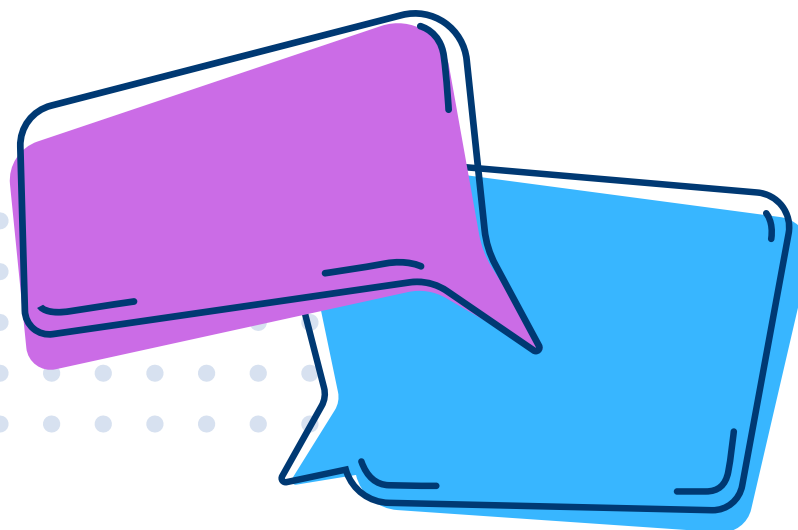
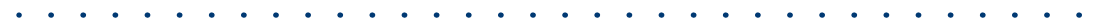




Critical Thinking Single is Best Campaign

Driving innovation through awareness
and education

October 2024



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Joint policies: a misunderstood choice

Our recent Critical Thinking research has uncovered a myriad of issues surrounding consumer awareness and understanding, as well as prevalent misconceptions among advisers. The ensuing discussions within the industry have been both eye-opening and encouraging. One particular issue demands urgent attention due to its significant impact on consumers: the widespread misconception around joint policies for Critical Illness Cover (CIC). This issue runs contrary to the Consumer Duty principles our industry strives to uphold.

CIExpert's Critical Thinking Report revealed that 43% of consumers mistakenly believe that a joint policy is the best option for Critical Illness Cover (CIC), while 33% remain unsure. On top of that, 61% of advisers frequently recommend joint policies for mortgage coverage, even though only 19% of consumers prioritise mortgage debt repayment when making a claim.

This issue appears to stem from compliance procedures that require advisers to justify why they didn't recommend the cheapest option, whether intentional or not, this results in clients receiving suboptimal advice.

“This issue runs contrary to the Consumer Duty principles our industry strives to uphold.”

Data supplied by Iress shows that joint CIC policies are only marginally cheaper than two single policies. While this small cost-saving may seem appealing, two single policies offer greater value, flexibility, and quality of protection in today's Consumer Duty-driven environment.

At the end of this report we summarise the key points from our findings, with a more detailed appendix for those seeking further insight.

20% of advisers said they always or frequently recommend joint policies because compliance requires them to justify why two single policies offer better value.

Why two single policies are superior

A “Consumer Duty” fair value assessment would likely challenge the merit of selling a joint policy. Here are key reasons why two single policies are superior:



First event issues

Joint plans are traditionally tied to mortgage protection, but paying off a mortgage is no longer the primary reason for purchasing CIC. With a joint policy, a full pay-out for one partner ends the policy, leaving the other partner (and any children) without cover— often when health issues or unaffordable costs due to age make obtaining new cover impractical.

Relationship breakdown

Divorce or separation complicates joint plans, leaving one partner potentially uninsured if the other cancels the policy. Worse still, in coercive relationships, this can be exploited. Johnny Timpson’s research in this area has underscored the risks of economic abuse tied to joint policies.

Children’s cover

Two single policies double the pay-out in the event of a child’s claim—whereas a joint policy only pays once. This feature alone often makes two single policies a better value option.

Gender-specific needs

Men and women have different likelihoods of claiming for conditions like heart attacks and cancer. Single policies allow tailoring for each partner’s specific needs. For example, a woman may prefer a policy that includes pregnancy and congenital condition cover, which her male partner may not require.

Other valuable benefits

One key example is that once a full claim is made on a joint policy, all added value services – including those for children – cease, further underscoring the advantages of individual policies.



The average clients

Let's consider a real life example with our typical couple, Sarah and Andy. They are both aged 35, they have a mortgage on their first home and are expecting their second child. They are looking for a policy that includes child cover, specifically with congenital condition coverage.

