

# Industry initiative

In recent years, insurers claim to have focused on providing good service. Yet, service levels seem to be far from adequate, with the majority of providers offering service that is, at best, no more than acceptable.

To solve this, guests at this month's Think Tank debate believe the issues surrounding poor service have to be addressed through an industry-wide initiative. Advisers and providers have to communicate better and work together, because only then will customers receive the service they deserve. This in turn would lead to more satisfied customers which would help to restore the reputation of the currently tarnished protection industry.

Johanna Gornitzki, editor, COVER

## Message from our sponsor

Sometimes we need to get back to basics and remember the reason we are in the protection business

**SCOTTISH WIDOWS**  
preparation is everything

– to provide quality products and services to ensure consumers are financially protected should the worst happen to them or their family.

Over the last year, through the revised Statement of Best Practice, the Association of British Insurers (ABI) has helped standardise critical illness cover definitions and reword application forms to make the products clearer for consumers. Income protection (IP) will be looked at later this year, again to determine where IP fits in the protection mix and to ensure the product meets consumers' requirements.

The importance of good customer service can be forgotten and should cover factors such as: timely and accurate administration, a provider or seller who is easily contactable, ongoing communication and a slick claims process should the customer have to claim. All of these elements can be make-or-break for the customer and can be the deciding factor for them to take their business elsewhere.

With the ABI's current and future rulings we are on the right track in ensuring consistency in our products. The next step, though, is to ensure customers are serviced to as high a standard as possible – the knock-on effects being high levels of customer retention and an improvement in the reputation that protection has.

Nick Kirwan, protection market director, Scottish Widows

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**Peter Chadborn, principal, CBK**

Peter began his financial services career as an area representative with Refuge Assurance where he progressed to sales manager. In 1998, he joined Barclays Financial Management and became involved in the bank assurance sector. Peter developed his skills as a retail adviser and moved on to advise high net worth clients in conjunction with a premier bank manager and corporate clients together with business bank managers. In 2002, he left and co-founded IFA practice CBK to provide a base for advisers wanting to escape the restraints of large employers and their advisory limitations and product bias.

**Andy Couchman, managing director, Bank House Communications**

Andy is a well-known commentator and consultant on health and protection insurance. With Peter Le Beau, he edits the annual Protection Review book. He also writes media training, newsletters and business reports, and is the author of more than a dozen books. Andy's background is in product marketing and he has been involved in the development and launch of companies, media, services and products across the health and protection insurance sectors. He is a chartered insurance practitioner, FCII and Cert PFS. In addition, Andy is a past senior examiner for the Chartered Insurance Institute, where he is also a research consultant.



**Alison Turner-Holmes, protection marketing manager, Skandia**

Alison started her career in financial services at Abbey Life in Bournemouth. In 1993, she specialised in insurance at Pegasus Assurance, where she worked with Marius Barnard, the pioneering heart surgeon and 'creator' of critical illness (CI) insurance. She moved to Scottish Mutual after its takeover of Pegasus and helped incorporate Scottish Provident after its acquisition. Alison joined Skandia nearly two years ago as protection marketing manager.

**David Heaney, chief marketing officer, UK & Ireland, Scottish Re**

David has more than 20 years of experience in the insurance and reinsurance markets. He began his career at Legal & General, where he qualified as an actuary in 1988, and held a range of actuarial and general management positions there, including head of pensions marketing. In 1995 David joined Swiss Re, where he spent 10 years mainly in global product management specialising in product design and risk management of disability, CI and other health products. He also spent two years as global client manager for Swiss Re. David is chairman of the Continuous Mortality Investigation Critical Illness Committee.



**Richard Walsh, head of health, ABI**

Richard has been head of health at the Association of British Insurers (ABI) since June 2001. His responsibilities include running the health insurance team and working with industry members to lobby Government regarding their interests, develop policy and regulate their practice. Before joining the ABI, Richard worked in a variety of roles at the Department of Health.

**Nick Kirwan, protection market director, Scottish Widows**

Nick is responsible for all aspects of Scottish Widows' protection offering. With 25 years of industry experience, he takes an active role in developing the protection market at industry level. He is currently the chairman of the ABI Protection Committee. As a member of the ABI Life Regulation Committee, Nick played a key role in helping to shape the protection regulations, which were implemented in January 2005. He regularly acts as an industry spokesman on the protection market and related issues.



