

Market Study

MS24/1.4

Market study into the distribution
of pure protection products to
retail customers

Interim report

January 2026

How to respond

We are asking for comments on this report by **31 March 2026**.

Please respond in writing to:

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12 Endeavour Square
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Or by email to:

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Chapter 1

Executive summary

- 1.1** Helping consumers navigate their financial lives is central to the FCA's strategy. Pure protection products support this by helping an individual and/or their dependants with financial commitments or lifestyle adaptations if they die or become incapacitated, injured or infirm.
- 1.2** In many respects, the distribution of pure protection to retail customers (consumers) works well and delivers good outcomes to those that purchase it. However, some aspects of the market could work better. We're interested in your feedback on our findings and the programme of work we want to take forward.

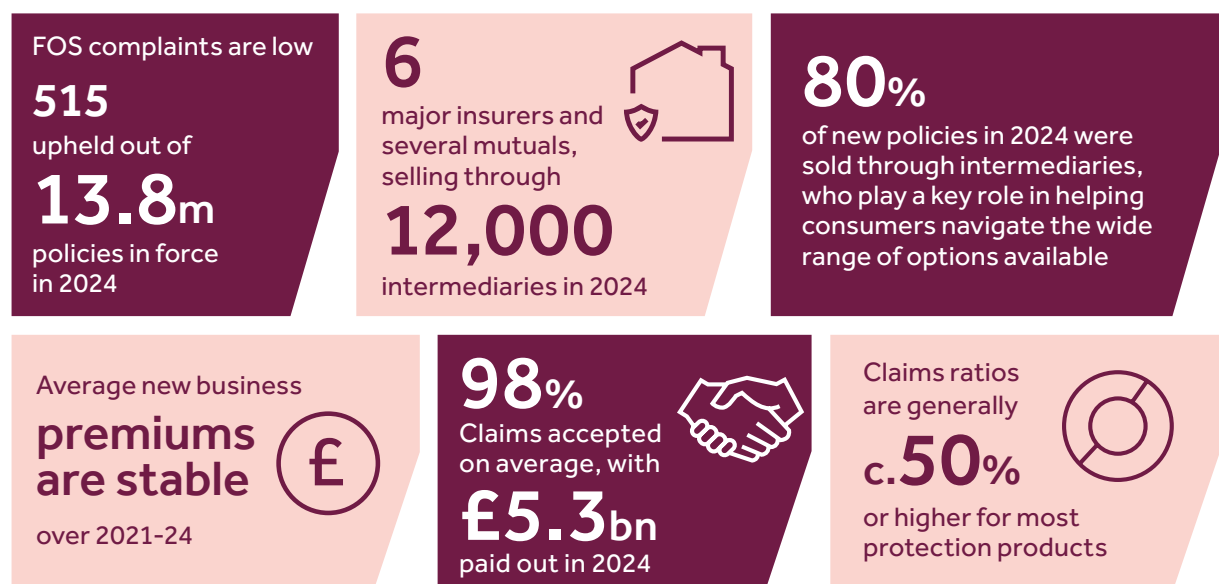
About the pure protection market

- 1.3** Pure protection products include term assurance, critical illness cover, income protection insurance, and whole of life insurance (underwritten whole of life insurance and guaranteed acceptance over 50s plans).
- 1.4** Our Financial Lives 2024 survey suggests that around 16.2 million people (30% of the UK adult population) held a pure protection policy in May 2024.¹ That same year, according to Association of British Insurers (ABI) data, insurers paid out more than £5.3 billion in claims.
- 1.5** A pure protection market that works well is one where firms compete to give consumers access to products that meet their needs, consumers understand the value and features of those products, and firms tackle the factors that are leading to poor outcomes for consumers.
- 1.6** We've found that, for product holders, the distribution of pure protection works well in many respects:
- **A wide range of products** is distributed through a variety of channels: six major insurers and several mutuals distribute a broad range of products through around 12,000 intermediaries.
 - **Claims acceptance rates are high** relative to other insurance markets, at an average of 98% across pure protection products. In our consumer research around 80% of customers told us they felt positive about buying protection products, and complaints to the Financial Ombudsman Service (Ombudsman) are low relative to the overall number of policies held by consumers (515 upheld complaints in 2024).
 - **Claims ratios (the proportion of total premiums paid out in claims) are generally over 50%**, although it varies between products, ranging from around 66% for underwritten whole of life to around 40% for income protection.
 - Despite a number of insurers recently exiting the market, **new business premiums remained relatively stable in nominal terms** over 2021-24.

¹ This includes any life insurance (whole of life or term), critical illness cover and income protection insurance

- **Intermediaries accounted for around 80% of sales in 2024.** Consumers don't typically consider their needs proactively and intermediaries play a key role in helping them navigate the wide range of pure protection options available. Of the 58% who don't hold pure protection, 59% have not considered their needs. Competition in intermediation focuses on contacting consumers when they're sufficiently engaged to make a purchase.
- Firms know that commission can create poor outcomes and take preventative actions. On average, **loaded premiums or restricted panels aren't currently creating worse pricing outcomes for consumers.**
- The market has found **technological solutions to inherent challenges** such as complexity of products, for example by establishing online tools (portals) to let intermediaries and insurers transact more efficiently.

Figure 1.1: Summary of key facts about the pure protection market



- 1.7** In light of these, we don't envisage making significant interventions. However, there are some aspects of the market that could work better.

The protection gap

- 1.8** There are many consumers who would likely benefit from pure protection, but who don't have it. We call this a 'protection gap'.
- 1.9** We want to help firms reduce the protection gap. This will let more consumers access suitable financial products, making sure that any who are vulnerable or harder to insure are not left out.
- 1.10** Our research suggests that the protection gap exists primarily because consumers aren't aware of their needs, and aren't prompted to consider them. Some aren't able or willing to pay for such products, and may have misconceptions about them. There may also be friction in the sales process.

- 1.11** During our study, stakeholders suggested initiatives that may help tackle the protection gap. These included awareness campaigns, using more prompts or trigger points, or extending the concept of targeted support that we're introducing for pensions and retail investments to pure protection.
- 1.12** Ahead of the final report, we will work with stakeholders to agree the work to take forward. We will organise workshops with stakeholders in Spring 2026.

Other findings we want to tackle

- 1.13** There are three smaller issues we want to focus on to improve consumer outcomes in the meantime. Although we're not planning to make major interventions, we want to act now so that the risks don't escalate after the study concludes. These issues are:
- **Income protection claims ratios:** Income protection has a lower claims ratio than other pure protection products (40%). This is largely explained by product features. For example, income protection is riskier to insurers and costlier to sell and administer than other pure protection products. Income protection premiums have been falling faster than other products which, if maintained, may increase the claims ratio. We will, therefore, refresh our assessment of pure protection product claims ratios ahead of the final report using 2025 premium and cost data from a sample of insurers.
 - **Incentives to switch consumers:** Firms know there's a risk that commission drives poor outcomes. Around 80% of protection sales are to new customers (ie those that don't already hold any protection policies). But some intermediaries may be encouraging customers to switch to a new policy to generate repeat commission. The harm this causes consumers is unlikely to be substantial: fewer than 19,000 customers per year (around 0.1% of policy holders) are likely to be affected and they will still have cover. But intermediaries' focus on switching customers unnecessarily does not help reduce the protection gap. We want the sector to collect, monitor and report better information on customers switching to make sure it's aligned with their needs. Ahead of the final report, we propose to work with industry to develop the reporting metrics to ensure they're proportionate and effective in deterring churn.
 - **Claims experience:** We've heard how intermediaries can encourage certain practical steps at point of sale (such as placing policies in trust, setting up wills, and setting up powers of attorney) which improve consumers' experience if and when they need to claim. Some intermediaries do this already, but we want to see how we can make it more widespread.

Get involved

- 1.14** We'll engage with the sector and other stakeholders including consumer groups to hear feedback on the findings in this report, and proposed remedies to the issues above. In particular, we're interested to hear whether stakeholders agree:
- **with our assessment of the nature and scale of harms in the pure protection sector**
 - **that there is a protection gap that the FCA and industry should seek to reduce and what potential options should be considered**
 - **with the findings and proposed next steps on claims ratios, incentives to switch consumers, and claims experience**
- 1.15** We'll also engage with stakeholders to (i) identify a targeted programme of work to address the protection gap and (ii) hear feedback on potential remedies to the other three specific issues identified above. We will organise workshops with stakeholders in Spring 2026.
- 1.16** We aim to publish our final report in Q3 2026 with our final findings, a summary of feedback, and next steps.
- 1.17** If you'd like to share your feedback in response to these findings and proposed remedies, send it to PureProtectionMS@fca.org.uk by 31 March 2026.

Chapter 2

Introduction

- 2.1** This report summarises the interim findings of our market study into the distribution of pure protection products to retail customers (consumers) and our initial thinking on proposed remedies to the issues we have identified. These products are: term assurance, critical illness, income protection and whole of life insurance, including underwritten whole of life insurance and guaranteed acceptance over 50s plans.
- 2.2** We explain what we've found and how we think the market could improve. We welcome your views on these. We intend to publish our final findings, a summary of feedback, and next steps in Q3 2026.
- 2.3** We launched this market study to evaluate whether the distribution of pure protection works well against our operational objectives, including whether competition works in consumers' interest. We assessed whether consumer outcomes were aligned with those expected under the Consumer Duty and/or Product Governance (PROD) rules, and whether there are potential barriers to innovation and investment. Market studies are forward-looking and focus on market-wide issues so we didn't examine past conduct of individual firms.
- 2.4** We summarise our findings on the five themes that we set out in the Terms of Reference:
- Design of distribution arrangements and commissions
 - Fair value of some pure protection products
 - Impact of recent insurer exits
 - Protection gap and access to necessary cover
 - Barriers to investment and innovation
- 2.5** Our findings are based on evidence and data we gathered through a request for information (RFI) from a sample of firms – insurers and intermediaries, specialist pure protection providers, mortgage broker networks and price comparison websites, as well as other firms such as service providers and financial advice and wealth management businesses.
- 2.6** We also carried out consumer research, undertaken by The Big Window, and published a summary of this in December 2025. Likewise, we carried out research into the protection gap. In addition, we used FCA datasets, regulatory data returns, and the Financial Lives 2024 survey.
- 2.7** We're publishing this alongside our full consumer research report and 2 annexes. These set out the analysis we conducted in the course of the market study including Intermediated distribution, remuneration and consumer outcomes (Annex 1) and Value of pure protection products (Annex 2).
- 2.8** You can send your views to PureProtectionMS@fca.org.uk by 31 March 2026, including on the questions on next steps we have included in the Executive Summary.

Chapter 3

Consumer outcomes

- 3.1** In this chapter we describe the outcomes we looked at during the market study, such as claims acceptance rates and complaints. We set out our findings on each and our conclusion that the market for pure protection product holders works well in many respects.

Pure protection products help individuals and families manage financial risks associated with death, illness, or injury

- 3.2** Pure protection products are designed to help an individual, and/or their dependants, with existing financial commitments or lifestyle adaptations if the policyholder dies or becomes incapacitated, injured or infirm.
- 3.3** Our [market overview paper](#), published in September 2025, describes the pure protection market.
- 3.4** Our Financial Lives 2024 survey shows that approximately 30% of the UK adult population – equivalent to around 16.2 million people – held a pure protection policy in May 2024 (life insurance, critical illness cover or income protection insurance). Of these:
- 11.5 million adults purchased the policy directly (ie not via an employer)
 - 3.4 million held policies provided through employers
 - and 1.4 million held a mix of policies purchased directly and policies provided by an employer.
- 3.5** In the consumer research we undertook as part of the market study, we found that a higher proportion of holders of pure protection than non-holders are male, working, under 65 years and with dependent children. Holders also have higher levels of personal income and savings and a higher proportion of holders than non-holders have a mortgage. A higher proportion of holders than non-holders consider themselves knowledgeable in financial matters and agree they are savvy and confident consumers. Meanwhile, a higher proportion of pure protection non-holders than holders have three of the four drivers of vulnerability – low resilience, low capability and poor health.
- 3.6** According to the ABI, 2 million new individual pure protection policies were sold in 2024, including:
- 1.4 million term assurance policies (which includes 0.4 million accelerated critical illness policies)
 - 88,000 standalone critical illness policies
 - 0.3 million income protection policies
 - 0.2 million whole of life policies (these were mostly guaranteed over 50s acceptance policies but included around 36,000 were underwritten whole of life policies)

Consumer outcomes

- 3.7** We looked at some of the outcomes – product availability, claims payout ratios, consumer satisfaction, and level of complaints – that would indicate whether the market was working well for product holders. Given the focus of this market study on distribution, certain outcomes under the relevant Product Governance rules (PROD4) were outside the scope, including some of the outcomes under “products and services” and “consumer support” categories.

