a much smaller level of CI than normal and as a result holding better value on premiums."*

Just as I have no doubt Nigel Farage will be in a pub again, I am confident that the approaches insurers take in this area will only continue to segment further. In time more differences around vaping are likely to have a more significant impact on all products, and for IP the differences will remain.

It would be reasonable for advisers to have distinctly mixed feeling on this – on the one hand more diversification enables greater choice for clients, on the other an extra layer of difference can make it even more complicated to link together the best product, price and overall offering for an individual.

Nicola confirms that *"often there is not much difference in the end on premium as those not taking smoking into account will be more expensive for some professions and it's hard to hit a sweet spot for that."*

All of this makes the role of portals and comparison services ever more crucial in assisting advisers in this space.

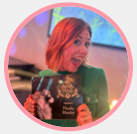
COVER https://www.covermagazine.co.uk/opinion/4357210/smokin-hot-topics

Smokin' hot topics - Cigarettes, vapes and IP

To that end, Iress have recently updated their questions around this on their application to enable quotes given to more accurately match up to premiums that will be paid.

Warren O'Connell, head of business development, Iress, notes: *"Appreciating how important it is to quote accurately and assist our customers in showcasing premiums that more relevantly reflect their clients; The Exchange is the first sourcing platform to introduce ex-smoker questions to the journey. The new questions enable insurers to provide more tailored and precise premiums that accurately reflect individual risk profiles. This promotes greater accuracy, fairness and transparency. In the first half of 2024, 85% of all lives entered on the system had the smoker question set to 'no'. Within a week of launching we found that out of all ex-smokers, 67% had smoked in the last four years - meaning that providers who had previously made assumptions the price would have otherwise changed during the application process"*

Getting the smoker rate right at the first opportunity is vital both identifying appropriate insurers and managing client expectations. It is good to see this innovation enabling that to happen more simply today and in the inevitably complex future in this area.



Nicola Huxley
Director | Sphere Financial Services

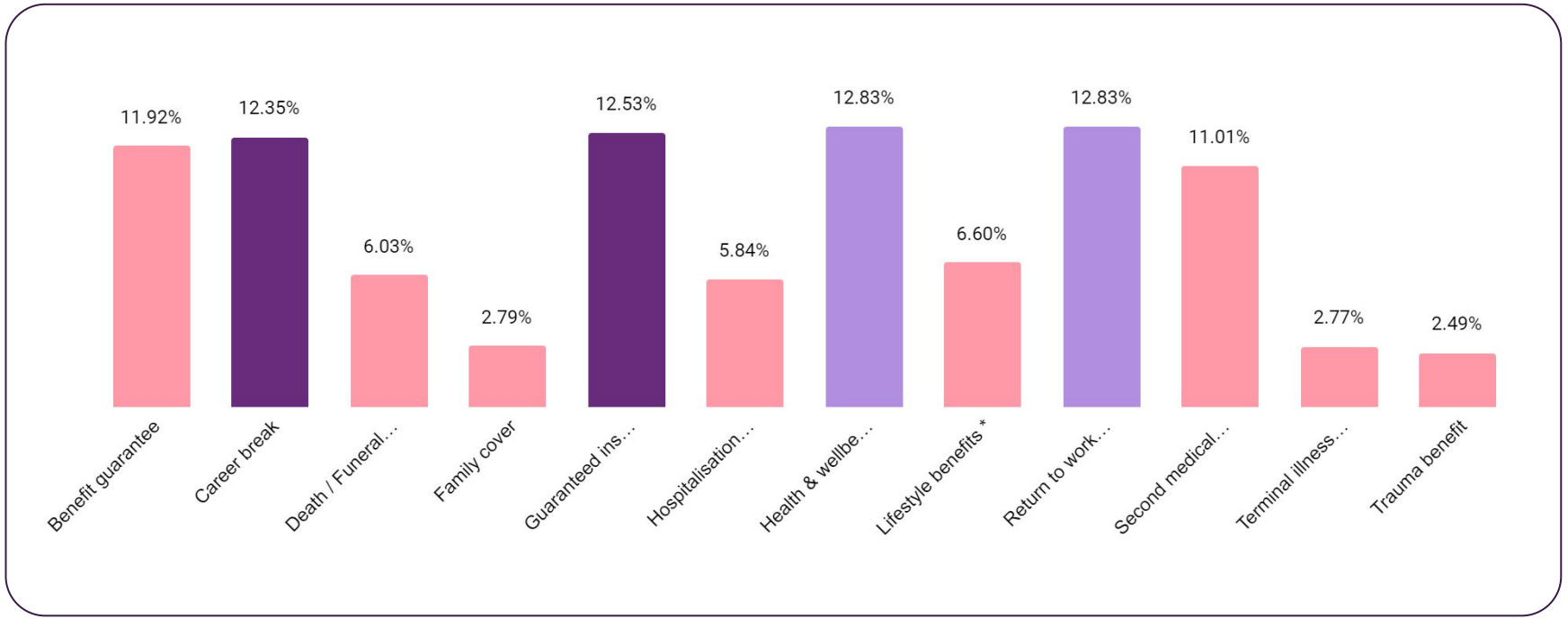
Warren O'Connell
Head of Business Development | Iress

