

MoneyMarketing

IFA Chadborn warns on STP systems

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CBK Colchester principal Peter Chadborn says the rise in straight through processing systems for protection business could leave consumers with the wrong policy.

Chadborn says he supports online protection plans targeting certain sectors of the market, but warns pressure on the industry to develop STP systems could result in providers cutting corners.

He says: "On the one hand you have got this big move to improve disclosure, improve claims paid rates and the tidying up of definitions. But in conflict to that you have got the obsession with processing business very quickly and watering down policies. The risk in doing it is that corners are cut."

Chadborn says the move towards STP has parallels to the self-cert mortgage market, which he says was abused by people inflating their earnings to borrow more.

He adds: "With self-cert mortgages you didn't have to prove your income, just disclose and no evidence is required. There is a parallel with protection in some ways. Online underwriting systems ask a few questions and you're on risk straightway so in the same way people got mortgages they never should've had, you could see people getting policies they never should've had."

To avoid this, Chadborn says providers should request a wet signature from the client.

Munich Re head of marketing Andy Milburn says: "Wet signatures are supported by some insurers. The view from reinsurers has to take into account the whole underwriting process not just the end of it. So if a really robust process works without a signature then that's good, and if a different process works due to wet signatures being used then that's equally good."

"If we had a standard claims template that we all used we could see the difference wet signatures made in a clearer way."