

UK Distribution Insights Programmes

Retail Life Protection 2024/2025

► Prepared for Participating Advisers

April 2025



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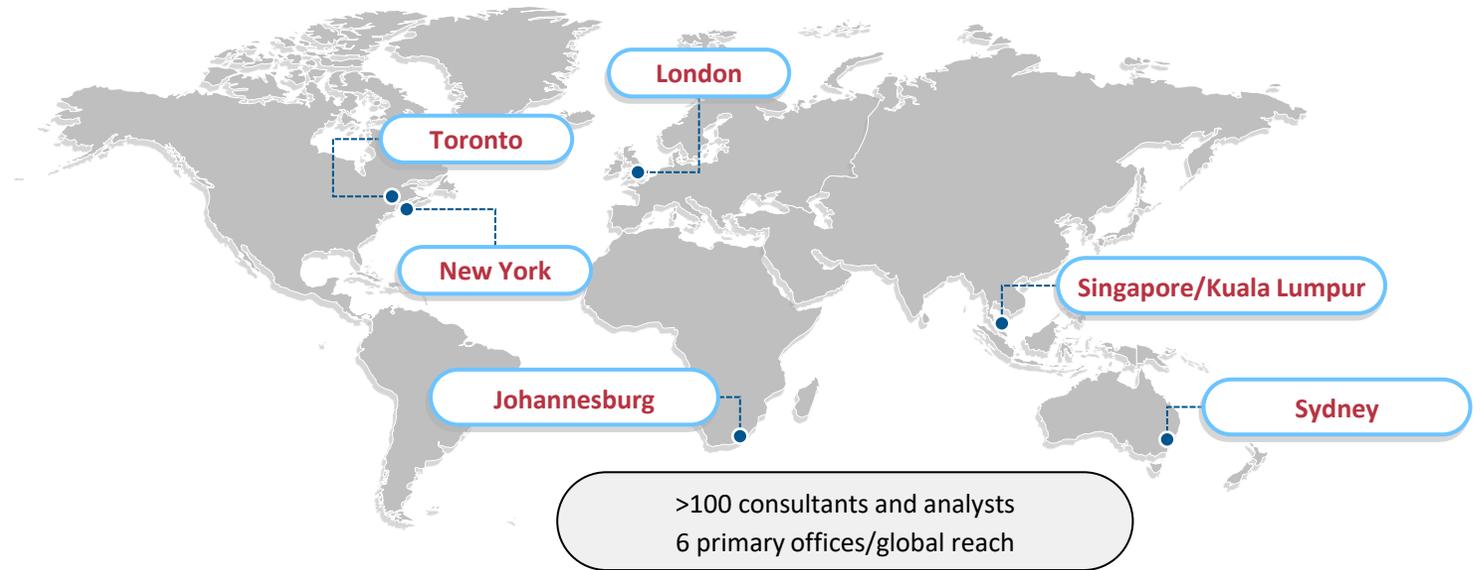


About NMG



NMG is a leading specialist multinational consultancy focused purely on the insurance, reinsurance and investments industries

- **Consulting**
Strategy consulting, re-structuring and M&A
- **Insights**
Consumer, intermediary and institutional research
- **Analytics**
Data aggregation & benchmarking studies



About NMG Consulting

- ▶ Founded in 1992, focusing on the insurance and reinsurance sector in Asia; since then, NMG Consulting has expanded internationally with a focus on the largest developed economies
- ▶ We are multinational (our senior people cover multiple geographies); specialist (deep industry and sector specialisation); and commercial (integrating technical, operational & execution skillsets and experience to deliver client value)
- ▶ We have pioneered a ‘vertically integrated’ business model in which Consulting leverages the proprietary information resources developed by our *Insights and Analytics* units
- ▶ Where traditional consulting models rely on ‘resource leverage’, our model is based on ‘information advantage’ driving shorter timelines and higher confidence client outcomes

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This report presents the findings from one of NMG's insights programmes...

UK Life Retail Protection 2024/2025

 17th Annual Cycle The Retail Life Protection Study is a well-established annual study	 'Outside-in' Independent market representative	 Comprehensive Insight Topical issues, demand drivers, benchmarking & performance
 Sept to Dec 2024 Feedback collection period	 ~300 Interviews 65% Face-to-face/ 35% Online	 Adviser Perspectives Leading UK intermediaries

About the Insights Report

- Providers** utilise the programme as a consulting tool to drive strategy and business capability, and to track changes in competitive positioning and demand
- Advisers and consultants**, our research partners, gain a collective voice (on industry topics and the quality of provider propositions) and can realise the benefits of an objective feedback loop between industry stakeholders

Adviser Segmentation

NMG has defined the protection market in the following 5 segments based on their underlying proposition and client focus. NMG's respondent sample has coverage across each segment

	Risk-focused advisers – approx. 75-80% new business			IFA heartland – approx. 15-20% new business	
Advice	Mortgage Specialists (MS) Life insurance advisers within mortgage advice firms, focusing on cross-sell to mortgage customers	Streamlined Specialists (SS) Remote online/phone-based fulfilment of online leads via advised and non-advised customer journeys	Risk Specialists (RS) Life insurance advisers that either specialise in small, standard cases ('Mass Market') or higher-value complex cases ('Complex')	General Practitioners (GP) One-off advice in response to need pre-identified by customer, across pensions and life insurance	Wealth-focused Advisers (W) Retirement focused advice, including pension transfers, income planning, tax planning & intergenerational planning
Average case size (APE)	Medium	Low	Medium to High	High	High
Average no of cases	Medium	Very high	Low to Medium	Low	Very low
% non-term (APE)	Low	Low	Medium to High	Medium	Medium

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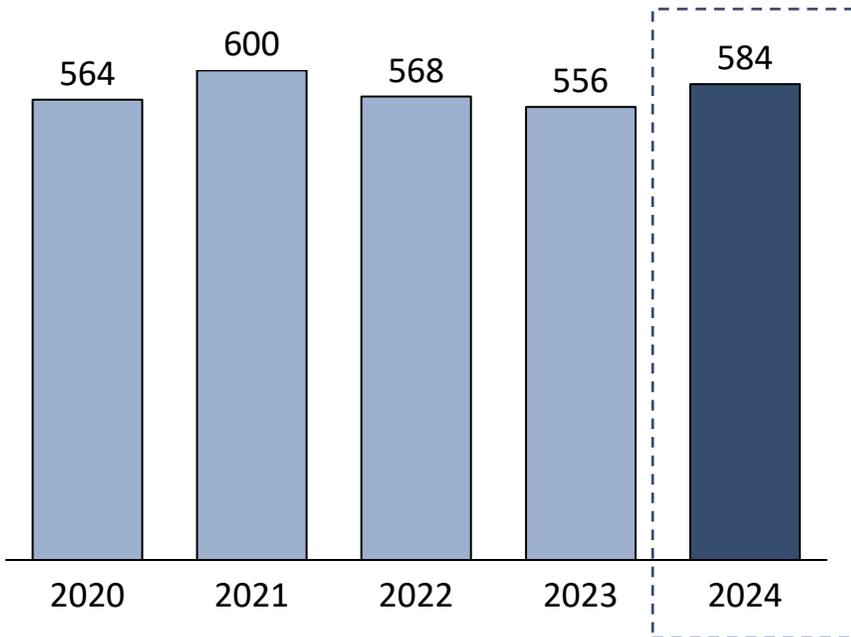
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Historical Market Landscape

