

# CIGNA INSURANCE SERVICES WINTER NEWSLETTER 2014



## A warm welcome from our Chief Executive

Last month marked the 20th anniversary of the launch of the National Lottery. On 19th November 1994, Noel Edmonds hosted the first televised draw, with seven jackpot winners sharing a prize fund of £5,874,778<sup>1</sup>.



The National Lottery has grown in popularity with recent figures showing that around 70 per cent of UK adults play it on a regular basis<sup>2</sup>. In fact, when people were asked recently in a survey<sup>3</sup> how they would spend an extra £10 a month, 58 per cent of respondents said they would “rather play the National Lottery than buy life insurance”. This blasé attitude towards life cover goes some way to explain why there is a significant protection gap in the UK.

In this edition, our main article examines the impact recent changes are having on the life market. We share our thoughts and opinions on what is needed to ensure customers are better served and adequately protected. With many partners enjoying a distribution advantage and with life insurance being complementary to a broad range of core products, life insurance is a natural extension of the customer proposition for many brands.

Our view is that the industry has generally been too slow to adapt to a fast changing landscape and as a result, customers are needlessly going un-protected. We see ourselves as marketers as much as insurers and are confident that our approach, where we focus on the design and distribution of appropriate customer-led solutions will help partners deliver the protection and peace of mind customers need and by doing so, unlock a sustainable valuable long-term revenue stream.

*"There is a significant protection gap in the UK"*

In addition to the main feature on life, this edition of the newsletter also includes my regular business update and an article on travel, highlighting some of the key insights from our recent consumer research activity and focusing on some areas of new development.

As always, I hope you enjoy reading the newsletter. Please feel free to contact me, or a member of the team, if you have any comments or would like us to help you in any way.

Susan Stevenson

1 [http://en.wikipedia.org/wiki/National\\_Lottery\\_\(United\\_Kingdom\)](http://en.wikipedia.org/wiki/National_Lottery_(United_Kingdom))  
2 <https://www.national-lottery.co.uk/responsible-play/excessive-play-strategy>  
3 <http://www.gocompare.com/press-office/2013/08/to-my-family-i-bequeath-my-debts/>  
4 [http://www.swissre.com/media/news\\_releases/nr\\_20120611\\_Term\\_Health\\_Watch.html](http://www.swissre.com/media/news_releases/nr_20120611_Term_Health_Watch.html)



## In this issue

### Page 2

**Susan Stevenson** provides an update on the business and outlines some of our key priorities and plans for 2015.

### Page 4

**Most people need life insurance** at some point in their lives – but in our opinion the industry is letting them down. We explore the evidence and ask what it needs for partners to unlock the growth opportunity.

### Page 9

**Our travel research programme** has defined five core consumer segments – we outline who they are and what we are doing to further enhance our leading position in the travel market.

## Speak to us today

Please contact **Jody Baker**,  
**Head of Business Development**,  
on **020 8652 1482** or at  
[jody.baker@cignainsurance.co.uk](mailto:jody.baker@cignainsurance.co.uk)  
if you would like to discuss any of  
the areas covered in more detail.

## WINTER 2014

# A BUSINESS UPDATE FROM OUR CHIEF EXECUTIVE OFFICER



Some weather forecasters are claiming this could be the 'worst winter for 100 years'<sup>1</sup>. Yet we only have to go back to the infamous 'Barbeque Summer' of 2009 that became the 'Washout Summer' to show what a lottery it is trying to forecast the UK's ever changing weather patterns.

*"76 per cent of UK households have contents insurance but only 24 per cent have life insurance"*

This volatility is evidenced by the fact that last winter was the mildest, wettest and stormiest winter for decades, resulting in extensive flooding. If ever there was a reminder of the value insurance brings to our

customers it was then - with insurers paying out an estimated £1.1 billion for flood insurance claims and to cover the cost of storm damage<sup>2</sup>.

