

Regulation, Regulation, Regulation. Be prepared, be very prepared – Money Marketing – August 2004

As we look forward to the regulation of non-investment pure protection products what has the active practitioner got to fear, if anything?

I am sure that the majority of IFAs who have been in the industry for 5 years or more will have, at some point, treated simple term products as if they were regulated. This is because despite statute to the contrary, providers categorised the products as regulated so as to adhere to LAUTRO rules, these rules were later adopted by the PIA for providers. FIMBRA on the other hand did not treat term as a regulated product and the PIA adopted their rules for IFAs. This inevitably resulted in confusion and as a result most IFAs opted for the safer option. A few years ago a small number of providers applied for a rule waiver and the whole 'non-reg' phenomena was born.

Now the rules are changing again, so a little looking forward and back may not be a bad thing.

I have heard some say that "we have nothing to fear - as long as we do things properly, and give good advice". My response is - go and tell that to the mortgage and investment advisers who, to the best of their knowledge, training and experience, were 'doing things properly and giving good advice' right up until the economy changed course and the Ombudsman applied a different set of rules to the ones they thought they were playing by. Today we have businesses springing up from nowhere to have a go at every possible prospect of a complaint, and extremely well paid consumerists queuing up to present one sided retrospectives, I think it pays to be cautious and a bit of a sceptic.

So, where are the pitfalls for advisers? The following potential accusations may be a little over the top and they can all be guarded against, the point however is just make sure that you do:

- You didn't sell me enough critical illness to cover all my financial needs, why not?
- My children and I can't live on the amount of life insurance you sold my husband. When he moved jobs his death in service cover was lost, if you were taking that into account why didn't you advise us to review our cover if he ever changed jobs?
- My husband died of a heart attack on his way to the hospital. Why didn't you include life cover as part of his critical illness policy? My new adviser says you should have and in fact it would have been cheaper.
- My payment protection insurer won't pay my mortgage because of what they call a pre-existing condition – I don't remember you pointing out what that meant when you arranged the mortgage?
- Why did you sell me a critical illness policy at £60 per month when there were others available through you at £45 per month?
- Why did you sell me a critical illness policy from XYZ Company? I have now got Aplastic Anaemia and for a few more pounds a month ABC Company would have covered me for it and paid out the £100,000.

I am sure that you can think of many more, so the moral here is be aware, be thorough in the extreme and record everything because I can see the adverts now – NO WIN NO FEE! - HAVE YOU BEEN SOLD A CRITICAL ILLNESS POLICY IN THE LAST 10 YEARS? - IF SO YOU ARE PROBABLY OWED COMPENSATION

Finally, regulation of course always throws up anomalies. For example the 10/70 rule for term assurance, whereby unless you are authorised to sell investment products you may not advise a client to take a policy of 10 years, or greater, when the policy extends beyond the customers 70th birthday. At first glance you might say that it is not such a bad rule it is simply an additional layer that protects older people. However if this was the intention then it is badly worded, because you can sell a 9 year policy to a 68 year old (to age 77) but you can't sell a 10 year policy to a 61 year old (to age 71) when the customer is both younger when they take the advice and when the policy finishes.

So if you are going to sell pure protection in 2005 be prepared, be very prepared.

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