Term & Health Watch 2024

Contents

Introduction

Welcome to Term & Health Watch 2024, Swiss Re's analysis of new individual long-term life and health protection sales in the UK. In this Report, we present the results for individual mortality, critical illness, and income protection sales in 2023.

2023 proved to be another challenging year for the UK. If 2022 was characterised by rocketing inflation and political uncertainty, 2023 could be remembered for high interest rates and continued pressure on households via increases to mortgages and rents as well as high cost-of-living.

Despite falls to headline inflation throughout the year, prices for goods and services continued to rise compared with 2022.

The year began with headline Consumer Price Index (CPI) firmly in double digits (**10.4**% in February 2023[1]). This levelled off to **3.9**% by the end of the year amid the unwinding of global supply shocks, particularly in energy and food.

Average Weekly Earnings (AWE) peaked at **9.3**% year on year (YoY) in June, before slowing into year-end across public and private sectors amid slowing economic activity.

Interest rates were raised to **5.25**% by August 2023, held steady until April 2024, compared to **3.50**% at the start of the year. Many households saw increases to their mortgage payments or prospective buyers found that mortgage rates were simply now unaffordable.[2]

[1] Consumer price inflation, UK – Office for National Statistics
[2] Household Finance Review 2023 Q4.pdf (ukfinance.org.uk)

The Financial Conduct Authority (FCA) Financial Lives cost of living survey in April 2024 reported that one in nine UK adults has **no disposable income** and more than one in four is either **not coping or finding it difficult to cope financially**.[3] It found that 22% reduced or cancelled insurance cover (across general insurance and protection) in 12 months to January 2024, to save money or because they could not afford the premiums.

The report will delve into the economic context in greater detail. A notable addition is detailed contributions on the macroeconomic environment from Diana Van der Watt, an Economist at the Swiss Re Institute in Zurich.

Many thanks go to the providers which contribute the data to this report each year.

It is no surprise that these wider factors had an impact on the long-term protection market. Overall sales fell in 2023, but the impact on new sales was not felt equally across all products.

- There was an overall drop in the number of new business sales, largely seen in drops to the Term Assurance and Critical Illness (CI) numbers.

- Income Protection (IP) sales continued to grow. In contrast with 2022, where we saw a drop in products sold to normal retirement age (or the policy's specified expiry date), 2023 showed growth, both here and with two-year limited payment term (LPT) products.

- After a steep decline in sales in 2022, the Guaranteed Acceptance Whole Life numbers saw moderate growth. Total sales have not recovered to 2022 levels, but it is a positive step.

- Underwritten Whole Life sales continue to grow at a steady pace, similar to the last four years.

Market changes

Consolidation remained a hot topic throughout 2023 and into this year. As we specified in last year's Report, two providers, Aegon and Canada Life, withdrew from the UK retail protection market. Consequently, these providers are not included in the 2024 Report.

Each year, we are grateful to the 22 providers which submitted a response for Term & Health Watch. This provides the basis for the analysis throughout the Report.

Guest Contributors

Once again, we are grateful to iPipeline for their contribution to our Report by sharing analysis and data. In 2023, it's estimated that 50% of the advised intermediary protection market was processed through their portals, SolutionBuilder & Assureweb – from over 30,000 users.

In addition to iPipeline's commentary which follows here, it has contributed valuable content to the product chapters.

[3] financial-lives-cost-of-living-jan-2024-recontact-survey-findings.pdf (fca.org.uk)

Key themes in 2023

Guest contribution

Protection 2023:
Same, same. But different.

Charlie Dellar
Data Scientist, iPipeline

Same, same. Two words that simply couldn't be applied to either the protection market, or indeed, the world during the past five years.

The first truly global pandemic, the inception of the war in Ukraine and the longest sustained contraction of living standards as a result of super-inflation (can inflation ever be 'super'?) as a result of the cost-of-living crisis, meant change on a, perhaps, unprecedented scale.

Whilst 2022 saw the beginnings of a return to normality (new or otherwise) we approached the complete data and analysis for 2023 with a new freshness and intrigue, forgetting the fact we watched many trends grow and develop through our InsureSight data platform, of course.

Overall summary

The overall iPipeline picture is one of an advised market which grew slightly when compared against 2022, with new policies created through iPipeline up 2%, across all product types.

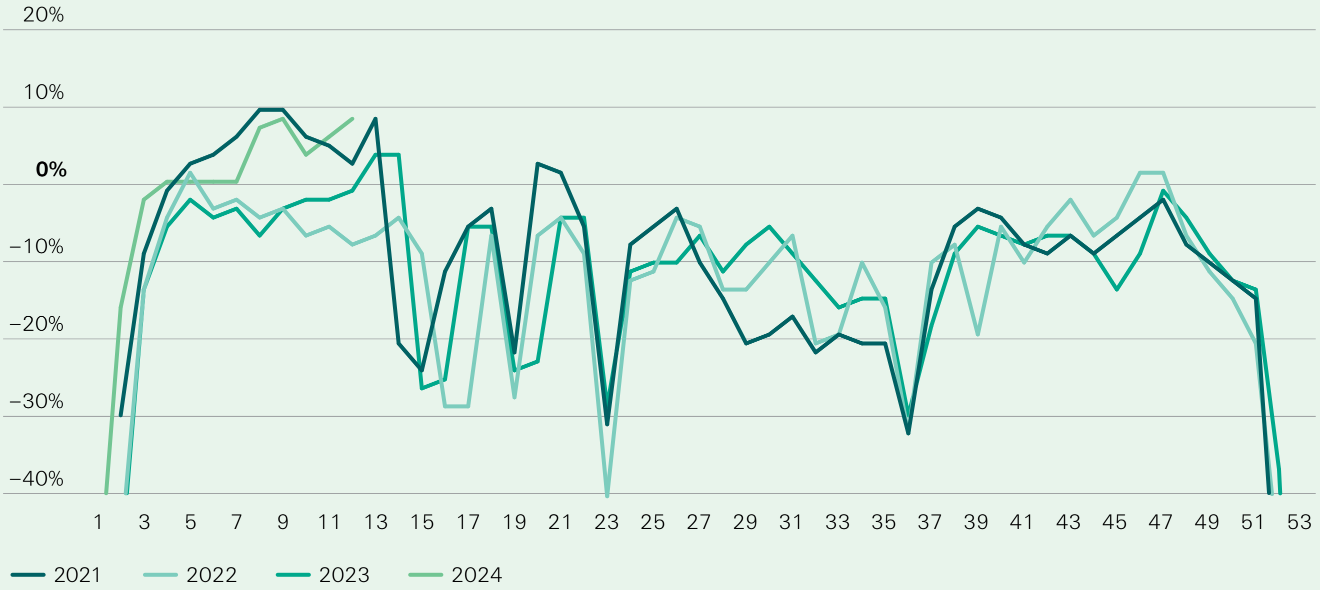
After the enforced strangeness experienced during COVID-19, where the market lost all sense of seasonality, 2023 sees a return to a form of normality. We witnessed the usual peaks in demand during March and November (although by coinciding with bonfires, these fireworks are perhaps shifting 'right'), with a predictable lull during the summer months and December.

Through 2023, despite a falling pricing index where premiums continued to decrease, albeit only marginally, in all product lines apart from Decreasing Critical Illness (+3.8%) we have continued to see an increased average premium value – climbing from £55.63 to £58.47 - a marked increase of 5%.

In terms of business mix, there will be many happy product owners across providers with healthy growth observed across many benefit types, with Income Protection, Whole Life, and Business Protection being significantly up, and multi-benefit growing steadily – the continuation of a trend we have reported in recent years.