A wide range of products and distributors are available to consumers

- 3.8** Pure protection products are provided by a mix of large multi-product insurers, specialist life insurers and mutuals. Around 5 insurers accounted for approximately 80% of pure protection policies sold in 2024, measured both by the number of policies, and by total premium value in the market, but there are several smaller specialist firms. Within each type of pure protection product (term assurance, critical illness, income protection and whole of life), insurers typically offer a range of different products, with many customisable features.
- 3.9** In 2024, 80% of new policies were sold via an intermediary. Using firm-level distributor identifiers, we estimate that in 2024 there were approximately 12,000 intermediaries active in the pure protection market. These included principal network firms, appointed representatives, directly authorised member and independent firms, professional services firms, and price comparison websites.
- 3.10** When intermediaries are instead aggregated at the distribution group level – for example where commercial terms are negotiated centrally by a principal or network firm – we estimate there were around 1,300 intermediary groups active in the market in 2024.
- 3.11** Consumers without pre-existing medical conditions have the widest choice of products. For those with complex medical needs, choice is more limited and most options are provided by mutuals, although there are some initiatives to signpost those provisions (eg BIBA’s Find a Provider page). We discuss access to pure protection further in Chapter 6.

Claims acceptance rates are high

- 3.12** According to the ABI, 98% of claims were paid out in 2024, equating to 275,000 new claims and £5.3bn paid out. Whole of life had the highest payout rate, close to 100%, followed by term assurance (at 96%), while income protection was lowest at 86%.
- 3.13** Our multi-firm review in 2024, which focused specifically on bereavement claims, found that few insurers capture end-to-end claim journey times by product type, limiting visibility of service outcomes and value. Where data was available, bereavement claim times were lengthy – typically 53 to 122 days for term assurance – which may affect consumer experience and perceived value.

Customers appear satisfied and complaints are low

- 3.14** Our consumer research found that most are satisfied with their policy and its perceived value. Among respondents to our consumer survey who purchased a pure protection product privately in the last 12 months, 80% felt positive about their decision.
- 3.15** Complaint volumes are also low compared to the number of policies in force. The Ombudsman received 3,143 complaints in 2024 of which 515 were upheld (uphold rate of 16%). This compares to 13.8m policies in force in 2024.
- 3.16** The number of complaints and the uphold rate seem to be relatively low compared to other insurance products. For example car insurance had the highest number with 14,082 complaints (compared to estimated 44m policies in force), and the overall uphold rate was 38%.

Signs of innovation

- 3.17** Pure protection is a relatively mature market. However, we have observed some innovation over the last 10-15 years, including:
- **Portals and product comparison platforms:** Portals allow advisers to source, compare and apply for protection products from multiple insurers in one place. Product comparison platforms are specialist tools that compare detailed product and quality features to help advisers recommend the most suitable options for consumers. Both are widely used and streamline the advice process. For insurers, it's critical to be visible on these platforms to maintain market share.
 - **Initial (sales stage) underwriting technology:** Many insurers are investing in technology to enable full automation, reducing turnaround times, minimising friction and enhancing the customer and adviser experience. Likewise, firms are exploring AI-driven underwriting and claims processes to improve speed and accuracy.
 - **'Menu' plans or multi-product arrangements:** These allow customers to combine different types of cover (eg life, critical illness, income protection) in a single policy to meet their needs and adapt their cover over time without cancelling full coverage.
 - **Hybrid digital-advised distribution models:** These blend online platforms with access to human advice for more complex needs.
 - **Added health services:** Uptake of additional services provided alongside life insurance policies is increasing, with insurers offering digital GP access, mental health support, nutrition consultations, and second medical opinions as non-contractual benefits. ABI data shows 36,000 customers used insurer-provided health services through an individual pure protection policy in 2024, although we found in our recent multi-firm review that firms are not always clear about how these non-financial benefits added value for the customer.

Chapter 4

Overall pricing outcomes, value and firm profitability

4.1 In this chapter we look at the indicators that show whether there's effective competition in the supply and distribution of pure protection products. We examine the trends in premium levels, insurers' and intermediaries' profitability, and the claims ratio. This will help us establish whether pure protection products give value for money, and the extent of competition.

4.2 We found that:

- there is a high degree of price dispersion, as many different factors influence premium levels, including a wide range of product features, individual risk-based factors, and distribution channels
- insurers earn only modest margins
- most pure protection products have claims ratios over 50%, although income protection is lower (40%)

There is wide price (premium) dispersion, reflecting risk-based pricing and product complexity

4.3 Insurers told us that they use sophisticated pricing models to determine the total price paid by the customer. Pricing is based on several factors, including:

- Product features (such as: coverage amount, policy features, exclusions, optional added services)
- Individual risk-based factors (such as: age, smoking status, medical history, mortality/morbidity assumptions)
- Distribution strategy (such as: competitive positioning, market conditions, distribution channel performance)

4.4 Consistent with this, the pricing data we received from insurers shows a wide dispersion in premiums for each pure protection policy sold, ie customers pay a wide range of prices for apparently similar products. We can explain some of the variation by the expected cost of claims (ECC) which suggests that the variation in premiums is largely related to the customers' characteristics and insurers' risk assessments. However, some price variation is likely to be attributed to factors not captured in our data, such as policy add-ons² and different policy term lengths.

² Separate insurance policies that are bundled with the base policy to provide broader protection. Although sold together, they remain independent contracts with their own terms and separate claims processes.

- 4.5** It's not surprising to see a high degree of price dispersion, as pure protection products have many variable features, and the pricing reflects differences in costs and service levels. Buyers of pure protection products benefit from the wide range of options to cater to their needs, demands and budget, and their choice will also be influenced by the advice received by intermediaries.
- 4.6** As a result, it is likely that even customers with similar observable characteristics might end up paying very different prices for protection. Customisable pricing can be efficient compared to uniform pricing, because it can expand the market to more price sensitive customers by providing options that match their willingness to pay, while customers who value the product more or cost more to serve pay more.
- 4.7** Price dispersion can, in principle, also reflect some degree of price discrimination, ie where customers who cost the same to serve pay different prices based on differences in how much they're willing to pay. In the pure protection market, premiums and commissions are not set at the point of sale, when firms would be able to acquire information about a customers' willingness to pay. However, intermediaries could in principle tailor their advice on which product features to recommend accordingly, and insurers could price add-ons and options to target customers with higher willingness to pay.
- 4.8** It is difficult to disentangle price discrimination from customisable pricing that reflects differences in cost, service level and customer preferences. Based on available data, we cannot assess the extent of price discrimination occurring or who may be affected.
- 4.9** We'd be concerned if price discrimination targeted vulnerable customers (such as those with low incomes or low financial resilience) or was being used to raise prices above the competitive level across the market (ie with no customer groups paying less). This would be inconsistent with insurers' obligations under PROD 4 and the Duty. If price discrimination was being used to raise prices above the competitive level across the market, we'd expect to see high profitability among insurers and intermediaries, which we assess in the rest of this chapter and the next.

Premiums are falling and insurers' margins are low, suggesting some competitive pressure on premiums

- 4.10** In order to understand the nature and extent of competition in pure protection, we looked at the profitability of insurers and intermediaries. Sustained high profits may indicate that competition for these products is not effective.
- 4.11** We received meaningful cost data from eight insurers and 10 intermediary firms. Some intermediaries found it challenging to share this data with us, such as those intermediaries for whom pure protection is not their core business and who therefore don't typically allocate common costs. We also examined firms' own internal documents on product design, product review and strategy, as well as management accounts, commercial agreements and other relevant material. This gave us sufficient information to draw high-level conclusions.

4.12 In the remainder of this chapter we focus on insurers. We discuss intermediaries in the next chapter.

Price is an important factor for consumers

4.13 We observed that consumers are sensitive to price. Our consumer research found that 38% of those that had purchased a policy in the last 12 months said “best price or deal” was one of their reasons for choosing the provider. 86% said they’d shopped around and compared different policies and options. Likewise, 92% had used information sources to help them in their review, with 77% also using professional support.

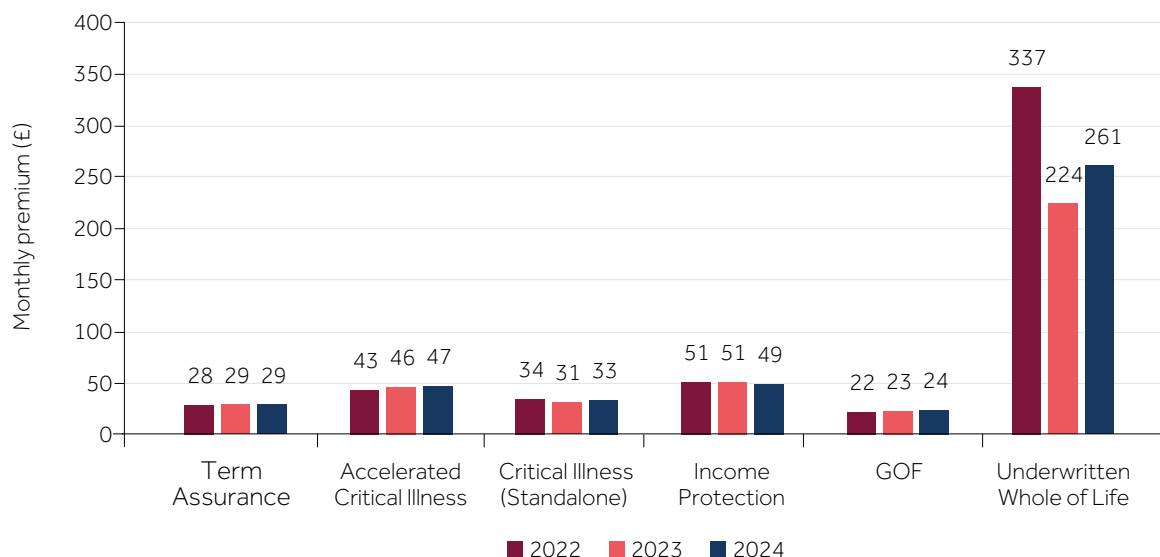
4.14 Insurers and intermediaries told us that price is the most important factor in consumers’ choice of provider. Insurers told us that many intermediaries use portals to help them choose what policies to recommend to consumers. These portals rank providers based on price, with the lowest price appearing higher up for intermediaries. Intermediaries stated that price is a key variable when selecting which insurance brand to recommend and that consumers often buy one of the cheapest. Product range, flexibility, underwriting and willingness to accept claims were also all important considerations.

4.15 Insurers and intermediaries also cited affordability as a barrier to purchasing pure protection products. Firms also said that it’s a main cause of terminating an insurance policy before its intended term (also known as lapsing). Our consumer research shows that the reason given most frequently by respondents who don’t own a pure protection product but had considered their protection needs was that it is too expensive (19%).

New business premiums have remained stable

4.16 We found that the average monthly price a consumer pays for their policy for new business has remained relatively stable in nominal terms for most products – see Figure 4.1.