Insurance plays such a vitally important role in the day-to-day lives of customers. This is why so many partners know that by offering insurance products as part of their overall customer proposition it can help broaden the appeal of

their brands and enhance customer loyalty through the peace of mind customers obtain from being insured.

Just like the UK weather, life is also unpredictable. But according to the Association of British Insurers (ABI), whilst over 76 per cent of the 26.4 million UK households in 2012 owned home contents insurance, just 24 per cent had whole of life or term insurance cover<sup>3</sup>. Even so, the value of life insurance is shown by the fact that in 2013 over £1.8 billion was paid out in claims, giving financial security for families and dependents at some of the most distressing and stressful times<sup>4</sup>.

The UK market potential for life insurance is considerable. Just 28 per cent of UK adults have sufficient life cover and savings to clear their mortgage and other debts, and provide a reasonable level of income for their family and dependents. And with an estimated life insurance 'protection gap' of around £100,000 a person<sup>6</sup>, there is a clear opportunity to deliver the protection customers so badly need. In our lead article, we show how the changing market dynamics play into the hands of affinity brands and why it is the right time for partners to focus in on life.

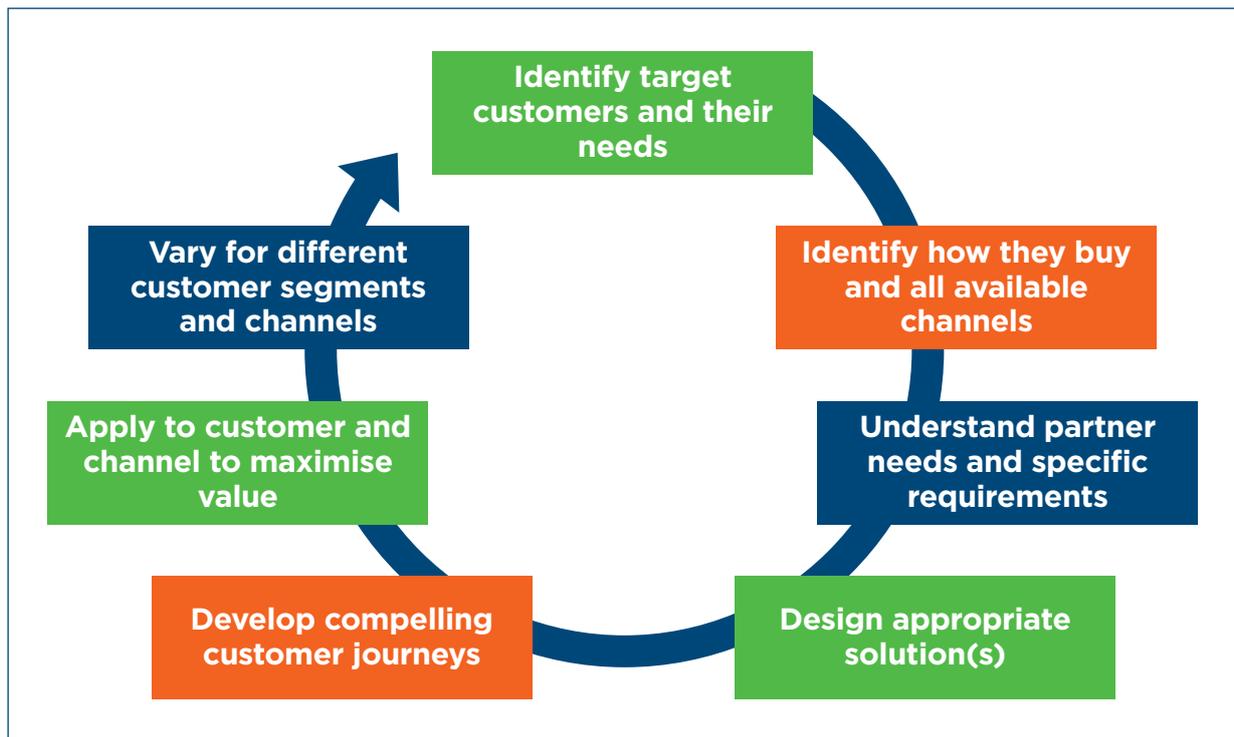
At Cigna, we are passionate about serving our customers. We combine over 25 years' expertise in the affinity channel with our collaborative marketing approach, to design and deliver product and marketing solutions which maximise all available channels to deliver customers the best value. This is better illustrated by the diagram overleaf.