New business levels grow from 2023 levels, yet remain below 2021 peak

Contestable Intermediated Market New Business Premiums 2020-2024 (£m APE)



Consumer Duty

- May drive increased focus on protection amongst high potential GP/Wealth Specialists, particularly network ARs
- Likely to increase frequency of protection review process amongst Mortgage and Risk Specialists (potential for increased switching)

Mortgage Market

- Downturn in mortgage sales over 2023 matched by reduced placement of term
- Improvement in new mortgage sales in 2024 led to uptick in protection growth
- Expect continued growth in new mortgages to support future growth in life insurance

FCA Protection Market Review

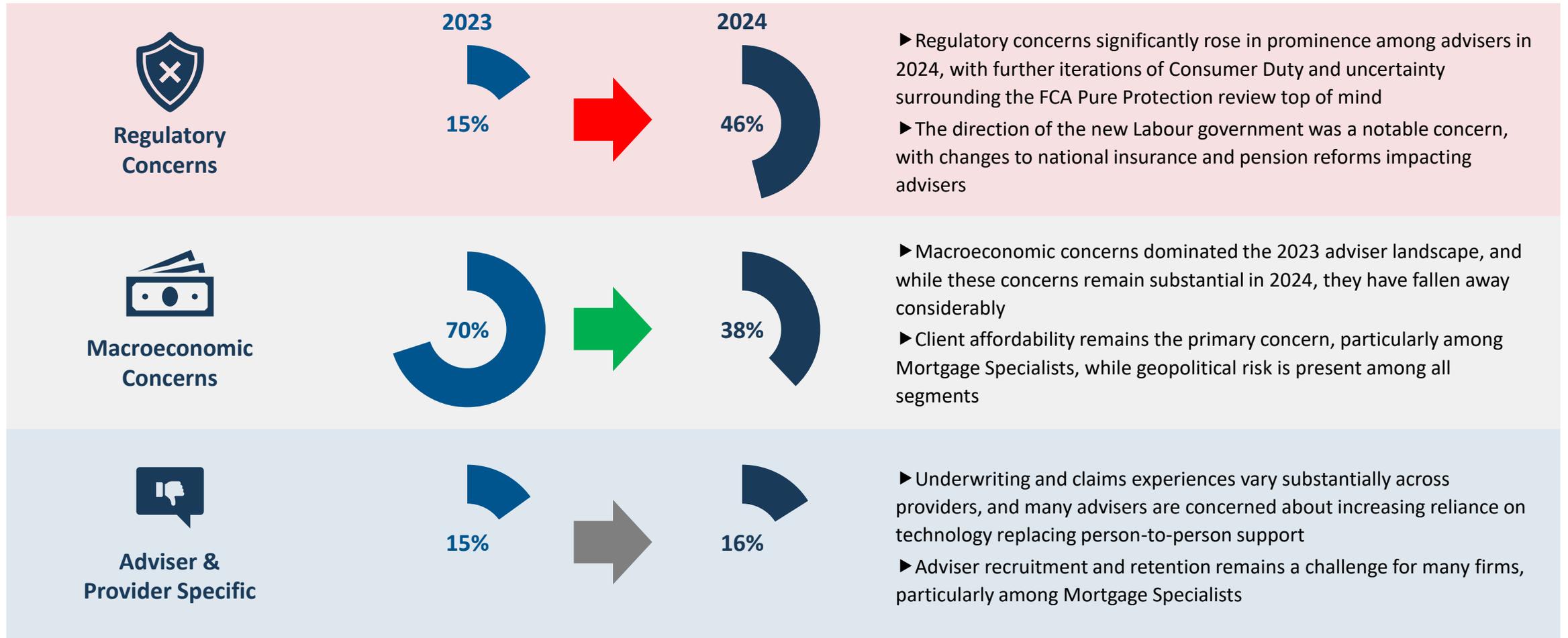
- Awareness amongst specialists and head-offices, but many underlying advisers unfamiliar with announcement
- Positives include:
 - Better overall outcomes for clients
 - Improving provider offerings
 - Broadening provider competition
- Primary concern is the extent to which commission will be under the spotlight

Lead Generation

- Increasing challenges in the cost and quality of leads has resulted in many looking to grow/diversify lead sources:
 - Streamlined: increasing partnerships with networks, GI brokers & alternative channels
 - Traditional IFAs: arranging write or referral processes with Risk Specialists
 - Mortgage Specialists: improving internal referral processes to new mortgage clients

Current Fears

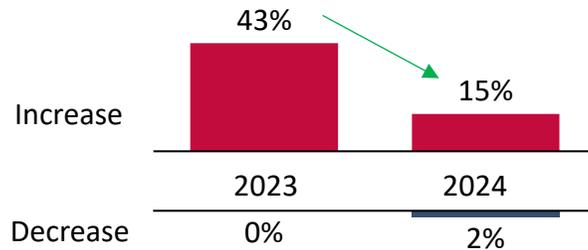
Macroeconomic fears give way to concerns over continued regulatory burden, driven by ongoing Consumer Duty challenges, regulatory intervention and uncertainty over new government direction. Client affordability remains a challenge, but significantly less so than in 2023



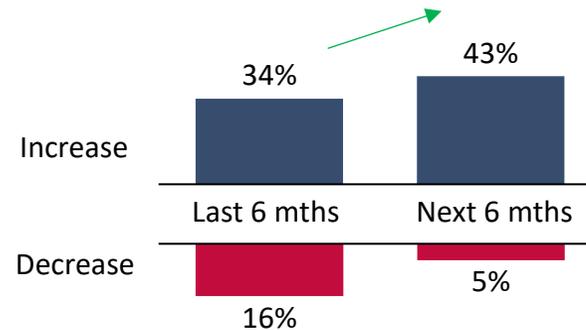
Implications of Business Environment

While macroeconomic worries remain a broad market concern, macroeconomic-related indicators show signs of improvements into 2024, with falling lapse inquiries and growing lead generation opportunities

