



# Cost-of-living

The view from advisers





# Introduction

We wanted to better understand how the cost-of-living (CoL) situation and Consumer Duty is impacting advisers, and the key challenges they're facing so we could be best positioned to be able to provide any practical and relevant help and support.

It's important for us to consider the effects of the current economic environment and how these changing circumstances impact our customers as well as your clients.

## **The research looked at:**

- Advisers' outlook for 2023 and any key challenges they anticipate throughout the year
- If they have noticed and changes in clients' behavior and how they are adapting to the cost-of-living challenges

Don't forget, we have a 'cost-of-living' section on our website to help you position the importance and value of protection with your clients, understand the flexible options available within our products and the tools we have to help you manage your client bank.

This research was carried out on behalf of Zurich by Human8, an independent market research company.

Online survey with 191 UK-based financial advisers

Research conducted 9th – 20th December 2022



# What are you seeing at the moment?

## What are the biggest challenges facing our industry in 2023?

The top 3 challenges are:

- Inflation (53% put in their top 3)
- Rising mortgage rates (50% put in their top 3)
- Clients reviewing outgoings and cutting back (50% put in their top 3)

The impact of high inflation and rising mortgage rates is looming large, with many braced for clients cutting back on outgoings.

But it's clear the areas of focus are a symptom of wider economic conditions, not industry-specific challenges.

## What is the 'mood' of the industry?

You told us 'we're steeling ourselves for a difficult 12-months', but it feels like there is some optimism there. On balance, firms predicted they'll write a similar amount of business in 2023 overall with 25% predicting a bit less.



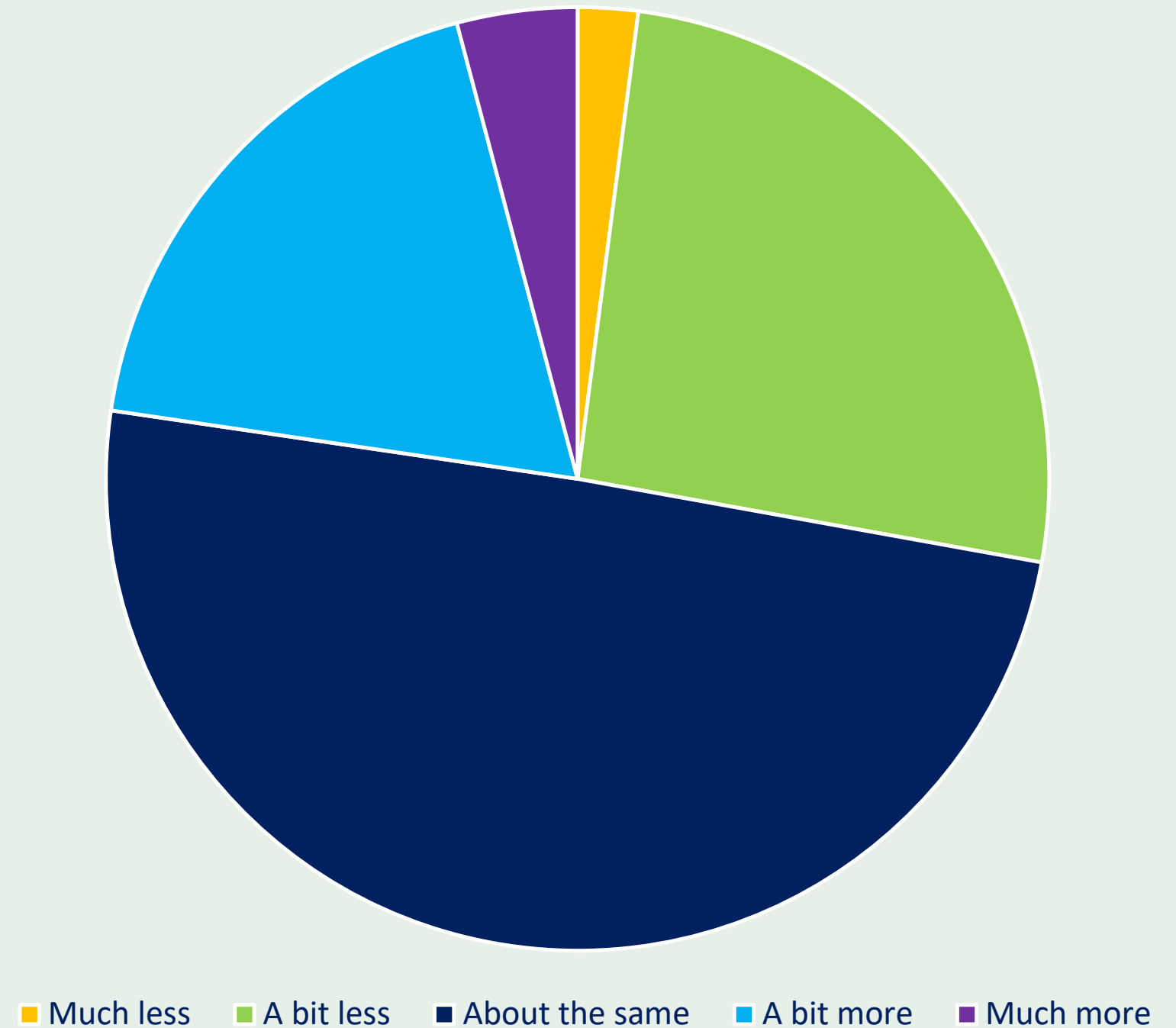


*I don't think cost-of-living is at its worst yet. Only once inflation has further eroded consumers savings will we see this get worse, and this takes time. It will be difficult to advise on insurance this time next year.*

We do see signs that firms specialising in particular areas are less optimistic than general practitioners, and we're keeping a watchful eye on this.