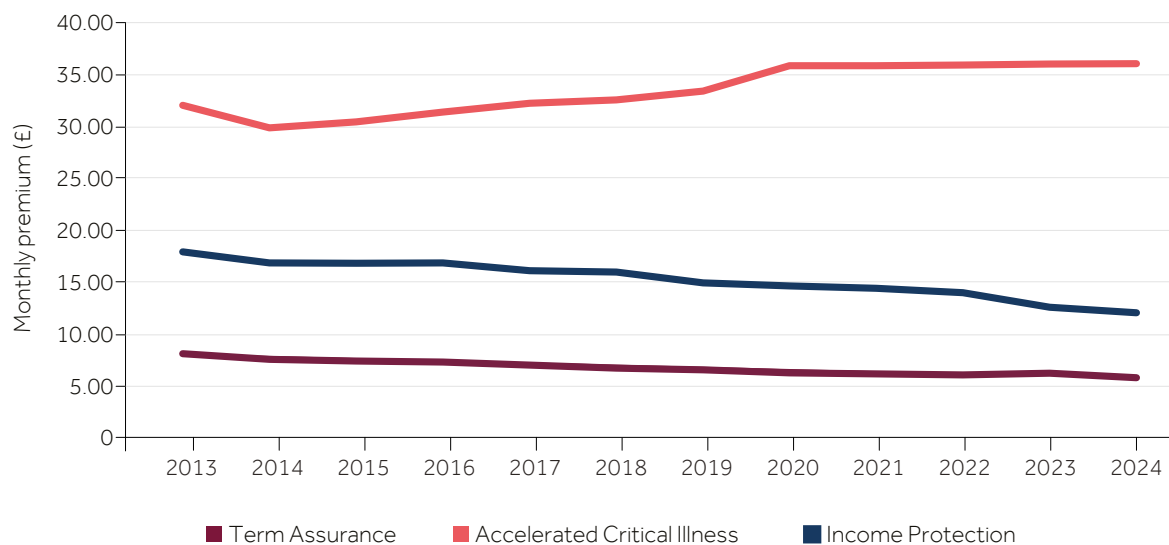
Figure 4.1: Nominal average monthly premiums (rated and unrated) for all new business written (2022-2024)



Source(s): FCA analysis based on data from firms

- 4.17** Underwritten whole of life premiums are the highest. This is because the sum assured for underwritten whole of life insurance is typically higher and more likely to be paid out (as it covers the policy holder whenever they die rather than a set period). Underwritten whole of life premiums have also been more volatile over the last 3 years, due to insurers' exposure to risk-free rates, and the relatively small market size. This makes it difficult to determine the underlying drivers of underwritten whole of life premium movements.
- 4.18** Accelerated critical illness premiums have increased slightly over the period. Insurers told us that this is a result of increasing reinsurance rates for this product, early year experience, and updating their views on future morbidity.
- 4.19** As above, monthly premiums vary significantly depending on the features of the policy. As such, average monthly premiums tell us how much consumers are spending on average over time but don't capture changes in the level of coverage. Fig 4.2 shows a representative example of monthly premiums controlling for certain policy features.

Figure 4.2: Average nominal monthly unrated premium (2013-2024) controlling for customer type, amount covered and length of coverage



Source(s): FCA analysis based on data from firms

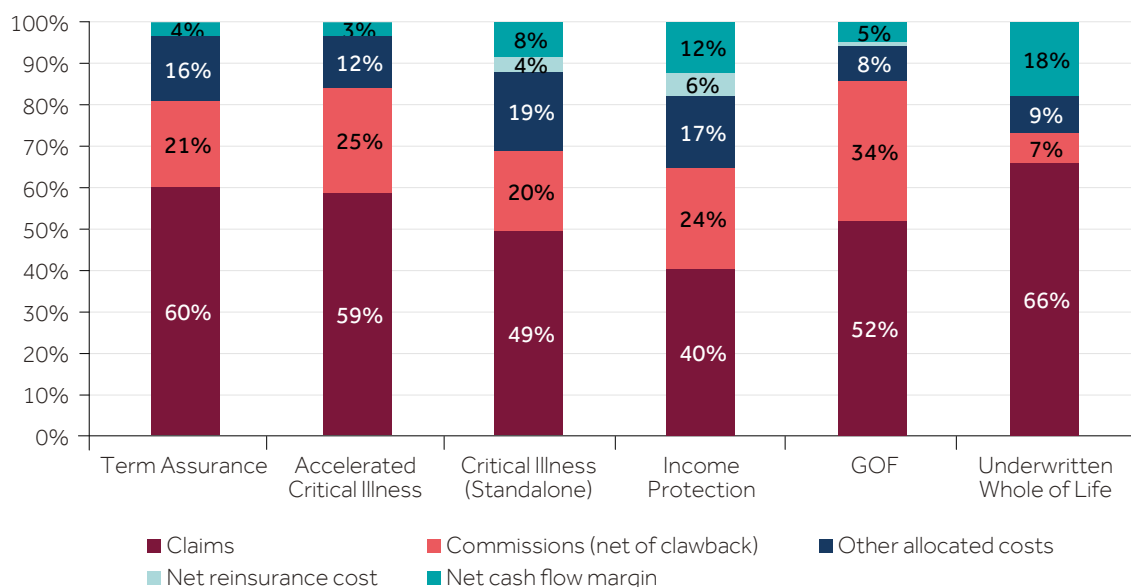
- 4.20** The monthly premiums in Figure 4.2 are based on healthy risk profiles (ie that haven't been subject to risk-based ratings) for a representative policy. This ensures consistency for factors such as policy term and sum assured.
- 4.21** The average premiums reflect the following representative policies:
1. term assurance: A £150k sum assured level term assurance, for a 30 year old, for a 25-year policy
 2. accelerated critical illness: A 150k sum assured accelerated CI, for a 30 year old, for a 25-year policy
 3. income protection: A £1,500 a month payout income protection policy, class 1 (professional), for a 30 year old, for a 25-year policy.

- 4.22** Note that this premium analysis excludes guaranteed acceptance over 50s insurance and whole of life where the policy term is undefined.
- 4.23** Average unrated premiums have stayed flat or declined since 2020, in nominal terms and controlling for customer type, amount covered and length of coverage. Over a longer period of 2013-24, compound annual growth rates were: -3% for term assurance, 1.1% for accelerated critical illness, and -3.5% for income protection.
- 4.24** The proportion of policies subject to risk-based ratings has grown over the same period, which contributes to premiums overall staying flat on average. For term assurance, the share of rated policies rose from 16% in 2013 to 26% in 2024, with a similar upward trend for accelerated critical illness cover. For income protection, the increase was more modest, from around 13% to 16%. The shift reflects more granular underwriting, capturing additional risk factors and resulting in a higher proportion of rated policies.

Insurer margins do not appear high

- 4.25** Insurers in our sample held, in total, 14.3m policies in force at the end of 2024, generating £4,966m in premium revenue.
- 4.26** Figure 4.3 shows the percentage of the present value of projected premiums that insurers expect to pay out in costs and retain as profit for new business written in 2024. The costs include claims paid (expected), commissions, other allocated costs (such as underwriting costs, claims handling costs, customer service, direct marketing costs, portal costs and other overheads) and net reinsurance impact.

Figure 4.3: Present value projected premium distribution for new business written (2024)³



Source(s): FCA analysis based on data provided by firms

³ Net reinsurance impact for term assurance and whole of life presents as a positive cash flow and is likely to be driven by distortions to claims values driven by legacy mortality assumptions in firms models not capturing recent mortality improvements. As such, to prevent anomalies and ensure consistency we have unwound the reinsurance profit and replaced this with a lower claims amount for these two products. This removes any prudence in mortality basis setting when a large proportion of the risk is reinsured.

- 4.27** The present value of insurers' projected net cash flow margins (NCMs)⁴ on individual pure protection products appears to be modest.
- 4.28** Net cash flow margins range from 3% (accelerated critical illness) to 18% (underwritten whole of life). The differences in insurer net cash flow margins across products partly reflect the products' associated risk profiles. For instance, income protection products involve greater exposure to unpredictable claims duration and therefore value, while whole of life policies are longer-term in nature leading to greater potential vulnerability to fluctuations in mortality rates and rising costs.
- 4.29** Increased risk results in insurers holding more capital against these products. Under PRA Solvency II requirements, the capital held for different risks is calculated individually and then adjusted for diversification across the portfolio. While all risks contribute to the overall requirement, morbidity risk typically requires nearly twice the capital of mortality risk. This higher capital charge acts as a proxy for greater underlying risk and means morbidity-based products, such as income protection, need a larger margin within premiums to cover the cost of additional capital, as corroborated by guidance from the Institute and Faculty of Actuaries.

Most pure protection products have claim ratios of around 50% and over

- 4.30** Claims ratios show the value of claims paid out as a percentage of the premiums paid. They're an indication of the financial benefit consumers might expect to receive on average for every £1 that they spend on a product. For example, a claims ratio of 60% would indicate that for every £1 received in premiums, the insurer pays out on average 60p in claims. As such, in a single measure the claims ratio combines average frequency of successful claims, the average claim value paid by the firm, and the price paid by the consumer.
- 4.31** The higher the claims ratio, everything else being equal, the better value for money the product provides. The claims ratio of a product is one measure commonly used by firms to consider product value, although the basis for calculation can vary. Firms we have sampled as part of this study use similar claims ratio calculation methods as part of their ongoing management reporting and product reviews.
- 4.32** Because claims are potentially many years into the future, we use the present value of firms' projected claims costs rather than actual current claims payouts. Figure 4.3 above shows that the present value of projected claims costs (as a proportion of the present value of projected premiums) differ across products. Whole of life (66%) and term assurance (60%) offer the highest claims ratio, followed by accelerated critical illness (59%), guaranteed acceptance over 50s insurance (52%), standalone critical illness (49%), and income protection (40%).

4 Net cash flow margins are calculated as the present value of the projected net cash flows divided by the present value of projected premiums. We used the net cash flows (rather than profit before tax) as for most firms net cash flow was equal to profit before tax and adjustments made to arrive at profit before tax (by firms that did adjust) were likely to decrease comparability.

- 4.33** After payment of claims, the next largest cost to insurers is commission, which we discuss in Chapter 5, and other allocated costs of running the products.

Income protection

- 4.34** Income protection has the lowest claims ratio among pure protection products (around 40%) and the second-highest margin for insurers (around 12%).
- 4.35** As mentioned above, insurers seek a higher margin for income protection to cover the cost of additional capital that insurers have to hold against morbidity risk compared to mortality risk.
- 4.36** Unlike other protection products, income protection payout risks include variable claim duration and therefore values (ie rather than a pre-agreed lump sum). This higher uncertainty for income protection products requires a higher margin to protect against fluctuations in payouts.
- 4.37** Income protection is also more costly (as it requires more time) to sell to consumers and to manage claims. Claims acceptance ratios for income protection are around 86% compared to 98% across all protection products, and its uptake remains more limited than other pure protection products. Therefore:
- Selling income protection and going through the underwriting process with a prospective customer requires more detailed discussions to understand their needs and explain the cover
 - Claims require more in-depth (and periodically repeated) medical assessments
 - Low uptake means that certain fixed costs are spread across lower volumes
- 4.38** While income protection has the lowest claims ratio among pure protection products at 40%, it is higher than some other non-protection insurance products such as travel insurance. More detailed analysis of income protection is set out in Annex 2.
- 4.39** We also observe that income protection premiums have been falling in nominal terms and some firms have told us that they continued to do so in 2025. This should improve the claims ratio providing there are no reductions in quality (eg cover levels). However, ahead of the final report, we consider that claims ratios merit a further review using the latest (full year) 2025 data. This is issue 1 referred to in Chapter 7.

Guaranteed acceptance over 50s

- 4.40** In the Terms of Reference for this market study, we noted how other products such as underwritten whole of life insurance or funeral plans may offer some customers better value than guaranteed acceptance over 50s policies.
- 4.41** Some insurers don't offer guaranteed acceptance over 50s products, saying they're concerned about their suitability for their target market or product value. This means that the top two insurers that supplied such policies accounted for the majority of new policies issued in 2024.