Next year, leveraging our global expertise in protection and with the backing of an 'A' rated insurer, we will begin to roll-out an exciting range of life products, helping our partners to unlock the potential in the market.

Alongside this, we are continuing to strengthen our position in the health and accident markets and we are building and maintaining our leading position in the travel market.

*"It is the right time for partners to focus on life"*

Diagram 1: Cigna's collaborative marketing approach in action



Providing customers with a seamless omni-channel buying and servicing experience is also a big priority for us, which is why we are continuing to invest in our digital capabilities to deliver customers a better service - allowing them to migrate between the channels they wish to use, at a time and place of their convenience.

Recently, we launched [www.cignainsure.co.uk](http://www.cignainsure.co.uk). This enhances our ability to deliver partners 'tried and tested' products and services and routes to market. This gives them the added confidence in knowing that our products have genuine customer appeal, not just on the back of the robust consumer research that underpins each launch, but most importantly in practice.

This has been another successful year for us with strong new business growth and an enviable customer Net Promoter Score (NPS) performance with scores regularly over 50.

Once again, I would like to thank all of our new partners who have chosen to work with Cigna and our current partners for allowing us to support them further with new product launches and enhancements to their existing schemes.



Susan Stevenson,  
Chief Executive Officer

1 <http://www.mirror.co.uk/news/uk-news/uk-weather-britain-braced-worst-4528007>

2 <http://www.waterbriefing.org/home/flooding/item/8864-winter-storms-and-floods-to-cost-up-to-%C2%A311-billion>

3 <https://www.abi.org.uk/Insurance-and-savings/Industry-data/Key-Facts-2014>

4 <https://www.abi.org.uk/News/News-releases/2014/05/270-families-helped-every-day-by-Life-Critical-Illness-Income-Protection-insurance-payouts-2013>

5 <http://www.gocompare.com/press-office/2013/08/to-my-family-i-bequeath-my-debts/>

6 [http://www.swissre.com/media/news\\_releases/nr\\_20120611\\_Term\\_Health\\_Watch.html](http://www.swissre.com/media/news_releases/nr_20120611_Term_Health_Watch.html)

# BREATHING NEW LIFE INTO A STAGNANT AND UNDER-SERVED INSURANCE MARKET



Most customers will need life insurance at some point in their lives. From parents providing financial security for their children, to people looking to make sure their debts are paid off, to others funding funeral costs or covering an Inheritance Tax (IHT) bill, life insurance plays a vitally important role in helping people cope with the financial consequences of death.

In 2013 alone, the industry paid out almost £1.8 billion in individual life claims, making a tangible difference to people's lives at what is a very difficult and stressful time<sup>1</sup>.

Many partners know that by providing customers with access to life cover they can deliver them financial security and give them peace of mind. With many customers looking for a greater sense of security in their lives, life insurance sits naturally alongside the core proposition for many partners, broadening the emotive appeal of the brand and enhancing overall customer loyalty.

*"Life insurance sits naturally alongside the core proposition for many partners"*

However, despite the ever-growing need, the market is showing signs of stagnation and increasingly consumers are being under-served.

In this article, we look at the reasons why this is the case and ask **what needs to be done for partners to unlock the vast potential in the life market?**



## A changing market brings opportunity for partners

Traditionally, the term life insurance market has been dominated by financial advisers, with the majority of new business being written alongside a mortgage. But that is changing. The Retail Distribution Review (RDR) and Mortgage Market Review (MMR) have between them had a profound impact on the supply side.

