HEALTH & PROTECTION

HOUSE OF LORDS ROUNDTABLE REPORT

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INDIVIDUAL AND BUSINESS PROTECTION INSURANCE: TACKLING THE TRUST GAP

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TRUST IS THE ANSWER

A debate worthy of the esteemed surroundings brought together some of the leading figures of the UK individual protection market for this Health & Protection House of Lords Roundtable.

The session could, like so many critical ones in the chamber next door, have lasted long into the night – rather than just the morning for which the panel convened.

As Health & Protection's latest Individual and Business Protection Insurance Report found, the market is at one of its most dynamic and volatile states in recent memory.

In terms of coverage, the report shows it has been a topsy-turvy exit from the Covid pandemic with new business down overall in 2023 and in-force numbers slipping for the second consecutive year.

How to arrest that slide, ignite momentum from the Consumer Duty and bring new people into the market was an all-consuming discussion which raised many enthusiastic insights.

Furthermore, the Financial Conduct Authority's impending market study into the distribution of pure protection products to retail customers has added another critical development to the sector.

Unsurprisingly, given the subjects under the regulator's spotlight, this area generated a vast range of emotions and impassioned views, with dissecting the impact on market competition coming to the fore from the panel.

Ultimately though throughout the session, as with the discussion about securing beneficiary payments, the panel found trust is a significant part of the solution to so much of the sector's operation.

Owain Thomas, editor of Health & Protection

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ATTENDEES

Nina Brown, protection adviser, Pam Brown Mortgages
Katy Davies, protection adviser, Hanbury Wealth Management
Justin Harper, chief marketing officer, LifeSearch
Phil Jeynes, director of corporate strategy, Reassured
Neil McCarthy, chairman, Protection Distributors Group
David Mead, founder of Future Proof
Sheun Oke, managing partner and CEO, Emergenzz Financial Services
Paul Reed, director and co-owner, Vita
Emma Thomson, chairperson and director, Women in Protection

As the Health & Protection Individual and Business Protection Report 2024 confirmed, 2023 was a particularly difficult one for the sector with overall like-for-like new business and retention figures down.

However, the panel at the House of Lords roundtable in association with Royal London noted there were positive views from last year of reversing the trend and bringing new customers into the market, which have continued into 2024.

Reassured director of corporate strategy Phil Jeynes was one who said the intermediary firm was very optimistic.

"Part of the reason for that is we've done a lot of research with our new customers in terms of where they're coming from and why they're entering the market," he said.

"Over two thirds at present are telling us they don't have any existing cover.

"That was quite surprising, but also reassuring because clearly there's a bunch of people that are resonating with our marketing and coming in to the market for the first time, so that gives us huge cause for optimism."

LifeSearch chief marketing officer Justin Harper agreed the market had been through challenging times but the firm had been building on interest in private medical insurance (PMI).

"We tend to work more with partners so we are seeing a greater degree of interest, particularly around health insurance," he said.

"That's where they may start that conversation or interest and we focus them into more protection.

"So we're, positive and optimistic; people need protection that's for sure."

Soaring inflation squeezing household incomes and expenditure was perhaps the biggest reason for the drop off in protection sales in 2023, as noted by the whole panel.

ARRESTING THE NEW BUSINESS SLUMP AND RETURNING TO GROWTH

Protection market sales and retentions have been turbulent in the post-Covid years, but building trust across the industry can help reverse the recent downturn, hears **Owain Thomas**

As Royal London proposition specialist for protection Jennifer Gilchrist acknowledged, the falling inflation rates and rising pay had eased the situation for many.

"I think we are coming out of the cost-of-living crisis, people are feeling a bit more positive and things are looking a bit better," she said.

"We've certainly seen that from our provider perspective as 2024 has seen things uptick again. So it'll be interesting to see how that factors on through the rest of this year and into 2025."

CONSUMER DUTY LETDOWN

However, there was also significant dissatisfaction with the story the data told and how advisers had responded to the situation, in particular the full implementation of the Financial Conduct Authority's (FCA) Consumer Duty rules in July 2023.

It was envisaged this regime would not only encourage but force intermediaries to dedicate more time and energy to their clients' protection needs, but this does not appear to be the case - much to the frustration of some attendees.

