

Are you waiting for the dead cat to bounce? – Money Marketing – September 2007

Over the last few weeks I have had various conversations with colleagues, reinsurers and insurers about the possibility of the life insurance market experiencing its very own slow motion 'dead cat bounce' (a small market recovery following fairly steep reductions).

The explanation and theory go something like this; we have seen a significant decline in new protection sales over the last few years (2006 down 30% on 2003), whilst also experiencing a very buoyant housing market which has, traditionally been the prime driver of new protection sales. Recent experience however has run counter to the expectations of some, as an increasing number of mortgage advisers have ignored protection because they have more than enough mortgage business to keep them busy anyway - and hey "arranging insurance is a pain". The bounce, according to the theory, will come as the housing market slows and advisers return to selling protection to stabilize their reducing earnings.

So is the theory simply wishful thinking or can we expect a protection renaissance as we move out of the summer (what summer) and into autumn and winter?

My view is that the more successful mortgage broking businesses will of course replace lost like-for-like mortgage sales through new marketing initiatives, new lead sources etc. (even the current low market share enjoyed by lender branch networks represents quite a lot of new business for entrepreneurial mortgage brokers to target). Some advisers will of course simply suffer the lower earnings and sit out the 'downturn', while others will react by returning to protection selling and in so doing create their own bounce. The extent to which the overall market is affected by these individual bounces will be entirely down to the proportions acting in each of the three ways outlined above.

Right now any possible market-wide bounce is being delayed by the extensive re-mortgage activity led by large numbers of nervous homeowners switching away from variable and into fixed rates. However the most significant factor that will reduce the possibility of a meaningful bounce is this; selling or not selling protection alongside mortgages is habitual, changing habits isn't easy and usually requires some pretty serious intervention. All of which brings me back to my current favourite topic – education.

Carrots & sticks can help to change habits, and no doubt these will be employed by business managers across the land as mortgage sales decline. However education and training alongside embedding new sales processes, which lead to advice on protection, are also key to bridging the earnings gap that will otherwise emerge.

By Richard Verdin, Sales & Marketing Director