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Insurers move to offer IFAs mixed commission option

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A growing number of insurers are mulling introducing a mixed commission option for advisers selling their protection products.

PruProtect and Bupa have told Professional Adviser they are “actively considering” the move, while Friends Provident has begun a marketing campaign notifying advisers it has dual commission capability.

Elsewhere, Axa says it is consulting its distribution partners, while Cirencester Friendly was among the first to offer mixed commission.

Some advisers have vigorously called for the move, saying they should at least have the choice of receiving an up-front payment to reflect their "initial" work, with the remainder spread over time.

Currently, most providers offer only full, non-indemnity or level commission, even though each has significant drawbacks.

However, other providers say they have not seen an increase in demand for split commission, while Aviva protection director Richard Verdin says there is no need for it as advisers can alternate policies between non and full indemnity. Others note the inevitable expense of updating their systems.

Bupa says the impending RDR is making providers and advisers think about how they are paid. It adds it is in discussions with distributors about how to structure their commission options.

“People are beginning to recognise there has got to be another way of offering commission and the RDR is certainly focusing peoples’ minds on the need to explore alternative routes,” Mark Anders, Bupa protection national sales manager says.

But other providers disagree. Martin Noone, protection IFA sales director at Legal & General, says advisers are generally happy with the options it offers. “The majority of IFAs we deal with prefer to take a lump sum,” he says. “If there was a greater demand for this commission structure, we would address it.”

Verdin, former managing director at Direct Life & Pensions, adds: “This really is an issue of how advisers manage their businesses”.

According to Verdin, by using existing commission structures advisers can easily employ a mixed revenue stream by offsetting the full indemnity arrangement on one policy against the non-indemnity arrangement of another.

“I have seen no evidence of a groundswell of demand for a mixed commission structure,” he adds.

IFA Peter Chadborn, co-founder of CBK Colchester, says the “all or nothing” current options of full or non-indemnity commission are testament to why protection is seen as the “poor relation” in financial services.

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

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