Adviser firms' outlook for 2023:



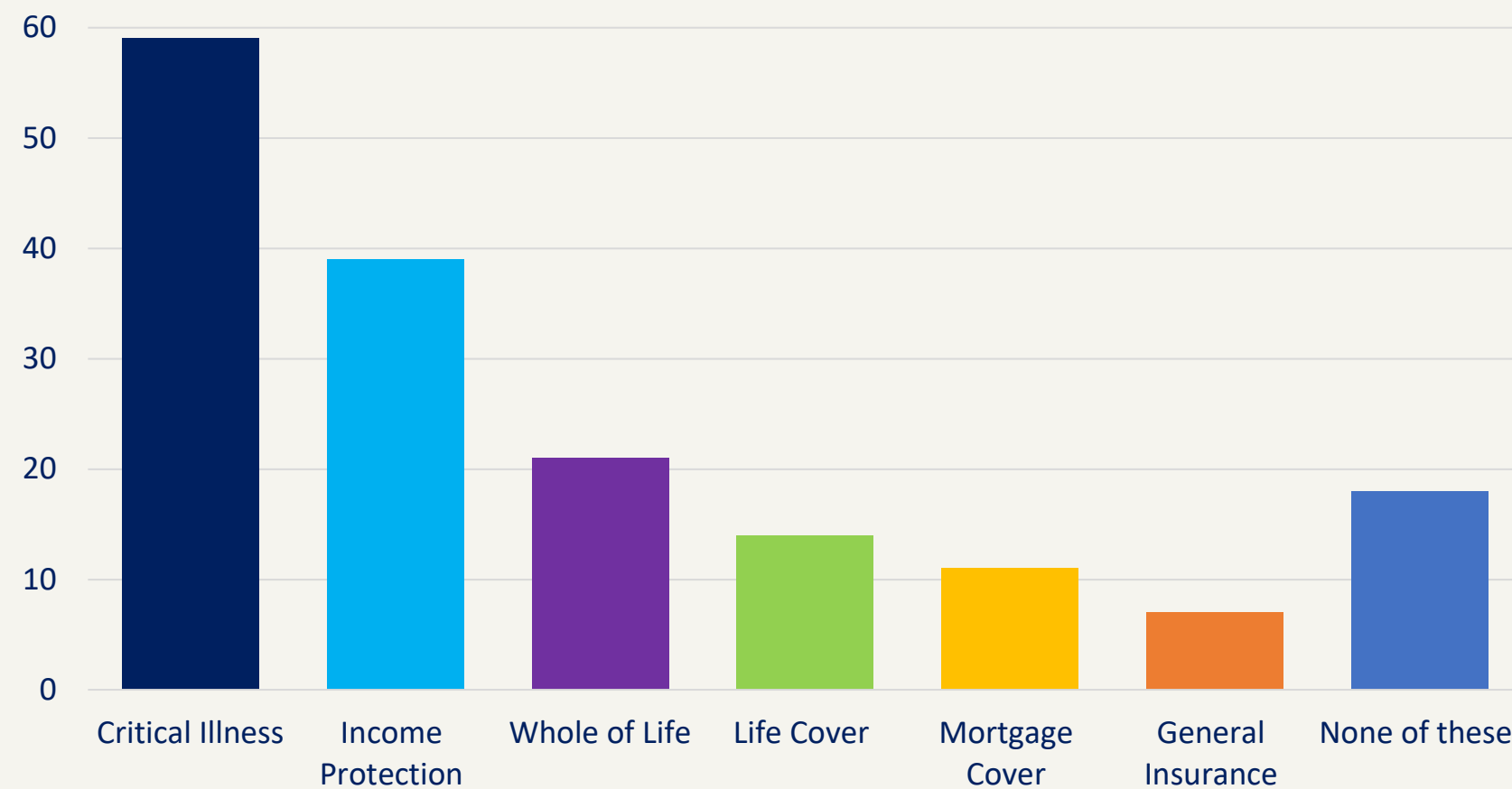


# What worries you at the moment?

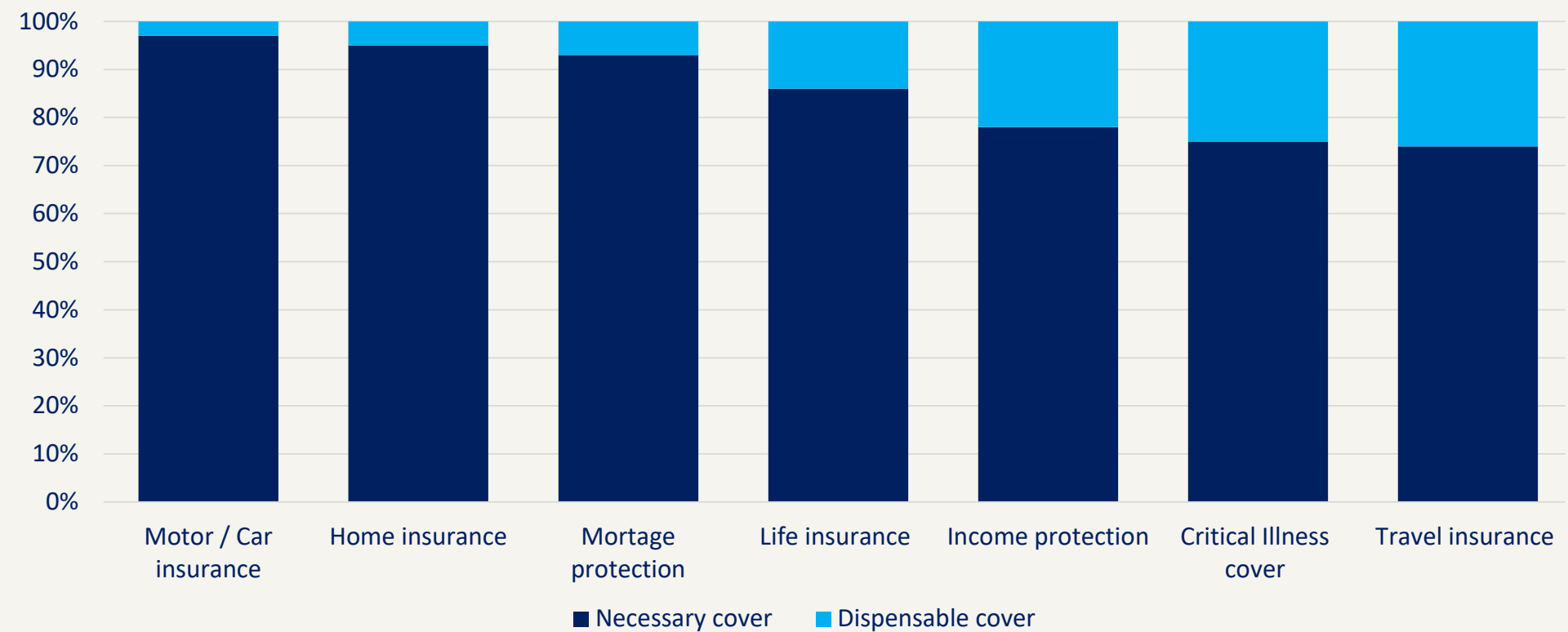
## Which product areas are giving rise to most cause for concern?