Cass Consulting said in a report in June 2013<sup>2</sup> that "the unintended consequences of the RDR initiative accompanied by the rapid change in technology and social media, is likely to further extend the 'advice gap', leaving aside those who have too few assets to merit attention from professional advisers". They also reported that adviser numbers fell from 43,000 at the end of 2011 to 31,000 at the start of 2013 and that they are expecting this trend to continue.

These predictions are playing out. For example, the indirect impact of the changes brought about by the RDR are very evident on the high street where many banks and building societies have cut back offering face-to-face financial advice or, in some cases, have withdrawn this service altogether. The extent of this was initially shown by figures

*"There are fewer opportunities for customers to access face-to-face financial advice"*

released in March 2013<sup>3</sup> that reported 44 per cent fewer bank or building society advisers operating on 1 January 2013 when compared to December 2011. However, there have been further reductions since then, all of which means there are fewer opportunities for customers to access face-to-face financial advice - the traditional channel of choice for protection sales.

There is evidence to show<sup>4</sup> that the MMR has further negatively affected the supply side for mortgage-related protection business - one of the key trigger points for protection product purchase. This is because the more onerous demands of completing a mortgage application have left many advisers with no choice but to favour the mortgage sale over protection, often leaving customers to arrange their own cover, with no guarantee they will actually do so.

Whilst the strength of the mortgage market over the last few years has helped to increase the level of income advisers generate through procurement fees, this has further dampened the incentive to sell protection business alongside the mortgage.

It is not surprising that mortgage-related adviser protection sales appear to have stalled, which of course gives partners a great opportunity to step in and meet this need.



# BREATHING NEW LIFE INTO A STAGNANT AND UNDER-SERVED INSURANCE MARKET (cont.)

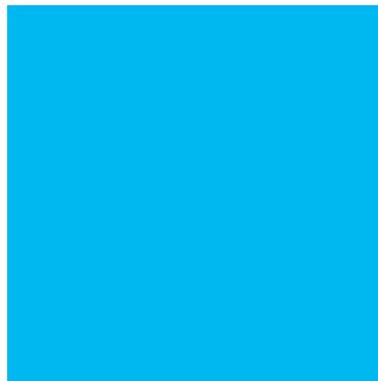
## A growing consumer need for protection

The level of under-insurance in the UK was highlighted recently in a survey of 2,000 adults<sup>5</sup>, in which 42 per cent of mortgage holders said they would not have enough life cover to pay off their mortgage. Just 28 per cent of those surveyed said they had sufficient life insurance and savings to clear their mortgage and other debts, and to provide a reasonable level of income for their family and dependents<sup>5</sup>.

It seems clear to us at Cigna that customers with a life insurance need are being under-served largely as a result of changes that are redefining traditional distribution channels. Whilst it may be due to the 'law of unintended consequences' it plays favourably into the hands of partners giving them a clear opportunity to step in and fill this 'supply vacuum' - at a time when the customer need for protection continues to grow.

According to Swiss Re, the UK life insurance 'protection gap' is thought to be equivalent to around £100,000 a person<sup>6</sup>. The level of under-insurance is greatest among single parents, couples with children and those aged 35 and under. Whilst these figures are taken from a 2012 report<sup>4</sup>, it is almost inconceivable this will have reduced.

*"42% of mortgage holders said they would not have enough life cover to pay off their mortgage"*



Since then the level of consumer debt has continued to grow, standing at £1,445 trillion in August 2014<sup>7</sup>, driven by rising house prices and increased consumer spending using credit. Despite the recession, UK household debt has more than quadrupled since 1990, with people in their thirties and forties carrying the most debt<sup>8</sup>.