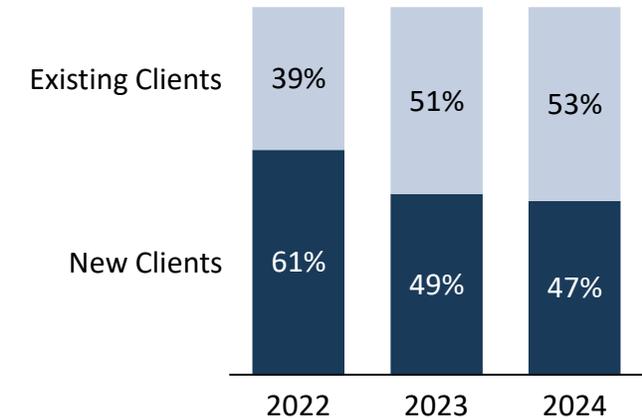
**Customer lapse enquiries
(2023 vs 2024)**



**Lead generation
(past 6 months vs next 6 months)**



New protection sales breakdown



Overall lapse positioning is improving across most areas of the market, however there remain pockets of the market where lapses remain a challenge.

“Cost of living has eased somewhat, but clients still often fail to see the value in protection. Some reprioritising spending towards travel, need to constantly communicate protection value proposition” RS

Advisers have begun to reprioritise lead generation to increase new business volumes as macroeconomic concerns ease, with risk-focused segments experiencing the greatest opportunities for recovery following challenges in 2023.

“We have been focused on building referral agreements with insurers, and building other partnerships” SS

Risk-focused advisers are balancing opportunities between existing and new customers, compared with traditional IFAs who are becoming more reliant on identifying opportunities among their incumbent client bases. While the protection cross-sell opportunity remains prominent among traditional IFAs, there is likely a natural volume ceiling unless there is a refocus on growing client numbers.

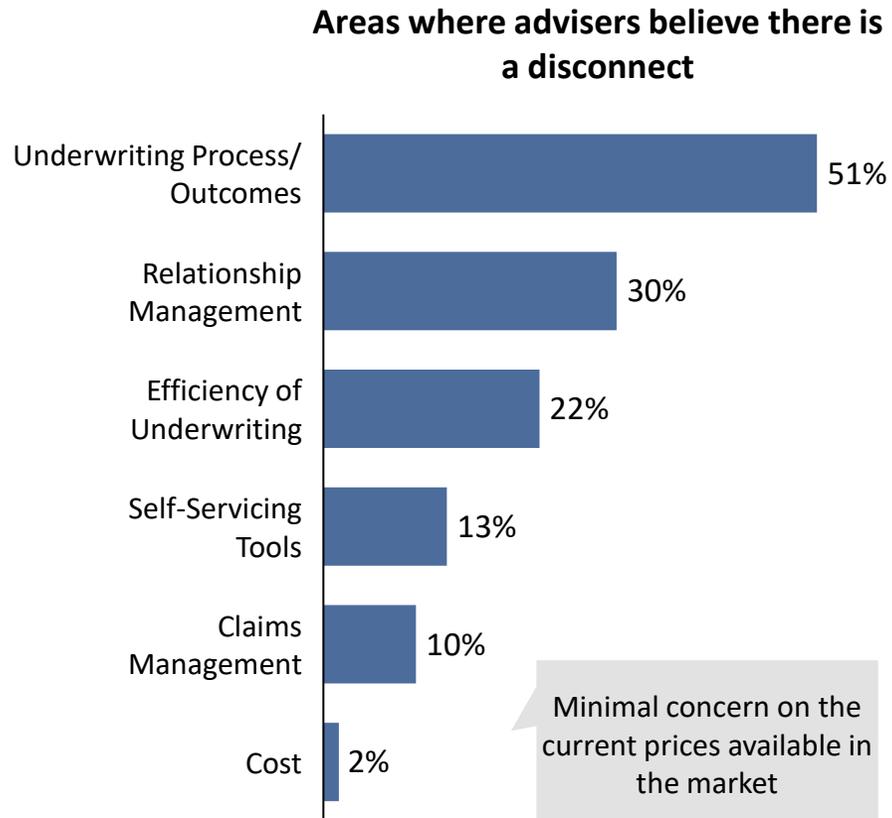
Q31: Have you seen any change in the number of existing clients enquiring about lapsing their protection policies in the last 6 months or so?

Qxvii: Have you seen any change to the number of leads you have had incoming in the last 6 months or so? Do you expect to see any change to the number of leads you have incoming over the next 6 months or so?

Qxi: What proportion of your new protection sales come via the following roots to market? Do you see this split changing over the next 12-24 months?

Disconnect Between Advisers And Providers

Advisers see underwriting as a major area of disconnect, with both underwriting processes and turnaround speed being cited by many



Underwriting Process/Outcomes

- “No real explanation is given to reasons behind their underwriting decision unless we ask and then it can take a while before a response is made”
- “Medical underwriting, where should we place the cases where there are particular medical issues”

Relationship management

- “Simply no effort to make contact compared to years ago”
- “An easy to speak to (direct number) broker consultant would make a big difference”

Efficiency of Underwriting

- “Underwriting times can be lengthy and insurers don’t understand the need to turnaround business quickly”

Self-Servicing Tools

- “Need more self-service tools that are easy to use. They can be complicated and repetitive”
- “They could make the online application process more intuitive”

Claims Management

- “Claims process - providers don't see a delay as a problem”

Cost

- “Most clients tend to go for cheapest option - need to build a relationship with advisers”

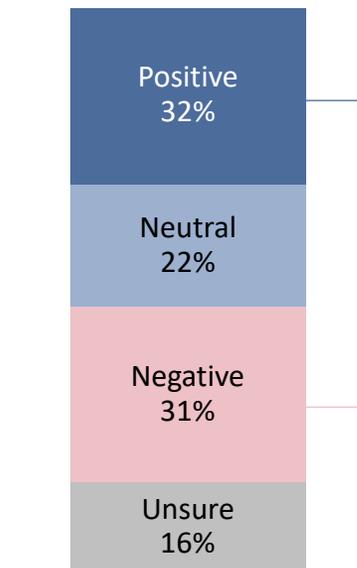
FCA Review – Adviser Perceptions

Following the deployment of Consumer Duty in 2023, advisers are cautious at the impact that further regulation could have on their workloads. Many advisers though are confident that a review could crack down on unscrupulous adviser practices and boost public perceptions of protection

Impact of FCA review on advisers

46%

Of advisers were aware of the recent FCA announcement on the upcoming review into pure protection products



