

# LET'S TALK INSURANCE.

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Overcoming language barriers and bias

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## CHAPTER 1

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# INTRODUCTION



**Steve Bryan**

*Director of Distribution and Marketing at The Exeter*

Unpredictability is one of life's certainties. We don't know how it will impact us or when it will strike, but we know it's coming. The Covid-19 pandemic has brought this truth home to a generation of working adults, who've had their lives upended by the crisis.

As much as we seek to control the world around us, external events can have significant consequences on any one of our lives, such as our ability to work and earn money.

**2020 should have reminded us that preparing for the unexpected is vital for all households, particularly when it comes to their financial resilience and stability.**

But for many families, talking about financial matters, about the possibility of a loss of income or employment is still off-limits or rarely raised. The traditional British reserve serves us poorly here, because it means many families don't talk about money, or what might happen in the event of a financial shock.

It is against this backdrop that The Exeter is beginning our new *Let's Talk Insurance* campaign. In *Let's Talk Insurance*, we're seeking to change the way we talk about the importance of protecting income for working adults across the UK.

To provide meaningful insight into the state of protection insurance conversations between advisers and customers, we conducted in-depth interviews with 100 financial advisers, split between mortgage brokers and financial advisers. In addition, we surveyed 1,021 working adults in the UK including those who are employed by an employer and those who class themselves as self-employed.

This method created a particularly comprehensive picture of the protection market from both an adviser and a customer viewpoint, shedding light on the industry's strengths but also the areas that could be improved.

We believe that the campaign is timely. Our first wave of *Let's Talk Insurance* research shows more than two thirds (67 per cent) of working-age adults have a high level of concern about a loss of earnings through injury or illness, while seven in 10 see income security as a bigger priority in the wake of the pandemic.

Despite the government's high-profile furlough scheme, which replaced some of the lost income for people suddenly out of work, private sector solutions for insuring against the risk of income loss are not yet widely used or understood. Less than a fifth of working adults we spoke to currently have income protection and just 22 per cent say the current crisis has made them consider purchasing it. Even fewer (18 per cent) have been prompted by the pandemic to consider health insurance.

This feels like an urgent call to action for our industry – providers and advisers alike. Even amid a global pandemic where financial security feels fragile, too many perceived barriers inhibit individuals buying insurance to replace some of their income if they cannot work.

The jargon which we use in our sector can prevent the average person from engaging with income protection products. Unconscious bias in the advice process can mean the people most in need of insurance are the least likely to have it discussed with them.

This may partly explain why more than twice as many working adults (44 per cent) surveyed had life cover compared to income protection (19 per cent) or health insurance (20 per cent), and why just 13 per cent of people would prioritise income protection over other forms of insurance.

Where sudden loss of income is concerned, people usually default to the view that 'it won't happen to me', or that 'I'll be okay'. Indeed, one in four advisers think that the underlying reason for the protection gap in the UK is because customers believe nothing will happen to them and they won't be ill enough to be unable to work.

But at The Exeter, we believe that more people need to consider their financial circumstances should they be unable to work, and that we as an industry have a responsibility to help them.

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**This is about stepping up to educate people in the measures they can take to better preserve their standard of living if they cannot perform their job. We want to be a catalyst for change and we're here to help advisers do the same.**

Through *Let's Talk Insurance*, we're seeking to engage, educate, inform and clarify. We want to tell the story of income protection in another way.

**It's time to change the conversation.**

## CHAPTER 2

# THE LANGUAGE BARRIER

Clear communication is a central pillar in the adviser/customer relationship.

As the experts, advisers are in a position of power and responsibility when dealing with the financial needs of customers. Advisers instinctively know that they have a duty of care to ensure that the language they use is understood by the customer.

As providers, we don't always make this as easy as we could for our adviser partners. Insurance firms are not often cited as examples when it comes to communicating in a clear and concise way. Our regulators have sought to encourage firms to simplify the language we use, and yet for regulated firms, with complex, changing customer needs, plain speaking remains a challenge.