- 4.42** We found that, as expected, purchasers of underwritten whole of life policies generally receive better value than those who buy guaranteed acceptance over 50s. Whole of life policies, like most pure protection products, are subject to medical underwriting, while guaranteed acceptance over 50s applications are not.
- 4.43** Whole of life policies typically have higher monthly premiums because sums assured are higher, but offer a materially higher claims ratio. This reflects the fact that insurers can more accurately assess mortality risks.
- 4.44** Notwithstanding the lower claims ratios, guaranteed acceptance over 50s products fill a particular niche in the market. They guarantee a payout upon death for customers without an underwriting requirement. Firms providing guaranteed acceptance over 50s products told us that take-up was highest among social renters, low-income households and those with vulnerability characteristics, who may not be able to, or choose not to, access underwritten insurance.
- 4.45** Firms also highlight that the simplicity and certainty of acceptance is a primary benefit for customers and, although they explain on their websites that it's possible that customers will receive less back than the premiums they paid, our research found that customers were positive overall and largely satisfied with their purchase decision.
- 4.46** We also found evidence that insurers closely monitor the value that guaranteed acceptance over 50s customers receive. They typically do this through a combination of forward-looking modelling, with approaches and assumptions varying across insurers, and retrospective analysis of claims and premiums including distribution costs. More detailed analysis of guaranteed acceptance over 50s is set out in Annex 2.
- 4.47** Insurers' Fair Value Assessments also showed what firms had done to improve product design and limit poor outcomes, such as changes to premium caps, which determine when a consumer is no longer required to pay premiums while retaining entitlement to the policy benefit. However, guaranteed acceptance over 50s policies do pay the highest commission rate as a percentage of premiums, which we look at in the next chapter.

Chapter 5

Intermediaries and commission

- 5.1** In this chapter we describe the commercial arrangements between insurers and intermediaries.
- 5.2** We found that:
- Intermediaries accounted for around 80% of sales in 2024. Consumers don't typically consider their needs proactively and intermediaries play a key role in helping them navigate the wide range of pure protection options available.
 - Competition in intermediation focuses on contact with consumers at the point in time they're engaged sufficiently to make a purchase
 - On average, consumers don't currently experience worse pricing outcomes from loaded premiums (where higher commissions are negotiated between insurer and intermediary) or restricted panels (where an intermediary limits the number of insurers it deals with)
 - Firms are alive to the risks of commission driving poor outcomes and take preventive action, but some intermediaries may be encouraging customers to switch to a new policy to generate repeat commission
- 5.3** Annex 1 provides a detailed overview of the analysis.

Intermediaries are central to the distribution of pure protection products

- 5.4** Consumer research and firm submissions show there are weaknesses on the demand side of the market. Many consumers don't actively consider their protection needs and often find it hard to evaluate and compare pure protection products. Products can be complex, and assessing them requires understanding coverage, exclusions, underwriting, and other features.
- 5.5** As a result, without support, consumers typically find it challenging to make timely and informed decisions about protection. Indeed, many firms describe pure protection as a product that is "sold, not bought," highlighting intermediaries' role in providing market access, matching consumers' needs with suitable products, and creating good outcomes.
- 5.6** In 2024, around 80% of pure protection sales were made through intermediaries (see Table 5.1 below).

Table 5.1 Proportion of policies sold by distribution channel (2024)

Distribution channel	Proportion of policies sold
Intermediaries	80%
Affinities/partnerships	7%
Price comparison websites	1%
Direct to consumer	12%

Source(s): FCA analysis of data provided by firms

- 5.7** Our consumer research shows that the triggers for policyholders to purchase were often specific life events such as buying a home or moving, the birth of a child, a new relationship or relationship breakdown, a medical diagnosis or bereavement. Firms also told us that contact with an intermediary can be a trigger to consider protection needs, and intermediaries told us that they compete to reach customers at the right moment in time when consumers are considering their pure protection needs.
- 5.8** The consumer research shows that 77% of respondents who bought pure protection in the last 12 months sought professional support to aid decision-making, explain the options available, help find the best price, and get reassurance they were making the right decisions. Our analysis of 2024 sales data shows that majority of sales are advised, with about 70% of pure protection policies sold on this basis. In an advised sale, a regulated adviser makes a recommendation to the customer, helping them select policies that align with their individual needs. Where sales are non-advised, firms do not give a recommendation and leave the customer to decide how they wish to proceed. However, firms are still expected to ensure that any product offered aligns with the customer’s demand and needs.
- 5.9** Intermediaries help consumers navigate a complex market with a wide range of products and underwriting approaches. They use specialist tools (such as portals and product comparison platforms) and their own expertise to match policies with the individual’s demands and needs. They can also provide advice aligned to consumers’ long-term financial goals. Additional services, such as writing policies in trust, can further enhance consumer outcomes.
- 5.10** For insurers, intermediaries offer a cost-effective way to reach consumers at the point of engagement. Insurers told us that direct distribution involves in-house advisers and marketing, which require significant upfront fixed costs. Intermediation lets insurers manage this risk by paying intermediaries commission in proportion to sales.

There is a wide range of intermediary business models, and firms tend to compete within their segment

- 5.11** Firms explained that customer demands and needs differ due to risk profiles, preferences and financial capacity. Intermediaries have a range of business models, focusing on specific sales channels or approaches to distribution to target specific consumer segments and needs.

- 5.12** For example, some offer face-to-face advice for vulnerable customers, while others primarily provide advice via phone and video, for digitally confident consumers and straightforward product types.
- 5.13** As our consumer research shows, consumers usually consider their protection needs following a trigger such as a life event. Because of this, intermediaries compete over contact with consumers at the point in time they are engaged sufficiently to make a purchase, attempting to reach them at life events (such as by adopting a mortgage adviser model) and using digital triggers (for example, via partnerships with price comparison websites).
- 5.14** Intermediaries explained that they compete most directly with firms with comparable business models and similar customer segments. Insurers said they group intermediaries and tailor commercial terms, pricing and distribution strategies accordingly, partnering with multiple intermediaries to maintain broad market access across different channels and customer segments. While large intermediary networks are important partners, no single intermediary appears essential to an insurer's distribution, even within narrower segments.
- 5.15** As described in Chapter 3, our data shows that insurers use a range of intermediaries. Protection specialists accounted for 52% of policies sold via intermediaries in 2024, mortgage advisers for 36%, and financial advisers for 12%.
- 5.16** In 2024, the top 5 intermediary groups accounted for approximately 50% of all new pure protection policies sold and 46% of total commissions by value. Beyond these largest intermediaries, the market comprises numerous smaller firms operating across the three categories outlined above.
- 5.17** Insurers have obligations under PROD 4 to review the value provided by the distributors they use. They stated they will only accept commission requests if this can be justified by the quality of service provided. Similarly, insurers explained that, where they accept higher commission rates, these terms will be reviewed should intermediary quality fall.
- 5.18** Intermediaries told us they seek to include major insurers in the options they show to customers, so these insurers are likely to have greater leverage to resist higher commission demands.

Intermediary commission revenue has remained broadly stable, while commission rates have increased slightly

- 5.19** Intermediaries are typically remunerated via commission, which they only earn when they sell a pure protection policy. Commission rates are agreed between insurers and intermediaries.
- 5.20** Pure protection policies are long-term products, typically arranged initially for around 25-30 years for term assurance (often aligned with mortgage terms), 30-40 years for critical illness, and 30-35 for income protection, while whole of life policies are intended to last until the holder's death.

- 5.21** The commission rate is typically set as a percentage of the first-year premium, generally between 170% and 250%. The actual monetary amount the intermediary receives is calculated by multiplying the commission rate applicable to the specific sale by the (first year) premium value. Over the lifetime of a product, commission on average ranges from approximately 20% of projected premiums paid on critical illness up to 34% on guaranteed acceptance over 50s insurance.
- 5.22** Gross commission revenues for intermediaries have declined from a peak of £786 million in 2021 to £731 million in 2022. Over the four years up to 2024, gross commission revenues (excluding indemnity commission on guaranteed acceptance over 50s insurance) were relatively flat in nominal terms, with a compound annual growth rate (CAGR) of 1.2%.
- 5.23** The decline in overall commission revenue was mainly driven by a reduction in revenues from guaranteed acceptance over 50s insurance.⁵ This reflected reduced market demand and wider economic pressures. There was some recovery in 2023, but subsequent fluctuations were influenced by decreases in customer acquisition, retention, and external factors such as the cost of living crisis.
- 5.24** Insurers stated that commission rates have risen on average by between 10% and 20% over the past decade. Based on the data provided by our sample of insurers and intermediaries, we observe that commission revenue has been stable between 2021 and 2024, as have premiums, while the number of policies sold has decreased slightly. This is consistent with a slight increase in commission rates, however we do not have data to robustly estimate the magnitude. We'd be concerned if we found evidence that intermediaries were using their market position to raise commission rates as it would create higher prices for customers or lower quality, and point to inconsistencies with firms' fair value obligations under PROD 4.
- 5.25** To examine this possibility, we analysed a sample of 17 intermediary firms, 10 of which provided cost data. For some intermediaries, protection is core to their strategy and revenue, while for others it's an ancillary business line. The next section has the results of that analysis. It is important to note that the data from firms whose core business isn't protection was mixed in quality. This was particularly true of some intermediaries providing financial and wealth advice and other services. But overall, the information helped us gain insights into intermediary profitability.

Commission revenues and costs differ between intermediary business models, but we have not seen evidence of high profitability

- 5.26** Gross commissions are the primary revenue source (95%) for pure protection specialists. After accounting for commissions paid out (mainly due to profit-sharing agreements and clawbacks), these firms retain about 60% of gross commissions as total revenue.

⁵ A large proportion of guaranteed acceptance over 50s commissions are set through intra-group arrangements and may therefore not reflect market based intermediary pricing.

