

Falling sales and what the Swiss re 2004 Report tells us - Money Marketing – June 2005

So Swiss Re have confirmed, in some detail, that 2004 was a year in which sales for all term protection products fell from their previously dizzy heights (*Swiss Re Term & Health Watch 2005*). No news there then, particularly as we all know by now the importance of the mortgage event to the sale of protection products.

Because everybody knows why IP and CI sales are falling I shan't bore you with yet more analysis of the obvious, however of particular interest to me is the fact that non-mortgage term sales are slowing faster than mortgage term sales (mortgage sales down 13.5%, non mortgages sales down 21.3%). The report suggested that a principal cause may be the reducing opportunity for re-broking brought about by the increases seen in some premium rates recently.

I am sure that this has played a part, but I think a very small part, after all the traditional hunting ground for re-brokers has been the expensive policies sold by high street institutions where there remains a significant difference in the premiums charged.

To illustrate this I have used one of the often quoted 'typical examples' to demonstrate the continuing re-broking opportunity available to IFAs. In the example L&G offered the lowest IFA price at £10.20, Tesco was £10.70, Halifax £12.50, Nat West £13.20 and Abbey were asking a whopping £15.67. And that's not all, don't forget all those relatively expensive policies with 2 year earning periods, favoured by a large number of face-to-face advisers, all of which goes to show that there is still 'gold' in them there hills!

The same Swiss Re report went on to highlight the fact that Direct Sales Forces/ARs sales over the last 3 years have accounted for 53% of the total, which at 2.9 million policies confirms the size of the continuing opportunity.

I do however have an alternative theory as to why non-mortgage term sales reduced in number so far ahead of statutory regulation (which we all know has also reduced sales further). The theory goes something like this: **In order to compete in this modern re-insurer led market, insurers have allowed the actuaries and underwriters far too much 'dark room' time, in which to devise and develop applications, questioning and underwriting processes in isolation from the real world. As such the whole process now represents a genuine turn off for advisers and customers alike.** Put another way, the lunatics have been given far too much say in the running of the asylum.

I think that few have realised the effect of this 'ivory tower thinking' because to an extent it has been 'smoke screened' by the changes in the housing market first, and regulation second, providing the lunatics with two ready made, plausible excuses that have nothing at all to do with their 'innovative work' of the last few years.

I think the providers (insurers and re-insurers) have, to a certain extent, been banking on the 'boiling frog syndrome'. (*If you place a frog in a pot of cold water and gradually increase the temperature, the frog doesn't notice the change, stays where it is and consequently boils to death, whereas if you were to place a frog in a pot of hot or boiling water it will instantly leap out because the change is obvious*). However as it turns out financial advisers are not as cold blooded as many had thought, they have therefore seen the problems, created by the lunatics, as they turn the temperature up and have leapt out of the pot!

My own firm shuns the applications now available, in favour of a one page order form developed by us; this is then followed by our own interpretation of tele-underwriting - all of which has solved the initial sales process problems created by the lunatic frog boilers (LFBs). However our issue is that once the LFBs have all the information they thought they wanted, they don't really know how to handle it, costing us time, money and customers.

My advice to the LFBs who would strangle this market in search of differentiation is KISS (Keep It Simple, Stupid) – because you never know what might happen if you KISS the frog instead of trying to boil it!

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