Education, Education, Education – Cover Magazine – January 2008

The protection gap, as measured by Swiss Re, is enormous and whether you agree with the extrapolated numbers or not you have to agree that the scale of the opportunity for providers and distributors is pretty significant. And yet there is little evidence of providers or other support groups for intermediaries putting significant effort or resources into growing the market, rather the effort seems to me to be directed at maintaining or growing shares of whatever market prevails.

So what are the barriers to growing protection sales in the UK? Unlike a number of others I do not believe that significant product development is the key to unlocking the potential, although of course I see opportunities in improving IPB, CI and new opportunities for product development for the over 50s. However, the real means of growing this market lays in getting to grips with the consumer issues of trust and understanding, and the problems advisers face in distributing products confidently and effectively.

The issues of consumer trust sit around their doubts over whether claims will be paid but as importantly they need to be able to trust that they won't be sold something that they don't want or don't need. As for distribution, the fact is there simply are not enough competent advisers advising customers on how to understand their needs and how to address them. One look at the market statistics will confirm that most intermediaries, who do offer protection advice, are doing little more than "slipping a little term insurance into their customers pockets as they pass through another transaction" - probably mortgage related. So the first change we need to bring about as an industry is for these advisers to be taught how to step up a gear and offer a more rounded protection planning service to their clients.

Second, we need to engage with those intermediaries who do not currently offer protection advice and who have been content providing exclusively investment planning and/or retirement planning advice or standalone mortgage advice. One way for the market to experience a real step change would be to work with these advisers to get them to at least include protection advice as part of their service.

So how do we bring these necessary changes about - where do we start? If we really want to help advisers to advise on protection for the first time, or more seriously than they do now, then they need training. And it is this training that represents one of the real keys to fulfilling some, if not all, of the true potential available. If we get it right then there is every opportunity of tilting the current environment from one of 'a general lack of knowledge and skill from a high number of intermediaries contributing to a lack of consumer trust' into an environment where 'high levels of skill and knowledge can be translated into improved consumer trust' which of course will lead to more and better sales.

In my experience most prospective customers are willing to talk to and listen to advisers, however advisers really need to understand that there are essentially two types of people who buy financial products, I call them 'planners' and 'collectors'.

Planners do as you would expect, they only buy products that contribute towards their grand plan, they buy things in full knowledge and with good understanding which ensures that what they buy 'fits'. As such they review their holdings periodically and generally speaking the sales advisers make to such people stick. Planners' good level of understanding empowers them to actively engage with advisers and use them to full benefit; they consider themselves as clients of their adviser(s).

Collectors on the other hand wander through life picking up the odd product here and there from advisers they bump into as they pass through life. There is no grand plan and consequently the sum of the financial parts that they buy rarely makes too much sense when looked at together. They may understand a bit about what it is they have bought or at least they understood it when they bought it. If sales to them stick then it tends to have more to do with them being more interested in applying their efforts to doing other things and not reviewing what they have. Collectors' lack of understanding leads them to be slightly cynical and un-trusting of advisers generally; they consider themselves to be customers or even targets of advisers.

Planners are great when you meet one, as long as you are competent, then they will value you, buy from you and stick with you. And so it is that the really successful advisers amongst us are able to turn most customers or targets they come into professional contact with into planners, or clients. They do this not by selling to people but by educating their clients into understanding the uses of the various financial products available to them, they encourage them through that learning to play an active part in creating their own plan and then refining it over time. I have no doubt that the key to a sustainable protection renaissance is to take existing and new advisers and through training turn them into the type of advisers who can turn the majority of collectors into planners.

It is with this in mind that we at Direct Life/LifeQuote investigated some of the protection training that is currently available to intermediaries. We found that courses tend to fall into three broad categories:

§ Very Salesy – the emphasis is very much on 'disturbance' techniques, or in plain language how to get customers to recognise they have a need. We found these often use tired and outdated techniques to do this, the sort of techniques that sound great on a course but as soon as you try to use them in real life you can almost smell the 'cheese'.

§ Very Technical – these, as the term suggests, focus on the minutiae of the products and providers. On the whole we think these are very good but they needed more training on advice technique and they tended to look only at products and not look at the technical aspects of protection beyond these.

§ Neither one nor the other – combinations of the above that really missed both marks.

We also found excellent courses available from the FSSC and no doubt there are other courses out there which focus on protection and do not fall into the categories above. However they weren't immediately obvious/available to us and therefore they may not be immediately obvious/available to advisers either. There were of course good (and not so good) courses run by insurers, but whichever way you look at these courses there is always going to be some tilt towards their products, providers cannot be blamed for not training people on things they don't do or aren't really good at - but again it means that, for many, the courses available don't quite hit the mark.

So, if we were developing a training program (and you can be pretty certain that we are) we would have it cover the following:

§ **Products & Providers** – detailing the types of providers, the salient points of each product set (to a fairly detailed level), the uses for each product and how the main providers deal with some of the benefits offered.
§ **Insurance, the Law and Trusts** – covering general legal principles, Insurance Law (at a fairly high level), the use of wills and what applies in the event of intestacy, Trusts their uses and the key roles involved.
§ **Provider & Policy Taxation** – looking at the basis of taxation, how different types of taxation are applied to insurers (again at a fairly high level), general policyholder taxation and IHT.
§ **Commission** – getting to grips with indemnity, non-indemnity, renewals and LAUTRO calculations.
§ **Underwriting** – covering the basic principles, types of decisions, limits and how they are applied, together with the additional types of evidence that can be collected, disclosure and the possible effects of non-disclosure.
§ **Re-Insurance** – the what, how and (again at a fairly high level) why insurers use re-insurance.
§ **Advising, buying & selling** – intelligent ways to get customers thinking about what's really important to them and how to create a plan which makes sense now and will continue to over time.

And of course because this is 2008 if we were developing a training scheme we would base the majority of learning online, we would test the users understanding as they go, require them to attend a 'catch all' in depth training day (or days) and require them to pass an exam to prove retained understanding.

In our business we passionately believe that informed, confident, competent protection advisers are what customers need and when they encounter them they will arrange more cover, because it makes sense to do so. Collectors can be turned into planners; we just need to help some advisers understand how they can help to bring about this change.

In summing up we believe that across the protection industry we have to teach and train more than ever before because the alternatives to a well informed distribution and knowledgeable consumers are not good for anyone in the market. Change requires action and with all the other woes projected for the coming year we have to take action now if we want protection to thrive in 2008 and beyond.

By Richard Verdin, Sales & Marketing Director.