But where there are winners, there are invariably losers. During 2023, the demand for Family Income Benefit continues to decline, with new polices through iPipeline falling by 3%, or 1% including those part of a multi-benefit policy.

iPipeline New Business Applications by Week – Benchmarked against February 2021
February 2024 +13% up YoY, almost levelling the mortgage-market-inflated 2021

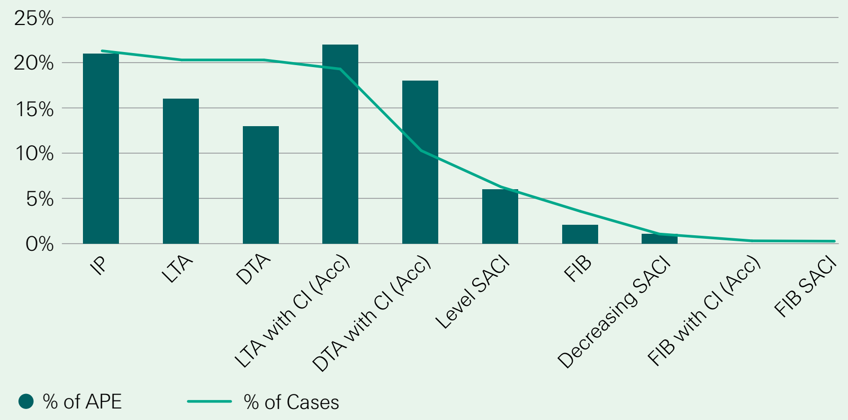


Growth | In focus. Multi-Benefit Plans

Within multi-benefit policies, the most common type of cover is Life, but when measured in terms of Annual Premium Equivalent, Accelerated Critical Illness takes the lead, with over 40% of value being assigned to this benefit.

The cover type with the biggest growth over 2023 was, no prizes for guessing, Income Protection which saw an increase of 18% of Annual Premium Equivalent. This is yet more proof of the renaissance of this historically under-appreciated cover, as detailed in a later chapter. In fact, we reported a record week for Income Protection in March. This growth followed, at least to some extent by stand-alone Critical Illness at +8%.

Multi-benefit Benefit Mix



Pick n' mix

During 2023, 882 different combinations of benefit 'basket' were applied for through iPipeline portals. Purely for the actuaries amongst you, that's still under 0.5% of the 184,745 possible benefit combinations through Solution Builder.

The top three combinations of cover type in a basket were:

1. Life + Accelerated Critical Illness
2. Life + Income Protection
3. Multiple | Life ONLY.

The following table displays data on the top five benefit combinations applied for through iPipeline, from market size, average premium, and premium composition, through to price sensitivity.

Top 5 Multi-benefit baskets	Proportion	APE Proportion	Average Policy Total (incl. multi-discount)	Average Discount	Average Premium per Benefit			% Apply to Cheapest 5
					IP	Life	CI	
Level Life + Level Acc CI	8.9%	6.1%	£49	−0.9%	–	£21	£28	28%
Income Protection + Decreasing Acc CI	7.4%	7.4%	£72	−0.8%	£28	–	£43	42%
Income Protection + Decreasing Life	6.3%	4.7%	£54	−0.9%	£35	£18	–	49%
2x Level Life	6.1%	4.7%	£55	−0.6%	–	£27	–	77%
2x Income Protection + Decreasing Life	4.0%	4.0%	£71	−1.2%	£25	£21	–	55%

iPipeline comment

"

As a protection purist, it's very promising to see the 'holy' trinity of covers being recommended second most often, with both Income Protection and Critical Illness including a healthy average benefit size. Comparing this to the next basket down is interesting: where a heavier degree of Income Protection cover is subsided by dropping Critical Illness. This begs two key questions. Are we seeing a change in the accepted protection pecking order? Will we have to continue to assess which cover types, consumers see as their number one priority?

Paul Yates
Strategy Director, iPipeline

Across the board and product scenarios, we can see how premium is juggled between the different benefit types, likely from budgetary pressure to keep within what seems an all-important £50 – £70 budget range.

Multi-discounts are small in most cases, typically reaching 1% and only when three benefits are selected. This is, perhaps, a likely reminder of providers' ever-squeezed margins, but, at this level, are they significant enough to sway clients away from a possibly cheaper multi-provider solution?

In terms of price-sensitivity, we can see that, as soon as Critical Illness is thrown into the mix, product selection becomes more quality-focused, with products amongst the top five cheapest being selected just 28% of the time. Adding in Income Protection brings this proportion back to 42 – 55%, but this may be related to the fewer providers now able to compete.

Though with several recent product innovations creating differentiated Life-only tiers, and the option for Life-only with Child cover, will we see this phenomenon start to affect Life-only comparisons too?

The market at a glance

In 2023, **1,997,450** new term assurance, whole life, critical illness, and income protection policies were sold, a decrease of 5.5% compared to 2022.

Product type by sales volume

−10.4%

New individual term assurance sales including accelerated critical illness

	2020	2021	2022	2023	% change 2022/2023
Total new sales	**1,587,829**	**1,698,252**	**1,598,809**	**1,433,089**	**−10.4**

New individual critical illness sales

	2020	2021	2022	2023	% change 2022/2023
Accelerated policy-term assurance	428,747	484,110	448,833	417,843	−6.9
Accelerated policy-whole life	9,513	3,122	4,992	4,059	−18.7
Stand-alone policy	83,173	94,426	95,602	109,959	+15.0
Total new sales	**521,433**	**581,658**	**549,427**	**531,861**	**−3.2**

+10.0%

Income protection

	2020	2021	2022	2023	% change 2022/2023
Total new sales	**162,515**	**176,965**	**180,547**	**198,566**	**+10.0**

Whole life assurance

	2020	2021	2022	2023	% change 2022/2023
Guaranteed acceptance	303,265	300,217	206,802	222,802	+7.7
Underwritten WL	20,481	23,795	27,807	28,975	+4.2

Top five product providers, measured by number of new term assurance sales, with and without CI, 2022 – 2023

2023 position	Product provider	Sales	2022 position
1	Legal & General	312,591	1
2	Aviva	239,918	2
3	AIG	193,855	3
4	Royal London	133,736	4
5	Zurich	102,966	–

Top five product providers measured by number of new CI sales, 2022 – 2023

2023 position	Product provider	Sales	2022 position
1	Aviva	112,606	2
2	Legal & General	84,524	1
3	AIG	71,524	3
4	Royal London	56,495	4
5	Vitality	52,577	5

Top five product providers measured by number of new income protection sales, 2022 – 2023

2023 position	Product provider	Sales	2022 position
1	Aviva	54,900	2
2	Legal & General	52,788	1
3	LV=	21,416	3
4	Royal London	15,780	4
5	Vitality	13,481	–

Top five product providers, measured by number of new guaranteed acceptance whole life sales, 2022 – 2023

2023 position	Product provider	Sales	2022 position
1	SunLife	130,559	1
2	AIG	39,813	3
3	Scottish Friendly	16,283	2
4	One Family	16,177	5
5	Legal & General	9,929	–

Top three product providers, measured by premium for new term sales, with and without CI, 2022 – 2023

2023 position	Product provider	2023 premium (£)	2022 position
1	Legal & General	116,737,446	1
2	Aviva	97,524,022	2
3	AIG Life	68,332,595	3

Top three product providers measured by premium for new income protection sales, 2022 – 2023

2023 position	Product provider	2022 premium (£)	2022 position
1	Legal & General	23,703,331	2
2	Aviva	20,932,788	1
3	LV=	11,593,063	3

Distribution by product line, % market share, 2023

2023	Directly-authorised	Tied	Bancassurance	Direct
Term	81.0	6.3	4.6	6.8
Critical illness	81.6	7.5	3.8	7.1
Income protection	87.8	11.2	0.5	0.5
Underwritten WL	72.9	16.1	1.3	8.7

The distribution is split as follows:

- Directly-authorised – where regulatory responsibility for product advice and sales lies with the distributor (this includes Independent Financial Advisers, limited panels and providers which are directly-authorised and arrange products on a non-advised basis).
- Tied – where the product provider has responsibility for the sales channel.
- Bancassurance – where a bank has responsibility for the sales channel.
- Direct – this includes internet, direct mail and telesales made direct by a product provider.

See the Distribution section for a further breakdown of business reported as directly-authorised.

