

Are Insurers prepared for regulation? - Money Marketing – December 2004

With the benefit of hindsight I guess the majority of mortgage advisers wish they had taken a month's holiday starting on the 1st November.

If they had then they might well have avoided the business issues caused by the problems that a number of lenders have experienced in dealing with KFIs and adviser registrations, which together with the slowdown in housing transactions have combined to make November 2004 the 'worst on record' for many small businesses.

As it is the same advisers that are responsible for arranging the majority of life insurance sales and GI products, including ASU and buildings & contents insurance, for customers they must now be looking forward to January with a huge degree of trepidation and who could blame them.

So can we expect similar reports in January of insurance companies failing to deliver compliant KFIs and fouling up adviser registrations? Can we expect to hear of insurance sourcing systems failing to deliver, and being so overwhelmed by inbound calls that they can not even answer their telephones?

In truth I don't expect the situation to be too different when it comes to insurance companies, but there will be differences between the providers and with good reason I believe. I expect the composites to manage the introduction of statutory regulation well, because most of them until fairly recently had been abiding by adopted LAUTRO rules stating that term assurance should be treated as a regulated product, in fact many insurers have only had their FSA rule waiver for term products for a few years and hadn't got around to making changes to their systems when the prospect of regulation (or re-regulation) was announced. It is for this reason that, for term providers, January 15th won't create too much 'tension' and for those insurers active in both life and GI products, well they have the people, the experience and the systems knowledge which should place them in a comfortable position to cope with the changes necessary. They have the infrastructure.

That leaves those companies that have only GI products and here the news may not be so good, simply because for them, just like the lenders, statutory regulation is a much more of a deal because it is new, it is big and therefore mistakes are more likely. Of course there will be providers who have never been regulated who keeps things simple and breeze through the changes, but any foul ups by providers will be more acute than those experienced with the lenders because there are far fewer providers in the insurance market and therefore deals are harder to replicate for customers simply by switching provider .

As for the sourcing systems and KFIs well unlike mortgages most life quotations are performed online and the premiums and documentation are sourced directly from the providers and simply served through the information providers, who therefore probably won't add to any woes, they will simply reflect problems individual providers experience.

With GI things are a little different again as most quotes are sourced off line so no doubt issuing revised discs to all who want them on time will place some strain on the big companies as will version control issues for a few weeks after as some brokers inadvertently use the wrong systems.

For all our sakes let us hope that all the insurance providers cope a little better than some of their big name counterparts in lending.

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