

Really good reads – Money Marketing - May 2007

This week I would like to recommend a couple of really good reads. My first is 'Insurance Contract Law, Issues Paper 3, Intermediaries and Pre-contract Information', issued by a team working for the English and Scottish Law Commission. It would be useful, but not essential, to first read 'Issue Papers 1 & 2'. My other highly recommended read would be the 'FSAs ICOB Review, Interim Report: Consumer Experiences and Outcomes in General Insurance Markets'.

Not very imaginative titles I know, but for anyone seriously interested in the future of the sale, of what we have all come to know as Pure Protection products, then both really are 'must read' publications. Now I will not attempt to consider the fine detail of these reports here, because I simply don't have enough space available to do them justice. However, whether you give advice or not and if you help your customers to complete insurers application forms then these documents certainly herald important changes for you and for your business.

Both documents are designed to provoke discussion and debate in advance of more formal consultation processes which are due to follow. Both contain 'tentative proposals' or 'early suggestions' and, as you might expect, there are ideas which will no doubt have beneficial effects for consumers and for our industry alike, equally there are ideas which would have the opposite effect.

The Law Commission report finds that the area of agency law and the practice, as it is applied in the insurance sales industry, to be somewhat murky and certainly misunderstood with insurers and customers ultimately unclear on who the intermediary actually represents. As highlighted in the report this is fundamental if you consider the disputes highlighted around the matter and importance of disclosure and more specifically non-disclosure.

Having read the report and considered some of the past judgements and the issues they raise there is no doubt in my mind that we could all benefit from a bit of clarity. Whatever the end result, this report confirms what I have come to believe during the last 4 years, which is - that no adviser, however knowledgeable or competent, should be involved in the completion of a customers insurance proposal form where such a form calls for medical, personal and family history details to be disclosed.

The second 'must read' report from the FSA follows some consumer research they have undertaken, general findings & observations and of course some high profile campaigning by a handful of intermediaries. One thing seems to have become clear to the FSA and that is what many claimed at the advent of statutory insurance regulation, that a two tier approach is needed. Different regimes are required, one for low ticket, simple or regularly purchased and relatively well understood types of products and one for longer term products that customers depend upon to provide financial stability in the event of death or serious illness.

Yet again we must prepare ourselves for change, which appears to be now our only true constant.

By Richard Verdin, Sales & Marketing Director