2023 in more detail

The number of new term assurance only policies decreased by 11.7%

The number of new term assurances with critical illness insurance decreased by 10.4%

New term assurance sales with a CI benefit represent 28% of total new term sales

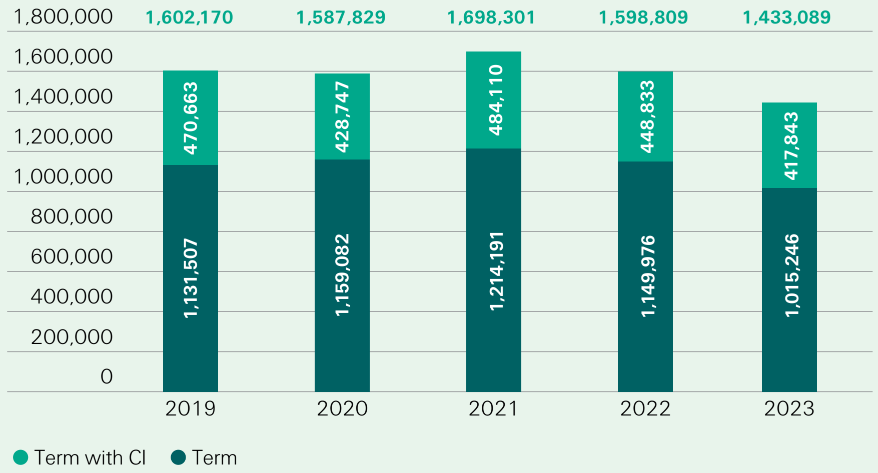
Term assurance and critical illness

−10.4%

As most new sales of policies including critical illness (CI) benefit are linked to term life assurance cover, both are combined within a single section.

Total new term assurance sales overall in 2023 fell by 10.4% and are now the lowest since 2016. The number of term assurance-only new policies decreased by 11.7%.

Total new term policy sales, with and without a CI benefit, 2019 – 2023



The number of new term-only sales decreased by 11.7% to 1,015,246 in 2023. The number of term assurance sales with CI cover fell by 6.9% – a strong contributing factor to this fall was a 12.9% drop in sales of decreasing term assurance (DTA) with CI sales in a very difficult mortgage market. The value of new mortgage commitments at the end of 2023 was 21.2% lower than a year earlier. If the onset of the Covid-19 pandemic is excluded, this was the lowest observed since 2013 Q1.[4]

DTA without CI, also fell by 12.1%, compared to a 4% rise last year. This could signal wider affordability concerns throughout the cost-of-living crisis, compounded by the slowing housing market.

New term assurance sales with a CI benefit represent 29% of total new term sales, one percent higher than in 2022. The split of total new individual term assurance sales by product type is as follows:

Total new term assurance and term assurance with CI sales split by product type, 2019 – 2023

Product type	2019	2020	2021	2022	2023	% change 2022/2023
LTA	757,546	790,335	825,857	751,187	658,470	−12.3
RLP	28,495	23,521	23,405	22,292	24,838	11.4
LTA with CI	252,434	248,250	290,668	279,683	270,813	−3.2
DTA	315,034	315,686	335,077	348,405	306,266	−12.1
DTA with CI	216,230	179,134	192,302	168,342	146,584	−12.9
FIB	30,433	29,540	29,853	28,092	25,672	−8.6
FIB with CI	1,999	1,363	1,141	808	446	−44.8
Total	**1,602,170**	**1,587,829**	**1,698,301**	**1,598,809**	**1,433,089**	**−10.4**

4 Mortgage lending statistics - March 2024 | FCA

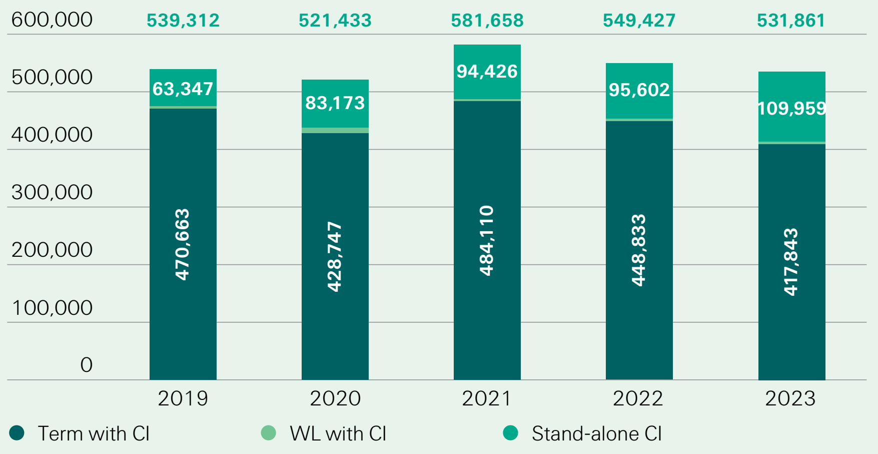
Additional sales of CI cover on a stand-alone basis (SACI) or linked to a whole life policy are below.

Product type	2019	2020	2021	2022	2023	% change 2022/2023
SACI	63,347	83,173	94,426	95,602	109,959	15.0
WL with CI	5,302	9,513	3,122	4,992	4,059	–18.7

–3.2%

The total number of new CI policies, attached to life cover and stand-alone combined, fell by 3.2%, to 531,861. The CI market has stood up relatively well in a challenging market. It would suggest that CI sales are slowly becoming less tied to the sale of mortgages as the main reason for purchase. This has also been evidenced in the distribution chapter with the rise of direct SACI for lower sums assured.

Total new individual CI policy sales, 2019 – 2023



Average new sums assured

The average sum assured for all new term assurance sales, encompassing both term assurance with CI benefits, amounted to £171,151, a decline of 3.7% compared to the preceding year. Notably, the most significant percentage shifts were observed in level term assurance (–5.3%), Relevant Life (–14.1%), and SACI (–21.4%), as detailed in the table below.

This followed large percentage increases in 2022 which were reflective of high inflation and the desire to keep cover in line with rising costs. The total average sum assured is still above 2021 levels (£162,436).

The new average sum assured by product type is:

Average new sum assured (£) by policy type, all term assurance, with and without CI and stand-alone CI, 2020 – 2023

Product	Average new sum assured, 2020	Average new sum assured, 2021	Average new sum assured, 2022	Average new sum assured, 2023	% change 2022/2023
LTA, excluding RLP	172,645	179,430	200,411	189,709	–5.3
RLP	444,463	472,010	575,568	494,620	–14.1
LTA with CI	79,437	73,163	78,953	81,216	2.9
DTA	195,110	207,555	216,848	213,182	–1.7
DTA with CI	128,515	131,424	133,433	138,050	3.5
FIB	24,820 p.a.	17,724 p.a.	20,167 p.a.	21,160 p.a.	4.9
FIB with CI	15,587 p.a.	16,309 p.a.	17,518 p.a.	18,307 p.a.	4.5
SACI	45,505	45,314	61,309	48,204	–21.4

A slow mortgage market continues to impact term and critical illness sales

The protection market has historically been dependent on a buoyant mortgage sector for new sales. When the mortgage market was at its peak in the early 2000s, around half of all new term policies were mortgage-linked. While fewer policies overall are now explicitly used to support a mortgage commitment (we use decreasing term assurance sales as a reasonable proxy for mortgage-related sales), there is clearly a link between term sales and the wider economic and housing environment. This was no different in 2022 and 2023 which saw some of the most challenging economic conditions since the 2008 Global Financial Crisis, coupled with a sustained drop in total new term assurance sales.