Despite this clear protection need, when consumers were recently asked how they would spend an extra £10 a month, 58 per cent of people surveyed said they would "rather play the National Lottery than buy life insurance"<sup>5</sup>. The main reasons given for not having sufficient cover were cost (64 per cent) ahead of apathy (24 per cent).

Yet, in many cases the actual cost of cover is cheaper than consumers perceive. As an example, for less than £10 a month a forty-year-old male non-smoker could insure his life for £100,000 over 20 years, delivering vital protection for his family.

Cigna's consumer research emphasises the importance brand trust plays in the purchase decision for whole of life insurance. For those considering this type of cover, knowing the percentage of claims that are paid out is also an important factor when choosing a provider. The fact that over 98 per cent of life claims are paid across the industry<sup>1</sup> is a very positive message to reassure consumers.





## A perfect environment to innovate

Advertising and education are clearly very important tools in generating awareness. At Cigna, we care passionately about our customers and we applaud any industry-based initiatives or specific campaigns that help draw consumers' attention to the need for life insurance protection.

However, we believe the main challenge is actually around how the changing dynamics are having a profound effect on a market in which 'push channels' have traditionally dominated. With fewer advisers overall and less conversations taking place with customers about the need for protection cover, **many customers are simply not being presented with the opportunity to buy insurance, even where they have a clear need.**

Unless consumers recognise the need they generally do not go looking for life cover. Usage of Price Comparison Sites for life insurance lags well behind other sectors, such as home, motor and travel, where the purchase trigger is primarily date driven. The triggers that drive most interest in life insurance tend to be around mortgages, the arrival of new family members or as our consumer research highlights, the desire of older customers to leave their finances neat and tidy and not to burden their families with funeral costs and IHT bills.

As stated, advertising and education are important, but much more needs to be done – and the priority in our view is to make cover available in new ways at relevant points along the customer journey.

Affinity brands have a major distribution advantage. By making full use of all available channels and introducing opportunities for customers to buy affordable life cover at relevant customer touch-points, easily and conveniently,

*"New thinking is needed, and that is exactly what Cigna is bringing to the market"*

we believe partners can and will succeed in the life market.

However, to fully unlock this potential, partners need to be working with companies that bring

specific affinity marketing experience and possess the marketing-led thinking that is needed to look at things from a different perspective.

Given there has been such a fundamental shift in the landscape, new thinking is needed, and that is exactly what Cigna is bringing to the market.





Consumer insight also highlights the importance placed on insurance products being easy to understand, so we also need to take as much complexity out of the product application process as possible, making cover as quick and easy to buy as possible. Whilst necessary from an underwriting perspective, lengthy application forms are a barrier to purchase.

In conclusion, we passionately believe that affinity brand partners need better, simpler, more accessible and affordable solutions to help address their customers' life insurance needs and that the market potential is bigger than ever.

This is why Cigna will be extending its partner proposition into life early in 2015 with the development of a range of innovative solutions to help partners succeed in this space.

If you would like any more information, please contact **Jody Baker, Head of Business Development** on 020 8652 1482 or email him at [jody.baker@cignainsurance.co.uk](mailto:jody.baker@cignainsurance.co.uk)



- 1 <https://www.abi.org.uk/News/News-releases/2014/05/270-families-helped-every-day-by-Life-Critical-Illness-Income-Protection-insurance-payouts-2013>
- 2 The impact of the RDR on the UK's market for financial advice. Cass Consulting (June 2013)
- 3 Financial Services Authority (the UK's former financial services' regulatory body) (March 2013)
- 4 <http://www.mortgagesolutions.co.uk/mortgage-solutions/analysis/2289548/mortgage-sales-in-protection-sales-out>
- 5 <http://www.gocompare.com/press-office/2013/08/to-my-family-i-bequeath-my-debts/>
- 6 [http://www.swissre.com/media/news\\_releases/nr\\_20120611\\_Term\\_Health\\_Watch.html](http://www.swissre.com/media/news_releases/nr_20120611_Term_Health_Watch.html)
- 7 <http://themoneycharity.org.uk/money-statistics/>
- 8 <http://www.thisismoney.co.uk/money/news/article-2724894/Families-red-rose-threat-UK-recovery-household-debt-quadruples-1990.html>

