

Protection advice has never been more needed

With UK households under-protected, the role of advisers in delivering thorough, comprehensive protection advice has never been more important, writes Vitality Adviser Editor, Rob Harvey.

Although we're in the business of selling insurance, we also tell stories. So, I want to start by telling you a story.

A few years ago, when I was working as an adviser, I took a call from a client. He wanted to check that he'd written his life insurance in trust. He had, so I asked if there's anything else I could help him with.



"Well, I've been diagnosed with stage 4 cancer. It's terminal, so is there anything else I need to do?"

This 40-year-old husband, dad of two and self-employed business owner has been told by doctors that his life expectancy was about eight months.

Following that call, a claim was made on his life insurance terminal illness benefit. More importantly, because we'd also arranged critical illness cover and income protection, and he'd obviously had to stop working, both of those were claimed on as well.

No amount of insurance cover was going to make it any easier for him or his family. But what those payouts meant was that his remaining few months could be spent focusing on what mattered, without additional financial worries.

He sadly passed away a little over a year later.

Persistent consumer intransigence

That client had put in place a comprehensive financial safety net to protect him and his loved ones, but we know millions don't.

It's one of the challenges we grapple with; most people don't wake up in the morning and think to themselves "I'm going to buy protection insurance today".

There's a whole host of behavioural economics behind why clients underestimate risk. Due to ['optimism bias'](#), we think "it won't happen to me", or favour spending money on something that brings more immediate reward, over the longer-term benefit of insurance.

Nor should we underestimate the lack of knowledge and awareness from consumers. Recent findings from CIEpert's Critical Thinking report highlighted a considerable lack of understanding when it comes to critical illness cover; the same equally applies to other forms of protection.

All this means that we're left with a significant protection gap in the UK, with households woefully under-insured and lacking appropriate levels of financial protection.



A wake-up call

The last few years though have undoubtedly been a wake-up call for many.

A pandemic quickly followed by a cost-of-living crisis has highlighted the age of volatility and uncertainty that we live in, as well as the precarious nature of many people's finances.

According to the FCA's most recent Financial Lives survey, over 12 million adults in the UK have low financial resilience, exacerbated by rampant inflation and rising living costs¹.

In the six months to January 2023, over half of UK adults had either stopped saving, reduced their savings or were having to use savings to meet daily expenses¹.

Alongside ongoing challenges facing the NHS, these crises have taken a significant toll on the nation's health and wellbeing. The most recent stats put the number of people now out of work due to long-term sickness at 2.8 million, the highest on record².

We therefore live in a time where, paradoxically, the need for protection has never been greater, but the pressures facing households mean more people are unfortunately deprioritising insurance.

Why holistic protection advice is critical

Against this backdrop, advisers can play a vital role.

Many of our clients face the risk of serious hardship if they were to experience a financial shock, such as a loss of income due to ill-health or the death of a main household breadwinner. So, it's a conversation we shouldn't shy away from.

With the introduction last year of [Consumer Duty](#), there's now an added regulatory imperative on ensuring [good client outcomes](#) and [avoiding foreseeable harm](#), through more holistic and thorough advice.

Where in the past protection may have been treated as little more than a tick-box exercise, putting in place the cheapest, bare minimum of cover, is no longer enough.

If we just consider my client I mentioned at the beginning of this article, imagine that all they had in place was decreasing life cover to protect their mortgage. Yes, they'd be able to pay that off, but they'd be left with no other financial support.

Instead, it's essential that protection advice considers the full range of client needs and address each of those with the most suitable, comprehensive cover.

For many people, this is likely to be all - or a combination - of [Life Cover](#), [Serious Illness Cover](#) and [Income Protection](#).

We can't predict what's going to happen to a client, but each of those products can play a vital role in supporting them in a range of scenarios that might arise and ultimately giving them more choice and flexibility if they do have to claim.

Offering immediate tangible value

Unless a claim does arise though, it's not always easy for clients to perceive the value of cover, despite our best efforts and even the most powerful stories.

The intangible peace of mind of being covered isn't always enough, which can give rise to their preference for favouring the immediate reward of spending their money on something else.

That's why it's important that advisers help clients to unlock more immediate value from their protection cover, that they can use every day. The growing range of [health and wellbeing benefits](#) and rewards that plans now offer can be a great way of doing this.



If a client sees a Direct Debit leaving their account each month but associate that with a range of everyday benefits that they're using, alongside core protection insurance cover, they're hopefully far more likely to recognise the value of that plan.

This approach can also lead to much better persistency and rates of retention, as clients no longer see cover as something that delivers zero benefits other than peace of mind. This is obviously good for clients and advisers alike.

Through educating clients, providing the best product recommendations to strengthen financial resilience and helping them to unlock more immediate, tangible value from their cover, the role of the protection advisers has never been so crucial.

1. [Financial Lives 2022 survey | FCA](#)

2. [Record number out of work because of long-term sickness \(thetimes.co.uk\)](#)