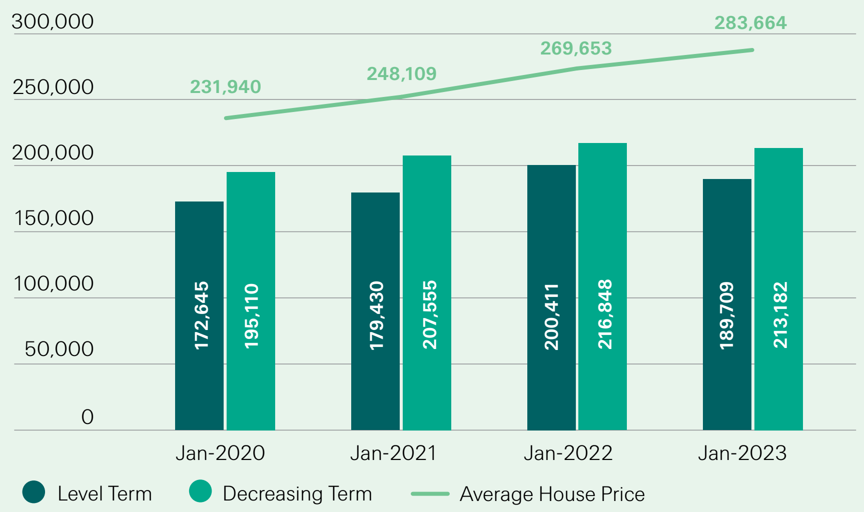
Interest rates were raised fourteen consecutive times and remained at 5.25% from August 2023 to April 2024. This had a knock-on effect on the affordability of mortgages for many households. Weak mortgage borrowing in 2023 was caused by higher rates and the cost-of-living pressures.[5] External remortgage activity was weak but internal Product Transfers, where affordability tests are not required, were the only area of growth in activity last year. With elevated rate pressures continuing, and households drawing down on their savings to meet higher expenses, it is less of a surprise that new term (both decreasing and level) purchases suffered.

Average new sums assured, and house prices grew up to 2022 largely in line with each other. However, in 2023 new term sums assured dropped, except for both products with a CI benefit which rose, while house prices continued to climb overall. This could be due to affordability concerns as average premiums continue to rise. A further breakdown on average premiums is included on the next page.

[5] Household Finance Review 2023 Q4.pdf (ukfinance.org.uk)
[6] Swiss Re and UK House Price Index summary: January 2024 - GOV.UK (www.gov.uk)

The graph below shows the average sum assured for DTA and LTA over the last four years, with the average house prices in the UK overlayed.[6] While house prices are not unform across the entire country, it is a useful illustration to show the average levels of insurance cover taken out.

Average sum assured vs. average UK house price (£)



Average new premiums

The average premium for all new term assurance sales, including term assurance with a CI benefit was £383 (£371 in 2022).

The new average premium by product type is:

New average premium (£) by policy type, all term, with and without CI, and stand-alone CI, 2020 – 2023

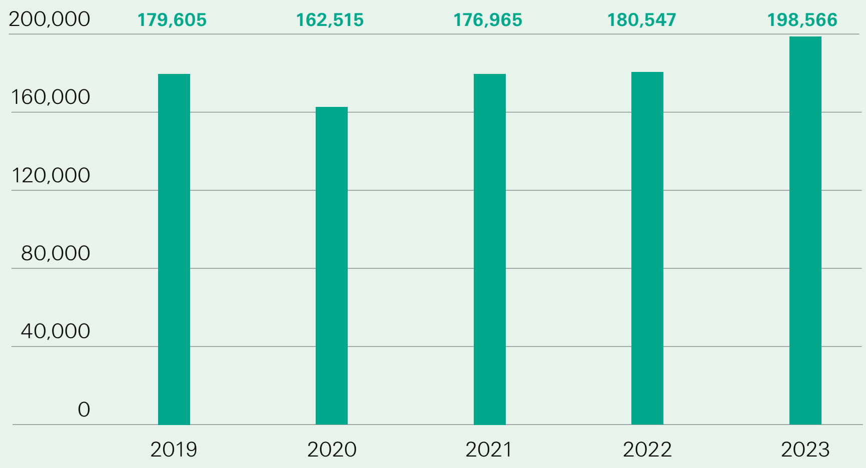
Product	Average new premium, 2020	Average new premium, 2021	Average new premium, 2022	Average new premium, 2023
LTA, excluding RLP	311	323	342	358
RLP	785	859	919	890
LTA with CI	397	369	384	392
DTA	265	268	272	275
DTA with CI	613	613	632	644
FIB	212	217	231	236
FIB with CI	800	847	969	933
SACI	316	312	364	352

Income protection

Income protection (IP) sales grew again in 2023 – new sales increased overall by 10.0%, compared to 2.0% in 2022.

The five-year breakdown of new income protection sales is as follows:

Total new individual IP policy sales, 2019 – 2023



15.1% of new policy sales were from smaller specialist mutuals compared with 15.8% in 2022, 15.3% in 2021 and 17.9% in 2020.

New income protection policy sales, by maximum benefit payment term, 2020 – 2023

Benefit duration	2020	2021	2022	2023
IP (excluding LPT policies)	93,107	89,862	78,397	88,211
IP one-year LPT	14,687	14,112	13,940	11,529
IP two-year LPT	52,632	70,123	86,309	96,817
IP five-year LPT	2,035	2,762	1,901	2,009
IP 'other' payment term	54	106	–	–

56.0% of new policies sold in 2023 had a limited benefit payment term (LPT). This means that the claim payment will end at a specified time, irrespective of whether the policyholder is still unable to work at the end of that period. New LPT policies sold decreased slightly from 56.6% in 2022 but remain higher than the 50.8% reported in 2021.

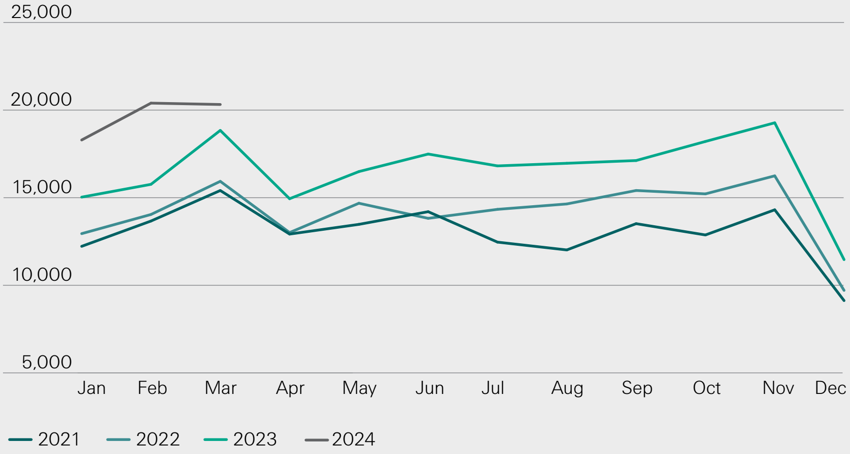
Over recent years there has been a growing trend towards limited payment term policies compared to "to retirement" products. New two-year limited payment term policies increased by 12.2% in 2023 following a 23.1% increase in 2022. Positively, new policies potentially paying benefit up to the policy expiry term (or to normal retirement age) also increased by 12.5%, in contrast to a fall of 12.8% in 2022. Sales of one-year limited payment term products continued to fall but make up a smaller proportion of total sales.

iPipeline comment

Growth Product | Income Protection

Last year we were blown away by how strong income protection had started in 2023. Yet again, its growth trajectory continues in the first months of 2024, where new policies through iPipeline portals are 22% up year on year.

iPipeline Income Protection Applies



In 2023, the average benefit per annum for both two-year benefit payment term products and those which could be paid to retirement increased (by 5.4% and 8.0% respectively). This could be due to continued wage growth throughout the year – annual growth in weekly earnings was 6.2% yoy in October to December 2023.[7]

New average benefit per annum, in £, to selected policy expiry age and maximum two-year benefit payment period, 2020 – 2023

Maximum benefit payment duration	2020	2021	2022	2023	% change 2022/2023
To selected policy expiry age	20,188	19,810	22,590	23,807	5.4
Two years	15,800	17,263	18,649	20,148	8.0

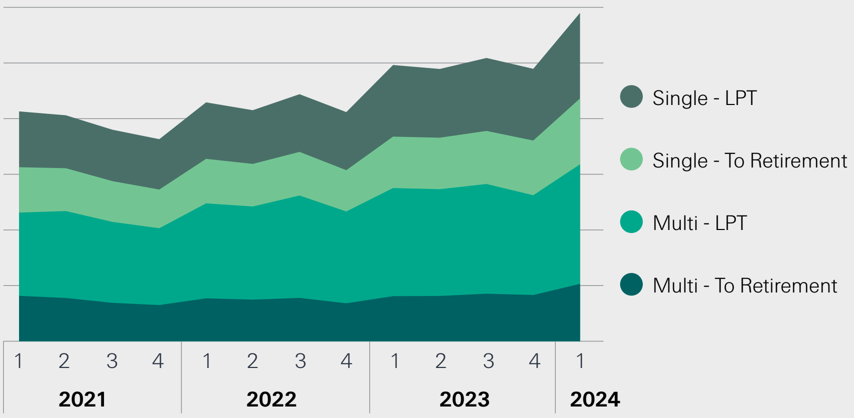
[7] ONS, Average weekly earnings in Great Britain: February 2024

iPipeline comment

Growth Product | Income Protection

Breaking this growing success story up into the products within the product, we can see that the 'engine' of this growth is plans with limited benefit terms, especially for those sold as part of multi-benefit combinations.

