

No need to go off your trolley

Nicola York checks out the new insurance advice service offered by Asda

AS THE recent launch of the £19 suit and £9 DVD player showed, Asda likes to lead on price. Now the UK's second-largest supermarket is overhauling the way supermarkets sell life and protection insurance by becoming the first to offer advice to consumers.

Asda has enlisted Lifesearch, an independent insurance adviser, to help consumers to make informed decisions. The Asda Life service, available online and over the

phone, offers advice on buying life insurance, critical illness cover, income protection and family income benefit.

The main difference from the other supermarkets is that customers who buy insurance via Asda will be protected under the Financial Ombudsman Service because the sale is advised. This means that they could be eligible to receive compensation if a policy later proves to be unsuitable. Customers who buy protection

insurance from a rival supermarket without advice do not have a comeback if they are unhappy with the product.

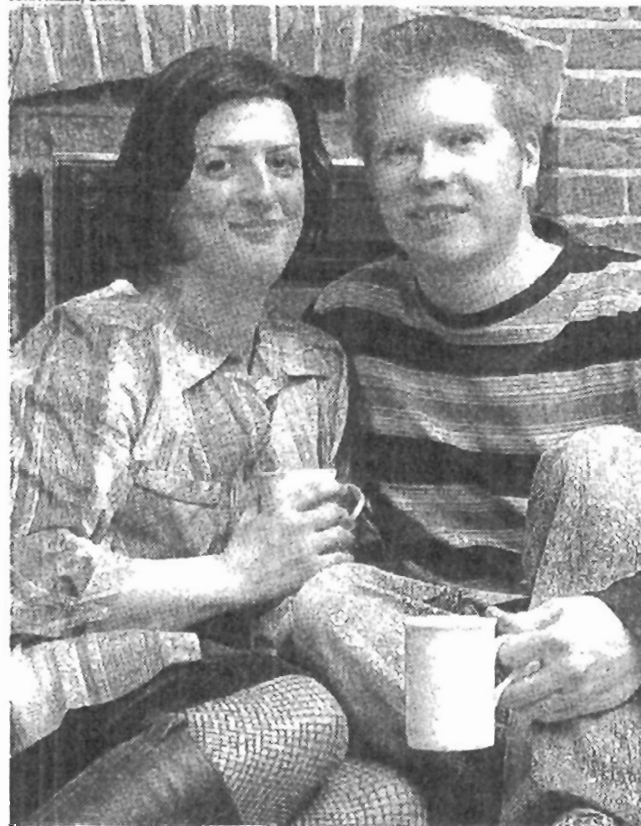
Traditionally, supermarkets selling insurance products have teamed up with one insurance provider because this is a cost-effective way of offering lower premiums.

Sainsbury's, for example, only sells life insurance from Legal & General. Previously Asda sold life and critical illness insurance from Scottish Widows. But now Asda is offering consumers, who would perhaps not normally consider seeking advice, access to all the insurance products. For consumers looking to buy protection insurance, the choice of products can be baffling and the consequences of buying the wrong policy could mean the difference between receiving a large payout and not getting a penny.

Mick James, protection marketing manager at Standard Life, says: "An independent financial adviser can help with any questions consumers might have, prompting and challenging them to review their needs." But he adds that customers can also purchase a simple product, such as life insurance, by shopping around on the internet, ringing companies for quotes or buying from tied supermarkets.

Michael Ward, managing director of Direct Life & Pension Services, agrees: "There is

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CASE STUDY

HELEN BOULTON, a finance assistant from Bristol, claims that she was misled when she and her husband, Steven, tried to buy life insurance from Direct Line.

Mrs Boulton, 29, says: "I was concerned because I wanted to know if the premiums were guaranteed for the life of the policy. Direct Line said they were but when I spoke to Lifesearch, our adviser told us that the premiums were not guaranteed. We could have been lumbered with a policy we didn't want."

The couple now have joint-life and critical illness cover of £130,000. The decreasing-term policy with Friends Provident costs £48 a month. Mrs Boulton says: "People do not realise the pitfalls and are quite naive when they first look at life insurance. Price was important but I would rather pay a bit more and get it right."

'SOME CUSTOMERS ARE QUITE CAPABLE OF RESEARCHING THEIR OWN SOLUTIONS'

plenty of research material for customers on the internet and there are also plenty of good and, unfortunately, mediocre advisers to choose from, too. Some customers are quite capable of researching their own solutions and should not feel dissuaded from doing so."

Advice can be useful on more complex products, such as critical illness cover, which pays out a lump sum if the policyholder suffers a serious illness, such as heart attack, cancer or stroke.

Peter Chadborn, principal of the independent financial adviser CBK, says: "Quality advisers who understand their market will be able to demon-

strate that cost should rarely be the overriding factor when it comes to selecting protection products."

What consumers often do not realise is that financial advisers can usually match the low premiums that are available over the internet or direct from insurers and often have access to cheaper deals. For a male non-smoking 35-year-old wanting £200,000 of level-term life insurance for 25 years, Lifesearch offers a premium of £17.55 a month on a Legal & General policy. If the same consumer went directly to Legal & General, he would receive no advice but have to pay the same monthly premium of £17.55.

A similar policy taken out from Synergy Insurance Group through MoneySupermarket.com, the price comparison website, would be £14.96 a month, but this is a reviewable premium that could change

every year, while the others quoted above are fixed.

An alternative to buying direct from banks, life companies and supermarkets is to go to an independent research-based brokerage such as Hargreaves Lansdown or Direct Life & Pension Services. These brokerages offer guidance and information on the different policies available, but without giving advice, and often have access to good discounts. Hargreaves Lansdown says that it could offer the same 35-year-old male consumer a guaranteed premium of £17.14 a month from Legal & General.

Whether or not consumers choose to take advice, the most important factor is to be aware of the advantages and limitations of whichever method by which they buy life insurance. Just as with Asda's £19 suit and £9 DVD player, consumers usually get what they pay for.

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