# SERVING THE TRAVEL INSURANCE NEEDS OF DIFFERENT CONSUMER SEGMENTS



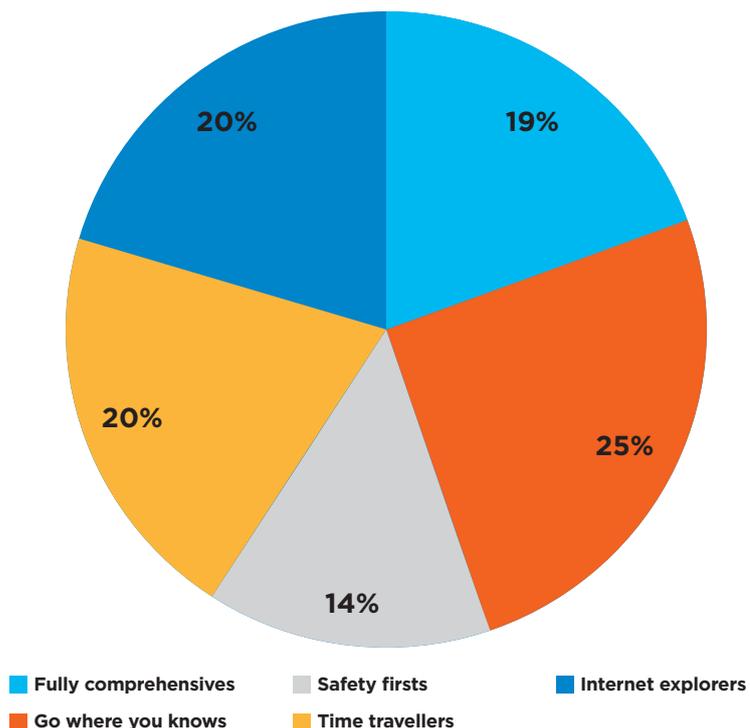
The world is changing fast. As a result, traditional ways of defining consumer segments, purchase patterns and product needs must be continually reappraised. This is particularly so in travel where so many factors shape the buying patterns and preferences of consumers making decisions about their choice of travel insurance product and provider.

That is why earlier this year, in association with YouGov, Cigna Insurance Services carried out an extensive consumer research programme. The aim was to further deepen our understanding of the needs of consumers and the market, so that we have the necessary insight that underpins our ability to deliver our partners the very best range of travel propositions available in the market and in doing so give them competitive edge.

*"The very best range of travel propositions in the market"*

The research included a quantitative survey of over 3,000 UK adults who had travelled outside the UK in the previous 12 months.

The findings have helped to define five different travel consumer segments. These are shown below along with the percentage of the total each segment represents:



# SERVING THE TRAVEL INSURANCE NEEDS OF DIFFERENT CONSUMER SEGMENTS (cont.)

The profiles for each segment are as follows:

Travel Segment	Brief description...
Fully comprehensives	Like to make sure they are covered for all eventualities. They want guidance, do a lot of research when making travel plans and want their travel insurance policies to include many features.
Go where you knows	Enjoy taking holidays, especially to the beach. They stick with what they know, travelling to European destinations popular with the Brits, such as Spain. They tend to book well in advance and often do so soon after returning from the previous holiday.
Safety firsts	Tend to be older than other segments and include more females; wanting peace of mind. They prefer to have policies covering everything and like to book holidays through agents. They share some characteristics with the fully comprehensive segment.
Time travellers	Have the time available to look around and carefully select the best policy to fit their needs. They are comfortable going directly to the provider, using the internet as their guide. Generally more affluent with a weighting towards older men.
Internet explorers	Are confident using the internet as their guide for everything. They are busy people but want to retain control, looking for the best deals and like to buy directly from providers. Heavy use of smartphones abroad and apps appeal. The 'iPhone generation'.