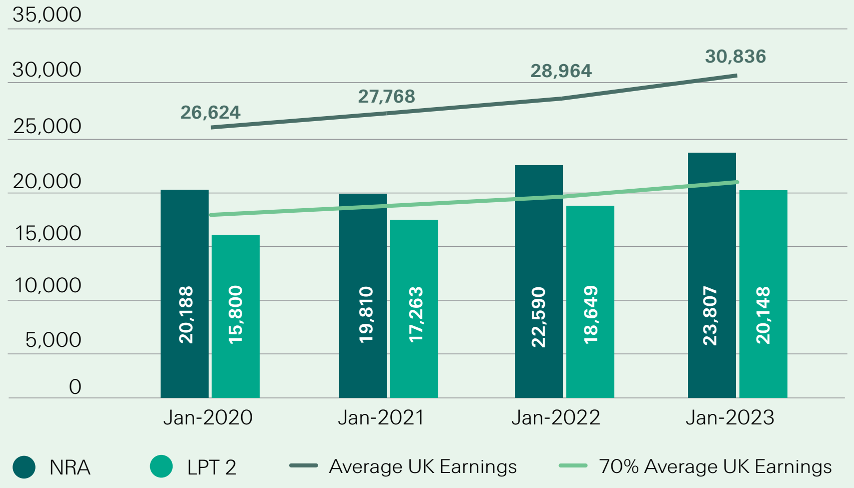
Income Protection Applies by Single vs Multi-benefit and Payment Type



As income protection typically covers a percentage of the policyholder's income, 70% of annual earnings paid through an income protection policy may not be enough to meet average earnings in the UK. Two-year limited payment term policies are, on average, for lower amounts; this could be due to affordability or that these products reach a different consumer demographic with lower average incomes.

It questions whether customers are sufficiently insured to cover their earnings if they were to fall sick and out of work. The graph suggests that those who take out a product which pays to normal retirement do match average earnings, but the benefit of a two-year limited payment term would not. However, there will be some differences in the levels of income which customers need to insure.

Average IP benefit vs. average annual UK earnings (£)



+5.1%

The average new **premium** for policies providing benefits payable up to a selected policy expiry age and for a maximum two-year benefit term is as follows. Note that age-banded products, with premiums rising throughout the policy term, may distort these figures.

Average premiums for two-year LPT products continue to grow (by 5.1%), however those which pay to normal retirement age decreased by 3.7%

New average premium, in £, to selected "policy expiry age" and maximum two-year benefit payment period, 2020 – 2023

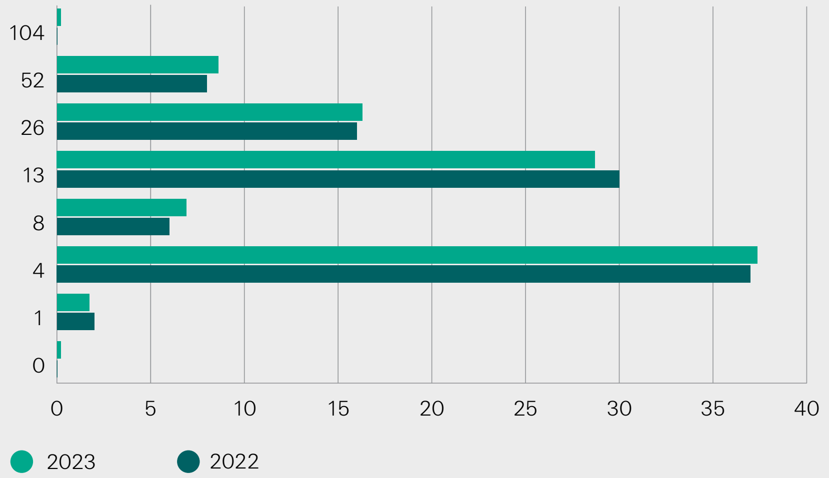
Maximum benefit payment duration	2020	2021	2022	2023
To selected policy expiry age	468	485	606	583
Two-year LPT	271	290	290	305

iPipeline comment

Growth Product | Income Protection

Elsewhere, 4-week continues to be the most selected deferred period, holding steady from last year. There have been slight increases to both 8-week and 26-week deferred periods, with 13-week losing a proportion of applicants as a result. Does this reflect a change in attitudes to risk, workplace benefits or both? It will be interesting to monitor these trends over the medium term and even more interesting to monitor provider response – could we see a move to a more personalised, self-serve approach to deferred periods – perfectly tailored to sick pay arrangements?

Income Protection Apply Mix by Deferred Period Weeks



Elsewhere, it's typically a fairly consistent picture. The gender mix continues to hold steady, although we have noted a 2% increase in the number of female, self-employed applicants and the average expiry age continues to increase from 66.0 in 2022 up to 66.6 by end of 2023. The mix of product premium choices are again reflective of what we saw during 2022 – level premiums continue to dominate, accounting for nearly 9 in 10 new policies written.

Business protection

In 2023, new life assurance policies purchased to protect a business risk grew by 0.7%. This is a meagre increase, but it continued the trend seen in 2022 which saw a 13.9% increase.

The number of new term assurance policies, with and without a critical illness (CI) benefit used for business protection purposes is:

Total number of new business protection policies, with and without a CI benefit, 2020 – 2023

Product	2020	2021	2022	2023	% change 2022/2023
LTA	7,252	7,923	9,132	9,116	–0.2
LTA with CI	4,723	4,290	4,773	4,887	+2.4
Total	**11,975**	**12,213**	**13,905**	**14,003**	**+0.7**

The average sums assured for level term key person policies in 2023 was £678,380.

Slightly down from the 2022 average sums assured which were £694,403. The reported average sums assured were £602,782 in 2021 and £540,563 in 2020.

Average new sums assured for level term key person policies with a CI benefit decreased by 5.2% to £280,832 from £296,296 in 2022.

Total number of new IP policies used for business protection, 2020 – 2023

Product	2020	2021	2022	2023	% change 2022/2023
IP	1,194	1,354	1,629	2,473	+51.8

Total premiums for income protection used for business protection purposes were reported as £2,645,287 in 2023, up from £1,685,879 in 2022, with an average premium of £1,070 per policy (an increase from £1,035 per policy in 2022).

New average annual benefits were £46,266 up from £43,619 the previous year.

Whole life assurance

We show new sales figures for underwritten policies, such as those used to fund an inheritance tax liability or for other protection needs and for guaranteed acceptance plans, usually – but not always – targeted at the over 50s market or with the express purpose of paying for a funeral or expenses on death.

The number of new underwritten whole life policies without a CI benefit increased by 4.2%.

New fully underwritten whole life policies, 2019 – 2023

Product type	2019	2020	2021	2022	2023
Underwritten WL	17,892	10,968	20,673	27,807	28,975

As with previous reports, the policies with a CI benefit reported below were written by one product provider. For the latter, we are only showing new sales covering the period from 2019 to 2023 with no breakdown of sums assured and premiums.