Mixed outlook from advisers



- **Will help combat overpriced policies:**

“Always positive - protection is an area that advisers and clients neglect. Some policies are oversold so the standards will increase with this review”



- **Increased professionalism:**

“The review will bring more professionalism to the protection market, hopefully good value will be identified with good and poor practices communicated”



- **Long term consumers better off:**

“I am hoping it will have a positive impact. I think the review is a good thing, and can only help consumers in the long term by helping to streamline processes”



- **Changes to commission structures:**

“Will likely be a negative impact, business volumes will reduce if commission percentages are cut”



- **Questionable timing:**

“Negative as no need to fix what isn’t broken”



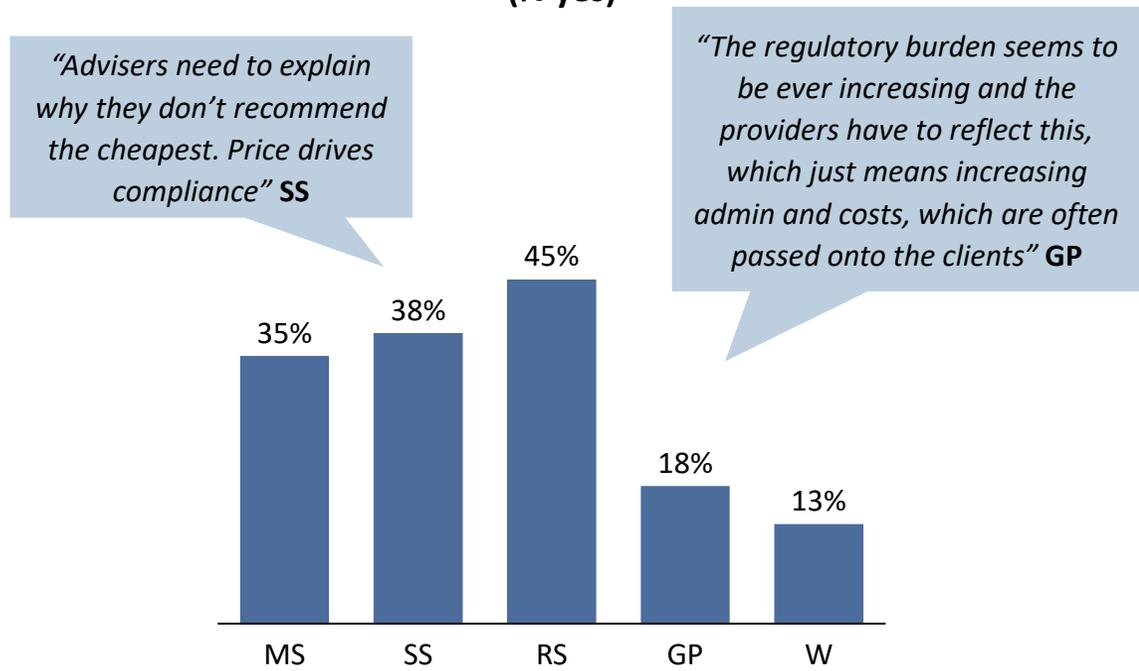
- **Lengthy process:**

“Anything from the FCA reviews in my experience takes ages and it's solutions are always neutral or in some cases poor, e.g. RDR removed commission and ignored the fact that less affluent clients were effectively completely cut out of financial advice completely”

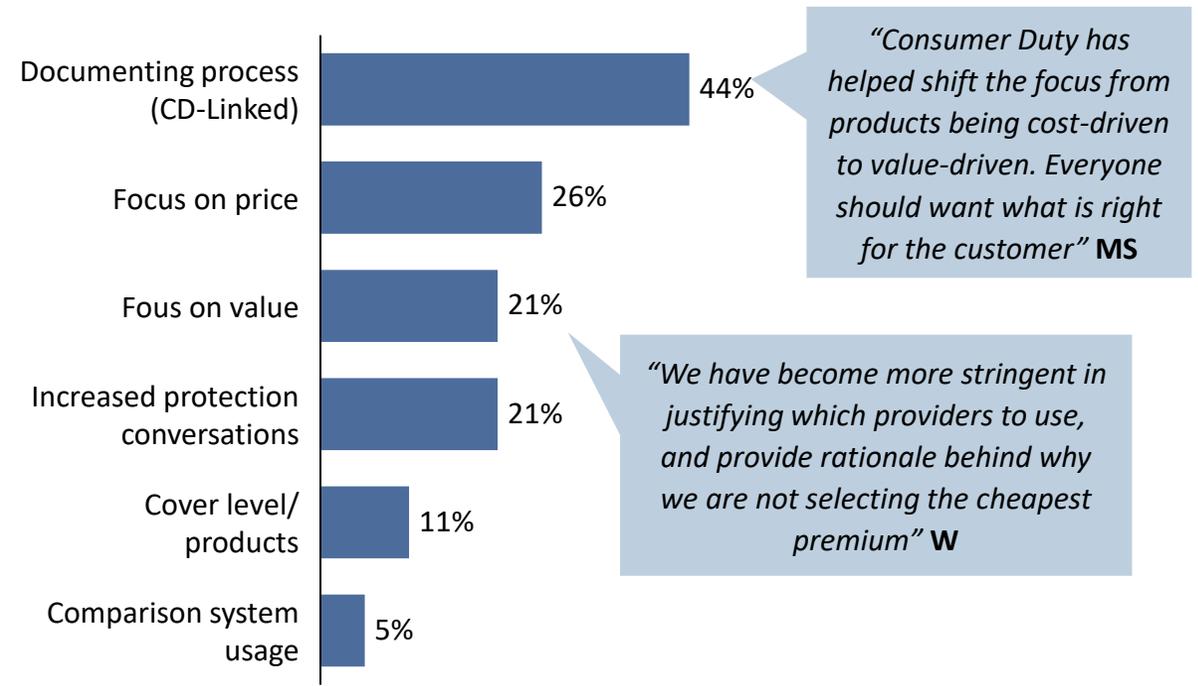
Increasing Importance of Compliance

Consumer Duty obligations increasingly further the importance of compliance in product and provider selection, with risk focused segments particularly seeing growth in the importance of compliance

Compliance increasingly influencing product/provider recommendations (% yes)