"For me the figures were really quite disappointing because we had Consumer

Emma Thomson

Duty last year, which should have been a huge shake up to get advisers who weren't talking regularly about protection to do so," said Women in Protection chairperson Emma Thomson.

"Those numbers should have seen a really big increase given Consumer Duty was being implemented properly by the adviser community, but there are lots of advisers that, despite Consumer Duty, still aren't having those conversations and they're still not referring to specialists.

"So we have got a huge opportunity, but we're massively missing a trick.

"Everyone keeps talking about how advisers must be talking and thinking about foreseeable harm for their customers and it's just not happening.

"I don't know how we fix it really, when you think Consumer Duty really should have been the thing that actually did make advisers change their behaviours and a lot of them haven't."

WORKING WITH THE WEALTH COMMUNITY

It was noted that among a population of around 30,000 financial advisers and intermediaries, only around 5,000 were regularly writing protection business.

This meant the vast majority were likely doing nothing or perhaps just completing a few cases each year, and more than likely they would not have the experience for more detailed or complex solutions.

"So the question is, why aren't they doing that, because they know they should," enquired Future Proof founder David Mead.

"When you talk to wealth advisers, they generally know they should do more protection and want to, but executing that and taking it from one or two cases to doing it regularly is a different thing altogether.

"There's a lot of pressure on the wealth community in terms of getting their house in order generally around reviews and such, there's a lot of noise and distraction, and it's also what's on the client's agenda, what has the adviser got time to get through? So it's clearly a challenge and we've all got to help them."

Protection Distributors Group chairman Neil McCarthy agreed, noting that the referral process had not really moved forward much in the last 20 years.

However, he was hopeful that by supporting wealth advisers to broach these conversations with the children of long-time clients they could help protect the next generation.

"It's one of those things where if these young adults thought they could trust the adviser that their parents used, then I think there's an obvious route to go," he said.

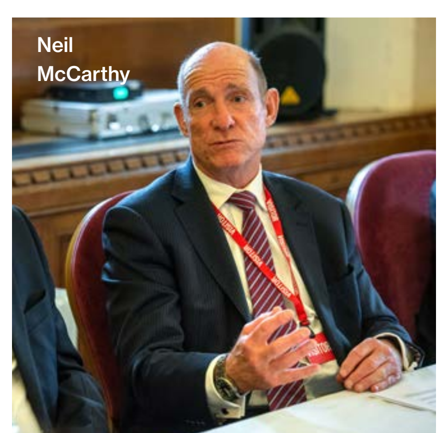
"But there isn't at the moment, just it's online, which might be the right solution for them if they're comfortable, but they don't understand what they don't know.

"So I think we'll probably see more business written now in the critical illness and income protection market because the advisers that are having those conversations are better at it and are able to understand the value of critical illness and the value of income protection."

Hanbury Wealth Management protection adviser Katy Davies also wondered if protection market complexity was harming adviser engagement, but she was hopeful that standards were improving.

"I'd like to think that people coming to the market are getting a higher standard of service because of Consumer Duty," she said.

"And when they are having a conversation, it's a stronger conversation and it's more educated, because the conversations that were too vague and ▶



Neil McCarthy

Justin Harper

dismissive before, hopefully now are being improved.

"Is that good enough? We should be mentioning protection and actively ticking that box every time, and not just saying it's not applicable.

"But then I wonder if, because advisers have thought that regulatory bar has been lifted, if it's then possibly had a negative effect."

MORTGAGE MARKET CHAOS

Another reason for the protection market slump in 2023 was a significant downturn in the mortgage market.

The climbing interest rates used to combat rising inflation affected those people remortgaging from much lower rates, straining their spare income.

Meanwhile for those looking to buy, higher interest rates pushed up the cost of borrowing sharply almost overnight, either cutting their affordability for protection or even preventing them from purchasing property altogether.

All this then combined with increasing difficulty and time in completing and securing loans from lenders.

Vita is one protection advice firm that works with a significant number of mortgage advisers and broker firms.

Its director and co-owner Paul Reed agreed the data coincided a lot with considerable chaos in the mortgage market due to the high volatility of the base rate.

"We tend to see that a lot of new entrants into the protection space are mortgage-related clients," he said.

"Where arguably you might have had something like 60% purchase clients and 40% remortgage, that swing has probably gone more like 70% remortgage and 30% purchase in the last couple of years.