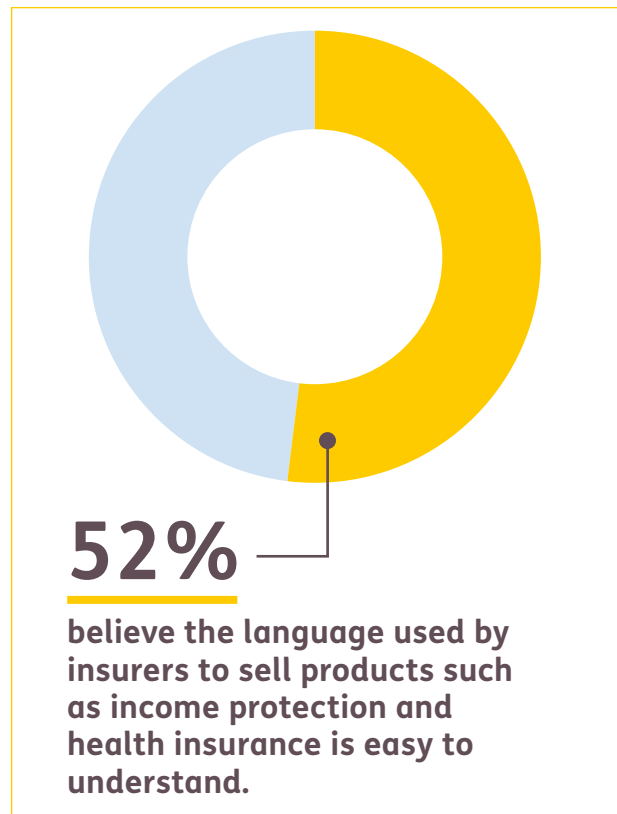
**Research suggests the average UK adult reading age is just nine. This is a problem when the average motor insurance policy has a reading age of 18 and home insurance of 19, according to Fairer Finance<sup>1</sup>.**

The Chartered Insurance Institute (CII) is now being proactive, encouraging member firms to write their policy documents with a reading age of 13. Separately, the Financial Conduct Authority is set to release its final guidance in 2021 on the steps financial businesses and advisers must take to ensure vulnerable customers are treated fairly.

The regulator identified four key drivers that may mean an individual is vulnerable. These cover health-related matters, life events, their resilience to financial or emotional shocks, and their capability, both in relation to financial matters but also life skills, such as reading and digital literacy.

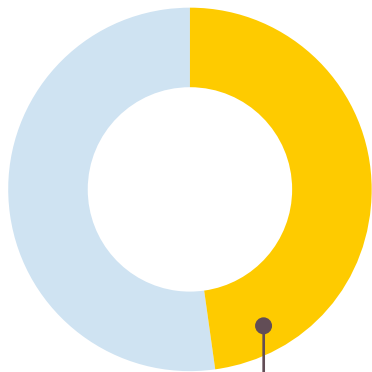
Our research suggests the capability driver is particularly important. Only half (52 per cent)

<sup>1</sup><https://www.fairerfinance.com>



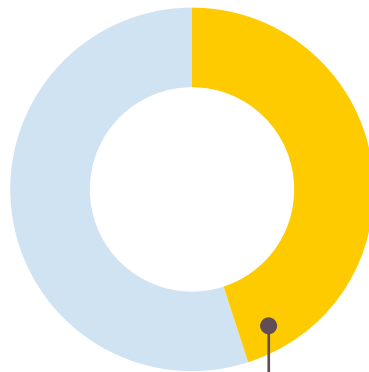
believe the language used by insurers to sell products such as income protection and health insurance is easy to understand. And more than a third of self-employed workers (36 per cent) – who arguably have a higher need for a financial backstop – admit to finding it difficult to understand the language used to explain insurance products. Among existing customers, nearly half of those who have purchased or considered purchasing income protection found the terms and conditions hard to comprehend.

