

# SHRINKING THE GAP



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The UK protection gap is often quoted as being as large as £2.4 trillion<sup>1</sup>. Now, the problem I have with this figure is not its accuracy; it's more its sheer size. As providers we present this gap as an opportunity for advisers to solve, but it feels an overwhelming challenge – where do you start?

So how do we make the protection gap less daunting and more meaningful? The answer is to shrink the gap, to break it down to individual, manageable steps that allow you to better engage and protect your clients.

## FINANCIAL TO THE EMOTIONAL

We know selling protection isn't easy, with it being a transactional financial product. However it pays out at some of the most emotional times in people's lives – in instances of serious illness or death. It's no wonder that people often don't want to think about such traumatic outcomes, but they need to. Especially when statistics tell us that 1 in 2 people in the UK will be diagnosed with cancer in their lifetime<sup>2</sup>.

There are key points in people's lives where the protection need breaks the surface – when they get married, buy a house or start a family. This is a good starting point where you could take the conversation from the financial to the emotional and connect to what's important to someone.

After all, people's underlying emotional protection needs are not that dissimilar. Let's take buying a house – a client may come to you for a mortgage (the financial), but their emotional need is to build a home, somewhere they belong and to build a life for themselves and their family. That's the real underlying need, and who wouldn't want to protect that?

## OVERCOME THOSE OBJECTIONS

Even after bringing out the true protection need, you may still come across barriers and resistance. Here are some of the most common reasons why people don't take out protection, which I'm sure you've heard before.

Reasons for not taking out cover <sup>3</sup>	Life Cover	Critical Illness Cover
Can't afford it	28%	29%
Not a financial priority	19%	15%
Don't need it	18%	17%
Won't pay out	6%	7%

Of course, you can build in steps to successfully overcome these, and the good news is there is a lot of support and help out there from providers.

<sup>1</sup> SwissRe 2017

<sup>2</sup> Cancer Research UK 2017

<sup>3</sup> Scottish Widows Protection 2016 Research

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## CAN'T AFFORD IT

This seems like quite a rational one, but is it true? Respondents in a 2015 Sunlife survey estimated life cover to be on average 394% higher than the actual costs<sup>4</sup>, so possibly not. Many providers have tools and calculators you can use here. You'll have seen the ones where you put in how much a person spend on coffee and cakes every week and this is compared with what they'd spend on cover. At the very least you should be able to move the conversation on from cost to how much protection they could afford.

## NOT A FINANCIAL PRIORITY

Here you can make clients aware that having protection comes down to a financial choice. Our own research shows that 21% of people see Sky/Cable subscription as an essential purchase versus only 20% for protecting their income in case they or their partner were unable to work<sup>5</sup>. But that's only because you've not shown them the true value of protection and the consequences of being under-protected. Case studies can be a powerful tool here and the 7families campaign still has some good case study videos on its website – use them.

## DON'T NEED IT

Not everyone needs protection, but with our research showing that only one in three people have life cover and fewer than one in 10 people have critical illness cover, there is a definite need out there<sup>6</sup>. Your client may think they're too young to need protection, or that they just won't need it. In such cases you can use a provider's risk analyser tool, to give people a better idea of the true risks.

Clients may assume the state will provide for them, but people often don't know or overestimate what benefits they would be entitled to, especially as welfare and social care provision becomes increasingly means-tested, conditional and time-boxed.

Many simply don't understand how socio-economic factors can impact and change their protection needs. What can you do is educate them by using research and insight from providers. At Scottish Widows we have the Centre for the Modern family, a think tank that produces regular research on the changing modern family and their future financial needs. In addition, Techtalk, our free monthly adviser magazine anticipates, interprets and forecasts key industry changes and regulations.

## IT WON'T PAY OUT

We all know this one is untrue, but it is still at the back of people's minds. The best thing to do is to give your clients the evidence. The ABI showed the industry paid out £4.7 billion in claims last year, with 98% of life cover claims and 92% critical illness cover claims paid out<sup>7</sup>. Individual providers also publish their stats – at Scottish Widows we paid out 99% of life cover claims and 93% of critical illness claims, which was slightly above the industry average, and equated to a total of £211.6 million<sup>8</sup>. You can use these stats when talking to your clients to make it clear we do deliver at our key moment of truth.

So by shrinking the protection gap down into more realistic, manageable steps we can truly start to engage emotionally with clients, identify their true underlying protection needs and be better able to overcome any challenges.

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<sup>4</sup> SunLife Survey 2015

<sup>5</sup> Scottish Widows 2016 Protection Research

<sup>6</sup> Scottish Widows 2016 Protection Research

<sup>7</sup> ABI Claims 2016 Statistics

<sup>8</sup> Scottish Widows 2016 Claims Statistics