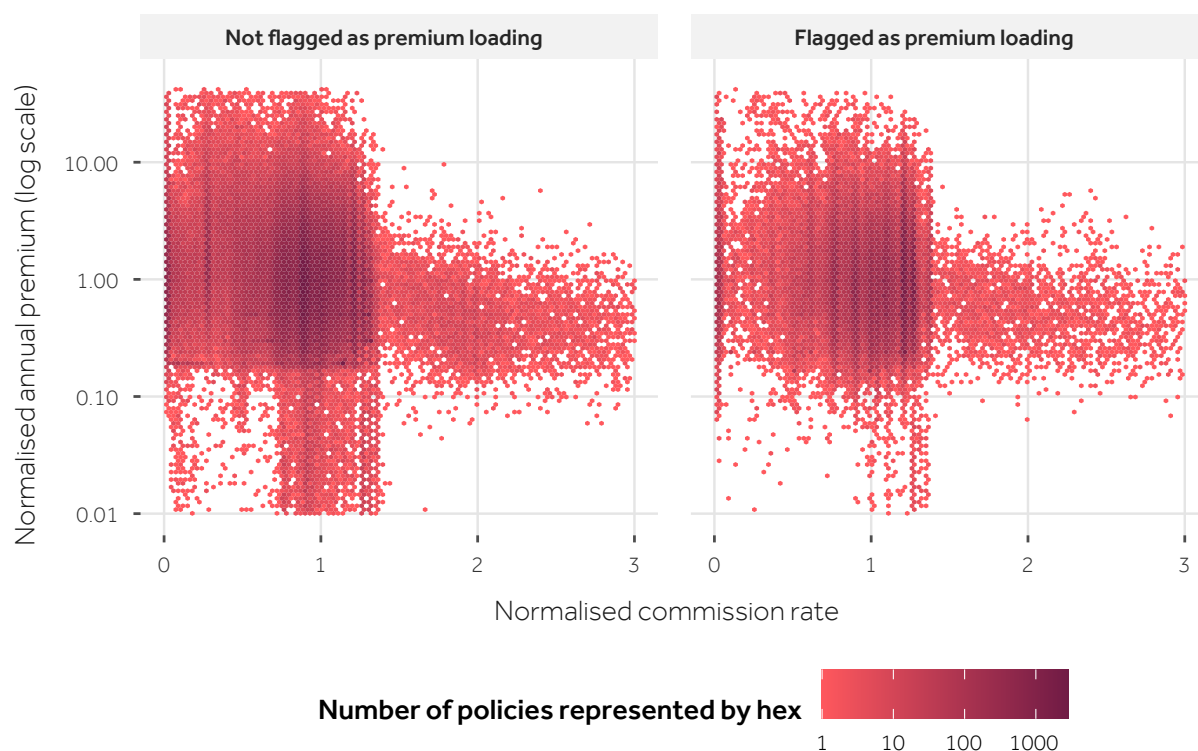
- 5.27** Operational costs are concentrated in lead generation and staff expenses, which together account for about 30% of gross commissions, with other costs accounting for another 20%. Platform costs are negligible.
- 5.28** For mortgage broker networks, gross commissions on pure protection products account for about 35% of their total revenue, of which they pay out the majority (around 60%) to their network members. Their operational costs are mainly staff-related and indirect costs (such as rent, marketing, and IT), represent about 18% of gross commissions.
- 5.29** Lead generation is a smaller component for these networks, as this cost is typically borne by the member firms themselves. Also, leads usually come through the mortgage clients and aren't specific to pure protection.
- 5.30** Price comparison websites have a different cost structure, with major technology-related costs (platform hosting and lead generation) and direct marketing spend. Commission-sharing arrangements with pure protection specialists are a key feature of their model, and clawback costs are managed through partnerships. However, because pure protection is only a small part of their overall business, commission retention isn't a meaningful metric for price comparison websites, and cost allocation can distort comparisons with other intermediary types.
- 5.31** Profitability also varies across intermediary types. For intermediaries, we calculated both operating margin and margin retention.
- 5.32** For pure protection specialists, operating margins (on net revenue) have averaged around 10% over the past four years, reflecting higher customer acquisition costs and clawback risk. Mortgage broker networks and price comparison websites appear to record far higher operating margins, but these figures are not directly comparable to specialists, as pure protection is not a core revenue line for these firms and so few if any joint or common costs were allocated to it.
- 5.33** The distinction between operating margin and retention is important. Operating margin on net revenue measures efficiency after commission payouts, while retention reflects the true bottom-line profit after all deductions, including clawbacks and operating costs. For pure protection specialists, retention is about 9% of gross commission, while for mortgage broker networks, it's higher at around 15%.
- 5.34** Overall, we haven't seen evidence of intermediaries making high profits based on current practices, even though profitability is higher for some channels compared to others. This is consistent with the evidence in Annex 1, that competition and regulation appear to push intermediaries to closely monitor and limit price differentials with competitors.
- 5.35** We also found that insurers have some ability to push back on higher commission requests and typically work with multiple intermediaries, so they're less reliant on any one firm.

- 5.36** These findings do not rule out that some individual intermediaries (eg those outside our sample) might be able to negotiate higher commission rates in some cases. We would be concerned if we observed practices that were likely to lead to poor customer outcomes, including higher prices not justified by better quality or service. In the rest of the chapter, we look at whether specific practices may be inherently harmful and the outcomes we observe based on the current application of these practices.

Loaded premiums do not currently, on average, result in higher premiums paid by consumers

- 5.37** Intermediaries typically negotiate commission rates with insurers, while insurers set the premium amounts. We have, however, heard of concerns about the practice of raising customer premiums for the purpose of paying an intermediary a higher commission. This approach is sometimes referred to as loaded premiums.
- 5.38** In our sample, insurers self-reported that about a quarter (26%) of intermediated new sales in 2024 involved loaded premiums. We'd be concerned if we found evidence of this practice resulting in higher premiums for customers which cannot be justified by improved quality or service. This would be inconsistent with firms' fair value obligations under PROD 4.
- 5.39** Premium pricing and commission rates are complex and vary substantially. There is no universal 'standard' premium adopted by individual insurers (ie on to which additional commission could be loaded). Insurers' pricing models are also complex and have multiple pricing points, resulting in premiums to vary significantly. Commissions are also usually negotiated bilaterally which also contributes to this.
- 5.40** To understand the impact of loaded premiums, we compared individual policies sold with loaded premiums to those sold without. This was to determine whether products with loaded premiums are more expensive for consumers overall. Then we analysed outcomes for groups of consumers with more directly comparable (observable) characteristics.
- 5.41** As expected, the distribution of commission rates for all products shows that, on average, policies with loaded premiums have higher commission rates (approximately 25% higher commission rates). However, from the customer's perspective, loaded premiums appear to be within a similar range on average as non-loaded premiums.
- 5.42** This is shown in Figure 5.1 below, which plots the annual premiums and commission rates for term assurance policies with loaded premiums (left hand side) and without (right hand side). If loaded premiums were generally higher than non-loaded premiums, we'd expect to see loaded premiums more concentrated in the top part of the chart compared to non-loaded premiums. Instead, the distribution of annual premiums is similar between the loaded and non-loaded policies.

Figure 5.1: Relationship between commission rate (%) and annual premiums, term assurance new sales in 2024



Source: FCA analysis of data provided by firms. Both annual premium and commission rate are normalised to median = 1.

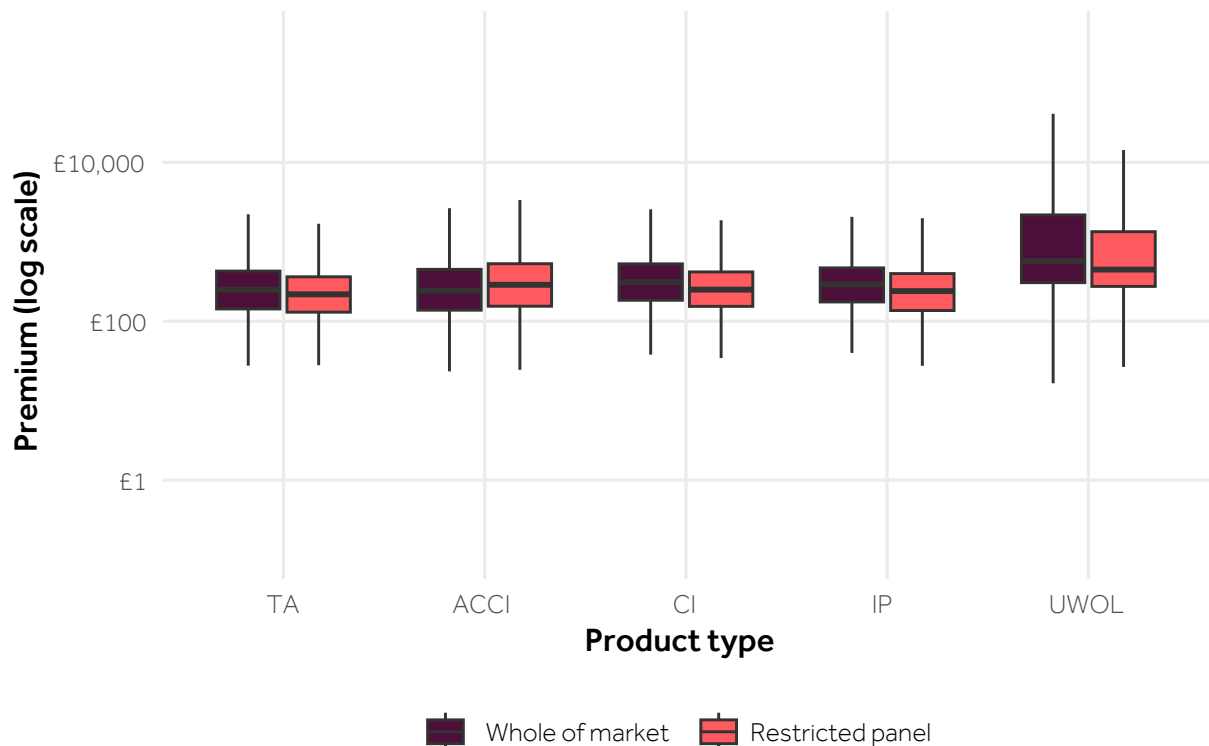
- 5.43** Likewise, when comparing loaded and non-loaded premiums for specific products sold to groups of consumers with more directly comparable characteristics, we found that the distribution of loaded and non-loaded premiums is similar.
- 5.44** Overall, at current levels, we have found little evidence indicating that loaded premiums currently equate to higher prices for customers compared to non-loaded products. Further details of our analysis is in Annex 1.
- 5.45** While our analysis of loaded premiums doesn't indicate higher premiums, we can't rule out cases where specific premiums and commissions – including loaded premiums – may not align with firms' obligations under PROD 4. We'll continue to monitor these risks and invite views on whether additional evidence points to inconsistencies with fair value.

Premiums are broadly similar across restricted panel and whole of market arrangements

- 5.46** Insurers have standard terms of business agreements that are available to all intermediaries but we understand that they rarely use them. Instead, insurers and intermediaries more commonly form bespoke agreements.
- 5.47** 'Single tie' arrangements, where an intermediary works exclusively with one insurer, are the most common arrangement type for guaranteed acceptance over-50s products, with approximately 79% of policies sold through this arrangement in 2024.

- 5.48** For other types of pure protection products, intermediaries generally use several insurers – a ‘panel’. Intermediaries operate either ‘whole of market’ panels, which aim to provide comprehensive coverage of a wide variety of insurers in the market, or ‘restricted’ panels, which have a smaller number of insurers and products. A single intermediary network may operate several panels, characterised by a different selection of insurers and products and, potentially, different commission arrangements. Restricted panels are the most common distribution arrangement type – in 2024, approximately 63% of intermediated policies were sold through restricted panel arrangements.
- 5.49** By using restricted panels, intermediaries may increase specialisation, allowing distributors to become more familiar with product characteristics and therefore better able to advise consumers. However, using a restricted panel can also be an intermediary strategy to create competition for a place on the panel to negotiate higher commission rates.
- 5.50** New sales data provided by insurers for 2024 shows that commission rates are, on average, higher for policies sold through restricted panel arrangements than for those sold through whole of market panel arrangements. We would be concerned if these higher commission rates resulted in increased distribution costs being passed on to consumers through higher premiums, without corresponding improvements in product features or the quality of intermediary advice and service.
- 5.51** Analysis of new sales data for 2024 shows that across product types, premium values are broadly similar between policies sold through restricted panel and whole of market panel arrangements (see Figure 5.2 below).

Figure 5.2 Distribution of premiums for policies sold through restricted panels and whole of market panels, by product type (2024)



Source: FCA analysis of data provided by firms. Note: premiums are shown on a logarithmic scale. For each product type, separate box and whisker plots are shown for policies sold through whole of market panel arrangements and restricted panel arrangements. The horizontal line inside each box represents the median premium; the top and bottom of each box represent the 75th and 25th percentiles respectively (ie the interquartile range); and the vertical lines (whiskers) extend to the most extreme values within 1.5 times the interquartile range. The product types shown are term assurance (TA), accelerated critical illness (ACCI), stand-alone critical illness (CI), income protection (IP) and underwritten whole of life (UWOL).

- 5.52** We also examined whether premiums differ between restricted panel and whole of market panel sales for otherwise comparable policies. Focusing on tightly defined like-for-like groups – covering the same product, insurer, coverage, premium structure and similar consumer characteristics – we find that premiums remain broadly similar across the two arrangement types. Further detail on this analysis is set out in Annex 1.
- 5.53** There's a risk that an intermediary's panel access criteria may make it harder for smaller or newer insurers, who may be less able to offer enhanced commercial terms, to gain access to distribution. Over time, especially if the panel criteria is tightened, it could reinforce the larger incumbent insurers' position and limit the scope for entry, expansion, or innovation, even where excluded insurers may offer competitive products or pricing.
- 5.54** We remind manufacturers and distributors of non-investment insurance products of their obligations under PROD 4 to ensure distribution arrangements, including commission, don't adversely affect the overall value of the products for the customer.
- 5.55** We also remind firms of their obligations under the Consumer Duty and UK competition law. Intermediaries and insurers must continue to be conscious of the impact that distribution arrangements may have on consumer outcomes and on competition, particularly where such arrangements could result in higher prices or less choice.