**Reasons why customers find income protection difficult to understand.**



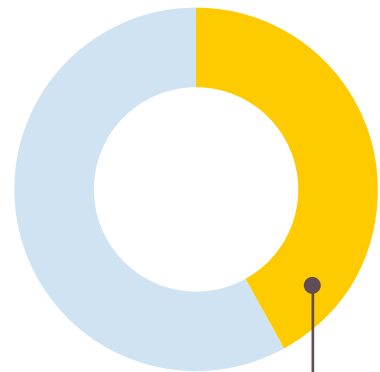
**48%**

**declared there was too much technical jargon.**



**45%**

**felt that unclear explanations made it hard to know what was covered and what was not.**



**42%**

**said complicated language made it demanding to know when or how the policy would pay out.**

These figures highlight the role language plays in the relationship between the insurance industry, its advisers and its customers. On a simple level, customers aren't often making the link between 'protection' and 'insurance'. When asked what they would associate the word protection with, more than half said protecting themselves from physical harm and more than two fifths (43 per cent) said protective clothing.

If products and services can be discussed in a simple way, insurance will become more accessible.

Every working adult will be able to make an informed decision, and advisers will be better equipped to discuss policies with every single customer, regardless of their personal characteristics and circumstances.

## CHAPTER 3

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# UNCONSCIOUS BIAS

One of the topics we were keen to explore as part of *Let's Talk Insurance* was to ask whether unconscious bias is a challenge for advisers in the market.

We conducted in-depth interviews with 100 advisers, working with the specialist market researchers at BVA-BDRC<sup>2</sup> to unpick the advice process, test assumptions and attempt to seek out where unconscious bias may be a risk for advisers.

**For this sensitive element of the research programme, we worked in close partnership with advisers. Our aim was not to trip anyone up, but rather to sensitively and accurately explore where issues may arise unwittingly in the way we speak to customers, and what solutions might present themselves.**

It certainly feels like there's a potential issue for our sector here. One in six (16 per cent) advisers admit they have been guilty of unconscious bias when considering whether a client needs to insure their income should illness prevent them from working.

One mortgage broker in our research acknowledged there had been occasions when they predicted a client might be on a limited budget and therefore unable to afford everything they need, only for this to prove untrue.

Conversely, another said that they can get carried away by a perceived image of wealth and assume a client can afford better cover. However, just because they may appear well-off doesn't mean their finances are always in excellent shape.

The true prevalence of unconscious bias might be even higher though, especially as 40 per cent of advisers believe others can fall victim to unconscious bias. More than half of all the advisers we spoke to (54 per cent) would be interested in training to help them avoid unconscious bias in their conversations with customers.

Our research revealed some potentially intriguing themes around this topic. For example, clients that were able-bodied, homeowners, or white, were more likely to be told about income protection than customers with a disability or impairment, renters, or BAME customers.

