Your views: Could less competition strip support from customers that fall outside of the "computer says no" model?

In the last six months, the individual protection market has lost Canada Life, Aegon, and now AIG Life UK, leaving advisers concerned about the future of innovation.

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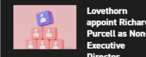
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According to Newspage, advisers are concerned that the protection market in the UK is now made up of a "handful of mega-insurers" which could lead to the death of innovation, higher prices and a "stagnant, undifferentiated marketplace."

"We will miss AIG as their underwriting is more responsive to clients' actual circumstances."
- Paula Steele, director at John Lamb Hill Oldridge

Stephen Perkins, managing director at Yellow Brick Mortgages, said "With every lost seat at the table, there is less competition and less need to innovate and challenge the norms, so the market as a whole suffers." He believes that the protection market needs a "shakeup," especially to provide cover for those who are not perfectly healthy at the time of application.

"While we have smaller insurers, such as Vitality who are unique with their Serious Illness rather than Critical Illness policy, Guardian, the Ferrari of critical illness plan definitions, and specialists like Exeter helping clients with managed health conditions, the major insurers such as Aviva, L&G, LV=, Zurich and Royal London are all much of a muchness," he explained.

Although Perkins recognises that insurers have unique add-ons such as 24/7 GP and mental health nurses, "overall their policies and pricing do not vary very much, and that lack of differentiation is the worry."

"It could result in bad outcomes for consumers."

Gary Bush, financial adviser at MortgageShop.com, agreed that "these particular providers ran on roughly the same underwriting basis for price [...] To lose two main providers of life cover in 2023, having seen Aegon get purchased by Royal London earlier in the year, should create concern over both the competition and varied underwriting conditions." He believes that consolidation is like to have a negative effect on the protection market.

"Sadly, I feel that consolidation in this area of the insurance market is not great news for advisers or clients," said Scott Taylor-Barr, director of Barnsdale Financial Management.

"As we get fewer and fewer choices, we also get fewer and fewer options for more complex situations."

He felt that "While consolidation can drive down costs, this only helps those that are considered 'good risks', namely young and healthy individuals." Taylor-Barr was concerned about the impact on those looking for cover later in life, with more complex medical histories, ongoing conditions, or with high-risk jobs or activities who could find themselves paying higher prices. "The market will need some smaller, more specialist insurers within it to properly underwrite and support those that fall outside of the mega-insurers' "computer says no" model," he explained.

However, these views aren't shared consistently across the industry. Sabrina Hall, mortgage and protection adviser at Kind Financial Services, said "While consolidation and therefore less choice are often a bad thing for consumers and advisers, in this case I think it's less likely to have a significant impact on consumers." She felt that because Aviva and AIG have similar underwriting, "I don't feel that we will suddenly see tightened criteria and less choice with these two particular brands consolidating."

Simon Bridgland, director at Release Freedom, agree that fewer providers could actually be a positive since "Too much choice can sometimes be a turnoff for some and could deter them from starting to look at purchasing cover as it might be seen as a faff or simply too confusing."

"It could mean more people get plans put in place if it seems less daunting."

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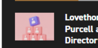
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