

OVER-50S GUARANTEED ACCEPTANCE LIFE INSURANCE – UK – 2024

Sales of over-50s life insurance returned to positive territory in 2023, while challenges persist, the ageing population presents opportunities for future growth.



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This report looks at the following areas:

- Analysis of the market performance, including a five-year forecast.
- Market share of major players, competitive strategies and advertising initiatives.
- Overview of consumer ownership and interest in taking out over-50s life insurance.
- Examining the motivations and barriers to over-50s life insurance.
- Understanding the key factors that would encourage consumers to choose one provider over another.
- Attitudes towards over-50s life insurance.



Sales of over-50s life insurance returned to positive territory in 2023, while challenges persist, the ageing population presents opportunities for future growth.

Overview

The over-50s life insurance market saw a drop in sales amid the cost of living crisis. However, in 2023 it showed signs of recovery. According to the Association of British Insurers (ABI), new over-50s guaranteed acceptance life insurance policies increased by 8% as consumers started to feel more confident about their finances and inflation fell.

49% of those who own over-50s life insurance or would consider taking out a policy say the main reason for buying it is to pay for the full cost of their funeral, while 29% want to cover this cost partially. This desire to cover funeral expenses highlights the competitive threat posed by prepaid funeral plans. With prepaid funeral plan providers covered under FCA regulation

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since July 2022, consumer trust in the industry is expected to improve in the long term, potentially diverting interest from over-50s life insurance products.

Interest in over-50s life insurance is higher among 50-54s. This can be attributed to existing coverage through **other life insurance**, such as term assurance, which will expire at some point. Over-50s life insurance can be positioned as an option for continued financial protection, providing an opportunity to target consumers who are already engaged with the sector.

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Report Content

EXECUTIVE SUMMARY

Opportunities for the over-50s guaranteed acceptance life insurance market

- Over-50s life insurance plans have potential for expansion
- Targeting younger over-50s could grow the market
- Create more genuine connections with consumers

Market dynamics and outlook

- Market size & forecast
- Market predictions
- New contract sales are expected to continue to recover
- New premiums up by 18% due to increased volumes and higher average premiums
 - Graph 1: volume and value of new guaranteed acceptance whole-of-life insurance business, ABI members , 2019-23
- SunLife continues to dominate the over-50s life insurance market

What consumers want and why

- Ownership of protection products remains stable
- Scope to grow the market by targeting younger over-50s
 - Graph 2: interest in over-50s life insurance and pre-paid funeral plan, 2022-23
- Covering funeral expenses is the main reason to purchase
- A perceived lack of need is the main barrier to taking out over-50s life insurance
- A combination of additional benefits and cash incentives holds strong appeal among potential consumers
 - Graph 3: key factors when choosing an over-50s life insurance provider, 2023
- Advertising targeted at over-50s is seen as patronising

Innovation and marketing

- Competitive strategies and launch activity
- Above-the-line adspend remains suppressed but stable
 - Graph 4: total above-the-line, online display and direct mail advertising expenditure on over-50s life insurance, 2019-23

MARKET DYNAMICS

Market size

- Sales of new over-50s guaranteed acceptance life insurance started to recover in 2023...
 - Graph 5: volume of new guaranteed acceptance whole-of-life insurance business, ABI members , 2019-23
- ...alongside the value of new premiums
 - Graph 6: value of new guaranteed acceptance whole-of-life insurance business, ABI members, 2019-23

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- Average annual premiums exceed £250 in 2023
 - Graph 7: average annual premium for new guaranteed acceptance whole-of-life insurance, 2017-23

Market forecast

- Strong sales growth forecast in 2024, but growth will slow over the medium term
- Value of sales also forecast to deliver strong growth in 2024
- Growth is forecast to remain positive over the next five years
- Learnings from the last income squeeze
 - Graph 8: value and volume of new over-50s guaranteed acceptance life insurance, 2007-15

Channels to market

- 61% of policies are arranged directly with insurer
 - Graph 9: distribution of new guaranteed acceptance life insurance contracts by sales channel, 2023

Claims performance

- Claims costs decline
 - Graph 10: total value of claims paid and number of new claims paid for whole of life assurance, 2015-22

Market share

- SunLife continues to dominate the over-50s life insurance market...
- ...despite a decline in sales volumes in 2022
- Scottish Friendly and AIG saw significant growth in sales
- OneFamily enters the top five

Macro-economic factors

- Economic output has stagnated since the cost-of-living crisis began
 - Graph 11: GDP, 2021-23
- Inflation is still affecting consumers' finances
 - Graph 12: CPI inflation rate, 2021-24
- Consumer sentiment: The recovery is continuing...
 - Graph 13: The financial wellbeing index, 2016-24
- ...but most people are still feeling the effects of higher prices
 - Graph 14: issues affecting consumers over the last two months, 2024
- Younger over-50s face significant pressures amidst the cost-of-living crisis

