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The best and the worst

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Some protection ideas put forth last year have not shown their true potential yet.

Early gossip in the year focused on the impending launch of Fortis to the UK market. The appetite for new products had been whetted after PruProtect had previously broken the mould with their severity-based plan with vitality.

Fortis did not disappoint with the launch of YourLife Plan, a comprehensive menu plan and real life cover. Further indications that providers were beginning to think outside the box were evident with LV= Mortgage & Lifestyle plan. New ideas will always attract criticism, particularly from rivals with market share to defend or advisers resistant to change but I prefer to commend them on their initiatives.

Tele-underwriting has been one of the most successful developments of recent times and this year it has demonstrated significant improvements in processing and reducing non-disclosure. I am a fan of tele-underwriting because it largely separates the advice process and the application process. However, as this development gathers pace it does so with a lack of uniformity as life offices are developing considerably varying methods. Dissimilarities include the adoption of Big T or Little T or the possibility of applicants being interviewed by an underwriter, qualified nurse or customer services representative. This disparity makes it increasingly difficult for IFAs to manage their clients' expectations.

IFAs have also learned that life offices are going to allocate more resource to their websites and e-systems. There have been predictable frustrations felt by IFAs as they struggle to come to terms with the online world. It is all very well for providers to promote the speed and efficiencies of online transactions, however, if they want advisers to engage with their online way of thinking they should ensure that their propositions truly complement the myriad of different IFA models and preferred practices. If they assume that we all do business in the same way and create one-size-fits-all systems it will only serve to alienate and frustrate large sections of the IFA community.

The latter end of 2008 saw the exposure of one of the industry’s worst kept secrets as the Competition Commission declared that many distributors of PPI have been adopting dubious sales tactics. Throughout the year, the FSA has dished out large fines to the worst offenders, the greatest being £7m to Alliance & Leicester. To underline the dire state of the PPI market, in November the commission caught the industry by surprise and proposed a ban on sales within 14 days of the accompanying loan sale. In my experience, the majority of new clients we inherit who have a PPI policy have a poor understanding of what the policy will actually provide. In the vast majority of cases, an alternative bespoke income protection policy is more appropriate.

The inferior nature of PPI is argued widely in the industry but we have to be careful that this reputation does not extend too far and tarnish the rest of the industry. David Heeney, chief marketing officer of Pacific Life Re said: “There is a danger that sceptical customers see this as further evidence that insurers cannot be trusted and that insurance products in general offer poor value for money.”

The promotion of business protection has been en vogue this year with Bright Grey, Friends Provident, L&G and Zurich extolling the virtues of this the largely untapped market. With most advisory firms experiencing reduced business volumes in 2008, it would appear that advisers have been receptive to these ideas as all of the afore-mentioned companies claim successful launches and established players like Aegon UK have reported increased interest.

The much anticipated retail distribution review feedback statement was met by despair in many corners of the industry due to the interpretation that the banks had got their way. The increased need for greater qualifications to gain consumer confidence should not be contested but why no protection exam? I am all for remuneration transparency which sadly is not always evident in insurance. If the protection industry does not want to be seen as the poor relation to other financial services sectors it should surely be judged by the same standards.

While the intentions of the RDR are well meant, I am not convinced that the objectives will be achieved.

Looking forward, I hope the income protection task force continues its drive to raise adviser and consumer awareness of IP. I also hope that focus shifts from marketing and recommending protection products on price alone. 2009 should present excellent opportunities for advisers to promote the value of protection advice as consumers are left dazed and financially exposed by the turbulence of the financial world of 2008.

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