New underwritten whole life with CI policies, 2019 – 2023

Product type	2019	2020	2021	2022	2023
Underwritten WL with CI	5,302	9,513	3,122	4,992	4,059

The average sum assured and premium for new underwritten whole life policies (excluding those with a CI benefit) was:

New average sum assured and premium (£), underwritten whole life policies, 2019 – 2023

Product type	2019	2020	2021	2022	2023
Sum assured	91,882	103,984	149,803	126,392	102,533
Premium	1,246	1,425	986	849	1,006

The average premiums and sum assured are brought up significantly by a minority of providers writing policies which have a much higher sum assured than the market average.

The number of new guaranteed acceptance plans increased by 7.7% although they have not recovered to anything approach 2021 or prior years.

Product type	2019	2020	2021	2022	2023
Guaranteed acceptance	316,602	303,265	300,217	206,802	222,802

The average sums assured and premium for new guaranteed acceptance plans were:

New average sum assured and premium (£), guaranteed acceptance plans, 2019 – 2023

	2019	2020	2021	2022	2023
Sum assured	4,070	4,232	4,372	3,877	3,939
Premium	274	252	261	256	273

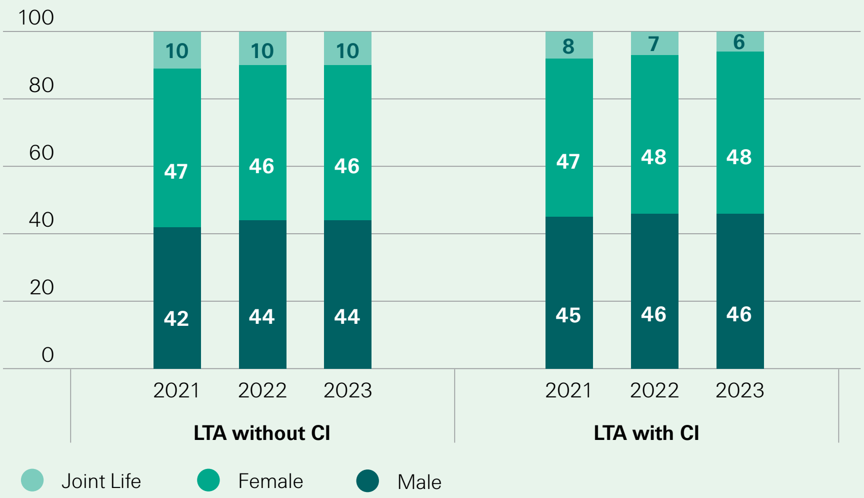
Gender

For the fifth consecutive year, we asked product providers to share the gender mix for new term assurance and income protection policies.

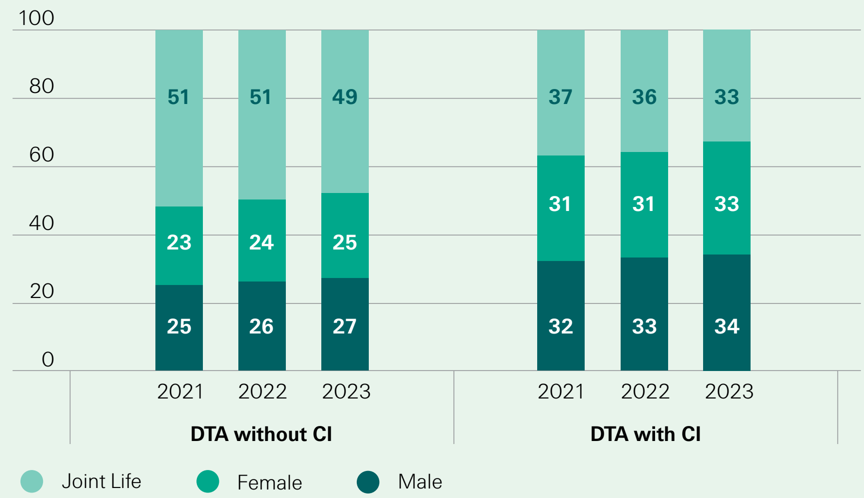
New LTA and DTA, split by gender, 2020 – 2023

The proportions of total new LTA and DTA with and without CI sales, split by gender, are as follows.

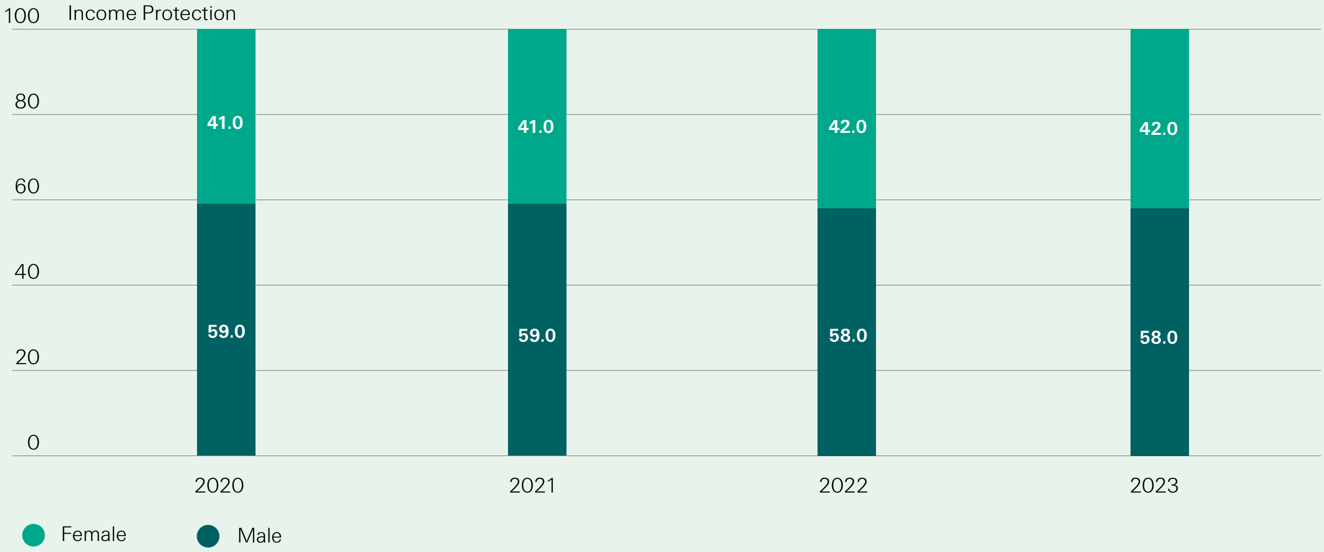
Gender split of new LTA sales, with and without CI, (%) 2021 – 2023



Gender split of new DTA sales, with and without CI, (%) 2021 – 2023



Gender mix, new income protection sales, 2020 – 2023



The average sum assured for a new level term purchased by males is 23% higher than the equivalent benefit purchased by females, the same as in 2022. The equivalent annual premium is 31% higher (27% higher in 2022).

The average new decreasing term benefit purchased by males is 10% higher than the equivalent purchased by females, (8% in 2022). The equivalent annual premium is 22% higher (17% in 2022).

For new decreasing term with CI, the average new benefit purchased is now 9% higher for men (3% in 2022). The gap here could be narrower as the sum assured and premiums will be linked to the mortgage loan amount and is less relevant to the earnings of the policyholder.

New average sum assured, split by gender, in £, 2020 – 2023, males and females

	Males, 2020	Males, 2021	Males, 2022	Males, 2023
LTA without CI	177,340	183,296	218,543	206,164
LTA with CI	95,740	88,314	88,244	88,677
DTA without CI	182,184	180,501	206,315	207,315
DTA with CI	131,151	130,433	132,406	137,700

	Females, 2020	Females, 2021	Females, 2022	Females, 2023
LTA without CI	158,315	163,413	168,645	167,714
LTA with CI	69,676	63,973	68,534	71,910
DTA without CI	166,853	177,331	189,073	188,081
DTA with CI	117,103	118,629	125,391	125,949

New average premium, split by gender, in £, 2020 – 2023, males and females

	Males, 2020	Males, 2021	Males, 2022	Males, 2023
LTA without CI	343	394	381	397
LTA with CI	451	416	391	439
DTA without CI	234	230	238	246
DTA with CI	549	519	540	551

	Females, 2020	Females, 2021	Females, 2022	Females, 2023
LTA without CI	259	269	280	302
LTA with CI	322	291	268	316
DTA without CI	194	197	198	201
DTA with CI	245	200	192	181

The table below shows a reduction in joint life cover for LTA and DTA without CI. This could be another consequence of a depressed housing market, as many will take out a joint policy to cover a mortgage liability.