**Andy Milburn, IFA marketing manager, progress from Royal Liver**

Andy has worked in the financial services industry for 18 years. In 2004, he was part of a team which built progress from Royal Liver, the UK's first e-only protection service. For the past two years, he has been responsible for managing all of Royal Liver's IFA marketing activity. Before joining Royal Liver, he was responsible for corporate business marketing activity at Royal & SunAlliance, covering areas such as pensions and group risk in the IFA community. Andy is well known in the IFA protection market and is a regular commentator on key industry issues in the trade press.

**Phil Hull, life, pensions & investment product manager, Sesame**

Phil is responsible for the product propositions available to advisers who take services from Sesame. The role includes liaising with advisers and product providers on a regular basis and requires an extensive knowledge of the life pensions and investment markets. Phil has more than 30 years' experience in the industry having previously worked in a variety of marketing roles at a product provider and as the marketing manager for an IFA business. He has both marketing and insurance qualifications.



How important to the provider-IFA-customer relationship is the quality of service offered – and can it be improved? Johanna Gornitzki reports on the latest COVER Think Tank

# Service strategies



**Johanna Gornitzki:** How do you define good service and how important is it?

**Peter Chadborn:** If we are judging a provider on the quality of its service, we would expect to see every department of that company providing the same level of good service, rather than only the one trying to attract new business from us.

**Andy Couchman:** How important is service to you, though? Customers will clearly complain if they get bad service. If you have a company that is a little bit more expensive but the perception is that its service is better across the board, is that a difficult sell to customers and do they

accept your word on it?

**Peter Chadborn:** Customers would accept our word on it and we would almost always pick a company that may be a bit more expensive if its service is consistent. Once we have introduced clients to that company there is then a relationship between the two parties, and if that company lets these clients down, it reflects badly on us.

**Nick Kirwan:** Is it important for service level agreements to be adhered to, or is it more important if a company is quicker, even if it is less consistent?

**Peter Chadborn:** Both are important, but the difficulty is knowing what those service

agreements are, because, if like us you are part of a network, the service agreements are often with the network, not with the company. We are in the enviable position of being able to judge any company against all the others we deal with. So maybe a company is keeping to its service agreements but is still falling behind compared to other companies. We try to look at both aspects.

**Nick Kirwan:** It is about

managing expectations. For example, you can say to a client: "Don't expect to hear from us in the next two weeks because we are going to write to the doctor and the process takes ages." Then the client knows not to panic.

**Peter Chadborn:** So looking at that from another angle, the same would apply if we are speaking to a provider. We would expect the person we are speaking with to manage the timescales and what we are going to expect. One of the

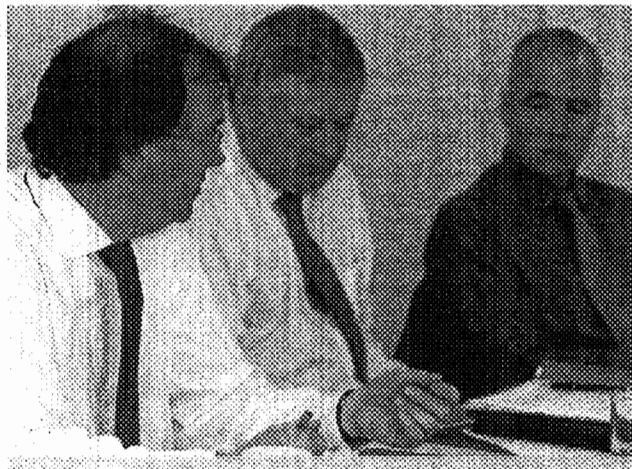
biggest problems we have is that we are told we can expect an answer in, say, five working days. Eight working days later there is still no response. In the meantime we have told the client that we should have an answer at the end of the week.

**Alison Turner-Holmes:** I would be more satisfied if somebody called me to tell me that they had no news and that they were expecting it in three days, rather than putting up with silence. Silence is one of the biggest problems, as is a lack

of communication.

**Nick Kirwan:** Have you seen service standards change over the past year or two? There has been a considerable reduction in demand and we are seeing sales levels as an industry going down. With this increase in insurance capacity you would expect service to improve?

**Peter Chadborn:** I would say that, during the past 12 months, service has been fairly consistent; there has been no great improvement or decline. The big decline came years ago



Andy Couchman, Bank House Communications, Nick Kirwan, Scottish Widows, and Peter Chadborn, CBK

and we have reached this level where we almost accept the way things are – because that is the way it is going to be.

**David Heaney:** Do customers have a view on service? Are they able to form a view about how providers differ in their delivery of service and its quality?

**Peter Chadborn:** It depends how important it is to the intermediaries that clients deal with. If advisers tell customers that they have recommended a policy with a company because it is the cheapest and there is no discussion about service, then quality of service does not come into play.

