

8 July 2020

FINANCIAL ADVISERS FORECAST INCREASE IN INDIVIDUAL PROTECTION DEMAND

Financial advisers believe increased demand for individual protection products will come from parents with young families, according to new independent research¹ for HSBC Life UK.

Over half (53 per cent) of advisers surveyed highlighted parents with young children will have the biggest need for protection, while parents starting a family will also potentially benefit from individual protection, 43 per cent of financial advisers revealed.

According to the Association of British Insurers², a significant number of households are under protected individually. Of the 26.5 million UK households in 2018, 5.4 million had paid towards life insurance but just 0.2 million had some form of income protection.

The research found that it isn't just families which could benefit from protection. Over two fifths (45 per cent) of advisers believe employees with limited access to employee benefits through their current employer are another demographic that could experience a need for individual protection products.

The self-employed (39 per cent), small business owners (37 per cent) and gig economy workers (32 per cent) will also have a protection requirement, likely to be due to a lack of access to employment benefits like sick pay, holiday pay and redundancy pay. With nearly 4.7 million workers³ classified as self-employed and 2.8 million⁴ estimated to work in the gig economy, it is understandable that these segments are seen to be driving demand. During the coronavirus pandemic, this segment of the workforce has been hit hard, with the government's Self-Employment Income Support Scheme only available to those with profits below £50,000 and not available to anyone who has become self-employed in the last tax year⁵.

Mark Hussein, CEO of HSBC Life UK, said: "There is increasing awareness that protection cover is an important investment, both in the short and long term. It is often the case that having children means people think more about the future and consider whether they and their family are appropriately financially protected, should anything happen.

"It is interesting that advisers expect to experience demand from self-employed and gig economy workers. These groups rely on regular work and are unlikely to have the same level of protection offered as those individuals working for an employer offering benefits such as critical illness cover or death in service, so it's vital that they protect their income. Advisers have

an important role to play in helping customers of all demographics to understand the need for greater individual protection.”

One in eight (13 per cent) of advisers believe those still working and over the age of 50 could also require individual protection products. This is an age group likely to have parents still alive but starting to need care and support, plus they will often financially support children, so will perhaps be more focused on protecting their family than other age groups.

The table below shows a breakdown of the type of customers advisers believe will see increased demand for protection products in the coming years.

CUSTOMER TYPE	PERCENTAGE OF ADVISERS BELIEVING THESE SECTORS WILL SEE INCREASED DEMAND
Parents with young families	53%
Employees with limited access to employee benefits	45%
First time house buyers	44%
Parents planning / starting a family	43%
Self-employed people	39%
Small business owners	37%
Customers planning for inheritance tax	34%
Gig economy workers	32%
Married / cohabiting couples	30%
Workers in specific trades vulnerable to accidents	22%
Retired customers	14%
Over 50s still working	13%

Source: HSBC Life UK, 2020

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Media enquiries to:

Fiona Vale +44 (0)7387 243552
Lak Herath-Culley +44 (0)7384 792808

fiona.vale@hsbc.com
lak.herath-culley@hsbc.com
uklifepressoffice@hsbc.com

Email:

Note to editors:

¹ Research conducted March 1st and 25th 2020 using an online methodology by independent research company PollRight among 108 independent financial advisers focusing on protection sales.

² https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2019_spread.pdf

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/time-series/dyzn/lms>

⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf

⁵ <https://www.citizensadvice.org.uk/work/coronavirus-if-youre-self-employed/>

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