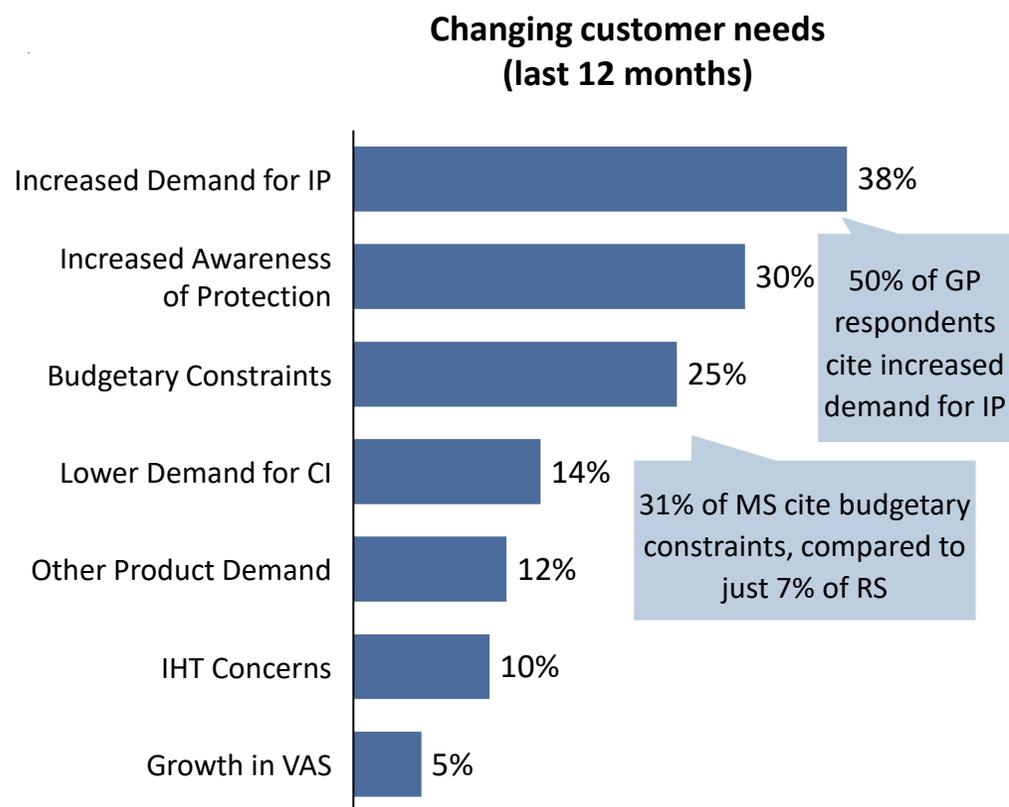


Outcomes of increasing influence of compliance



Wealth advisers more focused on price, General Practitioners and Risk Specialists on value, Mortgage Specialists increasing protection conversations, Streamlined on documentation (and price).

Income protection demand increases, potentially to the detriment of critical illness, as clients reprioritise protection spending. Price continues to play a core role, particularly amongst the Mortgage Specialist segment where interest rates remain high



Increased Demand for IP

- “Biggest change is appetite for IP and understanding of it. This has stemmed from advisers being more educated. Historically people have been afraid of IP due to a lack of education but now people are more comfortable talking about it” **SS**
- “Income protection is still a big focus, there’s been more people becoming self-employed” **SS**

Lower Demand for CI

- “Budgets been tight due to crunch on mortgage rates. Shift to IP over critical illness.” **GP**

Increased Awareness of Protection

- “More clients are more receptive towards income protection. Younger clients are more receptive to protection in general” **MS**
- “More people looking to protect their income” **MS**

Other Product Demand

- “More focus on WOL and relevant life planning” **RS**

IHT Concerns

- “Since changing government - lots of talk about inheritance tax and non-dom status” **W**

Budgetary Constraints

- “Customer more focused on budget - It's affected what they do to an extent” **MS**
- “Harder to sell to them because of increasing cost of mortgages” **MS**

Growth in VAS

- “I think since COVID things like 24/7 GPs have become super important due to increased GP waiting times” **W**

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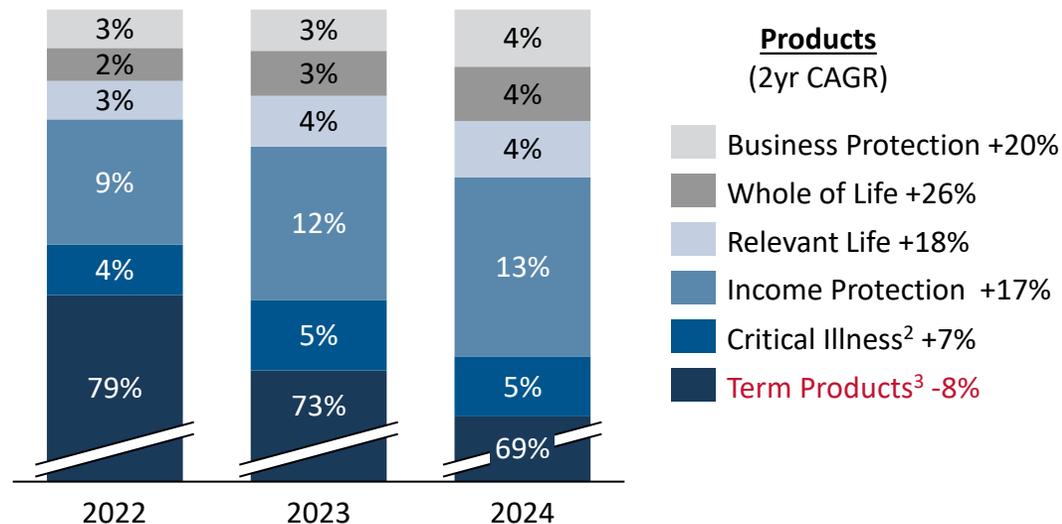
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Product Growth & Outlook

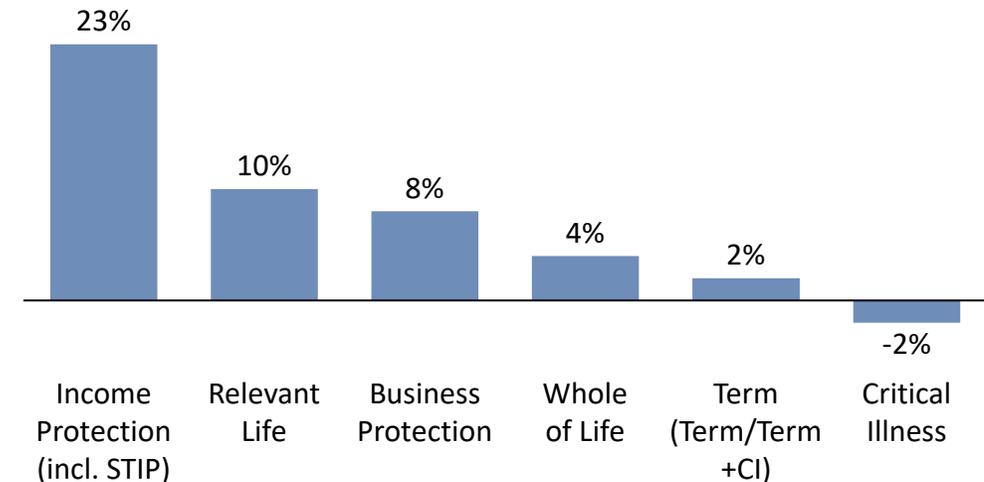
Term-linked products continue to represent the majority of the protection market, however product market-share continues to fall in favour of income protection, whole of life, and business protection