Social, environmental and legal factors

- Greying population provides an opportunity for growth
 - Graph 15: projected size of UK population, 2023-73
- Funeral costs rise in 2023
 - Graph 16: average cost of a basic funeral in the UK, 2004-23
- Funeral plans are a strong competitor for over-50s life insurance

- Consumer Duty encourages providers to deliver good outcomes

WHAT CONSUMERS WANT AND WHY

Protection product ownership

- Pre-paid funeral plans compete with over-50s life insurance
 - Graph 17: ownership of over-50s life insurance and pre-paid funeral plan, by age groups, 2023
- Ownership of protection products remains stable
 - Graph 18: ownership of over-50s life insurance and related products, 2022-23
- Younger over-50s are already engaged in the protection market
 - Graph 19: ownership of over-50s life insurance and related products, by age groups, 2023
- 43% of policyholders have two or more over-50s life insurance policies
 - Graph 20: number of over-50s life insurance policies owned, 2023

Interest in over-50s life insurance

- Pre-paid funeral plans continue to be the preferred option...
 - Graph 21: interest in over-50s life insurance and pre-paid funeral plan, 2022-23
- ...but there is scope to grow the market by targeting younger over-50s
- Openness towards over-50s life insurance increases among those with tight finances

Motivation for taking out over-50s life insurance

- Paying for the full cost of a funeral is the main reason for purchasing
 - Graph 22: main reasons for buying or considering over-50s life insurance, 2023
- Existing customers are more wary about extent to which funeral costs are covered...
 - Graph 23: selected main reasons for buying or considering over-50s life insurance, by product ownership, 2023
- ...but managing pay-out expectations for policyholders remains essential
- Younger over-50s value the flexibility offered by over-50s life insurance
 - Graph 24: main reasons for buying or considering over-50s life insurance, 2023

Barriers to taking out over-50s life insurance

- Lack of need is the main barrier to over-50s life insurance...
 - Graph 25: main reasons for not having an over-50s life insurance policy, 2023
- ...but this perception is not widespread across all age groups
 - Graph 26: selected reasons for not having an over-50s life insurance policy, by age groups, 2023
- Less well-off over-50s are less inclined to think they don't need cover...
 - Graph 27: selected reasons for not having an over-50s life insurance policy, by financial situation, 2023
- ...but unaffordability is a barrier for this group

Over-50s life insurance incentives

- Funeral benefits are a key factor when choosing an over-50s provider

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- Graph 28: key factors when choosing an over-50s life insurance provider, 2023
- Immediate financial benefits have a stronger appeal among younger over-50s
- A combination of additional benefits and cash incentives will expand reach
- ...increasing to 73% among potential consumers
- Graph 29: selected key factors when choosing an over-50s life insurance provider, by potential policyholders, 2023

Over-50s life insurance – attitudes and behaviours

- Most over-50s are confident about the differences between over-50s life insurance and funeral plans
 - Graph 30: attitudes and behaviours towards over-50s life insurance, 2023
- Over-50s life insurance products struggle with negative perceptions of value
- Almost a third of potential policyholders are uncertain about the value of over-50s life insurance
 - Graph 31: consumer agreement that it is better to put money aside than pay for over-50s life insurance, by product ownership and interest, 2023
- Advertising continues to play an important role in driving sales...
- ...but advertising targeted at over-50s is seen as patronising

INNOVATION AND MARKETING TRENDS

Competitive strategies and launch activity

- Co-op partners with Legal & General to offer over-50s life insurance
- Aviva looks to acquire AIG's UK protection business
- Clark UK collaborates with iptiQ to launch over-50s life insurance
- SunLife introduces a new simplified logo
- Gift vouchers remain a widespread sales incentive

Advertising and marketing activity

- Above-the-line adspend remains suppressed but stable
 - Graph 32: total above-the-line, online display and direct mail advertising expenditure on over-50s life insurance, 2019-23
- SunLife continues to lead advertising expenditure
- Cover Today promotes its over-50s life insurance
- British Seniors' advertisement focuses on product features and customer service
- TV continues to dominate above-the-line adspend
 - Graph 33: proportional distribution of above-the-line, online display and direct mail advertising expenditure on over-50s life insurance, by media type, 2021-23
- Social media campaigns are less common

APPENDIX

Supplementary data

- Top seven advertisers of over-50s life insurance
- Channels to market – underlying data
- Volume and value of claims paid on individual protection products

Market forecast data and methodology

- Market size: underlying data
- Market forecast and prediction intervals (volume)
- Market forecast and prediction intervals (value)
- Forecast methodology

Report scope and definitions

- Market definition
- Abbreviations and terms

Methodology

- Consumer research methodology
- TURF Analysis
- Nielsen Ad Intel coverage

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