"So arguably there's less drive from some mortgage advisers to have that productive protection conversation because they might have written it a year or two before, and there's not going to be huge amounts of changes in that customer situation.

"That could contribute to some of why the market might feel a little bit deflated, because there's not those new entrants on the property market that warrant the protection running alongside it."

However, there were also strong feelings that mortgage brokers should not be let off too easily from doing the best for their customers and have more frequent and better protection conversations.

BROKERS CAN BE BETTER

As Nina Brown, protection adviser at Pam Brown Mortgages, explained: "I think the problem is that you're talking about people who have worked in this industry for a long time, and they get set in their ways.

"Some people have been doing mortgages for the last ten or 15 years without selling protection, so to suddenly click your fingers and think that they're going to sell protection, it doesn't work unfortunately."

Furthermore, Emergenzz Financial Services managing partner and CEO Sheun Oke argued that mortgage advisers should be prioritising different protection needs when they are talking to clients.

And she believes the protection market should be educating them to do this and simplifying the language it uses for brokers and consumers.

"The first conversation when you're even considering a mortgage is the stability of the income, which means protection should come first," she emphasised.

"I'm going to take on a large debt and

Paul Reed

Nina Brown

because all my savings are now going to a deposit for the property, suddenly I have nothing to fall back on if something happens.

"So the education of mortgage advisers needs to come in and say, why don't you safeguard where the income is coming from? Or why don't you transfer the risk of not being able to pay the bank?"

TRUST IS CRITICAL

There was one further point which the panel agreed was stunting the growth of the market and engagement from other firms despite the demands of Consumer Duty – trust.

This was highlighted as one of the biggest barriers to referrals with advisers not trusting the protection intermediaries and insurers to look after their clients.

The proliferation of self-employed advisers working for some firms was also cited as a key concern, with some principals reluctant to enforce their rules and guidelines on these self-employed personnel, despite operating under their brands.

Ultimately, it was noted that the regulator may end-up telling many of these firms what to do, but in the meantime there is onus on the protection industry to make partnerships much easier.

"There's no doubt about that word trust when you're running referrals for others; it's absolutely about trust and all we can do in their eyes is mess up the relationship," said Future Proof's Mead.

"That, frankly, is what it's about, and it takes a long time to prove you're not going to do that.

"In fact, you'll enhance their relationship and if the claim comes in, they'll be really grateful." ■

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MAKING THE MOST OF A SHRINKING FIELD

Insurer consolidation has sparked concerns about reduced competition with some consumer groups missing out, but advisers should fully use all the options they have already, hears **Richard Browne**

The falling number of protection providers in the UK market could be viewed as an opportunity or a threat according to advisers but either way, it is a key issue for the Financial Conduct Authority (FCA).

As a result, the topic of insurer competition was a major discussion subject for participants at the Health & Protection House of Lords roundtable in association with Royal London.

With Aviva's takeover of AIG completed in June, there has been considerable concern among advisers about the state of the protection insurer market, and how it may develop from here.

Three insurers have left the individual market in barely two years with Aegon, AIG Life and Canada Life closing or being taken over. However, new entrants such as Blueberry Life, previously Bluezone, have arrived while Beagle Street intends to enter the intermediary market next year.

SHRINKING NUMBERS

With the FCA emphasising insurer competition would be a significant element of its market study into the distribution of pure protection products to retail customers, the issue of a shrinking number of providers was of concern to many roundtable participants.

Emergenzz Financial Services managing partner and CEO Sheun Oke highlighted one of the main problems from the recent changes.

"When it comes to diversity in access to insurers, I think we are shrinking," she said.

"Clients really loved the AIG app, its simplicity and easy communication, and I think AIG challenged the market to make most of the insurers go towards value-added services.

"But now it is gone I don't know if other insurers will be able to pick up on some of the gap that is being left in the market.

"Clients are really getting fewer and fewer choices."

David Mead, founder of Future Proof agreed, and was also concerned that the contraction in the market would mean a reduction in competition among players resulting in negative consequences.

"The contraction in the market just makes it easier for bigger players to become more complacent," he said.

"For advisers we want to have that choice specifically around underwriting where the departure of AIG has left a huge hole in service delivery."

LOOK AT THE FULL PICTURE

Part of the issue for many advisers may be about coming to terms AIG departure, but not appreciating the full picture.