The Iress Product Features proposition is the result of extensive work with the industry to standardise providers' specific interpretations of protection features and introduce collective definitions that are easier for advisers to understand and compare

BG - Benefit guarantee	Guarantees a minimum monthly benefit (subject to hours worked)
CB - Career break	Cover which allows the policy holder to have a break from their occupation but retain their cover
DB - Death / Funeral benefit	A lump sum will be paid to the next of kin / estate following the death of the policy holder
FA - Family cover	Carer benefits or cover that has payments regarding illness of a partner or child
GI - Guaranteed insurability	Includes the opportunity to increase cover after certain life events, without further underwriting
HB - Hospitalisation benefit	A cash payment available for each night spent in hospital, usually subject to minimum / maximum length of stay
HW - Health & wellbeing *	Additional support services relating to health, mental health, wellbeing and bereavement (such as helplines, apps, websites)
LB - Lifestyle benefits *	Rewards, memberships, discounts, premium reduction for healthy living / management of conditions
RW - Return to work support	Support while transitioning back into work (such as Back to work payments, Proportionate benefit, Recuperation benefit or Rehabilitation benefit)
SO - Second medical opinion *	Ability to get a second opinion on diagnosis of a serious illness
TI - Terminal illness cover	A payment on diagnosis of a terminal illness with a specified prognosis of so many months to live
TR - Trauma benefit	Additional payment for life changing conditions. This money might help make adjustments, or retrain for a different job

* Some features may be non-contractual and may be withdrawn by the provider at any time

In 2023, **Health & Wellbeing** and **Return to Work** were joint first with **Guaranteed Insurability** and **Career Break** close behind



Based on New Business clicks (Applications) 2023 - Personal IP

Profile if an IP Customer: Additional Services

Vicky Churcher
Executive Director | IPTF

Over the past few years, particularly post-Covid, the landscape of income protection (IP) has seen a significant shift towards holistic offerings, highlighting not just financial security but also the overall wellbeing and career stability of policyholders.

Analysing application trends from over 23,000 IP applications in 2023 (data provided by IRESS) reveals that features such as health and wellbeing programmes, as well as return-to-work support, were the most sought-after, reflecting a growing awareness and demand for comprehensive coverage.

Health and wellbeing initiatives fall into one or two key categories: support if you are ill or injured and support to keep you fit and healthy:

- Support if you are ill or injured encompasses: 24/7 digital GP and nurse access, mental health support, physiotherapy and second medical opinion.
- Support to keep you fit and health encompasses: health checks, nutrition consultations, fitness programmes, preventive care measures and discounts on gym or home fitness.

Profile if an IP Customer: Additional Services

This trend highlights an increased recognition of the importance of maintaining physical and mental health to mitigate long-term risks. Employers and individuals alike are prioritising policies that offer proactive health management tools, a shift from reactive to preventive care strategies.

Recent Pacific Life Re consumer research from April this year (2024) suggests not all customers find value-added services appealing. Of those asked, 19% thought they pushed prices up or felt they would not use them.

There was a big contrast between insurers and consumers with regards to awareness of the availability and access to these services. Of those asked, 51% of customers were not sure or unaware of the services available, compared to 86% of insurers believing customers were 'very', 'fairly' or 'somewhat' aware of their value-added service offering.

There is clearly more work to be done to ensure customers understand what they have and how to access it.

COVER https://www.covermagazine.co.uk/feature/4334249/profile-ip-customer-additional-services

Profile if an IP Customer: Additional Services

These trends indicate that modern IP insurance is evolving to address broader aspects of an individual's life. Insurers are recognising that offering comprehensive, flexible and proactive features is key to meeting the demands of today's policyholders.

As such, the industry is moving towards more inclusive and supportive insurance solutions, ensuring that protection extends beyond financial compensation to encompass overall wellbeing.

Industry perspective

Whilst the data suggests value-added services have some steps to go, how does industry sentiment surrounding the addition of products to IP respond to this narrative?

Michelle Grant
Senior adviser and protection specialist | Lifesearch

"As an adviser, it is fantastic news that the insurers are increasingly looking to innovate, reward and regularly engage with our clients to keep them focused on their overall health and wellbeing.