**Phil Hull:** There is a low expectation of service and the average consumer has a certain level of expectation which, at best, providers meet. I do not

see anybody in the market looking to exceed that or to create any sort of brand loyalty through service.

**Alison Turner-Holmes:** Not to direct customers but perhaps to the IFA. I feel very strongly about service because whatever providers give to financial advisers is passed on to consumers, and it reflects on the financial advisers' service. I have heard on many occasions of financial advisers walking away from providers due to bad service. We know it happens, we know that many companies have slumps and peaks of good service, bad service, depending on holidays or whatever – it is that sensitive. Because of that, and price, financial advisers will walk away until things are corrected.

**Phil Hull:** I agree, and I applaud the actions of two offices last year – Axa and Norwich Union – which walked away when they knew their service had gone wrong, holding up their hands and saying that they would sort it out. These were the first positive steps I have seen in the industry for 30 years, of providers making a conscious effort to do something about service. It did not damage their brands in any way, shape or form. If anything, it enhanced them as there was an honesty there.

**Alison Turner-Holmes:** I think the honesty is a new thing, but the philosophy and the actions of providers are not new; that has happened quite a lot in the past, including managing capacity through price.

**David Heaney:** The feeling in the industry is that there are improvements gradually being

There is a huge role for advisers in the claims process – less than 1% of claims are registered by the adviser

made. But the danger is that however hard we try, the industry gets judged by the lowest common denominator. And that is generally the bad service – the poor performance and communication on claims – which will get passed on, one way or the other, to customers. The trick is to turn improvements that may be coming through into positive experiences for customers, and at a level that can be appreciated – it is certainly a big challenge.

**Phil Hull:** There is a mismatch between reality and perception. There is a perception among the general public that insurers will do everything to decline a claim. There needs to be a little more transparency and a lot more communication, to help consumers to understand why non-disclosure is relevant.

As I see it, service is, at best, acceptable from providers, but the majority is below that standard. There is a huge role for advisers in the claims process – something like less than 1% of claims are registered by the adviser. If advisers get closer to their clients and get involved in claims, they can help to manage the claims on their behalf, and it will improve the process. Advisers can then communicate to providers

what is needed and also act as a buffer to help claimants, at a difficult time in their lives, to understand why they may not get what they wanted.

**Nick Kirwan:** Most claimants come to us directly rather than through their advisers. But we should all be acutely aware that anything that we say or do at the point of claim could reappear in the public domain

and become high profile. This could also be extremely damaging to the whole industry, not just the particular company involved. I have long been of the view that when we have a *Watchdog*-type programme and a shocking letter or something, two months after the event nobody remembers which insurer was involved. And

#### At the Think Tank table:

##### Guests

Nick Kirwan	Protection market director, Scottish Widows
Andy Milburn	IFA marketing manager, progress from Royal Liver
Peter Chadborn	Principal, CBK
David Heaney	Chief marketing officer, UK & Ireland, Scottish Re
Richard Walsh	Head of health, Association of British Insurers
Andy Couchman	Managing director, Bank House Communications
Alison Turner-Holmes	Protection marketing manager, Skandia
Phil Hull	Life, pensions & investment product manager, Sesame

##### Hosts

Johanna Gornitzki	Editor, <i>COVER</i>
Rachel Calvert	Publisher, <i>COVER</i>



**Andy Milburn, Royal Liver:** 'Providers do not spend enough time with IFAs'

nobody particularly remembers whether or not it was an adviser or an insurer, it simply involves everybody – 'you lot, the financial services industry, are at it again'.

**Alison Turner-Holmes:** It is about managing expectations. It is so badly done. If everything is managed properly at the outset, when clients make a claim they should automatically phone the person who recommended that policy, not go direct to the office of the provider. But it is also about the quality of the advice given at point of sale.

**Andy Milburn:** Too many providers take it for granted

that what they offer is right and they do not spend enough time with the IFA agreeing what they are offering before the relationship starts. Or once they have started a relationship, they do not take a day out after six months and review the agreement and ask whether there is anything they need to add. Can the relationship be totally reviewed to see if there are any issues? Is there anything that is not being delivered on? If there is anything being done well, it can still be done better. The second element of this is – and we miss a trick here – is that, as an industry, we dive way down

into detail all too quickly and forget about what process we go through to provide it. So for me, the question is, how do you go about figuring out what good service is? When I moved into marketing, I asked a team of more than 100 marketing professionals how many of them had met an IFA – and nine put their hands up. So if the marketing teams are not going out and spending time with IFAs and figuring out where the jobs that they do for the likes of Peter Chadborn are, then the administration teams have probably got even less chance of getting an opportunity to do that – and that, for me, is the biggest problem.

