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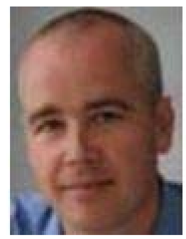
News - Individual Protection

IFA calls for mixed commission option on protection



Cover | 06 Aug 2009 | 15:00

Scott Sinclair

A protection and investment IFA is calling on providers to help him adopt a uniform charging method across both sides of his business.

Peter Chadborn, co-founder of CBK Colchester, says he wants to charge for protection in a similar way to pensions and investment advice, with a mix of initial and, where necessary, trail commission.

He says protection advisers should have the choice of receiving an up front payment to reflect their "initial" work, with the remainder spread over time.

The "all or nothing" current options - full indemnity or non-indemnity commission - are testament to why protection is seen as the "poor relation" in financial services, according to Chadborn.

He says, for investments and pensions work, CBK adapts the initial commission to reflect the amount of upfront work undertaken, before factoring in trail commission if ongoing services are required.

"Protection is way off the pace when compared to the rest of the industry with regard to remuneration," he says.

"I have always thought the ideal solution would be for life offices to offer a combination of both, whereby the adviser can adapt the initial commission to reflect the initial work, and then take the rest on non-indemnity.

"In light of the direction the industry is heading, I am surprised more providers are not offering these remuneration options to advisers to complement the business model they are striving to create."

Income protection provider Cirencester Friendly, one of few insurers offering a mixed commission option, says it made the move several years ago in response to adviser demand.

"We offer a means by which advisers can take a lump sum of money up front to help finance their business," a spokesman says.

"But we also give them the comfort of knowing this would be followed by regular monthly payments and a lower clawback liability should the client cancel or reduce their premiums."

FULL INDEMNITY VS NON-INDEMNITY COMMISSION

Full indemnity
Pros: Lump sum received up front
Cons: Higher risk business model; Risk of clawback

Non-indemnity
Pros: More even cash flow and reduces potential for bias
Cons: Does not reflect 'initial' work undertaken

Categories: Individual Protection | Insurance
Tags: Protection | Trail commission | Cbk | Peter chadborn | Initial commission

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Comments

A perfectly sensible option.

It won't suit everyone, but why not? Long-term of course the problem will be the FSA's insane crusade against commission. 'Steely Dan' Waters has already indicated how upset he is that we might still be able to make a living out of protection so it's only a matter of time before they do an RDR read-across. Don't rely on the Tories to scotch it either. Lobby now!

Posted by: Neil F Liversidge
06 Aug 2009 | 16:20
Complain about this comment

I agree

in fact I have been saying similar things on otehr blogs. I do hope Maggie Craig from the ABI is reading this and will perhaps make contact with the chap who wrote this article and/or with Tom Baigrie