Particularly attractive to my clients are regular touch points such as annual health checks, GP 24/7, and access to counselling for difficult times. These are brilliant ways to help clients engage and keep on top of problems before they escalate into situations which require time off work. I believe it's a win-win for both insurers and clients as staying focused on overall wellbeing day to day positively impacts healthy outcomes long term and less likelihood of claims."

COVER https://www.covermagazine.co.uk/feature/4334249/profile-ip-customer-additional-services

Industry perspective

While the idea of value-add is well received, it falls on providers as well as advisers to actively engage customers with the product, according to Steve Casey, marketing director, Square Health.

Steve Casey
Marketing Director | Square Health

"We can see from our data, where a provider has an active communications strategy with their customers, including annual benefit statements, customers are not just accessing the services, but becoming repeat users. On certain disability portfolios, we can identify over 50% of consultations that fall under this category.

What is clear is that ongoing customer engagement is fundamental and should be a cornerstone in demonstrating customer value for every insurer."

COVER https://www.covermagazine.co.uk/feature/4334249/profile-ip-customer-additional-services

Industry perspective

Andy Philo

Director of strategic partnerships | Vitality

"IP is invaluable where someone is off work due to injury or illness, allowing them to pay their bills and recuperate, but we also know that people don't want to be off work any longer than they must.

We have always believed that all insurance should start with prevention and added-value services should be available and ready to use both before and after a person needs to claim. For IP, that means health and wellbeing support to live a longer healthier life as part of our Vitality programme, alongside clinical pathways that provide the necessary support to recover quicker after a claim."

Warren O'Connell

Head of Business Development | Iress

"Providers offer a range of value-added services, it was with direct feedback from our customers that we developed our 'Features' proposition.

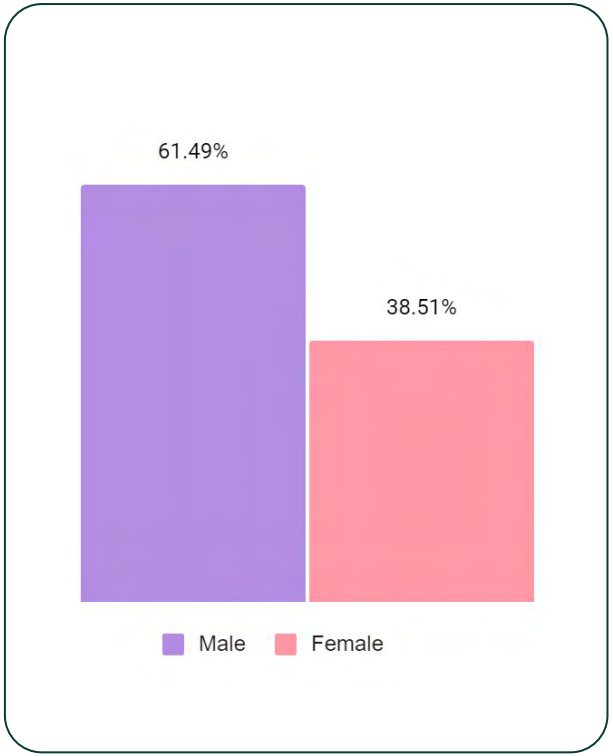
In collaboration with every provider in the market, we agreed a set of features to enable comparison across the IP space, along with the ability to showcase further value-adds.