Many predict income protection and critical illness policies will become more challenging to sell. And this echoes the view from consumers, where income protection and critical illness is seen as more 'dispensable' than other types of insurance cover.

**Adviser view:** Types of insurance advisers expect to be increasingly challenging to sell in 2023



**Consumer view:** Consumer Cost of Living Survey (November 2020)

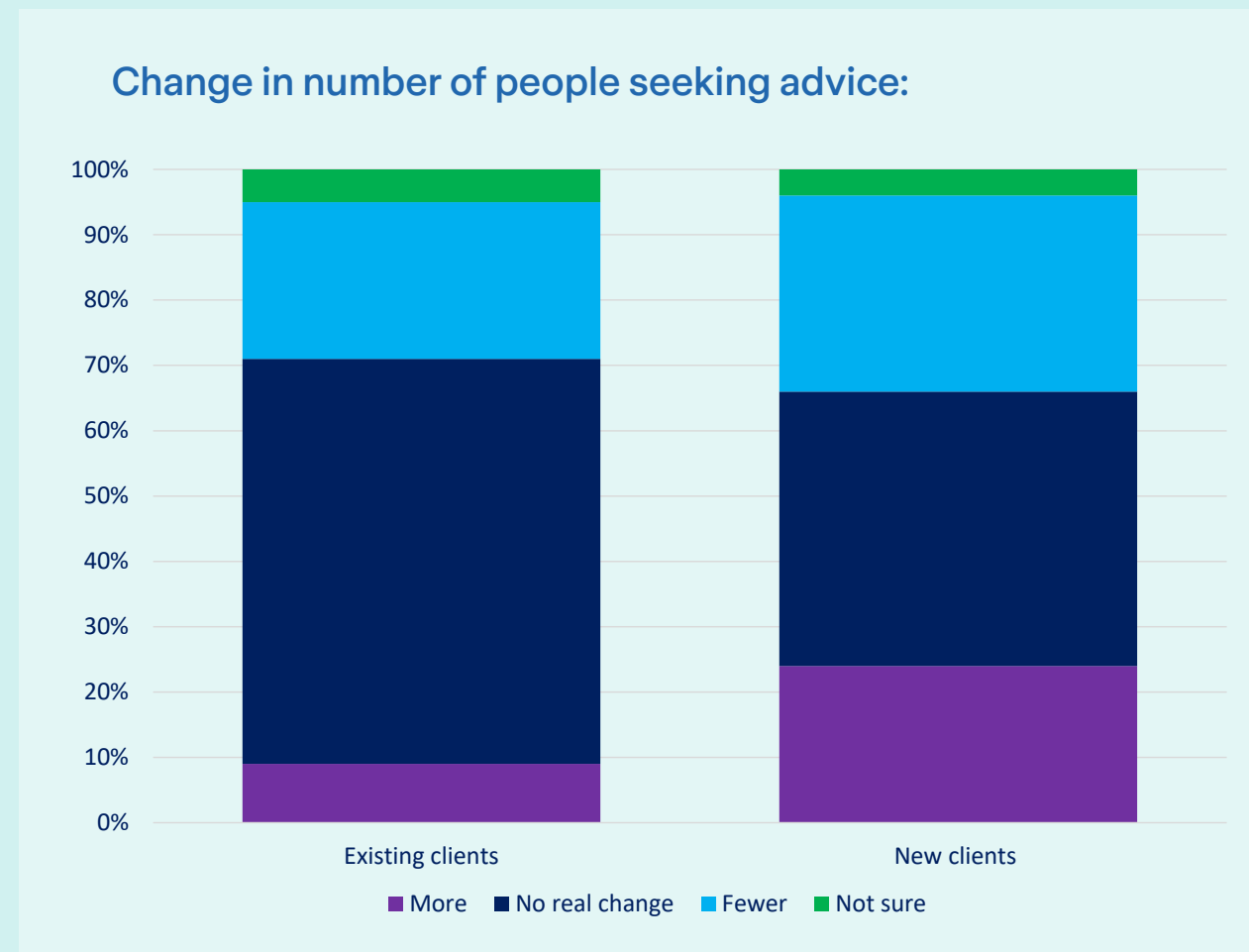


We've also seen this same story coming through from other respected sources, where the expectation is that this will be a challenging year, and although you're not necessarily seeing cancellations coming though, certain products will become increasingly challenging to sell.