New average sums assured and premiums for joint life policies are as follows:

New average sum assured, in £, 2020 – 2023, joint lives

	Joint life, 2020	Joint life, 2021	Joint life, 2022	Joint life, 2023
LTA without CI	191,086	206,244	241,769	221,008
LTA with CI	90,117	87,917	89,862	97,521
DTA without CI	217,636	229,156	235,091	229,194
DTA with CI	137,688	144,031	145,276	150,441

New average premium, £, 2020 – 2023, joint lives

	Joint life, 2020	Joint life, 2021	Joint life, 2022	Joint life, 2023
LTA without CI	398	418	449	458
LTA with CI	544	569	611	624
DTA without CI	316	319	323	328
DTA with CI	814	817	929	898

For the first time, we report that the new average income protection benefit is just higher for females than for men (a difference of £64), but premiums remain lower.

New average income protection benefits per annum, split by gender, 2020 – 2023, in £

Year	Males, 2020	Males, 2021	Males, 2022	Males, 2023
Benefit p.a	19,717	19,275	20,851	19,900

Year	Females, 2020	Females, 2021	Females, 2022	Females, 2023
Benefit p.a	16,405	16,896	18,359	19,964

New average income protection premium, split by gender, 2020 – 2023, in £

Year	Males, 2020	Males, 2021	Males, 2022	Males, 2023
Premiums p.a	422	415	465	461

Year	Female, 2020	Female, 2021	Female, 2022	Females, 2023
Premiums p.a	339	330	373	385

Distribution

In this section, a breakdown of the business classified as "directly authorized" is provided, delineated among aggregator sites, Independent Financial Advisors (IFAs), networks, and execution-only channels.

Term assurance and critical illness

The split of new term assurance policy sales by distribution channel is as follows:

Total new term assurance policy sales by distribution channel, 2020 – 2023

Distribution channel	2020	2021	2022	2023
Directly-authorised	1,303,317	1,406,255	1,295,944	1,160,877
Tied	64,364	74,837	66,853	90,833
Direct	147,435	139,027	134,459	115,818
Bancassurance	72,713	78,182	79,261	65,561
Total	**1,587,829**	**1,698,301**	**1,576,517**	**1,433,089**

The split of new stand-alone CI sales by distribution channel is as follows:

New stand-alone CI policy sales, by distribution channel, 2020 – 2023

Distribution channel	2020	2021	2022	2023
Directly-authorised	53,932	60,984	59,948	62,772
Tied	10,176	11,287	9,359	23,246
Direct	17,324	20,320	23,021	20,124
Bancassurance	1,741	1,835	3,274	3,817
Total	**83,173**	**94,426**	**95,602**	**109,959**

In percentage terms and by product type, the proportions for 2023 (2022 shown in brackets) are:

% Distribution by policy type by new sales, 2023 and 2022

	Directly-authorised	Tied	Direct	Bancassurance
LTA	75.5 (80.6)	7.5 (2.3)	11.8 (12.1)	5.2 (5.0)
RLP	96.9 (94.7)	2.7 (4.9)	0.4 (0.4)	– (–)
LTA with CI	91.8 (90.5)	3.5 (5.1)	3.6 (2.9)	1.1 (1.5)
DTA	79.6 (77.9)	7.7 (7.7)	7.9 (8.6)	4.8 (5.8)
DTA with CI	83.4 (82.6)	4.8 (4.9)	2.4 (2.5)	9.3 (10.0)
FIB, with and without CI	95.9 (94.1)	1.6 (2.3)	2.1 (3.5)	0.4 (0.1)
SACI	57.1 (67.7)	21.1 (9.8)	18.3 (24.1)	3.5 (3.4)

% "Directly-authorised" new term and critical illness sales and stand-alone CI policies, 2023, split between aggregator sales, IFAs and networks and Execution only, by policy type[8]

	Aggregator sites	IFAs and networks	Execution only
LTA	8.2	61.3	6.0
RLP	0.1	96.6	0.2
LTA with CI	2.9	86.1	2.8
DTA	7.7	69.8	2.1
DTA with CI	2.4	80.5	0.5
FIB, with and without CI	0.2	95.5	0.1
SACI	13.1	43.4	0.6

[8] This is the breakdown of the "directly authorised" column in the table above, therefore the percentages will not add up to 100%.

The table below shows a detailed split of advised and non-advised term assurance sales in 2023, with a comparison to 2022.

New advised and non-advised policy sales, 2022 and 2023

	Total, 2022	Non-advised, 2022	% sales	Total, 2023	Non-advised, 2023	% sales	% change, 2022/2023
LTA	751,187	316,849	42	658,470	229,082	35	–27.7
LTA with CI	279,683	50,633	18	270,813	41,839	15	–17.4
DTA	348,405	72,545	21	306,266	60,570	20	–16.5
DTA with CI	168,342	12,668	8	146,584	10,501	7	–17.1
RLP	22,292	1,916	9	25,672	3,056	12	+59.5

In 2023, non-advised sales represented 35% of total sales with a 27.7% drop in non-advised policy sales from the previous year. This compares with the total market decrease of 12.3% which suggests the non-advised market experienced some challenges in 2023.

This is likely a continuation of greater regulatory controls and a contraction of the market for distribution leads which may be impacting some of the non-advised market activity. It could also be that the consumer demographic which previously may have bought a policy on a non-advised basis is no longer looking to buy insurance from an affordability perspective.

The following table breaks down "directly-authorised" new sales further between those concluded directly from an aggregator site and those reported as from IFAs and networks or on an Execution Only basis.

Split "directly-authorised sales, aggregator site, IFAs and networks, and Execution Only", 2022 and 2023

	Aggregator sites, 2022	IFA and network, 2022	Execution only, 2022	Aggregator sites, 2023	IFA and network, 2023	Execution only, 2023
LTA	45,442	484,951	56,714	51,520	387,116	38,209
RLP	21	20,963	69	17	23,675	51
LTA with CI	2,903	239,431	6,766	7,659	225,672	7,315
DTA	20,103	247,655	6,933	23,431	212,390	6,260
DTA with CI	2,426	135,904	787	3,473	114,366	722
FIB	75	26,980	57	56	23,741	27
Total	**70,971**	**1,155,883**	**71,326**	**86,156**	**986,980**	**52,584**

Income protection

Directly-authorised providers remain the main distribution method for individual income protection policies with 87.8% (87.7% in 2022) of new purchases bought through this channel.

New individual income protection sales split by distribution channel used, 2019 – 2023

Distribution channel	2019	2020	2021	2022	2023
Directly-authorised	153,678	140,663	153,523	158,271	174,337
Tied	23,335	19,370	21,316	20,027	22,183
Direct	389	903	1,061	1,107	1,075
Bancassurance	2,203	1,579	1,065	1,142	971
Total	**179,605**	**162,515**	**176,965**	**180,547**	**198,566**

Within the industry, there is a mounting discourse regarding the potential for increased sales of income protection policies without the involvement of advisers. Central to this discussion is the imperative for consumers to grasp the intricacies of the product, irrespective of the channel through which they acquire it. The Consumer Duty further underpins the necessity for absolute clarity in comprehension and few would doubt that IIP is complex and not easy to explain in the absence of advice.

This clarity holds particular significance in the realm of income protection, where consumers must comprehend the interplay between an Individual Income Protection (IIP) policy and their eligibility for means-tested State Benefits. Presently, the receipt of an IIP benefit can lead to a corresponding reduction in Universal Credit on a pound-for-pound basis (except for where the customer can show it is for the payment of a mortgage), highlighting the critical need for consumer awareness and understanding.