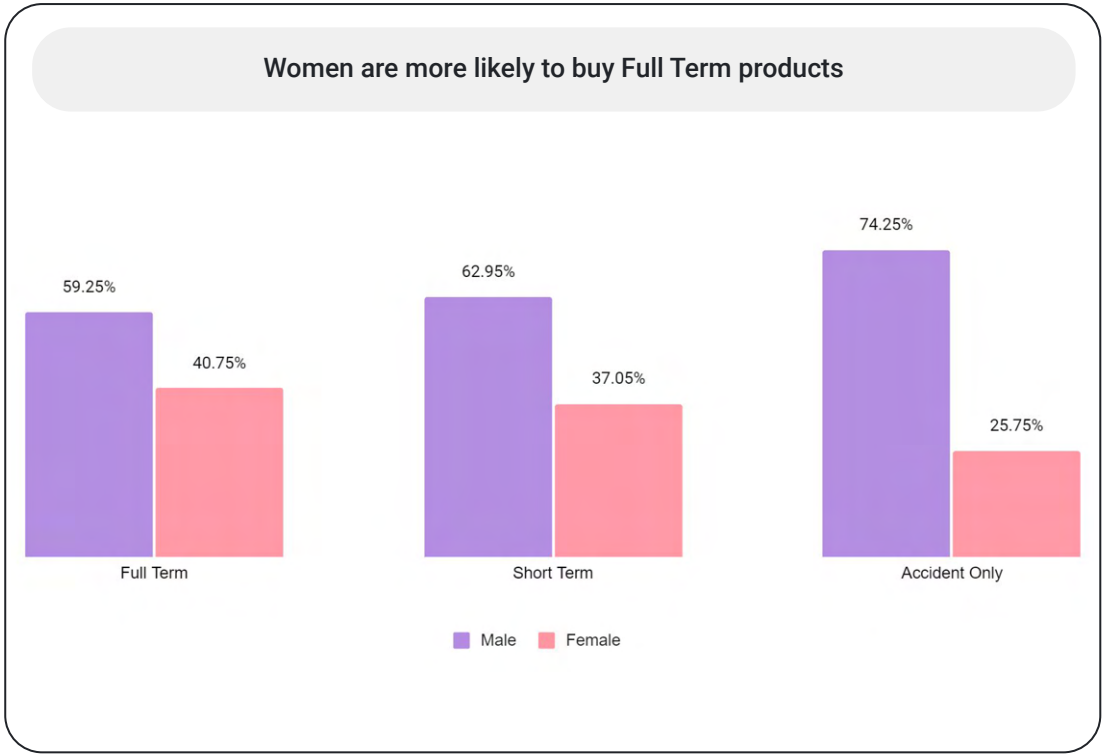
We have seen fantastic feedback from our clients who now have this information at their fingertips to enable thorough research and recommendations to their customers."

iress

COVER https://www.covermagazine.co.uk/feature/4334249/profile-ip-customer-additional-services

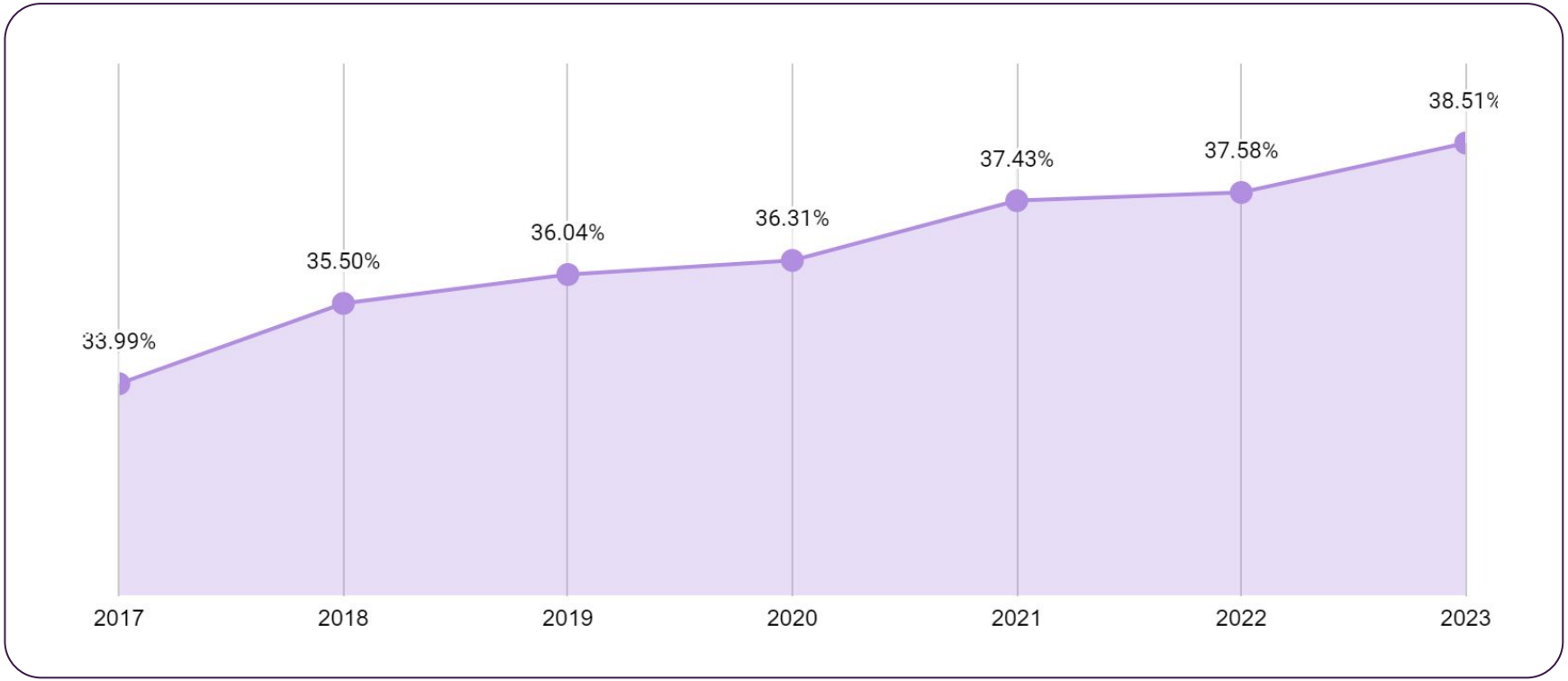
In 2023, **50%** more men than women bought IP