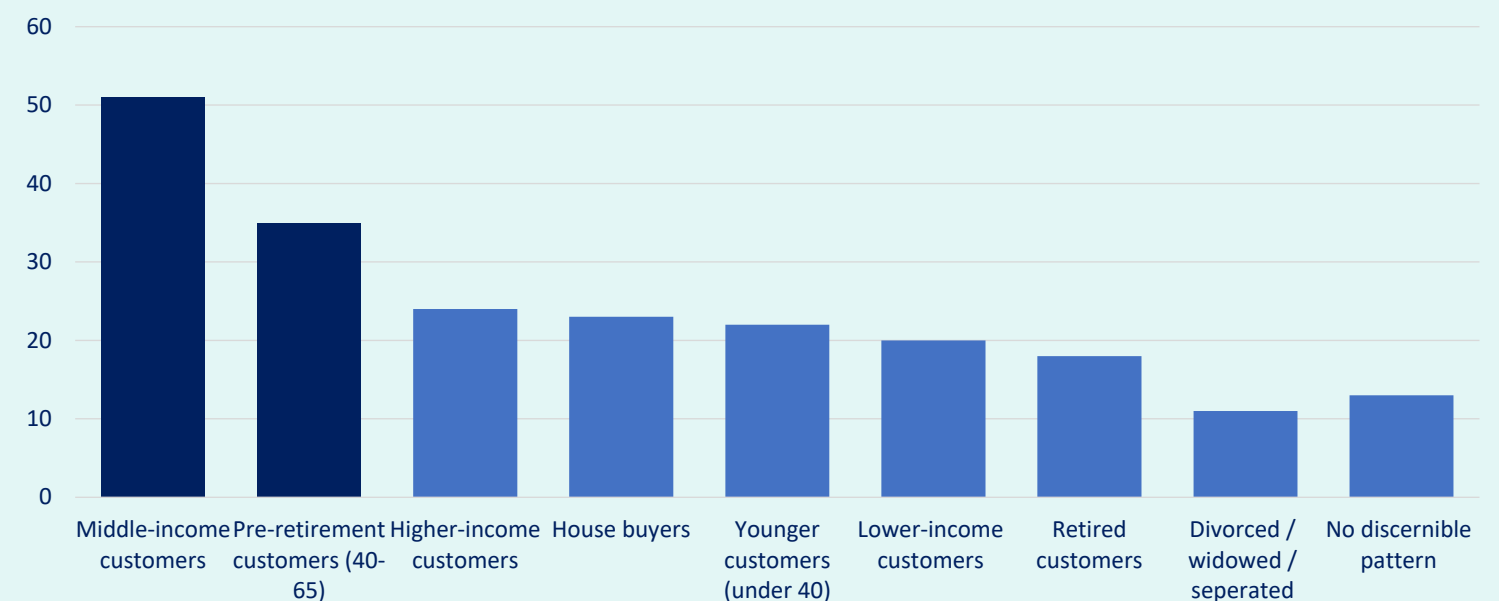
# Conversations with clients

## Is the industry seeing fewer people seeking advice?

Many advisers we spoke to report a slight uptick in existing clients seeking advice but it's a more mixed picture for new business. 24% reporting seeing fewer new customers compared to only 9% seeing fewer existing customers.

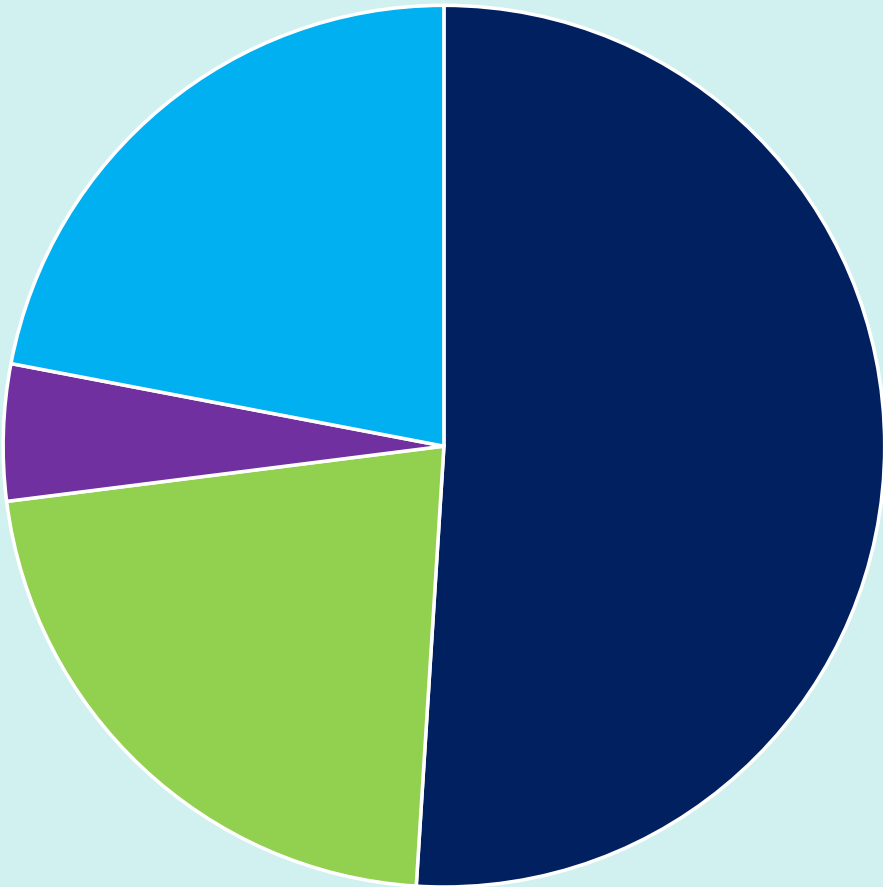


The trend for wanting advice appears to come from those with middle income's and pre-retirement customers looking to discuss their Life Cover and Income Protection arrangements.