**Alison Turner-Holmes:** But the problem that stems from is a lack of resources – and lack of investment. Where do you get resources from when there is a price war?

**Andy Milburn:** Providers try to do everything in-house and have too high a fixed cost base. The only way you can pay for that is by chasing volume, the only way – rightly or wrongly – that you can chase volume with the majority of IFAs is by playing a price war. So you are absolutely right but until the perception that you have to do everything in-house changes, I do not think that we will be able to solve the problem.

**Richard Walsh:** One of the

things we have been working on at the Association of British Insurers (ABI) on the investment side, is the customer impact scheme. It is based around principles of Treating Customers Fairly, which have to be signed up to at board level. It also includes a customer satisfaction survey that can analyse trends and produce aggregate information, so firms can compare themselves against their competitors.

**Andy Couchman:** is service a strategic issue – or is it something that you have to have that can simply be delegated, with someone responsible for making sure it happens?

**Phil Hull:** Service is looked at as being what we want to achieve, what we want to deliver, and what we think customers want, rather than us going and finding out what good service means to them. That is the bottom line – what customers think good service is.

The question is, how do you go about figuring out what good service is?



**Rachel Calvert (left), COVER, and Richard Walsh, ABI**

**Andy Milburn:** Yes, the key thing is that providers are trying to define what good service is and that is totally wrong. We should let customers do it.

**Peter Chadborn:** I could not agree more. It is the same with IFAs and our clients. We often have this perception of what they want from us, and then frequently we find that this is not really what is important to them.

**Johanna Gornitzki:** Do you think IFAs are doing enough to promote good service to customers?

**Andy Couchman:** Do consumers know what they want? As a consumer, I would probably say that I want you to be reasonably quick about things and not to make a mistake. But if you do make a mistake, then I want you

to correct it and I want you to be fair. I am not sure I could properly quantify those requirements.

**Nick Kirwan:** We measure what consumers want on a regular basis. We ask consumers questions about different parts of the process, the standard of documentation – was it clear, was it vague, were they happy with it? People's expectations are rising all the time – time frames are generally getting shorter. It is a 'now, now, now' society. If I can ring up my bank and get my balance over the phone, why should I not be able to do the same and ring up my insurance company to get the fund value of my pension straight away?

**Alison Turner-Holmes:** My main user, my main customer, is the financial adviser. We supply financial advisers with



Nick Kirwan (left), Scottish Widows, and Peter Chadborn, CBK

all the tools that we are asked for – that we find out that they need. Everything we produce on our e-business side is aimed at allowing financial advisers to offer end-users the perfect service.

**Nick Kirwan:** One barrier to good service is the legacy systems that still exist. There have been so many mergers and acquisitions that have resulted in lots of sets of policyholders on different platforms that do not talk to one another.

**Johanna Gornitzki:**

So it all boils down to technology, then?

**Nick Kirwan:** No, I think a lot of good service is about

human interaction, taking ownership of problems. Somebody can ring up and ask you to sort something out for them and know that you really will get back to them when you have done it – but systems do help.

**Andy Milburn:** We are talking about great service and high service. Can we get to a stage where we are just efficient and consistent? Let's do that first and then we can start thinking about service being high.

**Alison Turner-Holmes:** Did anybody here, before they came, write down a definition of service? I bet if you go round this table, there will be many different definitions.

**David Heeney:** For me the

definition of good service is consistently exceeding the reasonable expectations of customers. And that is quite a difficult thing to do.

**Alison Turner-Holmes:** Mine is completely different. It is communicating effectively and efficiently with all involved parties.

**Andy Couchman:** Do we benchmark against other industries or other sectors?

**Alison Turner-Holmes:** If we are on the edge of a bear market, which people are suggesting, then sales will increase and boom in the next couple of years. So if we predict a boom, what will service look like in two years, with no investment at the moment? If you are dissatisfied now, God help you in two years' time. As providers, we should be looking at what we are going to do when sales boom again, which they will.

The definition of good service is consistently exceeding the reasonable expectations of customers

**Nick Kirwan:** One of the things that makes it hard to be consistent on protection is that there are parts of it that are outside your direct control, particularly getting medical information from GPs.