Based on New Business clicks (Applications) 2023 - Personal IP

The number of women buying IP has increased by **13%** since 2017



Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Woman and IP - Are We There Yet? (No!)

Andrew Wibberley
Co-chair | IPTF

One area of the Iress data critical to a personality state is that of gender and IP.

Looking at the data, some would focus on a significant closing of the gender gap over the last five years, where others would note the chasm that still exists.

We'll do our best to let you decide – but this writer will admit to frustration that more hasn't been achieved in this area.

The Iress data shows there remains a significant gender difference in people buying IP, with about 50% more men than women buying IP in 2023.

Applying this to Gen Re's Pulse figures, we can give memorable (ballpark) figures that in 2023 around 150,000 males bought IP and 100,000 females bought IP.

In case anyone has just emerged from a different era, there are not 50% more men than women in employment – that number is less than 10%.

A recent House of Commons research paper helpfully summarises key data on women and employment.

COVER https://www.covermagazine.co.uk/feature/4344498/women-ip

Woman and IP - Are We There Yet? (No!)

There are less than 10% more males than females actively at work, although there are significantly more females than males in part-time employment rather than full-time employment (38% to 14%).

All this gloom can be countered by the fact that there has been a closing of the gap over the last five years – the percentage of women buying IP has increased to 38.5% from 34%. The fact that this has been achieved at a time when IP sales themselves have been increasing does show a significant increase in females buying IP.

Estimates for 2018 sales numbers for 150,000 sales of IP would be around 50,000 female sales and 100,000 male sales, so the real growth over this period is roughly evenly split across both sexes.

The IPTF has previously worked with reinsurers, insurers and advisers to look at this gap and made recommendations to try and reduce this gap more quickly, which are summarised below.

COVER https://www.covermagazine.co.uk/feature/4344498/women-ip

Woman and IP - Are We There Yet? (No!)

What more can insurers do?

- Flexibility of product around career breaks or changing roles and income. With a first home purchase or birth of a child a key trigger for protection purchase, consider flexibility for the proposition around what happens if someone decides to take extended maternity or paternity leave or change.
- Clarity on product offering for part-time workers and workers with more than one source of income.
- Consider offerings around protecting people if they need to have time off work to care for others in their family. This work is significantly more often taken up by women and is often one of the key reasons people are unable to earn their full income that is not covered by IP.
- Provide case studies of the impact of people in different situations being off work.

COVER https://www.covermagazine.co.uk/feature/4344498/women-ip

Woman and IP - Are We There Yet? (No!)

What more can advisers do?

- Don’t assume that IP is more suitable for a specific gender (or any other factor).
- Where working with a couple, engage both partners in the protection conversation.
- Consider the impact of all adult members of a household being off work. Even if the primary earner has IP, consider the impact of lost income of a secondary earner.
- Consider tailoring the messaging and the person delivering the message to the individual who you are talking with.

COVER https://www.covermagazine.co.uk/feature/4344498/women-ip

Woman and IP - Are We There Yet? (No!)

Rose St Louis, protection director, Lloyds Banking Group, said: *"The fact that around 50% more men than women bought IP in 2023 is worrying, especially when we've seen growing numbers of women enter the job market in the last decade, and the number of women working full-time has grown strongly too since the end of 2012.*

On top of this, cost of living pressures mean that many households have no choice but to rely on two incomes to cover day-to-day expenses and bills, meaning that having income protection in place is even more vital."