*"We are currently testing a number of product developments"*

This consumer profiling work defines each segment in detail by its demographics, travel behaviour and preferences, their approach and attitude

to travel insurance and what they consider to be the most important features.

Cigna has long recognised for partners to reach their full potential in the travel insurance market, the flexibility and ability to underwrite a wide range of customers is highly important. In fact, for those partners who serve a wide range of customer demographics, it is absolutely critical. That is why our aim is to make sure our partners never have to turn a customer away with a need for travel insurance.

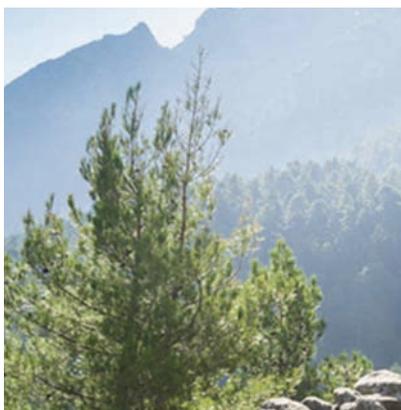
The findings of the research have equipped us with very useful insight. As a result, we are currently testing a number of product developments that are expected to appeal to the needs of the different segments, reinforcing our ability to provide partners with an all-embracing customer proposition, which we can bespoke to their specific needs.

At the same time, we are continuing to invest in our travel digital capabilities in order to further enhance our service and better meet our customers' ever changing needs; including a new travel app, self-service features for Annual Multi-Trip Cover and an omni-channel experience integrating smartphone, iPad, telephone and desktop PCs.

Finally, but perhaps most significantly, the research also reiterated the importance of effective claims handling. For consumers, this is the moment of truth and it once again highlights the need to provide an easy, no-fuss way of claiming that delivers speedy emergency assistance and pays valid claims quickly.

Cigna's Net Promoter Scores across its travel servicing and claims area, which continually exceed 50 points, are very impressive and are a clear demonstration of our commitment to make sure we deliver a best-in-class UK based customer experience that complements and enhances our partners' brands.

If you would like any more information, please contact **Jody Baker, Head of Business Development** on 020 8652 1482 or email him at [jody.baker@cignainsurance.co.uk](mailto:jody.baker@cignainsurance.co.uk)



## FIND OUT MORE ABOUT CIGNA INSURANCE SERVICES

Cigna Insurance Services, which re-branded from FirstAssist Insurance Services in September 2013, is one of the UK's leading providers of specialist insurance and affinity marketing solutions.

For over three decades, Cigna has been a 'silent partner' in our markets – working behind many of the UK's largest brands. We deliver specialist and bespoke solutions, which add value to customer relationships, help partners extend their customer propositions and in the process generate many millions of pounds of additional income for our partners and fair outcomes for customers who enjoy their products.

In that time, we have built an enviable reputation as one of the UK's leading providers across our core areas of insurance expertise: travel, health, life, accident, protection and legal protection. We are a top four provider in the UK travel insurance market.

Driven as a specialist business by an entrepreneurial, commercial management team, we provide a unique range of products and flexible marketing solutions for banks, insurers, affinity organisations, corporations, intermediaries and small and medium-sized enterprises.

We provide a high quality level of customer service to around two and a half million customers.

With over 160 individually tailored schemes through major UK brands, we know one size does not fit all. From the commercial arrangements to the regulatory relationship, from a full service stand-alone product proposition to wholesale risk provision, we will custom-design the perfect solution to meet your customers' and business needs.

To find out more  
about our range of  
products and services  
visit us at...

[www.cignainsurance.co.uk](http://www.cignainsurance.co.uk)

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