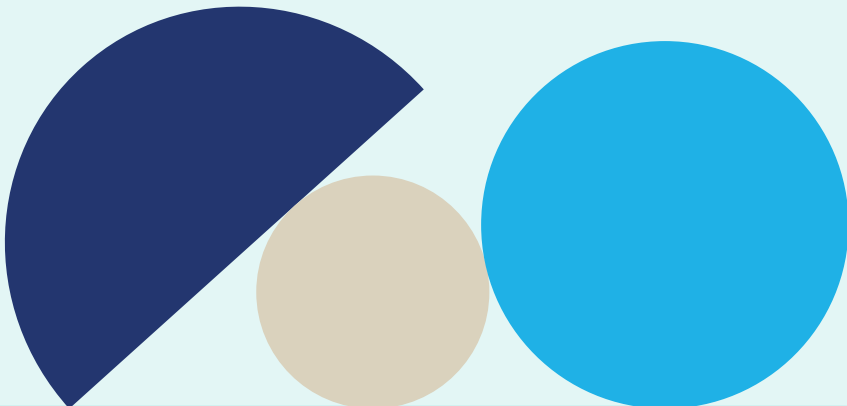
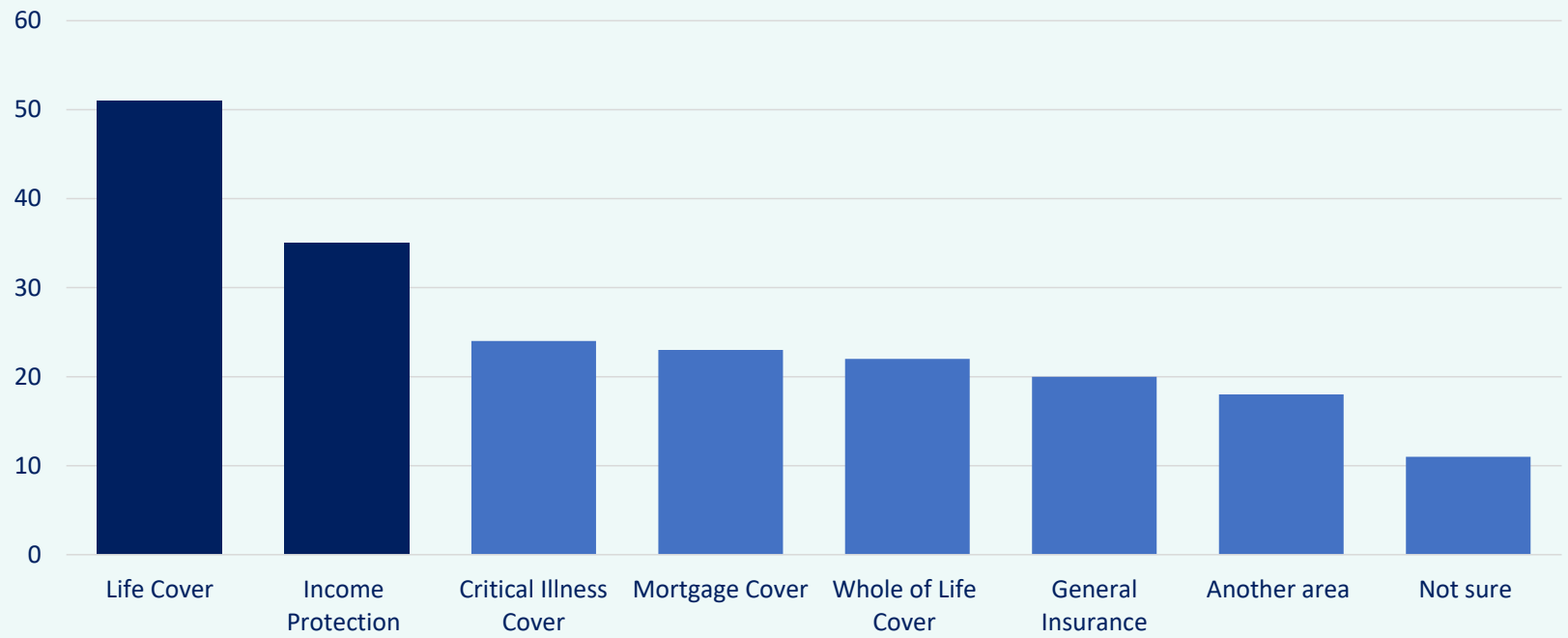
### How often does cost-of-living feature in conversations with clients?

Invariably, you’ve told us the cost-of-living situation does feature in your conversations with clients. But the focus has been on rising mortgage rates and general conversations around ways to reduce outgoings.



■ A lot of the time/most clients ■ All of the time/every client ■ Rarely/never ■ With some clients