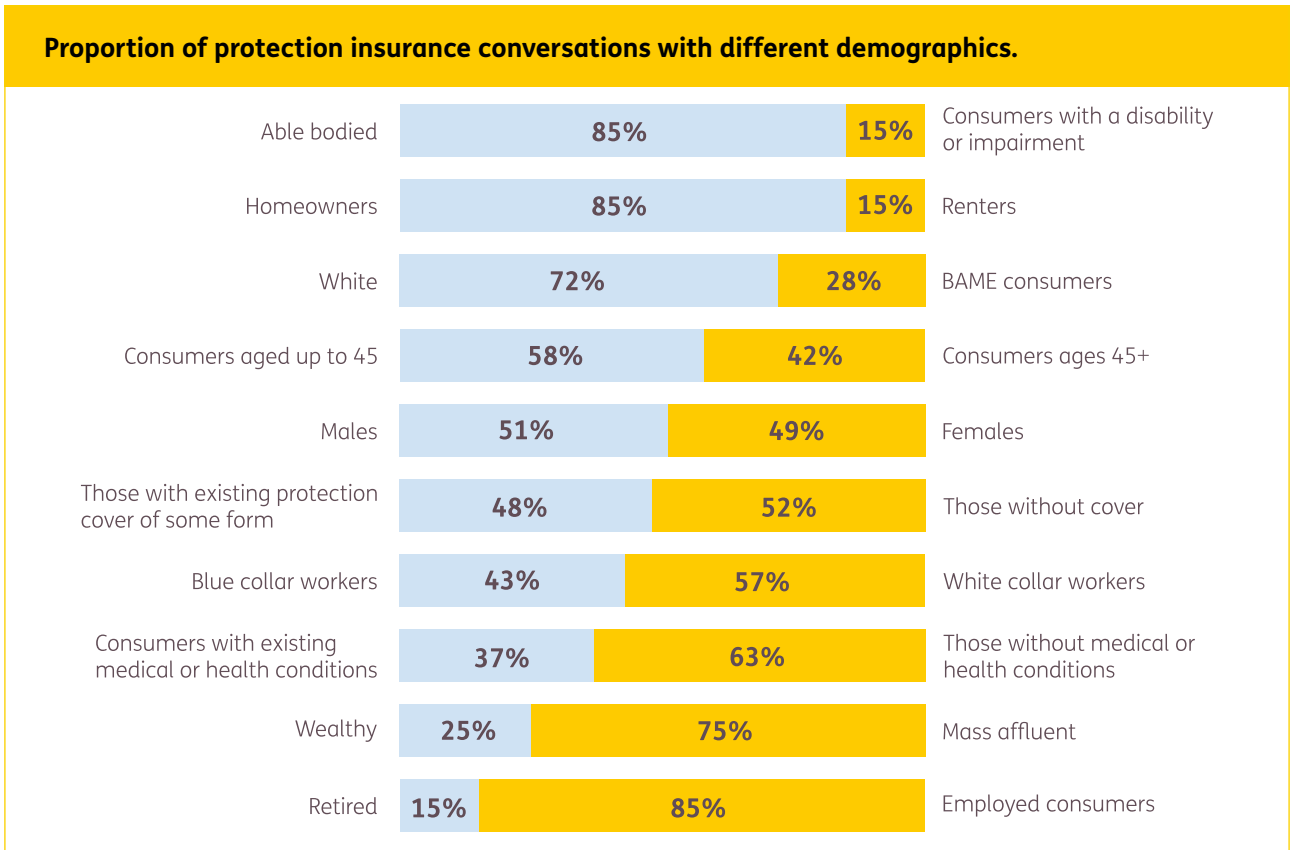
White collar workers were marginally favoured over blue collar workers. Encouragingly there was virtually no gender bias, with advisers speaking about income protection to male and female clients in almost equal proportion.

Overcoming unconscious bias is vital for the advice industry, especially as 57 per cent of advisers stated they had clients who they originally thought would not accept a recommendation to insure their income but actually did.

Our research with advisers and working age adults also confirms a particular bias. More than a third of advisers (34 per cent) thought the under 30s were the least likely to discuss insuring their income, yet our data suggests younger generations were more likely to hold or to consider holding this type of insurance.

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<sup>2</sup>The Exeter's research with BVA-BDRC



This suggests that other assumptions advisers make about particular types of customer could be open to challenge and reconsideration.

Nearly two fifths of advisers (38 per cent) believe customers perceive the cover as expensive, while more than a quarter (28 per cent) believe there is a lack of awareness among clients about its benefits. Even if these assumptions are true, the onus should be on us as an industry to help customers overcome these barriers and improve the prevalence of income protection and health insurance, which make up just 1.3 and 0.1 out of every 10 protection policies arranged by advisers.

Encouragingly, nearly two thirds (62 per cent) of advisers use a 'tried and tested' method of illustrating the benefits of insuring an income. These include using real life case studies or personal examples to help make the product feel more relatable.

Strategies like these, and the willingness of the adviser community to develop its awareness of unconscious bias, appear to be contributing to a positive trend.

A total of 57 per cent of income protection sales were to new clients, suggesting the appetite from previously uncovered individuals is increasingly being met by the adviser community.

Nonetheless, this does not mean our job is complete. It is essential to tackle both the language and unconscious bias issues to help raise awareness of this important product which suffers a huge gap between need and take-up.