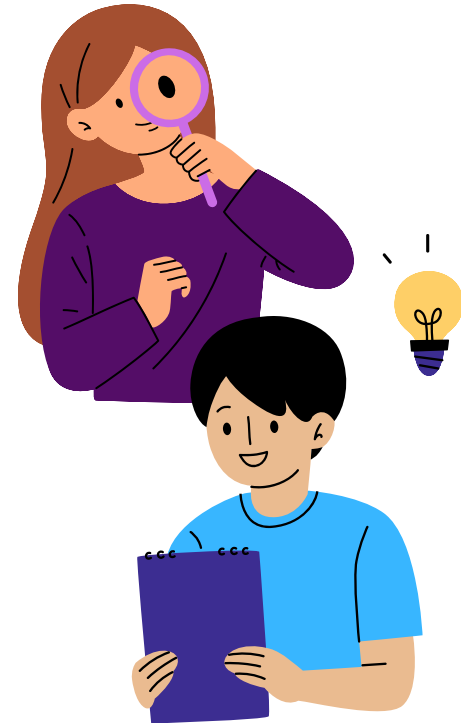
The cost for a joint policy providing £125,000 of Life & Critical Illness Cover (CIC) over 25 years averages at £86.81 per month. If they opt for two separate policies instead, the average cost increases slightly to a total of £92.71 per month.

What do Andy & Sarah get for that extra £5.90?



For less than the price of the flat whites they had yesterday morning, they gain the following benefits:

- ★ Two children's cover claims pay-outs rather than one.
 - ★ Cover tailored to their individual needs, like pregnancy cover for Sarah.
 - ★ If a full claim is made by Andy say, then Sarah's is unaffected and stays in place - this also applies to the added value services like GP support and counselling.
- ★ If a full claim is made by both Andy and Sarah, then they would receive double the pay-out totalling £250,000.
 - ★ If they separate or divorce then both their policies remain intact with no changes required, potentially saving them a lot of money now they are older and may have new health conditions since they first took out cover.



Time for change



Alan Lakey Director and founder, CIExpert

“We believe the industry should reconsider its approach by requiring justification for recommending joint policies over two single policies, as individual policies typically offer superior protection and greater flexibility.”

We believe that a Consumer Duty-based compliance process should default to recommending two single plans for couples. Advisers should be required to justify any recommendation of joint policies, clearly outlining the benefits that clients may forgo with this “cheaper” option.

Shifting the compliance documentation burden to joint policies will help correct the imbalance and improve outcomes for clients.

If, like us, you are concerned that clients are being advised to purchase suboptimal policies for marginal savings, we invite you to support our campaign. Join us in advocating for single Life & CIC policies as the default recommendation for couples, with joint policies requiring specific, documented justification.

We invite you to pledge your support for our Single is Best Campaign. By adding your name, you join a growing number of advisers who believe that individual Life & CIC policies should be the default choice for couples.

“We will advocate and actively encourage the recommendation of individual protection plans as the preferred option for clients and consider that Joint Life First Event plans need specific justification for their use.”

You can choose whether to share your name publicly or remain anonymous. By pledging, you’ll add momentum to our drive for real change in the industry.

Pledge your support!
ciexpert.uk/singleisbest

Only 11% of consumers were aware that a joint policy ends after one full payment claim.

Detailed advantages of single policies



First event issues

Spouse & child loss of cover

On a joint policy, if one partner makes a claim, the policy ends, leaving the surviving partner and any children uninsured. Two single policies ensure continued protection. Only 11% of consumers were aware that a joint policy ends after one full payment claim.

Tailored condition cover

Cancer accounts for nearly 75% of claims in women, while 3.5% relate to heart attacks. In contrast, men have 50% cancer claims, with 17% attributed to heart attacks—almost five times that of women. Individual policies allow a choice to best match each partner's needs based on their gender, age & family health history that is not possible for joint plans.



Relationship issues

Impact of divorce and separation

In the event of separation, single policies avoid complications and maintain financial independence. 88% of consumers were unaware that two single policies remain unaffected if a couple separates, requiring no changes or adjustments.

Domestic abuse

Joint life insurance policies require both parties' consent to split, which can leave survivors of domestic abuse reliant on their abuser for financial decisions. In extreme cases, this can incentivise deadly behaviour, putting victims at risk.



Children's cover

Double pay-outs for child claims

Two single policies result in dual pay-outs for child claims, whereas joint policies only pay once. Only 9% of consumers were aware of this.

Gender-specific benefits

Women may prefer policies that include coverage for pregnancy and congenital conditions. Cost constraints in joint policies can lead to the selection of core plans that omit these important benefits.



Other valuable benefits

Added value services

CIExpert's research highlighted the growing importance of added value services in protection policies. Once a full claim is made on a joint policy, all added value services—including those for children—cease. Single policies maintain these services for the non-claiming party.

Sharing medical history

One partner may not wish to share details of their medical history. However, with a joint application, this can be extremely difficult to navigate and can inadvertently lead to non-disclosure, potentially affecting the policy's validity.

