

Good Advice – Priceless
Money Marketing – September 2008

There was a warning recently that if the “price war” in the protection industry continues more insurers may be forced to exit the market. To quote Mark Jones of Friends Provident: “Some of the providers could follow Standard Life and leave the IFA market”.

The issue here is that brokers are selling predominantly life only products and the difference between one provider’s life cover and another comes down, largely, to one factor – the cost. Think of the car insurance market, where a real war on prices has been raging for some time, and we see the same thing, there are many different insurers offering cover, all with their own unique selling points, all with distinct brandings, but all judged almost exclusively on price.

It is for this reason that the vast majority of car insurance is now bought directly and not through a broker. Herein lies the message we have been delivering to brokers for some time: if all you are offering your customer is the cheapest life cover you can arrange, why would they not arrange it for themselves (probably even more cheaply via an online aggregator)?

The most valuable tool in a financial adviser’s kit is his ability to give advice. This means he has a qualification proving his competence and, importantly, the oversight of a regulator with the customer having recourse to an Ombudsman. Can you think of many other industries with that distinction?

Yet many advisers in the protection marketplace are ignoring this advantage and simply offering a price based recommendation. It is small wonder that the direct to consumer sales of life cover are growing so quickly.

There is some great innovation taking place in protection at the moment - new products aimed at giving customers a better product at a reasonable price, a task force looking at what needs to be done with income protection to make it more saleable, but it is my contention that the products we have at the moment are perfectly saleable if they are recommended and sold passionately.

The argument that where insurance is concerned price is the only factor simply does not wash, even when money is as tight for many as it is now. To draw another analogy with the car insurance market, even without the guidance of a broker, customers will still opt for comprehensive cover when they could buy an inferior product at a lower cost.

Admittedly protection insurance is subject to a more onerous underwriting regime than its motoring counterpart, but surely this only highlights the need for an experienced hand to guide the buyer through the process.

Some commentators have predicted that IFAs may stop selling protection altogether in favour of less time consuming, more profitable products. No doubt there is some truth in this but I would not have thought the same could be said of mortgage brokers, through whom the majority of protection is bought, and for whom protection is a much needed source of revenue (particularly in light of a depressed housing market).

The systems exist already to allow brokers to give good quality, bespoke protection advice and I know from experience in my own company that the results can be remarkable. There is no reason for advisers to fear the competition of direct to consumer operations, unless they are not differentiating themselves sufficiently for the customer to recognise their value.

The “price war” won’t end at any time soon, since people always want the best value for their money, you just need to make sure you’re not in the firing line.

By Phil Jeynes, Key Account Manager