New individual income protection sales split by advised and non-advised, 2021 – 2023

	Number of new policies		
	Total	... of which is non-adviced	% non-advised
2021	176,965	13,626	8
2022	180,547	12,923	7
2023	198,566	14,296	7

Putting the results into perspective

How the market fared amid economic slowdown

UK households not out of hot water yet

2023 year proved a challenge for households in the UK and that has been reflected in these results. Despite a low growth environment, unemployment did not see a typical large increase as the labour market remained tight. Households felt pressure from high inflation, caused by supply side shocks, as well as higher interest rates.

Over a fifth of people were in moderate or severe food insecurity in October 2023, almost three times as many as pre-pandemic levels (22% versus 8%). People's ability to afford key essentials also remains much diminished, with more than a fifth (22%) saying they could not afford to heat their home adequately in October 2023. This was slightly better than the 27% reached in November 2022, but over four times higher than the 5% who reported this in 2019 – 20.[9] . Data from Office of National Statistics (ONS) suggest that households with the lowest incomes experience a higher-than-average inflation rate ("inflation inequality").

[9] Pressure on pay, prices and properties • Resolution Foundation

In January 2024, the total direct debit failure rate rose to 1.07%, the highest level seen since the data series started in January 2019; this is a 14% increase from January 2023. Large components were driven by the "electricity and gas" spending category (32%) and the "mortgages" spending category (21%).[10]

Deep dive

2023 inflation trends

- Headline inflation in the UK eased in 2023 from 9.1% yoy on average in 2022 to 7.3% yoy in 2023, still far above the Bank of England target of 2% and peers.
- Monthly headline inflation fell from a 2023 high of 10.4% yoy in February to 3.9% yoy by the end of the year amid the unwind of global supply shocks, particularly in energy and food.
- Core inflation, which strips out more volatile energy and food components, stayed sticky, peaking at 7.1% yoy in May and falling to 5.1% yoy in December. This is as labour markets continued to tighten through the year, keeping wage growth high and adding to cost pressure, particularly in the services sector.

[10] Economic activity and social change in the UK, real-time indicators - Office for National Statistics (ons.gov.uk)

Renters – drawing the short straw?

Renters are at particular risk of economic vulnerability yet remain an under-insured group. Only 9% of private renters say that they have income protection and 43% would struggle financially within the first six months of being unable to work due to illness or injury.[11]

Even if they do hold income protection, they are at a disadvantage when accessing government benefits. Any individual income protection policy benefit payment used to pay rent reduces an individual's access to Universal Credit pound-for-pound. Whereas if they can show that a policy was taken out with the intention of paying a mortgage, then the mortgage-related part of the payment is disregarded.

Hargreaves Lansdown's Savings and Resilience Barometer, developed with Oxford Economics, found that there were winners and losers when analysing financial resilience in the UK, with the most vulnerable households and renters suffering the most.[12]

Renters, households with children and low-income households are most likely to be in the staggering 630,000 households at chronic risk from the cost-of-living crisis persisting. These groups have a combination of unsustainable spending, debt, and no assets. Over two-thirds of renters were categorised as having either 'very poor' or 'poor' financial resilience scores in the fourth quarter of 2023.

The residential rental market has tripled over the past 20 years, yet in 2023 demand continued to outstrip supply. This was combined with elevated interest rates leading to further increases in rents as landlords passed on higher mortgage costs to tenants. For June 2023, data show that the average rental price for a new tenancy in the UK was £1,229 per calendar month, up by 10.4% from the previous year.[13]

The impact on British businesses

Businesses faced a challenging year with higher interest rates and costs, with bankruptcy rates further boosted by the build-up of zombie companies, which had survived on government support from COVID-19 times. The government describes small businesses as the "backbone of the UK economy", with 5.6 million of those employing fewer than fifty people.[14] However, as detailed in the chapter on business protection, sales of protection to businesses remains low.

As mentioned in last year's report, Swiss Re set up a working group called Building Resilient Businesses with an aim to understand the challenges around selling business protection. The group is made up of providers and intermediaries and has focused on discussing industry terminology and the different distribution channels open to businesses. Everyone, industry, business and workers, benefits if organisations are adequately protected and understand the options available to them.

With the group's support and input, Swiss Re developed a questionnaire to explore with intermediaries what they saw as the barriers to greater take up of business protection insurance along with the positive aspects contributing to successful sales and advice propositions. The responses provide valuable insights and offer first hand experience with some of the challenges but also the opportunities to selling business protection. We will share more detail on the findings in Autumn 2024.

[11] Mintel, "Income Protection UK", 2022
[12] Savings and resilience barometer report | January 2024 | HL
[13] HomeLet Rental Index | Average Rent Costs UK | Rental Price Index 2023
[14] BEIS small and medium enterprises (SMEs) action plan: 2022 to 2025 (accessible webpage) - GOV.UK (www.gov.uk)

The state of the nation – 2023 reflections and beyond

In comparison to the political ups and downs of 2022, 2023 could be described as calmer to some. However, as the economic headwinds described throughout this report persist and a General Election looms this year, the UK is yet to be on strong footing.

Despite positive statements from government on the state of the UK, economic growth was slow – see further analysis on this below. Despite rumours of tax cuts to inheritance tax and income tax, other changes were enacted with cuts to National Insurance in both 2023 and 2024. However, for some, the impact of these cuts will be wiped out by fiscal drag, i.e. being pushed into a higher income tax bracket due to wage increases in response to higher inflation.

Deep dive

UK growth

- Despite outperforming expectations in 1H 2023, multiple macroeconomic headwinds pushed the UK into technical recession (two consecutive quarters of negative quarter-on-quarter growth) in 2H 2023. Overall, the UK economy shrunk over the course of 2023.
- In the first half of the year, one source of outperformance was the more lagged and gradual impact of monetary policy tightening on the economy than expected. For example, in the mortgage market, a higher share of outright home ownership, more fixed rather than floating mortgages and an increase share of longer duration fixed mortgages meant that the passthrough of higher interest rates on to homeowners is slower than historically.
- Another source of economic strength relative to expectations was government spending, including the support offered to households and businesses to help cushion the cost-of-living shock. This included energy price subsidies to households and businesses as well as cost-of-living payments to households[15].
- However, into year end, both government consumption and household spending fell, as well as exports, outweighing positive business and government investment.

[15] UK Households Should Start Feeling Better Off as Election Looms - NIESR

Looking forward, ...

Swiss Re Institute (SRI) expects the UK to avoid a recession this year, with signs of green shoots already in Q1. The SRI expects the Bank of England to start cutting interest rates in Q2 2024, lowering the Bank Rate by a total of 75bps by the end of the year, before reaching the neutral rate in 2025.

Even with sentiment improving, consumer confidence is low in the UK, and SRI believes that this will moderate the recovery seen in 2024. Rents are still expected to rise as demand continues to outstrip supply, and as higher mortgages continue to weigh on the finances of buy-to-let owners.

Strikes are expected to continue to weigh temporarily on GDP as workers continue to try to recoup lost real earnings, but fewer strikes are expected than the previous two years.

The ONS Opinions and Lifestyle Survey suggests the cost-of-living crisis is starting to ease. 46% reported an increase in their cost of living over the last month (Jan/Feb 2024), down from 76% (March/April 2023).

The outlook for the UK consumer is better for 2024 relative to 2023, even as certain government support withdraws (e.g., the final cost of living payment was paid from 16th February 2024). This is based on SRI's expectations of recovering real incomes and tax cuts, including to National Insurance. With price levels still rising (albeit at a slower pace), wages need to catch up for the cost-of-living crisis to end. However, for many households, living standards will remain below pre-Covid 2019-2020 levels.[16]

[16] UK Households Should Start Feeling Better Off as Election Looms - NIESR

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Outside of work, she likes to explore the wide variety of restaurants across London and then try to recreate new dishes at home (with varying degrees of success), usually to the sound of any reality television she can get her hands on or a Grand Prix.

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