Phil Jeynes, director of corporate strategy at Reassured agreed on one level with concerns raised, but put things in a more historical perspective and positive outlook.

"When you look at the market and zoom out a bit over a decade - rather than just the last few years – there are always comings and goings and rebrandings, so this is nothing particularly new," he said.

"AIG was already going - so to an extent, there's no point crying about that.

"And personally, if AIG was going to go somewhere, I'd rather it went to a big established, reputable, institution like Aviva, which is going to look after those customers better than others we could mention.

"So I think there's a positive to take from that."

Jeynes also put forward another positive of the new entrants coming in to or recommitting to the market.

"HSBC has really recommitted to the market recently, and that's a whacking great brand," he continued.

"Beagle Street are also coming in properly this year or next, and they have got some real ambition.

"And Octopus have bought what was left of DeadHappy, which I think we would agree had its good points as well as its issues."

And he noted how others had commented on how good the Guardian

Sheun Oke

Jennifer Gilchrist and David Mead (centre) proposition was.

"Guardian is an institution that has been around for centuries but has recommitted to the market too."

OPTIONS OPEN

Paul Reed, director and co-owner of Vita agreed with the more positive view and said the range of options should not be underestimated.

"We feel the doom and gloom because we feel the loss of what went before with AIG and whoever else before them," he said.

"But any new people coming into the industry should look at all the options as there is still a good wide range of insurers out there."

Furthermore, Women in Protection chairperson and director Emma Thomson questioned whether advisers were really taking full advantage of the range of options that already existed in the market.

"There are lots of insurers and lots of options out there, but are they being fully utilised by advisers?" Thomson asked.

"Even within the brands that we've got, we've got new products coming out.

"For me, we need to look beyond the insurers and consider what products we've got access to.

"If loads of products were getting closed and we were going back to very simple life cover, I'd be far more worried about that than losing insurers and having a really wide range of options."

IMMIGRANTS DENIED

Another important issue raised about insurer provision was that of new immigrants coming into the UK and not being able to gain access to insurance.

Oke spoke of cases she had been through with people coming to the UK from Nigeria or elsewhere in Africa, who had been unable to get cover because of limited access to medical records.

"Why are we suddenly shutting some people off, when assuming something negative?" she questioned.

"If a person has a clean bill of health, why can't we just treat them as normal and give them insurance?"


Phil Jeynes

Oke added that her firm was feeling a big gap in the advice space in that regard and that this could create negative connotations that insurance doesn't pay.

However she has been keen to tell them that really the truth is quite the opposite.

"I'm saying insurance does pay - just make sure you give the right information, that is the education bit," she continued.

"It is hard for people who have just come into the country to be told 'sorry, you're not eligible for insurance'."

From the insurer side, Royal London proposition specialist for protection Jennifer Gilchrist noted the mutual was having wide discussions to build diversity behind its product offerings.

"We're speaking to all different people including advisers and a lot of customers," she said.

"That's how we are building in diversity. It's not just us and the people within Royal London.

"It's building in those conversations about different people's perspectives and how we should approach it.

"It isn't one size fits all, but it's about doing that research to help build and grow and get a proposition that sits better."

However Nina Brown, protection adviser at Pam Brown Mortgages, noted there needed to be a balance when addressing customers with limited medical histories.

She highlighted cases of people coming in from areas of Eastern Europe who had made early claims on their insurance.

"In some cases there are too many claims for it to be incidental," she said.

"How can we serve that market while most importantly protecting the rest of the group? You have to think creatively a bit more because that experience is going to impact the wider community." ■

A SHARED RESPONSIBILITY TO BE BETTER FOR BEREAVED CLAIMANTS

Insurers pay the overwhelming majority of life insurance claims, but new data shows improving the beneficiary direction process is a critical task for all the industry, **Owain Thomas** hears

Health & Protection's latest Individual & Business Protection Report found almost all insurers paid 97% or more of their life insurance claims, with several paying in excess of this.

However ensuring the funds avoid going through the probate process, which can cause significant delays and stress in a crucial period for bereaved families, is still a key concern. Trusts or other processes can avoid this risk but these are under-utilised.

For the first time the Health & Protection report asked insurers about their policies using trusts or other processes, and the results provoked a strong reaction from the panel at the House of Lords roundtable in association with Royal London.