St Louis added: *"This is why financial education and preventing financial vulnerability are so important. Big life events, for example buying a house, getting married, starting a family, are a good opportunity for advisers to check in and have conversations about the extra protection that may be required in these new circumstances. We need to start feeling comfortable having holistic conversations with clients – for example, who are the working adults in the household, how would you pay your mortgage, rent or bills if one of you couldn't work due to illness or injury, how long could you manage for?, and so on."*

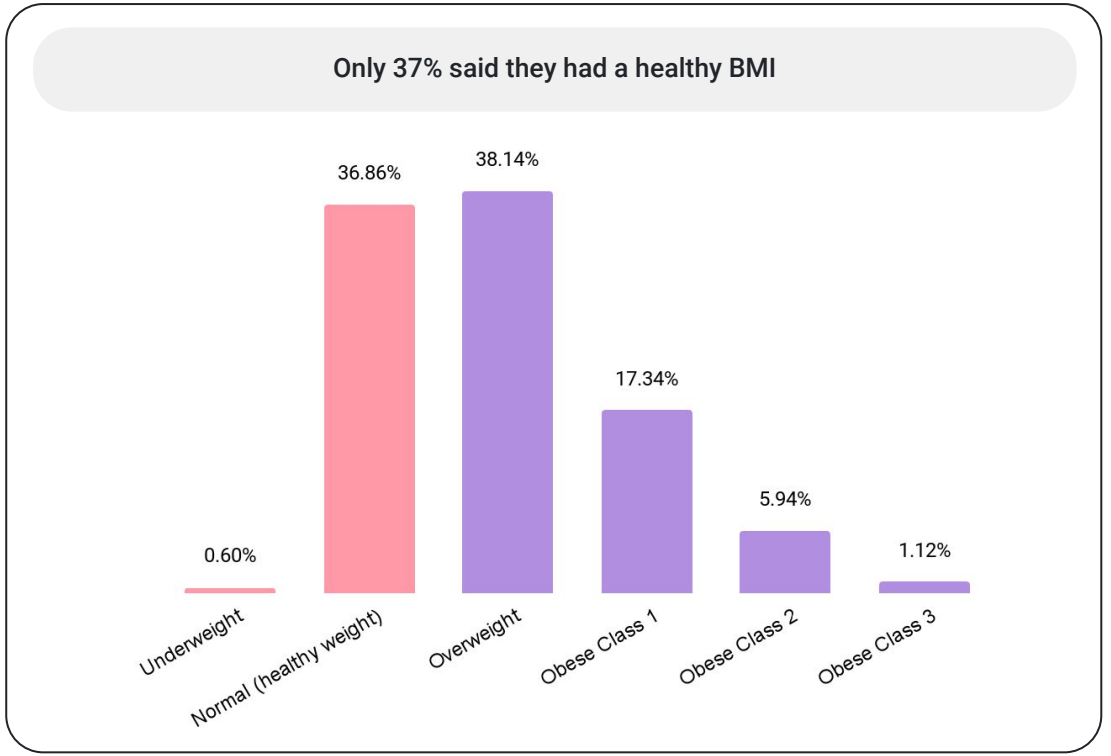
Rose St Louis
Protection director | Lloyds Banking Group

COVER https://www.covermagazine.co.uk/feature/4344498/women-ip

In 2023, **63%** of BMI disclosed was in the overweight or above category

According to the NHS health survey **26%** of adults in England are **obese** and a further **38%** are **overweight**

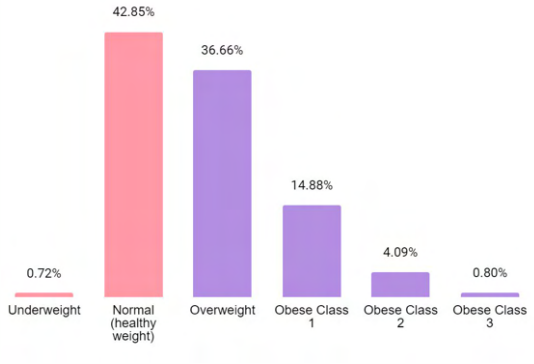
https://commonslibrary.parliament.uk/research-briefings/sn03336/



Based on New Business clicks (Applications) 2023 - Personal IP

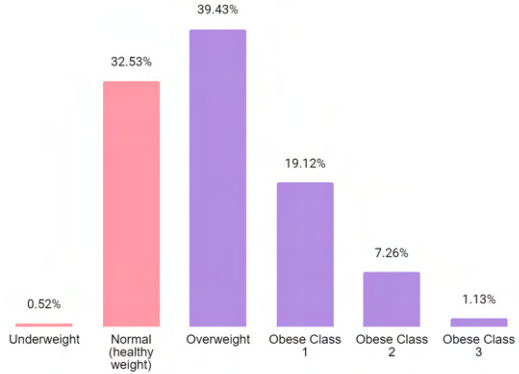
In 2023, higher BMI was disclosed on **Short Term** and **Accident Only** products