## CHAPTER 4

# RAISING AWARENESS

Getting heard in today's frantic, social-media driven, digital world is difficult.

But the protection industry still needs to try hard to get its message heard. Nearly two thirds (64 per cent) of working adults have never spoken to a financial adviser about the various forms of life and income protection insurance.

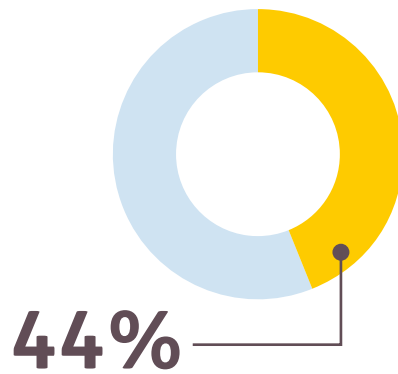
**One in five (20 per cent) have discussed this type of product with an adviser when buying a home but just over one in 10 (12 per cent) have spoken to an adviser solely about covering their income. Just seven per cent of people said a financial adviser had approached them first about these types of product.**

This makes sense given that many advisers and mortgage brokers refrain from marketing income protection because most sales come from referrals or are secured as part of a mortgage application.

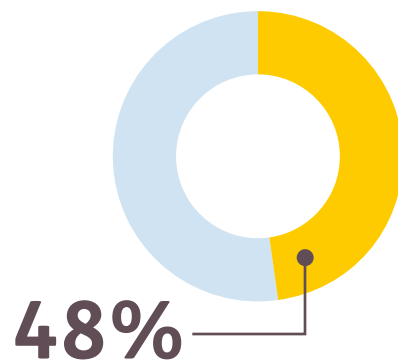
While these established methods for securing sales may work, it doesn't mean that the industry can continue to rely on its existing communication strategies. Two thirds said that being able to illustrate the tangible client benefits of products is the greatest advantage of advising on insurance, so we need to do more to highlight these benefits to customers in a relatable way.

Our research shows that advisers feel that more needs to be done, including by providers and government, to increase awareness and customer take-up of income protection and to dispel some of the myths surrounding it.

**% of people who believe cost is the biggest barrier to protecting themselves.**



**of working adults cite cost as the biggest barrier preventing them taking out an income protection policy.**



**rising to nearly half for health insurance.**

**% of self-employed and employed workers who state cost as the biggest barrier to them buying an income protection policy.**



For example, it should be concerning to everyone in the industry that 44 per cent of working adults cite cost as the biggest barrier preventing them taking out an income protection policy – rising to nearly half (48 per cent) for health insurance, – even though some people could secure cover for just a few pounds a month.

It is also worrying that the self-employed are more likely to state cost as the biggest impediment to them buying an income protection policy compared to employed workers (55 per cent v 34 per cent), in spite of the first group often being more financially vulnerable.

This should act as a catalyst for advisers who offer income protection advice to become more proactive about informing the self-employed of their options.

**Those workers and households on lower salaries are the least likely to have ever spoken to a financial adviser. This means society's most vulnerable workers, those whose low level of household savings would struggle to see them through an emergency and who therefore arguably have the greatest need for financial security, are the least likely to be covered.**

These people are less likely to have friends or relatives that will give them a referral for a financial adviser and are less likely to be obtaining a mortgage via an adviser – two of the most common ways policies are sold now.

Collaboration is key and the protection industry needs providers like The Exeter to play a decisive role.

## CHAPTER 5

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# AN INDEPENDENT VIEW



**Katie Crook-Davies**  
*Co-Chair IPTF*

It has been a relief to see a shift in headlines recently towards talk of effective vaccinations and light at the end of the tunnel, but the realisations of what has happened throughout 2020 and beyond will undoubtedly stay with us for years to come.

The first one being that none of us are invincible, and even the youngest and most healthy among us can be impacted. Secondly, long Covid reminds us of the complexity of illness. Illnesses that would usually be considered short-term can still have long reaching impacts on our health, wellbeing and ability to work. Thirdly, financial vulnerability is not only reserved for those living pay check to pay check. In fact, many who would have considered their income and jobs secure, have seen their finances hit as a result of the pandemic.