Intermediary networks and insurers have processes in place to mitigate product bias

- 5.56** As commission is negotiated bilaterally and can vary from one insurer to another, it can incentivise an intermediary to prioritise selling products with higher premiums (product bias). Also, because commission is calculated as a percentage of the total premium, it could incentivise an intermediary to deprioritise product features that provide value to customers but offer the intermediary little additional reward.
- 5.57** If this was happening, it would show that firms aren't acting in good faith or helping consumers achieve their financial objectives as set out under the Consumer Duty. They'd also be breaching SYSC 19F.2, which requires that firms must act fairly, honestly and professionally in accordance to the best interests of their customers. The remuneration they receive must not conflict with the customers best interests.
- 5.58** We've seen evidence of intermediaries and insurers taking steps to support good outcomes and mitigate the risk of consumer harm – such as quality control frameworks and monitoring distributors closely. Where concerns are identified by intermediaries and insurers, they are taking mitigating action such as changing remuneration structures and levels. Some insurers also offer higher commissions for products that require greater effort to explain and support, or which provide value to customers but would usually result in lower commission. Network level intermediaries also have policies in place to prevent advisers prioritising selling products with higher commissions, such as equalisation and caps. Further detail on these mitigants is in Annex 1.

Early lapse rates, as an indicator of sales which do not reflect customers' needs or expectations, are managed by insurers' controls

- 5.59** A policy lapse is the termination of an insurance policy before its intended term, either because the customer actively chooses to cancel it or stops paying the premiums. This may be because the sale was unsuitable (or unaffordable), but may also be because the customer's circumstances changed.
- 5.60** Unsuitable sales in pure protection are difficult to identify at a macro level, but early lapses (within the first few years of the policy) may indicate that the policies aren't matching customer needs.
- 5.61** The data we collected from firms allows us to observe lapse rates by tenure of the policy (though we can't see if the customer switched to another policy or stopped buying that type of protection product altogether).
- 5.62** Our data for 2024 policies in force shows an average lapse rate of 5%. We observed the highest rates on non-advised intermediated sales with 4-year clawback: 23% within the first year of the policy.

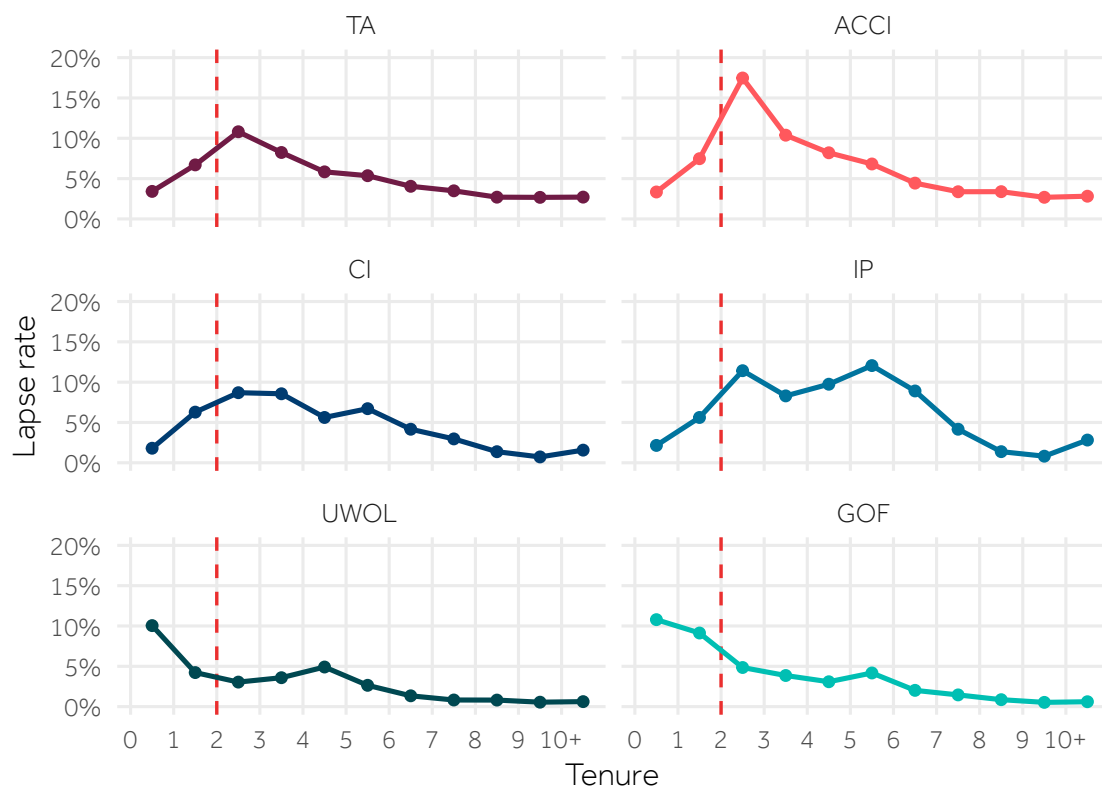
- 5.63** Some firms told us that some early lapses may be due to poor-quality leads supplied by the lead generators. Some said the higher rate for non-advised sales may reflect the fact that many pure protection products are complex to navigate without advice, as customers need to assess the value of different policy options against their demands, needs and budget.
- 5.64** Early lapses are costly for both consumers and insurers. Insurers have ways to improve intermediaries' incentives to seek high-quality sales. For example, clawback periods are tied to commission agreements: if a customer lapses during the clawback period, the intermediary has to repay a proportion of the commission. Most UK protection insurers also use a Distribution Quality Management (DQM) system to track business quality and intermediary behaviour, such as policy retention and lapses. This can lead insurers to end partnerships or help intermediaries reduce lapse rates.

We can't rule out that upfront commission structures incentivise intermediaries to encourage consumers to switch to a new policy

- 5.65** Of the policies that lapse, some may involve the consumer switching. Switching occurs when a customer replaces one policy with another, either by themselves or on the advice of an intermediary or insurer.
- 5.66** Pure protection products are long-term, and consumer needs can change over time. Advisers reassess suitability and recommend alternative products when appropriate. Switching can mean that customers are finding more suitable products or getting a better deal in the form of lower premiums. This can be pro-competitive if it results in downward pressure on prices.
- 5.67** The expression 'rebroking' is typically used by protection firms to indicate when a customer switches to a policy that better suits their needs after being contacted by an intermediary. Meanwhile, 'churn' is used to refer to an intermediary encouraging a customer to switch to a policy that does not better suit their needs or offers less value (inherently possible given premiums tend to rise as a customer ages) driven by the incentive of a repeat commission.
- 5.68** In the absence of explicit data on switching, we looked at intermediary practices and insurer data on lapses. Around 96% of commissions are paid upfront to intermediaries upon the successful sale (indemnity commission). Clawback periods are usually added to commission arrangements to dampen intermediaries' incentives to churn customers, as they'll need to repay part of their commission if a customer lapses during this period. Clawback periods have been shifting from 2 to 4 years on average in recent years. Even if an intermediary doesn't use indemnity commissions and instead commission payments are spread out over time, encouraging a customer to switch in the early years of the policy would mean foregoing commission that they would otherwise earn.

- 5.69** We analysed lapses before and after the end of clawback periods to estimate churn. If churning were taking place, we'd expect to see spikes in lapse rates shortly after the end of clawback periods (ie when no commission is forfeited).
- 5.70** Widespread behaviour of this kind could harm the individual customer that has switched. It could also add to insurer costs, at least some of which is likely to be recouped from consumers. In doing this, intermediaries would not be acting in good faith or helping consumers achieve their financial objectives as required under the Consumer Duty. They would neither be aligning with the requirements of PROD 4 or the customer's best interests rule in ICOBS (ICOBS 2.5.-1 R).

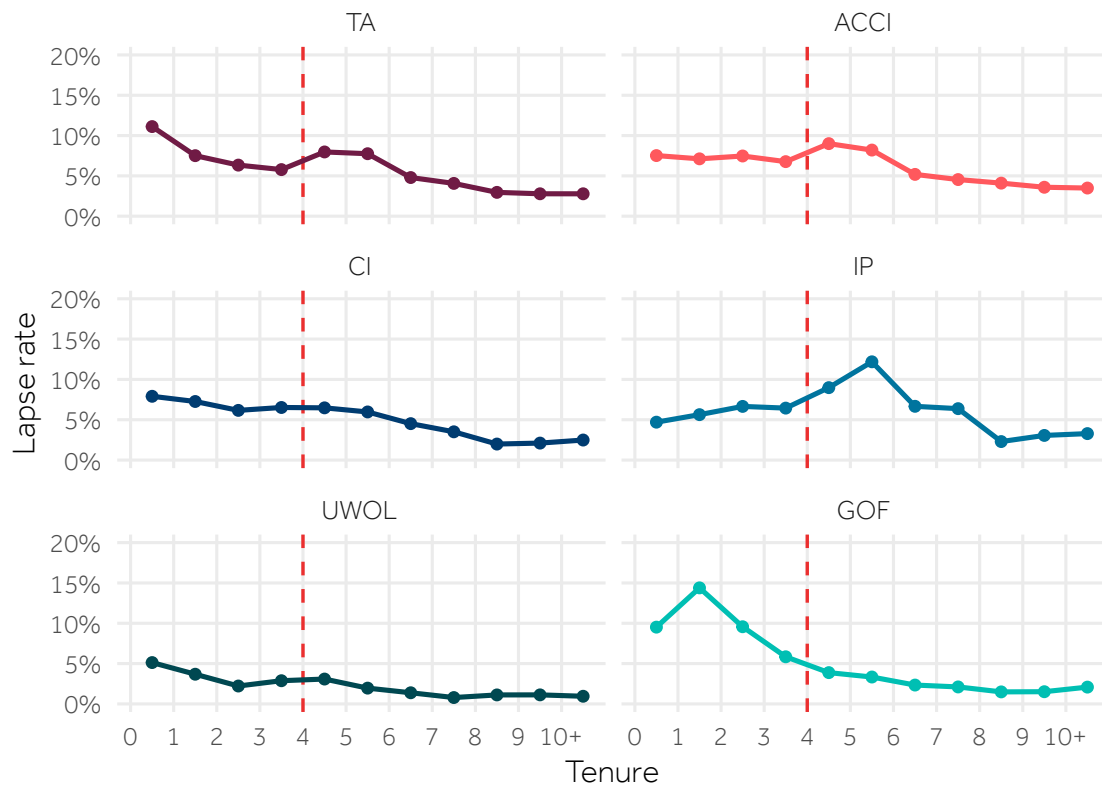
Figure 5.3: Observed spike in lapse rates following 2-year clawback across pure protection products (2024)



Source(s): FCA analysis of data provided by firms. Note: includes policies in force in 2024, intermediated sales, indemnity commission, 2-year clawback. The product types shown are term assurance (TA), accelerated critical illness (ACCI), stand-alone critical illness (CI), income protection (IP), underwritten whole of life (UWOL) and guaranteed acceptance over 50s (GOF).

- 5.71** Insurer data on policy lapses indicates a modest spike after clawback periods – around two percentage points, equating to up to around 19,000 customers per annum or 0.2% of our sample. This is primarily for term assurance, accelerated critical illness, and income protection.
- 5.72** The pattern was the same for both 2 (Figure 5.3) and 4-year (Figure 5.4) clawback periods. But there were few other patterns visible from the data, showing that the observed spikes in lapse rates are not driven by any particular channel, size of firm. Further details of our analysis is in Annex 1.

Figure 5.4: Observed spikes in lapse rates following 4-year clawback across pure protection products (2024)



Source(s): FCA analysis of data provided by firms. Note: includes policies in force in 2024, intermediated sales, indemnity commission, 4-year clawback. The product types shown are term assurance (TA), accelerated critical illness (ACCI), stand-alone critical illness (CI), income protection (IP), underwritten whole of life (UWOL) and guaranteed acceptance over 50s (GOF).