Full Term IP



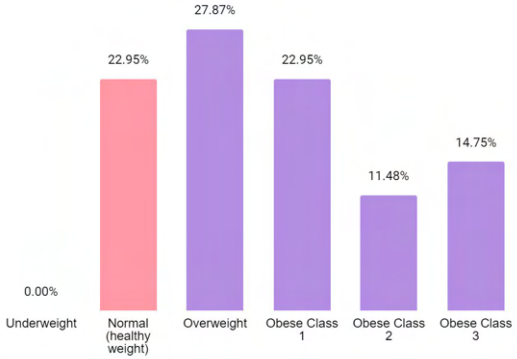
56% of BMI disclosed was in the overweight or above category

Short Term IP



67% of BMI disclosed was in the overweight or above category

Accident Only IP



77% of BMI disclosed was in the overweight or above category

Based on New Business clicks (Applications) 2023 - Personal IP

In 2023, the average BMI was either in the **Overweight** or **Obese** category

Overall

Overweight 25-29.9

27.1

Full Term IP

Overweight 25-29.9

26.5

Short Term IP

Overweight 25-29.9

27.5

Accident Only IP

Obese 30-34.5

32.8

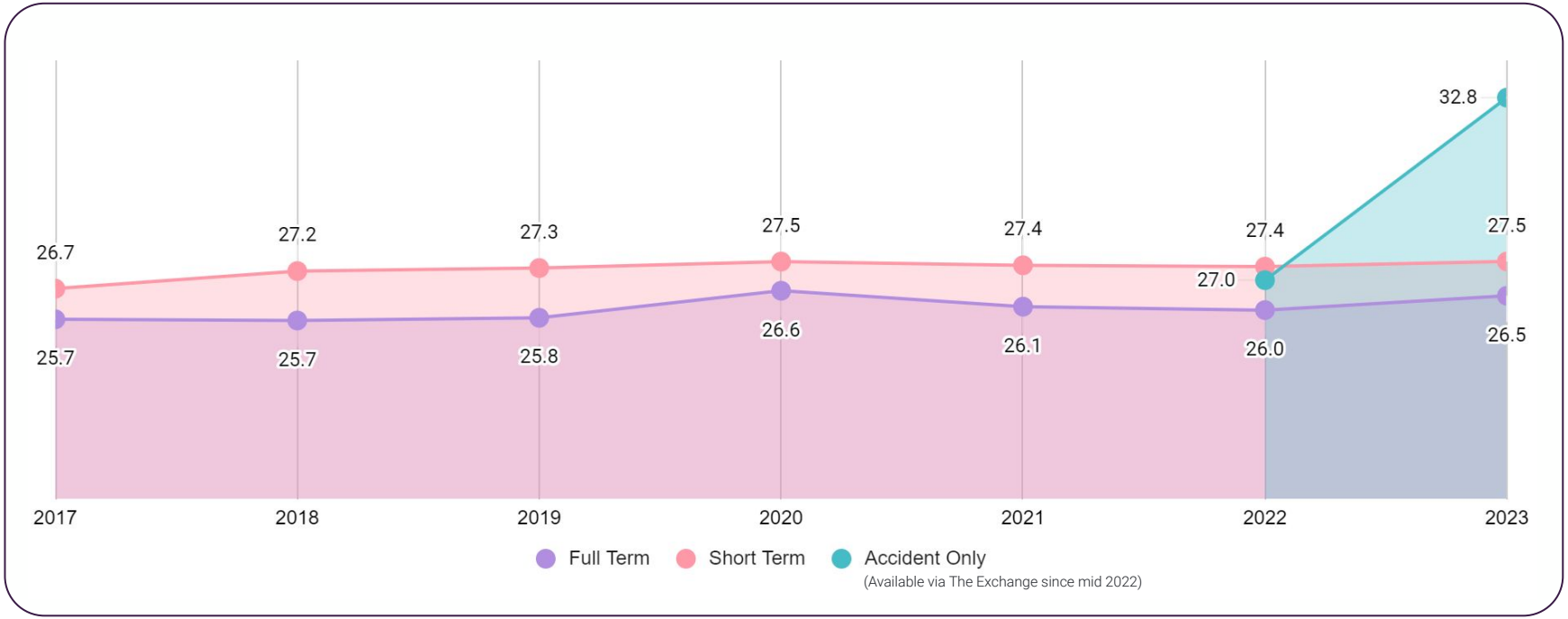
According to the NHS health survey 26% of adults in England are obese and a further 38% are overweight

Based on New Business clicks (Applications) 2023 - Personal IP

Since 2017, the average BMI has gone up from **26.1** (Overweight) to **27.1** (Overweight)

Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

Since 2017, the average BMI has gone up. Accident Only IP has only around since 2022 and has seen the biggest jump in BMI



Based on New Business clicks (Applications) 2017 - 2023 - Personal IP

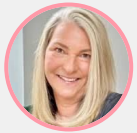
The future of IP

Adapting to modern needs

Mike Farrell
Director of Protection Sales & Marketing | LV=

In the eyes on those not familiar with Income Protection it can appear, initially, somewhat confusing. I would argue that Income Protection is flexible rather than confusing and allows advisers to use their expertise to tailor the required income protection solution to their individual clients needs.