New Business Breakdown (2022-24)¹:



Term-linked products continue to dominate the overall protection market, however their **relative share continues to decline**, particularly as **income protection sales expand**. Whole of life experiences the strongest 2-year growth, particularly as an IHT vehicle, with business protection experiencing the second highest growth rate

Adviser Future Expectations (Net):



Income protection remains the leading protection growth product within the market, far surpassing all other product categories. **Term-linked product growth expectations are modest**, however positive net growth indicates market stabilisation following 2 years of overall declines

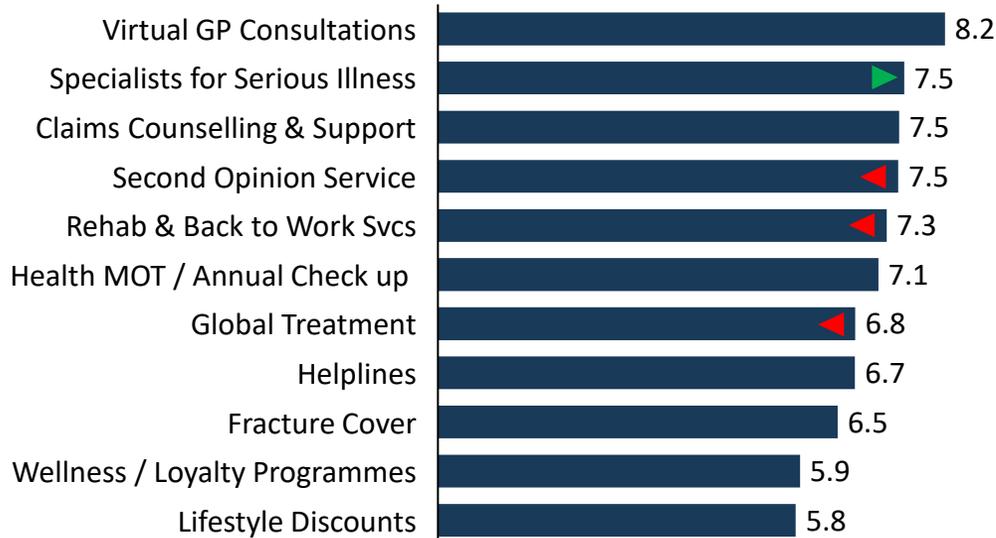
Q8: What are your future expectations for each product over the next 12 months?

Note 1: Figures are based on NMG's Risk Distribution Monitor. Note 2: Critical Illness where sold as a standalone (non-accelerated) product. Note 3: 'Term products' comprise term, term + critical illness riders, decreasing term and decreasing term + critical illness rider

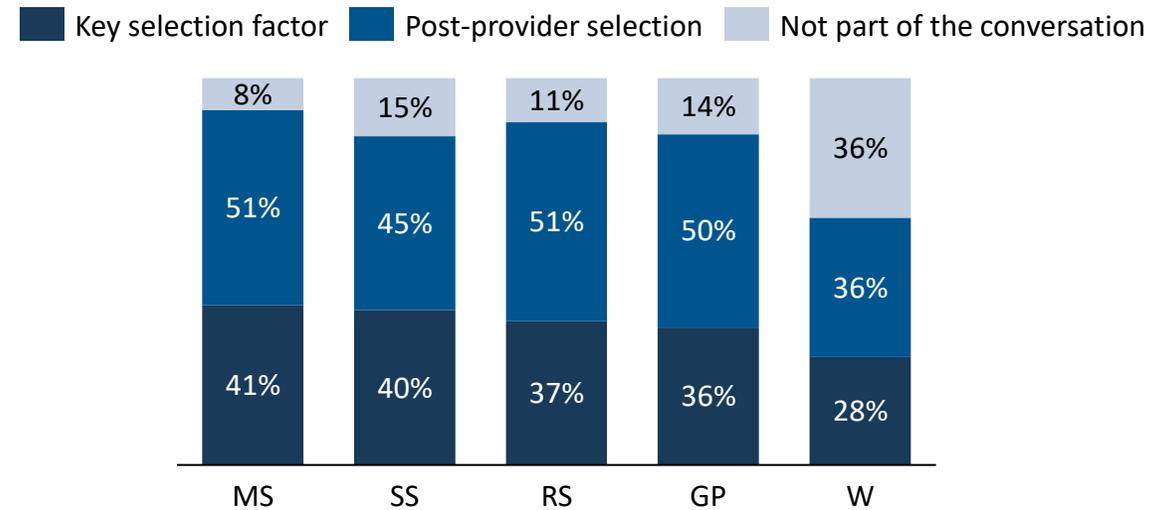
Value-Added Services

Virtual GP consultations remain the stand-out VAS in the market, but are increasingly being considered a hygiene in policies. With increased pressure on NHS services, solutions that provide access to specialists have noticeably increased in importance year-on-year

Importance of Value-Added Services (/10):



When are VAS Introduced to the Protection Sale Process:



VAS are increasingly becoming homogenised across providers, with certain services now expected as **standard within offerings**. With ongoing pressure on public health services **Virtual GP consultations** remain the highest rated service, however the proportion of advisers willing to pay a price premium falls to 28% from 36% in 2023, indicating that such services are increasingly being seen as a hygiene factor.