- 5.73** Not all lapses represent consumer harm from intermediaries churning consumers. But it seems likely that spikes in lapses at the end of the clawback period are influenced by commission incentives rather than consumer need.
- 5.74** The direct harm is unlikely to be severe: we find that the vast majority of sales (80% or more) that our sample of intermediaries made from 2012 to 2024 are to new customers rather than existing ones. Fewer than 19,000 customers per year are likely to be affected and they will still have cover. We also find that some intermediaries cannot distinguish sales to new consumers from sales to existing consumers, which makes monitoring churn difficult.
- 5.75** Nevertheless, there is a risk that churn could grow if unchecked. We want the sector to collect, monitor and report better information on customer switching to ensure it is targeted to consumer need. This is issue 2 that we deal with in Chapter 7.

There is evidence of poor practice from certain intermediaries, leading to potentially unsuitable sales and written off clawbacks

- 5.76** Elixir, an industry group representing insurers, reported concerns about certain intermediaries engaging in poor practices, who often enter a cycle of selling new policies to cover clawbacks. These sales can then be poorer quality (ie with higher lapse rates) leading to increased clawbacks (ie a vicious cycle) until the intermediary eventually exits the market, leaving insurers to write off outstanding commission clawback debt.
- 5.77** Elixir's data shows that approximately £100 million of commission debt was written off by Elixir members between 2019 and July 2025, with a further £19 million reported as outstanding, following some intermediaries' exit from the market. It indicated that majority of these amounts relate to distributors specialising in phone-based sales.
- 5.78** Although these figures represent less than 1% of collected premiums between 2021 and 2024, they highlight a risk within certain parts of the distribution chain that requires close monitoring in line with Handbook requirements.
- 5.79** Our review of insurer submissions indicates that firms have controls in place to identify and address such practices, such as lapse rates forming a key part of DQM monitoring and onboarding checks including financial stability checks. We have also seen evidence of improvements to reduce exposure to commission debt and monitor specific cohorts of distributors. The debt and write-off figures from 2019 to mid-2025, as reported by Elixir, reflect ongoing efforts to improve debt monitoring, with some improvements despite fluctuations. Notably, more than 95% of all debt write-offs are attributed to phone-based sales firms.
- 5.80** We think that the additional data collection, monitoring and reporting in relation to customer switching will help to address such practices. We discuss this in Chapter 7.

Claims experience

- 5.81** We've seen examples of some intermediary firms going further than others at point of sale to support good outcomes. Examples include placing policies in trust, and setting up wills and powers of attorney. Such practices can significantly improve consumer experience if/when they eventually come to claim. However, it may be that existing commercial and regulatory incentives are insufficient for intermediaries to make these practices more widespread. This is issue 3 that we deal with in Chapter 7.

Chapter 6

Protection gap and innovation

There is evidence of a protection gap, suggesting scope for market growth

- 6.1** Our consumer research shows that 42% of adults aged 18 years plus with online access hold a pure protection product and 58% do not. Of the 58% who don't hold pure protection, 59% have not considered their needs. This suggests that there is a 'protection gap' – the difference between potential pure protection needs in the population and the actual amount of coverage. This chapter explores the size of the protection gap and what's contributing to it.
- 6.2** Assessing the scale of the protection gap is inherently difficult because the level of protection an individual needs varies from person to person depending on risk appetite and willingness to pay. It's also impossible to assign a value to informal sources of support, such as help from extended family, which some individuals may rely on in place of more formal protections.
- 6.3** There's no industry-accepted methodology for measuring the protection gap and many of the data points often relied upon are self-reported, introducing variability. Most methods rely on quantifying the number of instances where there could be an unmet protection need. For example:
- We commissioned secondary research⁶ to estimate the significance of the protection gap by comparing current protection needs with existing coverage (in-force policies)⁷. This assumed that individuals with dependants and/or mortgages would benefit from term and critical illness insurance, while full-time workers would benefit from income protection unless they hold sufficient assets. On this basis, it identified the number of 'needs', rather than number of individuals: one individual might have up to 2 needs (ie in different pure protection product types). Approximately 50 million needs were identified across the two groups of consumers. Overall, it estimated that around 72% of identified needs are not covered⁸ (ie consumers do not hold the product type aligned to their need). This research didn't account for affordability and risk preferences, so the gap may be overestimated.
 - The FCA's Financial Lives 2024 survey showed that more than 40% of mortgage holders lack life insurance. Similarly, research by LifeSearch and HomeOwners Alliance⁹ found that 36% of 500 mortgage holders in the UK currently have no form of life insurance, income protection, or critical illness cover, equating to 2.3 million mortgage holders nationwide. Almost half (46%) of respondents said they'd struggle to keep up with their mortgage payments within six months if they faced

6 Utilising FCA 2024 Financial Lives Survey, ONS Census statistics and ABI 2023 in-force protection policies data

7 Coverage defined as holding the product type aligned to the need, sum assured adequacy not assessed.

8 A given person can have multiple needs (eg be in full-time work, lack sufficient assets and have dependents).

9 Bricks But No Backup: 2.3 Million UK Mortgage Holders Have No Financial Safety Net – HomeOwners Alliance

a loss of income due to injury or illness – with a fifth (21%) facing difficulties within just two months.

6.4 Despite the limitations of these estimates, they do point to a significant gap. Based on evidence we have gathered during this market study, the protection gap is likely to be made up of at least three consumer cohorts:

- Those that haven't considered whether they have a need or have not been prompted to do so
- Those who have considered buying pure protection but were concerned about affordability
- Those that have considered their need but have not looked into buying a product, because, for example, they may not understand them, or find it too complex
- Those that find accessing pure protection products difficult because they have pre-existing medical conditions

6.5 **No prompts:** Evidence suggests that the first category is by far the largest. Our consumer survey found that of the 58% of adults who don't hold a pure protection product, 59% (ie around one third of all adults) had not considered their protection needs. This may be because of 'optimism bias', or being reluctant to contemplate major life events, meaning that consumers might only address their protection needs after such events. They can also be prompted to consider their needs after interacting with advisers when taking out a mortgage or receiving investment advice, but these interactions can be infrequent and limited to certain consumer cohorts.

6.6 **Affordability:** Our consumer survey shows that 41% of respondents considered their needs but have not purchased pure protection. 19% of those said that they were concerned about affordability. Some 19% of this group considered protection was too expensive, while 18% had other financial priorities, and 17% assessed they didn't have a need for protection. Affordability also results in policies being cancelled. For example, Mintel¹⁰ found that in 2025, 40% of policyholders said the rising cost of living had made them consider cancelling their life insurance policy.

6.7 **Lack of confidence and understanding:** 9% of non-holders who have considered their needs don't know where to start to find a policy, 5% aren't confident that they'd choose the right product, and 4% think it would be confusing and hard to compare policies. The complexity of these products can prevent consumer understanding. Even though over 70% of consumers who bought protection in the last 12 months in our consumer survey sample said they fully or mostly understood their purchases, case studies done as part of the survey revealed that many cannot recall specific policy details. Likewise, when asked about their objectives when taking out cover, their needs didn't always match policy type. For example, 22% of respondents with whole of life insurance mentioned the need for a regular income if they are unable to work. Similarly, 45% of pure protection holders and 40% of non-holders agreed with the statement 'I find the information literature around life and protection insurance difficult to understand'.

- 6.8 Access difficulty:** Evidence from firms shows that consumers with pre-existing health conditions make up a large proportion of the group of consumers that have issues with access. However, several other customer segments may also be underserved within this group, including: young people and renters, self-employed people and gig economy workers, people with poor digital access, low-income householders, ethnic minorities and women. Our consumer survey found that among those with a medical condition (29% of policy holders), the proportion who had to compromise on cover due to price was 52%, compared to 14% of those without a medical condition. The compromises made took the form of a lower payout than they wanted, a more basic policy and the removal of some policy features.
- 6.9** Firms link the difficulty that some consumers experience with accessing pure protection to higher manufacturing and distribution costs driven by increased claims risk, complex underwriting, and reinsurer caution, though the exact cost difference compared to those without medical conditions is unclear. Non-underwritten or simpler products may not deliver good value or meet the needs of customers with pre-existing medical conditions. Firms are also concerned that intermediaries may not be adequately compensated for assisting customers with complex needs, which may discourage innovation in products for these consumers. We expect that these factors exacerbate the issues consumers may face in accessing pure protection products and hence contribute to the protection gap.

A protection gap indicates that there may be areas where the market could work better

- 6.10** We're aware of some industry initiatives to address the protection gap. For example, BIBA provides a directory (Find Insurance Service) for consumers needing insurance. BIBA also has particular cross-sector agreements in place to help connect people who are struggling to find insurance with specialist brokers who can help them. We have also seen some examples of targeted entry in the 'riskier lives' segment. However, reducing the protection gap is likely to require further coordinated action across industry and regulatory bodies, as described in Chapter 7.
- 6.11** There may however be a lack of investment in consumer awareness or in the channels of consumer engagement. For example, recent industry research found that 70% of people had not recently seen an advert for CIC and acknowledged that investment in consumer awareness needed to be scaled up.
- 6.12** We want to support firms in narrowing the protection gap so we can improve access to suitable financial products, ensuring those with characteristics of vulnerability or that are harder to insure are not left out.
- 6.13** During the study, stakeholders suggested initiatives that may help tackle the protection gap. These included awareness campaigns, increased use of prompts or trigger points, or extending the concept of targeted support that we're currently introducing for pensions and retail investments. Some of these may be within the FCA's remit, while others may be better undertaken by firms. We want to work with the sector to agree a targeted programme of work to take forward. We will organise workshops with stakeholder in Spring 2026 to discuss this.

There are examples of entry and innovation in the industry, but there is also scope for directing innovation where it benefits consumers

- 6.14** Firms told us that insurers entering the pure protection market face upfront costs for product development, commission structures, regulatory requirements, and building intermediary relationships.
- 6.15** Consumers and advisers favour established brands, making it harder for new and smaller insurers to compete. Although most distributors report few barriers to entry or growth, network-level distributors cite regulatory expenses and adviser engagement challenges. Customer-facing distributors note that networks, directly authorised firms and panels help new firms access insurers. Technology integration and marketing were the main costs they emphasised.
- 6.16** There have been new entrants into the pure protection market, but not at significant levels. Over the past 20 years, there have been new entrants such as Vitality (2010) and Reassured (2015), as well as entries through partnerships and acquisitions, such as Guardian FS entering in 2018 as an appointed representative of Scottish Friendly. Recently, exits and consolidations have also occurred, such as Aviva acquiring AIG Life UK's protection business (2024) and HSBC Life UK selling its protection operations to Chesnara (2025).
- 6.17** Firms have reported that these consolidations have had little impact on consumer choice or pricing and we've seen limited evidence to suggest otherwise.
- 6.18** On the product side, we've seen some evidence of firms expanding their offering and examples of innovations in pure protection over the past decade, focused on:
- Process – such as technology and AI-driven underwriting to improve speed and accuracy
 - Products – including 'menu' plans which allow customers to combine different types of cover into a single policy and value-added wellbeing services, for example digital GP access
 - Distribution – such as hybrid digital-advised models and manufacturing partnerships between insurers and intermediaries.
- 6.19** There's also increasing use of AI in pure protection, including for underwriting and claims handling. We want to make sure firms are using AI safely and responsibly, realising the potential benefits for markets and consumers (such as improved efficiency, enhanced customer service, tailored products) while balancing the risks (such as privacy and ethical concerns, cybersecurity, the potential for unfair bias to ensure that groups that share protected characteristics are not disadvantaged).
- 6.20** Our AI Update explains how parts of our regulatory frameworks apply to firms' safe and responsible use of AI (such as the Consumer Duty, Senior Managers & Certification Regime). This should be front of mind when adopting AI in pure protection and we're also offering practical support to firms testing and experimenting with AI through our [AI Lab](#).

6.21 Firms suggested that future innovations should focus on:

- addressing consumer perceptions of complexity, such as simplified policy wording
- closing the protection gap, through consumer education and producing products to better suit consumers with pre-existing health conditions
- improving the consumer experience post-sale, including ongoing communications and claims assistance

6.22 This is consistent with the Consumer Understanding outcome under the Consumer Duty, which requires firms to provide customers with information about products and services in a clear, timely, and accessible way, so they can truly understand costs, benefits, risks, and make informed decisions.