**Andy Couchman:** But if you sent a text message to customers each week with a brief update – 'medical report awaited from GP, more next week' – then at least they know what is going on and they can intervene if they want to. They can simply state: 'I don't want to chase my doctor, so I will wait as long as it takes.' It is the uncertainty that causes people to get a bit cross. Do you know how much time you spend on just chasing up and sorting out service problems? You employ people to do it, and, yes, there are people who work with us and it is predominantly their job to do that sort of thing.

**Andy Milburn:** We did quite a bit of work on putting together a financial modelling tool towards the end of last year that looked at the amount of time advisers spend chasing GP reports, based on the GP report taking only three weeks to get back. Some of the figures are scary. There are 5,000-odd one-man-bands in the industry who are wasting something in the region of £19m a year of their time chasing GP reports. So there



Alison Turner-Holmes, Skandia: 'Issues are still around'

are issues, but we are not changing and the issues are still around. We talked about GP reports and the fact that you are chasing them, so why don't we do something about not going for GP reports? Why don't we lean a little bit more on experienced underwriters? Why don't we use underwriting a bit more?

**Johanna Gornitzki:** Do you think technology could help improve service levels?

**Andy Milburn:** It does help to a certain extent but, I have to be honest, we built an e-business and everyone declared that the technology was wonderful. But do you know what – the most important thing is the people behind it. The technology

does what it, and what your customers want it to do, but you need to have people who will spend time out there in the field, in the IFAs' offices, asking them how they do things and how we could make things better. And then go back and build it. And I don't think that we are doing that as an industry.

**David Heeney:** That is a key point. If something needs to be done as an industry, that will also work very effectively as an education programme for end customers, that all starts to build some expectations around what the process is and why it should lead to better service overall and fairer treatment. It is not necessarily that what we are doing is unfair – but the

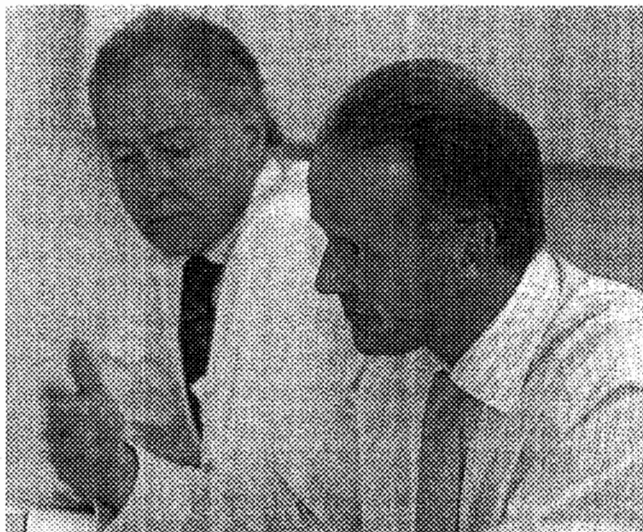
perception may be that the industry is not behaving fairly. It comes back to the point we have made a few times: it is difficult for individual providers to differentiate the service they offer in the eyes of end customers; but among IFAs, I think it is possible. The wider issue is, how as an industry are we going to work to make those things more effective and communicate what is being done? How can we communicate why things are improving? How can we adjust customer perceptions and steer them in the right direction, so there is a better match of what is being delivered to what is being expected?

**Johanna Gornitzki:** Looking ahead, do you think that service levels will improve?

**Richard Walsh:** Well, they will not improve if we just hope they will, only if we do something to make it happen.

**Andy Milburn:** If providers' egos mean that they continue to try to resource everything in-house, the answer is "no".

**Peter Chadborn:** It comes back to where the provider positions itself in the market. If you are adding value but it is on the cost of the product and putting value on service in the first place, then you will continue to be ahead of the pack and you will have a loyal IFA customer base. If the provider positions



Phil Hull (left), Sesame, and David Heeney, Scottish Re, argue that change is needed

itself on selling volumes because it is cheap, then no.

**Nick Kirwan:** There are obviously pros and cons to insourcing versus outsourcing, but I do not think it is as simple as you suggest. There are some longer-term challenges for us. We have already touched on a number of them, such as systems, but service should be improving at the moment

The issue of service has to be addressed as an industry-wide initiative

because of surplus capacity. And if the customer demands a certain level of service, then it is for the industry and the providers to match – and exceed – that in whatever way they see fit. But there is no doubt that expectations are rising.

**Phil Hull:** In summary, the fundamental issue of service has to be addressed as an industry-wide initiative. It needs to include all of us working together to make sure that the adviser – sorry – that the end customer is getting what they are buying: the promise to pay. And that they are getting it done properly, they are getting it done quickly and they are getting it done efficiently. ■