Marginal cost difference

Current regulations emphasise “fair value” and “good customer outcomes.” However, many advisers and compliance teams still focus on lowest price as the key factor, leading to joint policies being recommended over two single policies.

We analysed pricing data provided by Iress, comparing the cost of two single policies against a joint policy for the same couple. Our analysis considered variations across age groups, sum assured amounts, policy term lengths, and both core and enhanced policies, including those with and without children.

Interestingly, despite these variables, the cost differences remained relatively consistent. On average, across all insurers, policies, sums assured, and terms, for monthly premiums above £100, the difference between two single policies and a joint policy was 8%.

The cost difference does, of course, vary by insurer, with some showing a higher percentage difference. However, if we exclude the two insurers with the highest price gaps, the average difference among the remaining insurers drops to just 4% (chart A).

For premiums below £100, the cost difference tends to be more fixed, rather than a percentage, especially for lower sums assured. However, in real terms, this equates to an average difference of just £7.60 per month. Again, if we exclude the two insurers with the highest price gaps, the average difference drop to £5.52 per month (chart B).

When you weigh the significant difference in the value of coverage, is a 4% or £5.52 saving truly justifiable? We think you know our answer.

How much more does it cost to have two single policies?

Chart A: monthly premium greater than > £100 / month

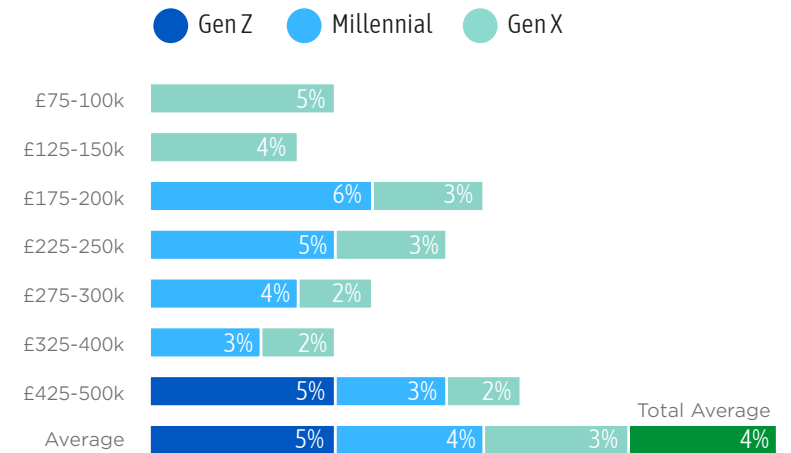
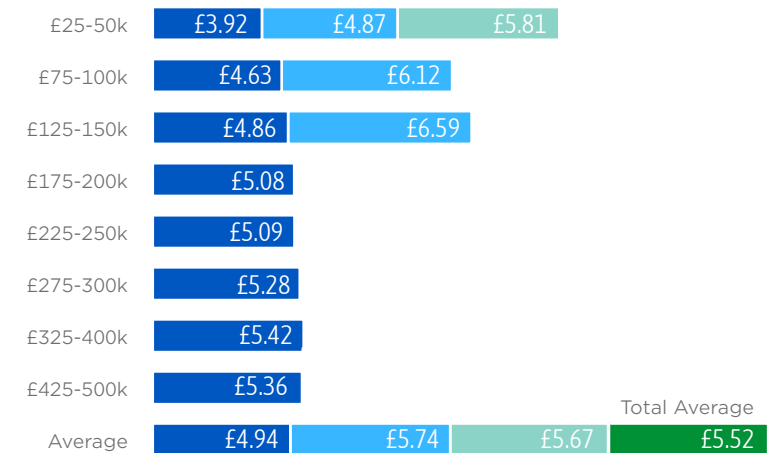


Chart B: monthly premium less than < £100 / month

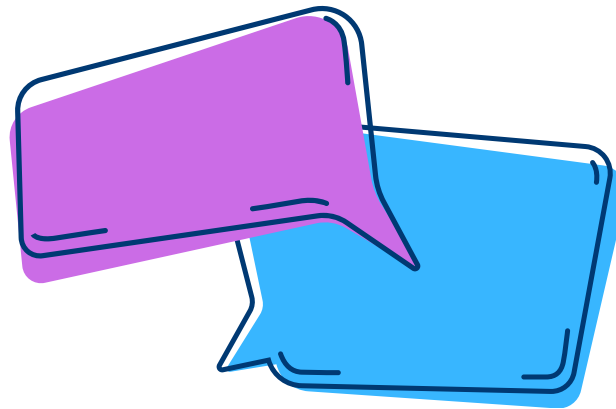


These charts exclude the two insurers with the highest price gaps. To conduct this analysis, Iress monitored approximately 300,000 quotes across 7,840 pricing points, within the Protection market.



We would like to thank iress for contributing extensive data to support this campaign and helping us to bring these insights to life.

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Critical Thinking

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