### Are there any specific areas where you’ve noticed an increase in inquiries?

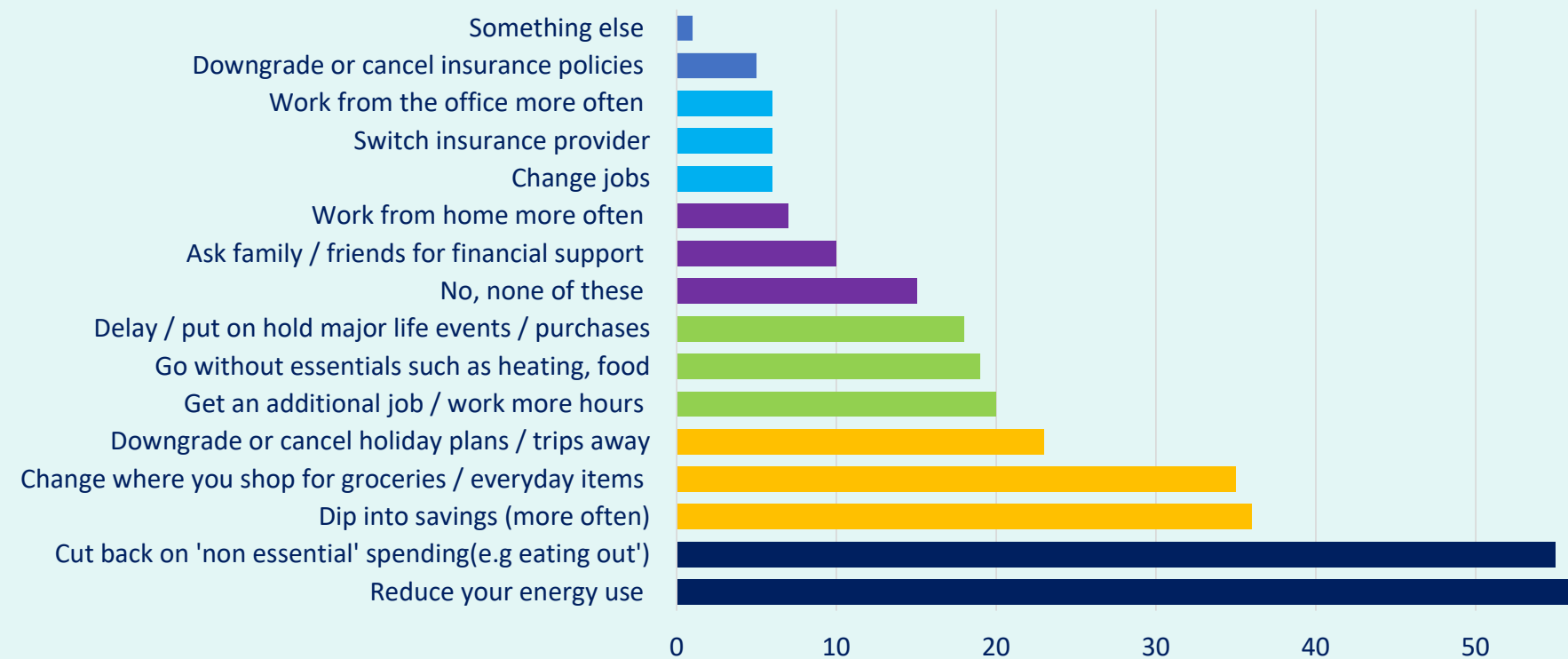




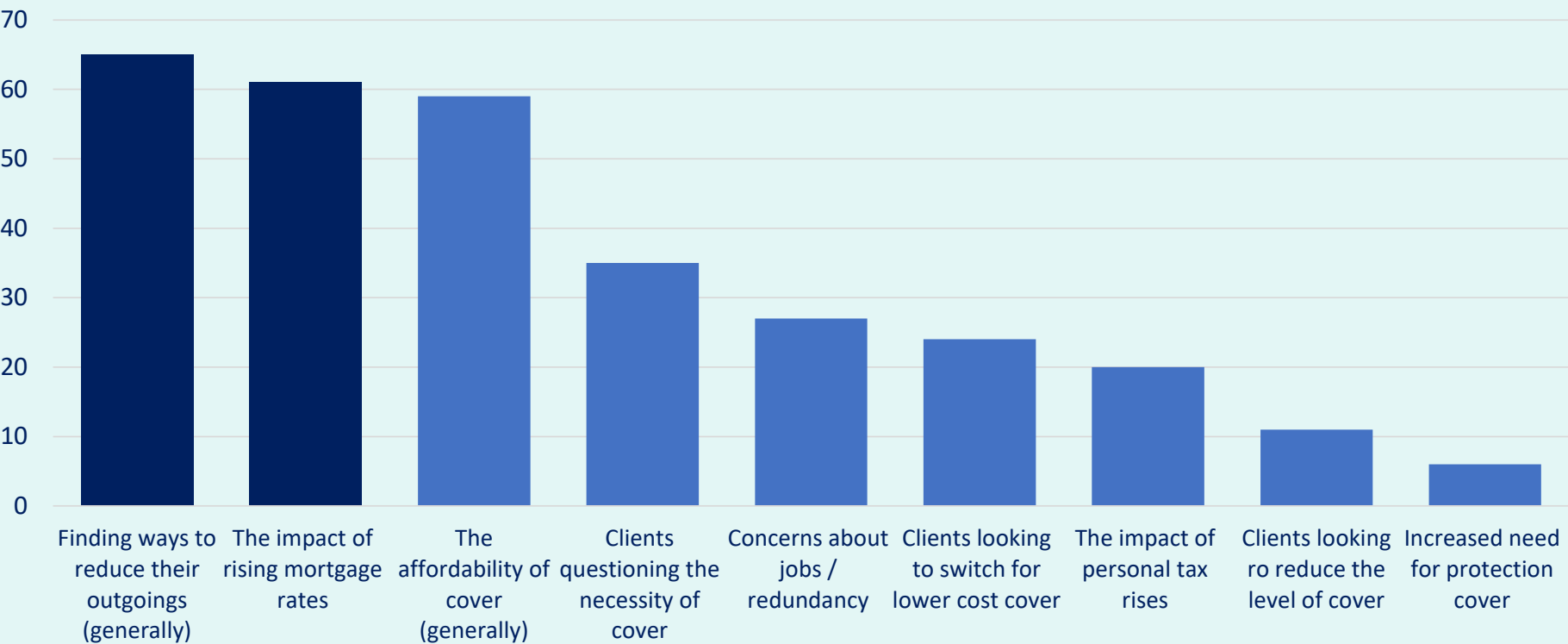
We've also seen how this broadly mirrors the view from our consumer research, with energy and food inflation being the main concern for most households, prompting a holistic review of spending.

The good news is that relatively few consumers say they're singling out insurance as an area where they can make savings, with these products seen as a necessity and not something disposable (as they might consider subscriptions, gym memberships for example.)

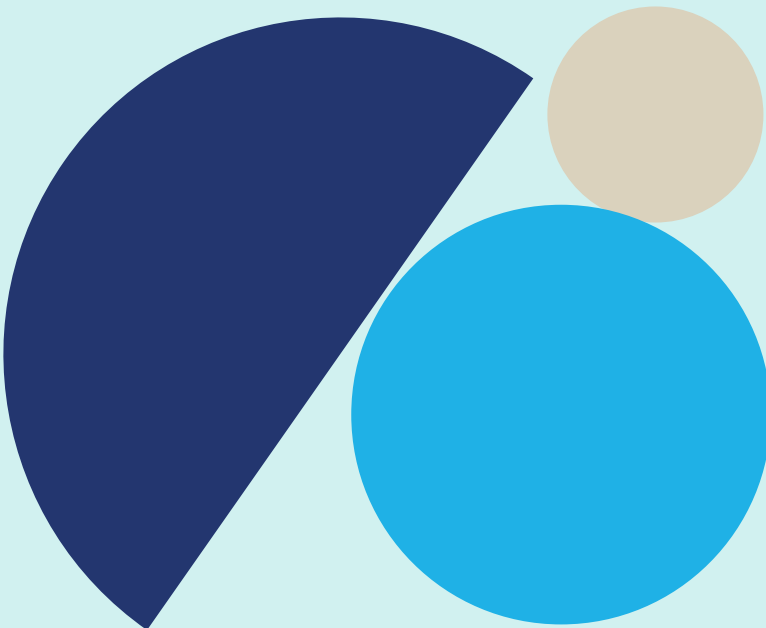
**Consumer:** Has the cost-of-living situation prompted you to do any of the following in the last 6 months?