6.23 Firms told us that there are some market features that may dampen insurers' incentives to enter and innovate. We'd like to engage with the industry to understand them through workshops with stakeholders in Spring 2026. These include:

- Low customer engagement and limited understanding of pure protection make acquiring customers challenging and hard to justify investment in entry/new products. Thin margins and delayed returns from long-term premiums increase risk, and firms told us that price sensitivity further discourages innovation as customers can be reluctant to pay more for better coverage.
- Portals and comparison platforms make underwriting more efficient and help advisers find suitable products for customers. However, their standardised formats can limit how insurers differentiate and design products. If a product doesn't fit these platforms easily, insurers may be discouraged from developing it.
- Reinsurers and underwriters are generally more comfortable with familiar risks and can be unwilling to support new features or products, potentially restricting product innovation.
- Administrative costs and delays in obtaining medical records can be a barrier for customers with complex health histories. Relatedly, both insurers and intermediaries have raised concerns that advisers are not appropriately remunerated for the time, effort and expertise it can take to navigate the complexities that come with finding suitable cover for a customer with pre-existing health conditions, which may discourage them from providing it.
- As commission is usually paid as a lump sum upon the sale of a policy, point-of-sale experience and visible product attributes can often be the focus of investment for intermediaries, rather than post-sale customer experiences such as retention, service or ongoing value delivery.

Chapter 7

Potential remedies and next steps

- 7.1** Helping consumers navigate their financial lives is a central part of the FCA's strategy. A pure protection market that works well is one in which firms compete to provide consumers with access to products that meet their needs, where consumers understand the value and features of those products, and firms tackle factors that are leading to poor outcomes.
- 7.2** In many respects, the distribution of pure protection to consumers works well and delivers good outcomes to those that purchase it. However, some aspects of the market could work better. We know from the work done so far that there are many consumers who would likely benefit from pure protection, but who don't have it (a protection gap). We also cannot rule out that some intermediaries may be encouraging customers to switch to a new policy to generate repeat commission.
- 7.3** Where we find that firms are falling below the standards set by existing rules (including, but not limited to, PROD, ICOBS and the Consumer Duty) we will use our supervisory and enforcement toolkit, as appropriate, before considering whether additional market wide interventions are needed.
- 7.4** As explained at the start, we are not anticipating any significant market wide interventions. But we will explore a small number of areas further before we issue our final report.
- 7.5** As with all our market studies, our approach is to first consider if our existing rules and regulatory framework can drive improvements, if improvements are needed. If evidence justifies an FCA market wide intervention (such as introducing further rules and/or guidance), we'll consider the potential benefits and costs to consumers and firms of amending our current regulatory framework. Any such changes would need to be designed to avoid unintended consequences, such as worsening the protection gap. We do not believe market wide interventions are needed at this stage.
- 7.6** We have set out our next steps below.

Potential measures to address protection gap and access to insurance

- 7.7** Tackling the protection gap is likely to require contributions from a variety of stakeholders. We believe our role should focus on steps that we are uniquely placed to undertake – eg using our powers, or system wide influence – but not actions that regulated firms could carry out just as effectively if not more so, at their own cost and resource.

7.8 We are considering the following potential options:

- **Improve awareness through increased use of prompts or trigger points (nudges):** Life events, such as buying a house or having a child, are triggers for people to consider their protection needs. We could encourage use of our innovation sandboxes and open finance work to explore ways to improve digital engagement with people at different trigger points to raise awareness of pure protection products. We could further encourage firms to highlight useful metrics, such as claims acceptance rates, acting as a nudge that may change firm and consumer behaviour.
- **Targeted support for pure protection products:** We have recently published our policy statement and near-final rules for targeted support which would allow firms to provide suggestions designed for groups of consumers with common characteristics to help them make important decisions across their pensions and investments. We expect the final rules to take effect from 6 April 2026. Through stakeholder engagement, firms have suggested a similar solution could be considered for pure protection products. Targeted support could potentially help to close the protection gap for consumers who are not well-served by standard market offerings. This would need to be considered carefully, however, as it would involve widening the current scope of targeted support beyond investments and pensions, and is likely to involve significant regulatory change.

7.9 We would welcome views on these and other potential options, including actions that industry could take to reduce the protection gap. In parallel with the consultation on the interim report, we will hold stakeholder workshops ahead of the final report.

Support to the Government's Financial Inclusion Strategy

7.10 Reducing the protection gap will likely require the combined effort of the regulator, industry and potentially the government.

7.11 We are supportive of the work that is being done under the government's Financial Inclusion Strategy to improve access to insurance. As a part of this strategy a pilot is being led by Fair4All Finance to explore the uptake of home contents insurance among social renters in England, supported by ABI and FCA, and a Total Signposting initiative led by BIBA. There will also be industry-led work, supported by Fair4All Finance, to explore gaps in income protection products for groups who may see significant benefit from cover, including the self-employed, with the aim of increasing awareness of income protection, improving overall uptake, and informing future product development.

7.12 Through these workstreams we will continue to work with stakeholders to consider if there are any other steps the FCA could or should take to address the protection gap.

Other steps we propose to take

Issue 1: Value of protection products

- 7.13** Most pure protection products have claims ratios of around 50% or higher. But there is noticeable variation between products. We intend to refresh our assessment of pure protection product claims ratios ahead of the final report using 2025 premium and cost data from a sample of insurers.

Issue 2: Switching

- 7.14** Commission structures may incentivise intermediaries to encourage customers to switch to a new policy shortly after the end of the clawback period. We want the sector to collect, monitor and report better information around customer switching to ensure it is targeted to consumer need.
- 7.15** We could use existing rules and clarify our expectations with examples of good practice and areas for improvement. Or we could consider new rules and/or guidance. We want to work with industry to develop the reporting metrics to ensure they're proportionate and effective in reducing and deterring churn. This could further help insurers reduce their exposure to commission clawback debt.
- 7.16** We could also explore:
- introducing Individual Reference Numbers (IRNs) for those selling protection – similar to mortgage or wealth advisers – so that poor practice can be more readily identified and addressed
 - introducing a requirement on intermediaries to report the lead generators they use, to help insurers identify potential future customer churn

Issue 3: Claims experience

- 7.17** We've seen examples of intermediary firms going further than others at point of sale to support customers if/when they eventually come to claim, such as placing policies in trust, and setting up wills and powers of attorney. The more widespread such practices become, the better the outcomes for consumers if/when they need to make a claim. We want to encourage this as it aligns with our expectation under our existing rules and is a clear example of good practice. We could use existing or new rules and/or guidance to achieve this.

We do not propose to pursue more interventionist remedies

- 7.18** When assessing our proposed interventions and remedies, we considered whether they were proportionate to the harms concerned, whether they'd be effective at mitigating them, and any potential unintended consequences. Although we've identified some areas of concern, the evidence we have at this stage suggests that, in many respects, the market is working well and that the issues identified are not sufficiently significant or widespread to warrant widespread market intervention.
- 7.19** This is why we've not considered banning products or commissions, or pricing interventions such as capping commissions. These remedies are unlikely to be proportionate to the harms and also carry a high risk of significant unintended consequences, including worsening the protection gap.
- 7.20** If further evidence and analysis provides strong evidence that such options could lead to better outcomes that we can deliver through the steps outlined above, without strongly distorting supply-side incentives, we may reconsider.

Next steps

- 7.21** We'll begin engaging with stakeholders to (i) identify a targeted programme of work to address the protection gap and (ii) hear feedback on potential remedies to the 3 issues we have identified. We will organise workshops with stakeholders in Spring 2026.
- 7.22** We aim to publish our final report in Q3 2026, in which we'll set out our final findings, a summary of feedback we received, and any intended next steps.

Glossary of terms used in this document

Term	Description
Accelerated critical illness cover	A policy which combines life cover and critical illness cover into one policy
Advised sales	Insurance sales conducted with regulated financial advice, ensuring suitability for the customer.
Churn	The rate at which customers cancel or switch policies, typically measured over a specific time-period.
Commission	A payment made to intermediaries or distributors by insurers for selling or arranging insurance policies.
Cover	The protection provided by an insurance policy against specified risks or events
Distributor	An organisation or channel that markets and sells insurance products, which may include intermediaries, aggregators, or direct sales platforms.
Exclusions	Specific conditions or events that are not covered under the insurance policy.
Fair Value	A regulatory concept ensuring that insurance products provide appropriate benefits relative to their cost, considering customer needs and avoiding excessive charges.
Healthy lives	Individuals who are classed as meeting the lowest risk profile, accounting for other characteristics such as age, due to their current health.
Income protection insurance	A policy which replaces part of a policyholder's regular income if they become unable to work because of illness, accident, or disability.
Intermediary	A regulated individual or firm that advises customers and arranges insurance policies on their behalf.
Lapse	Termination of a policy due to non-payment of premiums
Loaded Premiums	Practice of raising customer premiums for the purpose of paying an intermediary a higher commission.
Non-Advised sales	Insurance sales without regulated advice, where the customer makes their own decision based on provided information.
Panel	A selected group of insurers or products offered by an intermediary or distributor, rather than the entire market.
Policyholder	The individual or entity that owns the insurance policy and is responsible for paying premiums.

Term	Description
Portal	An online platform used by intermediaries or distributors to quote, apply for, and manage insurance policies.
Portals	Online platforms used by intermediaries or distributors to access insurance products, submit applications, and manage policies.
Premium	The amount paid by the policyholder to maintain coverage under the insurance contract.
Present Value	The current value of projected future cash flows, calculated by applying a suitable discount rate (such as the risk-free rate) to projected cash flows, in order to account for factors such as inflation
Product Comparison Sites	Websites or tools that allow consumers or advisers to compare insurance products across multiple providers based on price, features, and benefits.
Rebroking	The process of reviewing and replacing an existing insurance policy with a new one, often to secure better terms or pricing.
Reinsurance	Insurance purchased by an insurer from another insurance company to reduce its risk exposure on policies it has underwritten.
Risk-rated premiums	Premiums charged on individuals who pass through underwriting and do not meet the 'healthy lives' definition, for whom an increase is made to the base premium the product to account for the individual's increased risk profile.
Stand-alone critical illness cover	A policy which pays a lump sum to the policyholder if they are diagnosed with a prescribed (non fatal) serious illness or medical condition.
Straight-Through Underwriting (STU)	Automated underwriting process where applications are assessed and approved without manual intervention, using pre-set rules and data checks
Sum Assured	The guaranteed amount payable by the insurer upon a valid claim under a life insurance policy.
Switching	The act of moving from one insurance policy or provider to another, often to obtain better terms, pricing, or coverage.
Term Assurance	A policy which pays a lump sum to beneficiaries if the policyholder dies within a specified period.
Underwriter	A professional or automated system responsible for assessing risk and determining the terms and conditions of an insurance policy.
Underwriting	The process of assessing risk and determining the terms, conditions, and premium for an insurance policy.

Term	Description
Unrated premiums	Premiums charged on individuals who pass through underwriting and meet the 'healthy lives' definition, for whom no increase was made to the base £ premium to £ coverage rate of the product.
Whole of life insurance	Including guaranteed acceptance over 50s life insurance plans: these policies provide cover for the policyholder's lifetime, paying out a lump sum to beneficiaries on the policyholder's death
Whole of Market	An approach where an intermediary offers products from all insurers in the market, providing comprehensive choice for the customer.

Abbreviations used in this document

Abbreviation	Description
ABI	Association of British Insurers
ACCI	Accelerated Critical Illness
BIBA	British Insurance Brokers' Association
CAGR	Compound Annual Growth Rate
CIC	Critical Illness Cover
ECC	Expected Claims Cost
GOF	Guaranteed acceptance over 50s
ICOBS	Insurance: Conduct of Business sourcebook
IP	Income Protection
NCMs	Net Cash Flow Margins
Ombudsman	Financial Ombudsman Service
PROD	Product Intervention and Product Governance Sourcebook
PROD 4	Chapter 4 of PROD
RFI	Request for Information
SYSC	Senior Management Arrangements, Systems and Controls
TA	Term Assurance

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