It was interesting to see from the data that 60% of long term and 73% of short-term policies are written to age 66 or over. This does suggest that, quite rightly, people are taking financial advice in this area. It is encouraging to see the continued growth in year on year in IP sales and this can be linked, in part, to changing customer sentiment. Advisers are pushing against an open door when recommending Income Protection as clients are seeking greater financial resilience following the recent shocks like Covid 19 and the cost-of-living crisis, which have highlighted their vulnerability. The opportunity for us all is to support advisers in having more of these Income Protection conversations with their clients.



Vicky Churcher
Executive Director | IPTF

This report has comprehensively outlined the current Profile of an Income Protection customer by identifying key trends and gaps in the Income Protection market.

iptf

It highlights that woman, adults over 45, and non-homeowners remain underserved.

Over the last seven years, interest in IP has grown significantly among Millennials and Gen Z, probably driven by economic uncertainties and greater financial awareness.

Looking ahead, the report forecasts positive continued growth over the next seven years, provided the industry adapts to the changing needs of today's customer.

Key areas for improvement include flexible coverage options tailored for part-time workers, those with variable incomes and housepersons.

The report also suggests that future IP offerings should focus on plans that incorporate preventative health services, mental health support, and straightforward communication. These changes could make IP more accessible and appealing to a wider range of customers and align with Consumer Duty requirements.

Jo Miller
Managing Director | IPTF

Income protection has been undersold for decades and although recent trends show a change in fortunes for the product since the pandemic, we will only sustain this growth by using clear relevant insights to ensure that our products are fit for purpose and serving all sectors of the market.

The profile of an IP customer report has provided valuable information to the market showing who are customers are, and crucially who we are not engaging with and the potential reasons why.

As the saying goes, knowledge is power, and this report is an invaluable tool that we hope will be embraced by the industry and used to drive further growth in the income protection market. An upturn in Income Protection sales in not enough – we must seek out the opportunities to help build a more financially resilient population.

iptf

Our commitment to providing deeper insights into consumer purchasing behaviors enables us to explore innovative strategies that not only encourage broader participation but also ensure individuals receive the right support and solutions.

We have found the analysis from our Income Protection data fascinating. It has helped provide a powerful and deep insight into purchasing behaviours that should help the market further evolve and adapt.

While income protection awareness and sales have grown, specifically for GenZ and Millennials how do we ensure that this growth continues and widens to include underserved consumers.

Jacqui Durbin
Global Head of Product | Sourcing

To continue to play our part Iress are committed to the ongoing provision of rich data insights to raise awareness and stimulate insightful conversations and positive change. We will also use this insight to adapt and enhance our technology to meet the changing needs of the market.

By adapting our technology to meet the changing needs of the market, we aim to facilitate growth and help build a more financially resilient population.

Jacqui Durbin
Global Head of Product | Sourcing

Did the data surprise you?

Vicky Churcher
Executive Director | IPTF

As we look to the future, what additional insights would you find most valuable in identifying opportunities for growth in income protection?

What do you see as the biggest barrier to wider adoption of income protection, and how might the industry address this?

How do we ensure that this growth continues and widens to include underserved consumers?

LinkedIn -
https://www.linkedin.com/company/the-iptf

Email -
info@iptf.co.uk

LinkedIn -
https://www.linkedin.com/showcase/life-pensions-mortgages

Email -
sourcing@iress.com

#keeptheconversationgoing #LetsTalkIP

We would like to extend our heartfelt gratitude to all individuals and organisations who contributed to this report

Alan Waddington
Distribution Director | Cirencester Friendly

Dylan Smith
Director | Mortgage & Protection Surgery

Mike Farrell
Director of Protection Sales & Marketing | LV=

Steve Casey
Marketing Director | Square Health

Andy Philo
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Ian Sawyer
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Director of distribution | Zurich

Chris Blyth
Founder | Project365

Matt Chapman
The Protection Coach

Nicola Huxley
Director | Sphere Financial Services

David Mead
Director | Future Proof

Michelle Grant
Senior adviser and protection specialist | Lifesearch

Rose St Louis
Protection director | Lloyds Banking Group

#keeptheconversationgoing #LetsTalkIP

Thank you

If you have any questions or would like to explore other data insight opportunities with Iress please contact your Account Manager or email us at sourcing@iress.com

In collaboration with iptf