Adviser: Nature of these conversations



At the time of the research, relatively few of you were reporting seeing clients proactively looking to switch or reduce cover levels and this appears to still be the case today.



As the cost-of-living challenges continue to dominate consumers lives, two thirds of you have adapted your approach to client conversations. Your focus has been on reiterating the importance of protection and ‘what ifs’, taking a pragmatic, longer-term view, and avoiding knee-jerk decisions. Some are looking to have more detailed conversations about household budgets.

## 1 You’re reinforcing the **importance** of protection

- Painting a picture of ‘what ifs’
- Reinforcing the value of the policy, particularly at this time – and the risk of being in a situation without adequate cover
- Fundamentally, reminding clients of the necessity and value of retaining the policy



*Reinforce relevance of protection cover is probably even greater in times of higher costs.*

## 2 You’re holding more detailed **budgeting/forecasting** meetings

- Taking a holistic view of clients’ outgoings
- Using your position as someone with insight to clients’ finances (and financial expertise) to help households budget, forecast, and maintain suitable levels of cover



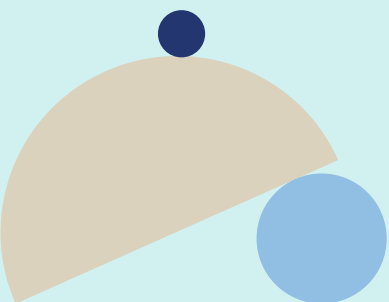
*The importance of managing their budget effectively, concentrate on what’s important to the family finances first.*

## 3 You’re looking ahead / taking a **longer-term view**

- Finding ways and opportunities to minimise costs in the present, but without jeopardising future goals
- Referencing past economic cycles, drawing on market predictions and encouraging clients to stay pragmatic and ‘ride out the storm’








*Emphasis on the long-term and the power of small, simple decisions compounded over time. We specifically avoid referring to ‘crisis’ in our conversations and communications unlike most of the media.*

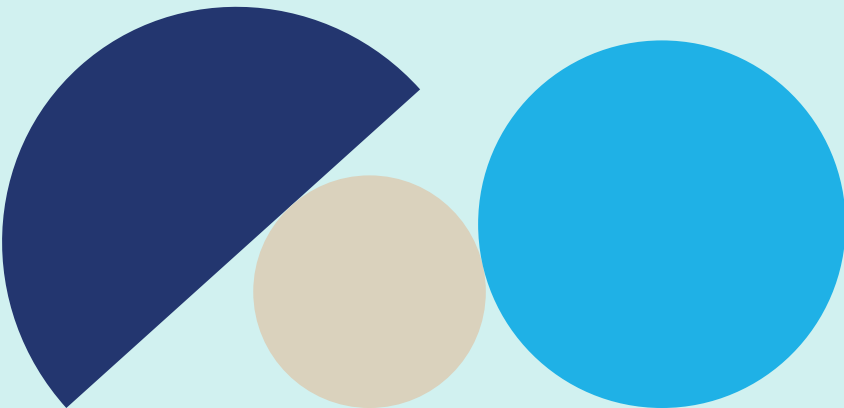




Have you noticed any changes in your clients behaviour prompted by the cost-of-living challenges?

The feedback is that Critical Illness and Income Protection are more susceptible to clients wavering with new policies. There is also increased price sensitivity across all products.

				
Life Cover	Critical Illness	Income Protection	Mortgage cover	General Insurance
More price sensitive 48%	More price sensitive 49%	More price sensitive 38%	More price sensitive 46%	More price sensitive 41%
Reluctance to commit to taking out new policies 23%	Reluctance to commit to taking out new policies 37%	Reluctance to commit to taking out new policies 34%	Reluctance to commit to taking out new policies 14%	Reluctance to commit to taking out new policies 11%
Maintain cover but switch to a cheaper plan 19%	Maintain cover but switch to a cheaper plan 12%	Maintain cover but switch to a cheaper plan 13%	Maintain cover but switch to a cheaper plan 14%	Maintain cover but switch to a cheaper plan 16%



# How is Zurich rising to these challenges?

## What is welcomed and what are the no go's?

Support from providers is welcomed but you've told us there is a feeling that what you've received to date has been too generic and not solutions-focussed.

Practical support and solutions are key, moving beyond general sentiment and forewarnings about possible premium rises.

## What support do you need?



*Several providers are sending out information on the impact and potential impact of cost-of-living crisis on premium prices, investment performance, and so on. Some of it is useful for passing on to clients, but doesn't offer solutions.*

*I've received emails from various leading insurance providers. They often just include links to articles and not particularly useful.*



## The do's

- Emphasise solutions
- Actionable intel and recommendations that advisers can proactively work with
- Flexibility within policies
- Webinars and other materials that facilitate shared problem-solving



*Any type of predictions on marketplace and ways to calm down clients' worries.*

*Literature relating to claims statistics and the need for cover.*

*A little help how to approach clients when they are keen to cancel policies, as they prefer to pay their energy bills instead of keeping their policies in force.*