“Advice is based on quality of the product that reflects the clients needs. Only discuss VAS when there are two good options to choose from” SS

“Select a shortlist of providers and then talk about VAS to help distinguish” SS

“For products such as life cover, VAS act as a real differentiator. Otherwise, we only want the best possible option for a clients budget” GP

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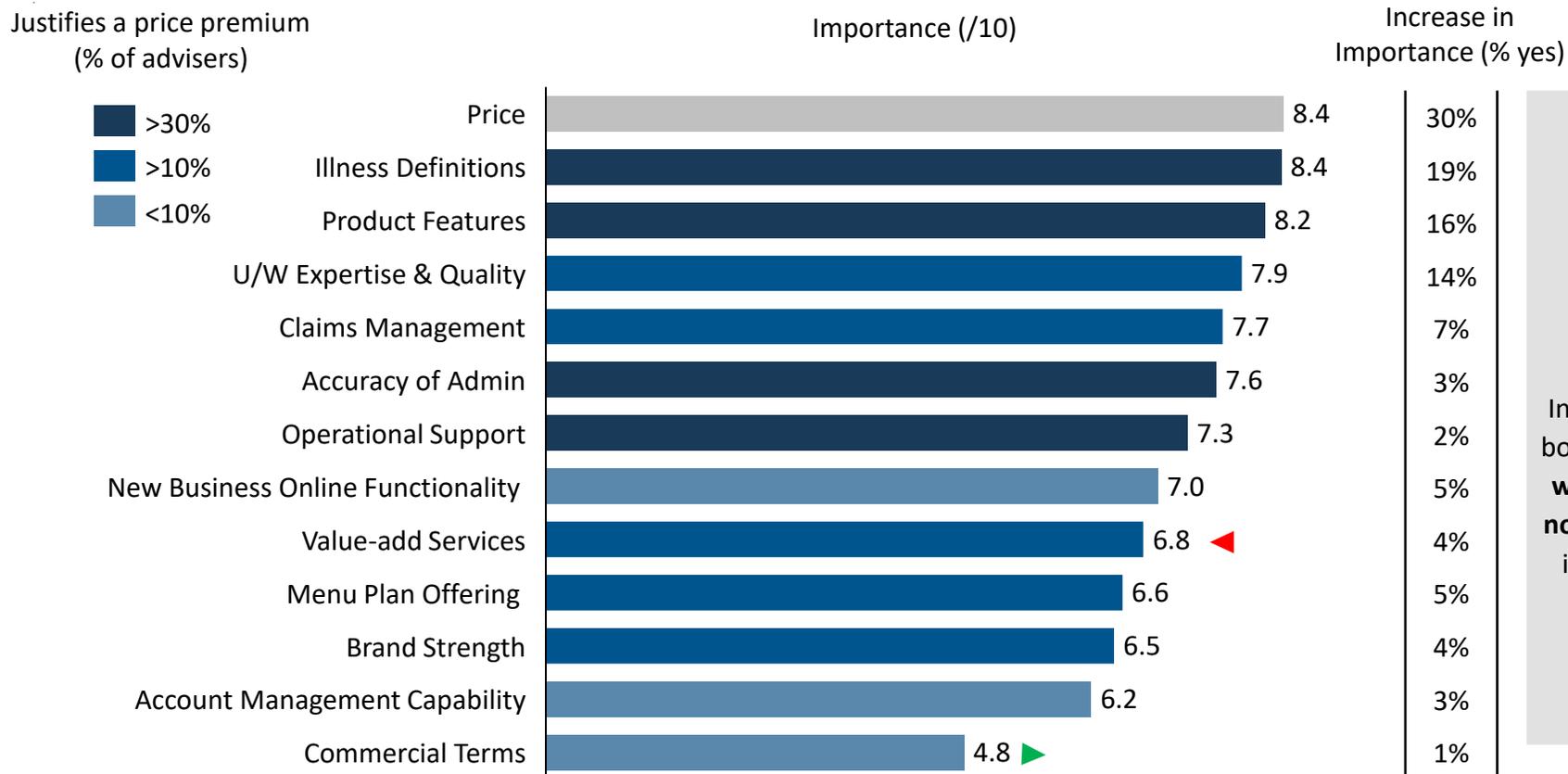
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Key Success Factors for Provider Selections

Regulatory pressure is underlining price as an increasingly important selection factor, however the need to determine product suitability and client best outcomes means product features are equally considered

Adviser Cited Success Factors:

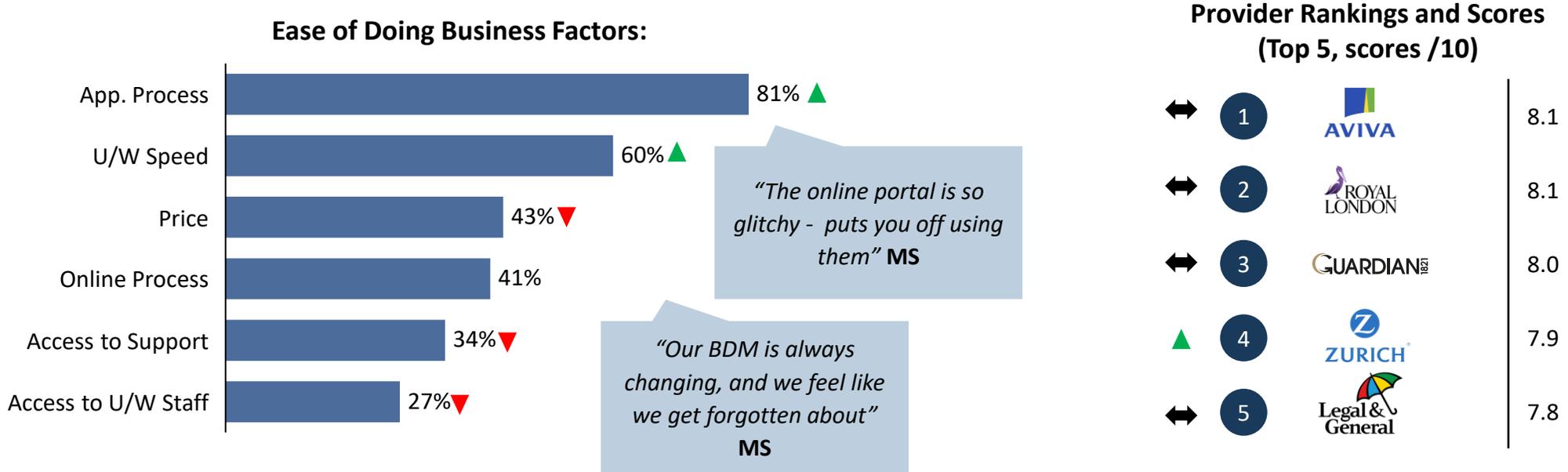


While **price remains the leading selection factor**, propositional element (illness definitions and product features) are seen by many as deserving of price premiums.

Interestingly, accuracy of admin and operational support, both **adviser-orientated factors**, are also seen by many as **worthy of paying price premiums, despite these factors not directly providing value to clients**. As Consumer Duty increases the amount of time advisers are spending on each client engagement, factors facilitating ease of business are increasingly valued by advisers.

