

Case Study



Title: Personal Insurance Research

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The Problem:

New clients acknowledged that having previously only arranged mortgage life cover and mortgage payment protection insurance (MPPI), their cover was inadequate. They required a broad mix of cover solutions and they initially assumed that the adviser should source the cheapest options.

Issues to look out for:

- Advisers need to demonstrate that 'cheapest is not best' if they are to be valued
- Specific software needs to be incorporated in the process to ensure accuracy, efficiency and quality of advice
- Menu plans offer the most effective solutions

The solution:

The existing cover was a level life policy and two individual MPPI policies. It was identified that these needed to be improved upon in the following areas:

- The sum assured was too high for the mortgage life cover because it was not decreasing in line with the repayment mortgage
- The terms were too short
- MPPI only covered mortgage repayments; it did not replace enough earned income
- The MPPI policy premium was reviewable every 5 years
- The deferred period was too long

The policies could not be amended to reflect the required improvements and needed to be replaced but of course this should not be done until the new cover is in place. Other planning areas which had not been considered were; life cover to support their children, income protection in excess of mortgage repayments and critical illness (CI) cover.

The additional life cover should be sufficient to facilitate lifestyle choices, such as; not having to work or deciding how long not to work for. The ultimate objective is to ensure that lifestyle and family choices are made without the influence of financial concerns.

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The life cover options were to provide a capital sum from which an income can be drawn or to receive a regular monthly income for the remaining term of predetermined financial dependency of the children. The latter was recommended as the lower cost option on the basis there were several aspects to address within the budget.

The clients complied with the request to complete a budget planner from which we could mutually agree how their expenditure requirements would look in the event of death to either of them. The cover should be index-linked.

It usually costs no more to include equal life cover with a CI illness benefit. This is because the claims rates for stand-alone CI are worse than CI combined with life. The other reason for including life cover with CI is because policies have a 'waiting period' of up to 28 days. If the policyholder dies within the waiting period from original diagnosis of a CI, it is actually deemed a death claim and under these circumstances a stand-alone CI policy would not pay-out.

A Menu plan is a single product in which an individual can hold several different policies. It is a very cost effective approach because only one policy fee is paid. Furthermore, there is a single application form, policy document and direct debit. They are also highly flexible; allowing individual policy components to be adjusted in accordance with client's evolving requirements.

Synaptics research tools were utilised to research the menu plan which best met the features and benefits criteria deemed appropriate.

The *LifeQuote* portal was used because it is the only way to directly compare very quickly the cost of the entire range of menu plans. It also uniquely directly compares the cost of the recommended cover via the selected menu plan against the cost of providing the cover individually via the cheapest policies.

Every company's CI cover varies due to the quality and the number of conditions covered. We always use the *CIExpert* software because it analyses every company's definition wording and, based upon gender and age band, gives each company a score based upon the likelihood of a pay-out. There is nothing else that does this and again, it is a highly valuable compliance tool.

This research process is the most effective way of ensuring an appropriate balance between value and quality and demonstrates to clients that good advice does not mean finding the cheapest quote. Furthermore, it significantly improves the likelihood of business staying on the books.

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