SHOCKING FIGURES

"One of the biggest statistics that shocked me in this report was how little life insurance was actually put into trust," exclaimed Emergenzz Financial Services managing partner and CEO Sheun Oke.

"Because I don't understand why you why you wouldn't put it in a trust? It's free and from most providers takes 2.5 seconds and it's done."

Hanbury Wealth Management protection adviser Katy Davies agreed the results, which showed in general only between a third and a fifth of in-force policies had been put into trust or similar arrangement, were "shocking", although there were more positive results based on 2023 figures.

Guardian was the one insurer to stand out with 75% of policies in an arrangement and its online system drew credit from the panel.

"That system is definitely making it easy to do, because requiring paper trusts is such a sticking point," Davies continued.

"I had a weird game with one insurer recently where they wanted one version of the form and then a different version of the form, then another version, and it felt like they were winding me up."

DO IT OURSELVES

There was understanding from the panel that insurers needed to be legally compliant around trusts, but also a frustration that the process was so seemingly needlessly complicated.

And with a general acceptance that a better trust process was unlikely to be a real competitive advantage, attendees appealed to the Association of British Insurers (ABI) to bring its members together and agree a common approach.

The beneficiary nomination process

introduced by some insurers was widely welcomed and the effects of simplifying the process can be shown through the report.

Reassured director of corporate strategy Phil Jeynes revealed the firm had been so exasperated by the various trust processes across the insurer body it had developed its own trust document and process.

"Every insurer's legal department has a different view on how trusts have to be done; post-sale pre-sale, paper form, online signature, wet signature and so on, so we built our own," Jeynes said.

"It's digital, it's signature free, it doesn't need to be printed at all, it can be done pre-sale or post-sale at any point and every major insurer we work with has signed it off and said that trust works.

"Uptake is up by 33% because it's simple to do and because our agents don't have to spend another half hour on the phone to the customer and then worry about whether it's going to get left on the


Katy Davies

mantelpiece for a week."

ADVISER RESPONSIBILITIES

But it was also emphasised that the responsibility was not solely down to insurers, with the panel agreeing that some advisers needed to take greater responsibility for the process too.

Some on the panel noted they had heard advisers saying they did not consider implementing trusts or other arrangements as they were not paid to do them or that it was too much hassle.

And Vita director and co-owner Paul Reed stressed that advisers should ensure they have the trustee information before beginning the application process.

"Too many firms just take the approach of 'we'll just tag it onto the end', well that doesn't particularly help because the horse has bolted to some extent," he said.

"The customer has already gone through the application, they've got the cover they require and they almost feel like their being sold to again, rather than understanding the trust is for their benefit.

"They feel they've got what they came for so, if you can eek that part of the conversation back in the process a little bit its really helpful."

Women in Protection chairperson Emma Thomson also highlighted that lots of clients do not go through the advice process so they are unlikely to even understand the importance of trusts.

"I was on an aggregator site recently and they do have a little bit of blurb about trusts, but there's no there's no call to action as to why a trust is important," she said.

"It felt like a tick box exercise and so most customers who would go through that non-advised journey would never, ever put their policy in trust.

"Which is why for me, beneficiary nomination would absolutely be serving those customers really well because it's then part of the application and they just do it then.

"So for those insurers that are on aggregator sites or have got a direct to consumer offering, they really should be adopting beneficiary nomination because those customers are missing out."

BENEFITS OF BENEFICIARY NOMINATION

Royal London was one such provider which has a beneficiary nomination process and as it declared in the report, this is pushing up the take-up.

Indeed for new policies taken in 2023 37% enacted either a trust or beneficiary nomination.

"We have got quite high uptake, more than 25% on beneficiary nomination, which is in the application form," said Royal London proposition specialist for protection Jennifer Gilchrist.

"So you do put in front of a client as an adviser as you're taking your client through the application form.

"It probably could be made simpler but it is actually working and we get some really good feedback. We've also tried to put all the trusts online as well and simplify those, and that work is ongoing."

And Gilchrist added that there was more to do in this area to help address the back book of existing customers.

"Because we're doing more new business-wise, we're having many more advisers getting in touch and talking about their existing customers and how they can change existing policies and add trust on their own," she continued.

"So it is a really big area where we're seeing lots of communication from advisers that is making us ask what do we do now to simplify that," she concluded. ■


Jennifer Gilchrist

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