Ease of Doing Business

Adviser’s definition of ‘Ease of Doing Business’ remains driven by the speed & simplicity of getting business on risk. Price also important amongst certain segments. Aviva continues to lead the market, Royal London 2nd, Zurich make impressive improvements



The application process remains the most important factor when defining ‘Ease of doing business’, increasing in citations year-on-year. Underwriting speed remains in 2nd place with Price rising to 3rd, driven by increased citations from Wealth and General Practitioner firms. Efficient online processes, support from BDMs, and access to underwriting staff are also important, allowing advisers to focus more on servicing their clients without delays from providers.

Aviva maintains their market-leading position with Royal London a close 2nd. The most notable movement was the decline of AIG from 4th to 6th (following their exit from the market) while Zurich made strong improvements to move into 4th. L&G maintain 5th position and make good year-on-year improvements.

Q19a: Overall, what does ‘Ease of doing Business’ mean to you?
 Q19b: How would you rate each provider in terms of ease of doing business with them?

Defining the Business Capability Index:

The NMG Business Capability Index is a single composite score that compares provider effectiveness by aggregating adviser feedback across key capability areas, including:



- Operational Management



- Product & Proposition



- Underwriting & Claims



- Technology



- Relationship Management

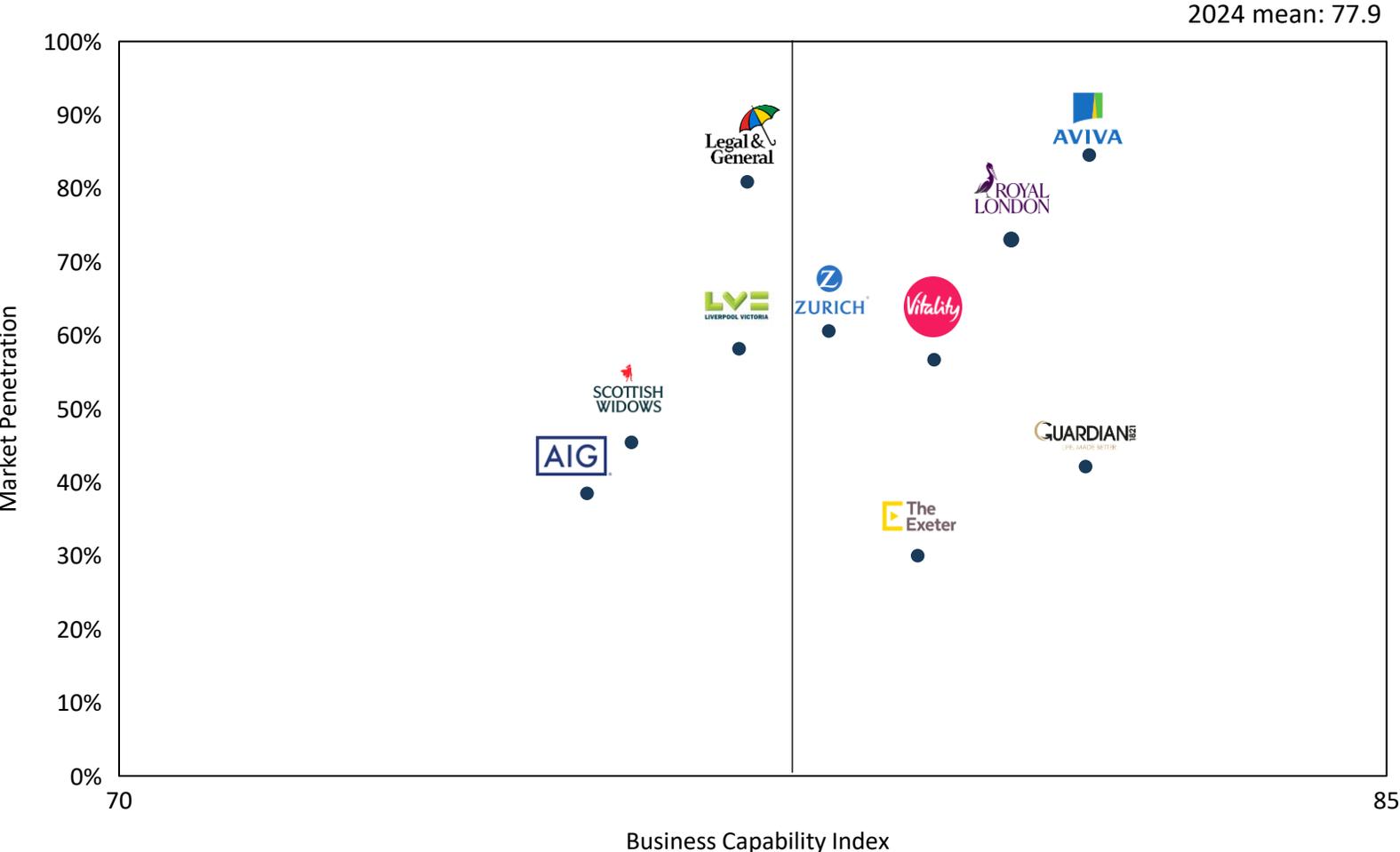
These scores are then weighted by the value placed on each factor by individual advisers, to provide an overall score that reflects what advisers feel makes up provider performance

The NMG BCI thus provides an assessment of which providers are delivering the best product and service proposition to end customer, and consequently which providers are trending up or down as they look to strengthen their market penetration and share of wallet attained with advisers and market position over the next 12-24 months

Business Capability Index (BCI)



Aviva continues to lead in BCI, with Guardian rising to 2nd & Royal London 3rd. Exeter make notable improvements at 4th



Aviva maintains its market-leading position with consistent capability scores in all key areas

Guardian improves both BCI score and market footprint to enter 2nd position, marginally overtaking Royal London.

Royal London experiences strong growth in footprint with marginal gains in capability (consistent in all areas)

Vitality reverses decline in BCI in 2023 to return to 4th, **Exeter** makes similar BCI improvements

Zurich and **LV** switch mid-market positioning following propositional improvements at Zurich, LV a work in progress

L&G maintains 2023 positioning, with 2nd largest market penetration, while BCI scores sit in the middle of the market.

Perceptions of **Scottish Widows** were mixed, likely impacted by timing of fieldwork – later interviews praising their new proposition and promising expectations

NMG's Project Team Experience



NMG Consulting is a leading multinational insurance and wealth management consultancy, integrating consulting, evidence and analytics. We provide strategy consulting, as well as actuarial and insights services to financial institutions including banks, insurers, reinsurers and fund managers

NMG's evidence-based consulting programmes carry out interviews with industry leading experts, top clients and intermediaries as a basis to analyse industry trends, competitive positioning and capabilities. Established programmes exist in wealth management, life insurance and reinsurance across North America, the UK and Continental Europe, Asia-Pacific, South Africa and the Middle East. Our insights are refreshed annually



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