*Reminders about added value like free helplines, GP on call, etc.*

## The don'ts

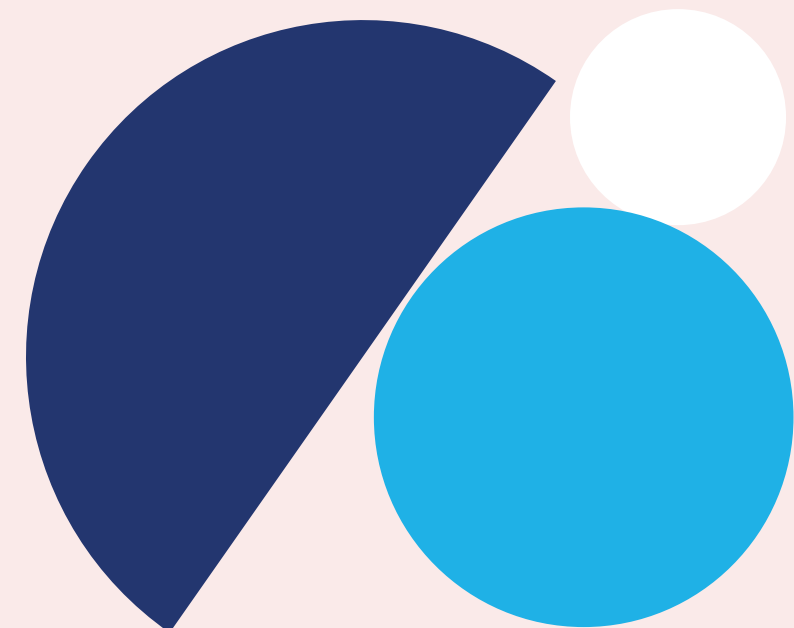
- General information on the cost-of-living situation/pressures – focus on more specific areas and provide solutions
- Overloading advisers with information
- Information that's too late to act upon



*General answers to cost questions.*

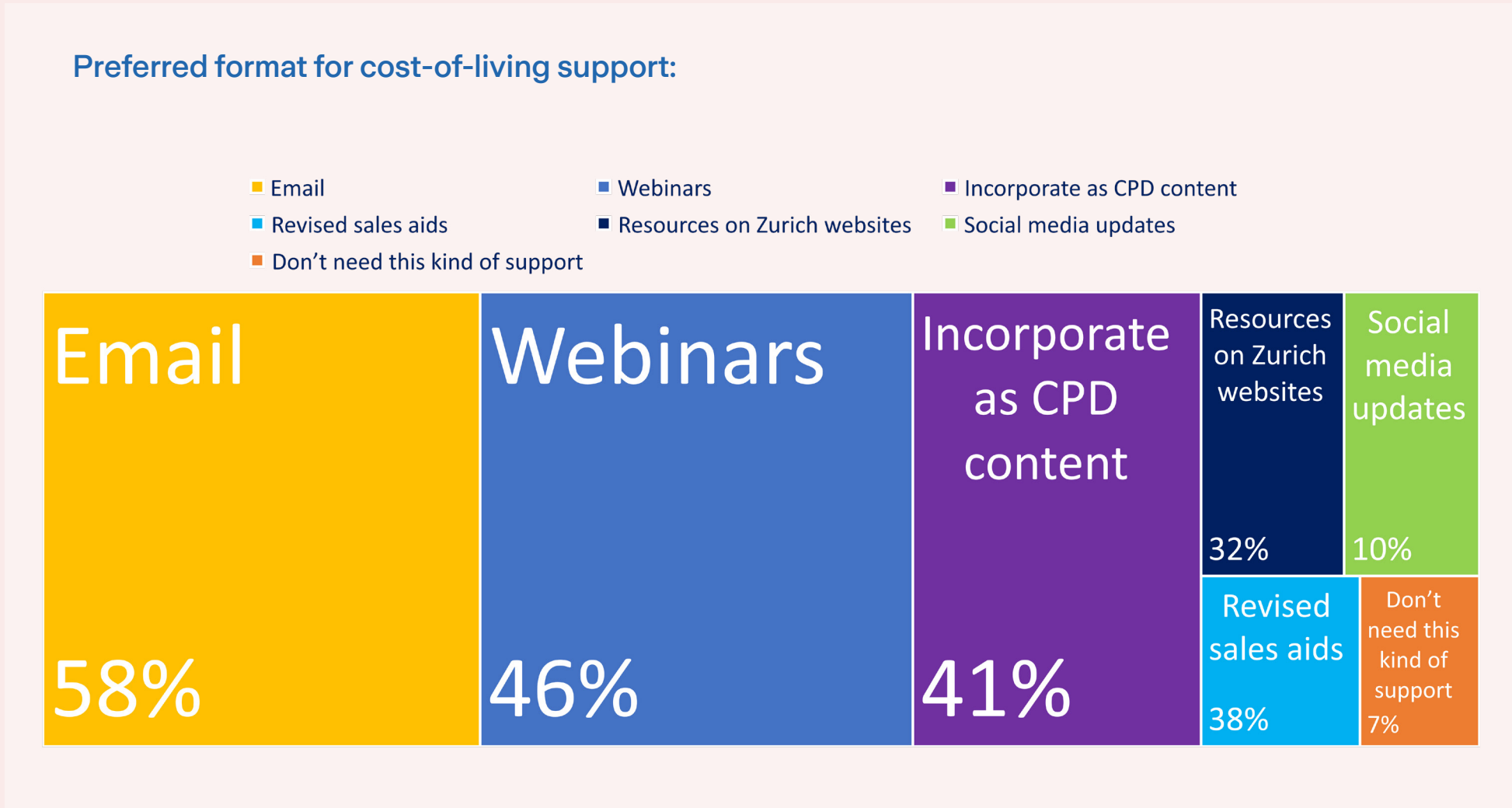
*Several providers sending out information on the impact and potential impact of cost-of-living rises on premium prices, investment performance and so on. Useful to pass on to clients but doesn't offer solutions.*

*General communications about providers perceptions on how customers feel about the whole cost of living problem - much of which is generated by media.*





# How would you like to receive support?



*Very few are providing the support material. More videos and webinars should be made available.*





**There is no escaping cost-of-living pressures will be a feature of client conversations for the foreseeable future.**

We're therefore prioritising tangible support for advisers to help pre-empt and handle clients looking at ways to make savings and wavering about continued cover or taking any new cover.

#### **Further support**

To find out more please contact your usual Zurich contact or visit our cost-of-living section on our website;

[www.zurichintermediary.co.uk/tools-and-guides/cost-of-living-support](http://www.zurichintermediary.co.uk/tools-and-guides/cost-of-living-support)

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