Arguably, these three aspects come together to make income protection conversations more relevant than ever. This is especially true when you consider the nine million UK adults who have now received support from the Government as part of the furlough scheme<sup>3</sup> – taking the form of one large income protection plan.

And let's not forget the surprising housing market boom that we're currently facing.

According to the Bank of England<sup>4</sup>, mortgage approvals recently hit a 13-year high, and of course we know that mortgages are one of the main triggers for protection insurance conversations.

We saw a huge spike in online search traffic back in March 2020 for 'income protection insurance', according to Google Trends data. Sadly though, this interest was short-lived, and dropped off, at least online, back to original levels a month later. And the picture is rather more disappointing for products like health insurance and critical illness insurance, neither of which saw any significant online increase in interest<sup>5</sup>.

<sup>3</sup> <https://www.gov.uk>

<sup>4</sup> <https://www.financialreporter.co.uk>

<sup>5</sup> Google trends data

The story for life insurance is different – there's been no obvious single spike in search volumes, but general interest in this product is currently almost 100 times<sup>5</sup> greater than for the other three products mentioned – a differential that appears to have been increasing over the last five years.

So, what are we doing wrong here? Why is life insurance still the leading product in terms of sales when products like income protection provide more comprehensive cover? Protection insurers have paid out millions to customers during this difficult time and value-added service usage is on the up, with The Exeter seeing double the usage of its health app in 2020<sup>6</sup>. If, as findings suggest, 70 per cent of customers see income security as a bigger priority in the wake of the pandemic, why aren't customers more interested in these products that we, as an industry, see huge value in?

Perhaps they simply don't know about income protection insurance or misunderstand what it is? Or the product terminology may not resonate with them?

Indeed, half of those surveyed by The Exeter associate the word protection with physical harm. There's clearly work we need to do as an industry around simplifying language and messaging with customers. It needs to resonate and it needs to mean something.

Advisers play a vital role in educating customers on products like income protection, however it's important to be aware of things like unconscious, or implicit, bias, which flows into everything we do. Awareness is the first step, and findings such as those highlighted in the *Let's Talk Insurance* research are vital to help us learn and ensure that all customer groups, and those who are most vulnerable, are being offered the financial protection they need. And for the 64 per cent who haven't spoken to a financial adviser about protection products before, we need to work together to raise awareness, educate and better connect them with our industry.

<sup>5</sup> Google trends data

<sup>6</sup> <https://dyn.the-exeter.com>

## CHAPTER 6

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# CONCLUSION

At The Exeter, we know our industry can do better and we are working proactively to change this. We are committed to tackling the language barrier that our research has identified.

Our first step will be to look at our own adviser-facing documents to make it easier for advisers to understand our offering and, therefore, make it simpler to communicate this to their customers.

Regulatory and legal rules might make it more challenging to alter policy document wording, but we will be exploring ways to encourage long-required change and how we can work with advisers to reshape the industry and make the benefits of what we do easier to understand.

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**It can no longer be passively accepted by the industry that *'this is the way things are'*.**

As many people as possible need to be able to engage with insurance products that protect their income if they cannot work due to illness. More than eight in 10 advisers report being 'very' or 'fairly' confident about the 12-month outlook for income protection, a figure which rises even higher among advisers who feel supported with sales aids and tools from providers.

To this end, The Exeter will be producing an adviser guide that will offer practical tips and guidance on how to overcome any barriers that advisers believe hinder conversations with customers about how they would cover their living costs if illness meant they could not work.

It's encouraging that more than three quarters (76 per cent) of advisers definitely want to write more policies.

But as an industry, we must not sit back and be content with this.

We must be proactive in nurturing the relationships with those who already engage with the industry and strive to offer an easy, jargon-free welcome for any advisers who believe there are too many difficulties preventing them from selling income protection.

We intend to drive progress when it comes to talking about insurance.

We need to change the conversation and are committed to playing a leading role in making the industry the best it can be.

[www.the-exeter.com](http://www.the-exeter.com)

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