

PRESS RELEASE

Closing the gap? Income protection is the fastest growing protection life insurance product across ten European markets

- *Income protection cover has seen the fastest growth among life insurance lines which together make up a EUR 50 billion market*
- *it accounts for up to half the protection life market in some countries, though it is negligible in others*
- *while traditional risk life cover remains the core product for protection life insurance, diversification is driving market growth*

London, 25 January 2021 –

As the economic impact of COVID-19 ripples across the world, the precariousness of our finances and the importance of protecting incomes has become clearer than ever. For years, insurers have warned of the ‘income protection’ gap, with millions of people in Europe being under-insured if redundancy or illness strikes. A new Finaccord study suggests that European insurers’ efforts to close the ‘income protection gap’ have borne fruit over the last few years: income protection insurance has been the fastest-growing product across ten of Europe’s largest protection life insurance markets.

This study, the first of its kind and providing much-needed data on this topic, sizes the total stand-alone protection life insurance market (excluding investment-related and loan-related products) at EUR 50 billion in 2019. Over two thirds of this is still made up of risk life insurance, the traditional form of protection life insurance.

However, the fastest growth is found elsewhere: between 2015 and 2019, premiums for stand-alone income protection cover grew almost twice as quickly as risk life premiums, at a compound annual rate of nearly 5%. This means that income protection made up 17% of all protection life premiums in 2019.

Its significance varies widely from country to country. The new research covers Belgium, France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, Turkey and the UK, and the life insurance market in each of these countries has its own unique characteristics. In two of the smaller markets, stand-alone income protection premiums were found to be negligible, whereas in two larger ones they made up over half of the market.

Whether large or small, across almost all markets income protection premiums have seen faster growth than the overall protection life market. This is in part due to the product’s wider distribution: Finaccord’s analysis of partnerships across a diverse range of organisations found that the provision rate for income protection was second only to that for risk life insurance. Despite this, partnerships are still rare among professional and trade associations, which might be considered natural partners for income protection insurance.

Other products included in the research, namely critical illness cover, funeral expenses cover, and key person insurance, are consistently less important across the region, in terms of both market size and distribution partnerships. They can still be significant in certain markets: funeral expenses insurance, for example, is important in Belgium, the Netherlands and Spain, with Belgium in particular having seen strong growth in this product class.

A further sign of the diversifying nature of the protection life market is the growing importance of risk life policies sold with riders that provide additional cover. David Bowles, author of the report, commented that “insurers have packaged a wide range of supplementary cover types, like critical illness and accident cover, with their traditional risk life policies. We found that premiums for individual policies with riders grew faster than for policies without riders, at a compound annual rate of 4% from 2015 to 2019, whereas premiums for policies without riders were flat over this period.”

Media contact: David Parry, +44 20 7086 0287, dparry@finaccord.com

Notes to editors:

[Finaccord](#) is a market research, publishing and consulting company specialising in financial services that is part of Aon Global Operations SE Singapore Branch, a part of Aon plc (NYSE: AON). It provides its clients with insight into and information about major issues in financial services around the world, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances, as well as commercial lines insurance.

Finaccord’s series of reports about the size, segmentation and forecast for protection-related life insurance markets, titled *Protection-Related Life Insurance in Europe*, covers ten countries: Belgium, France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, Turkey and the UK.

This series represents the first ever published segmentation of the protection life market into five major products: risk life, stand-alone critical illness, stand-alone income protection, funeral expenses / over-50s life insurance, and key person cover.

Premiums for each product type are segmented into individual and group cover, with trends shown from 2015 to 2019 with a forecast to 2023. Individual risk life premiums are further split into policies with and without riders.

Distribution analysis covers over 2,200 organisations across the ten countries, showing how many distribute each of the five product types and which underwriter and intermediary partners they work with. This enables the report to show which insurers are most active in each market.

