

The Protection Department – Fit for Purpose? – Money Marketing (July 2006)

Imagine this; John Reid has just been appointed to take over the running of the protection department of the financial services industry – what would you expect him to discover? A happy, motivated machine serving all its stakeholders well and meeting customers' expectations or a department in disarray, lacking direction, with key partners questioning the department's skill and diligence in executing its responsibilities? Would he declare the protection department 'fit for purpose'?

First things first, he would summons his departmental heads of sales, customer service & underwriting, product development, business standards and claims to brief him.

Head of Sales would paint a dismal picture with sales declining in all product lines for each of the last 3 years. He would blame external influences, particularly the housing market and the introduction of statutory regulation, but he would point to Q1 2006 performance suggesting there are signs of a stabilisation and possibly the green shoots of recovery. I suspect John may, at this stage, give Head of Sales 3 months in the job, to prove that Q1 could be built on.

Head of Customer Services & Underwriting would confidently report on the advances he had made using technology to streamline processes, improve efficiencies and reduce waiting times for customers. He would report that the significant expenditure made had resulted in improvements. However, John would tell him that all the available statistics point to processing times slowing and the feedback from key customers being that they are disappointed with the effects of the implementation. This department head might be spared the axe at this stage simply because his value to John lies in his experiencing the mistakes of the past making it less likely he will make the same mistakes again. He keeps his job for now with the warning that John will not suffer fools for long.

Head of Product Development would receive short shrift for his claims that PTA would resurrect a declining market, he would be castigated for the lack of investment in the most important products the department has, and has had for some time, and he would be criticised for his lack of investment in training advisers properly on these products. This department head would be chopped immediately.

Head of Business Standards would explain the long term benefits of recently introduced statutory regulation. He would describe his investigations into market practice, together with some of the ideas his team have around compulsory competency testing for all. He would describe an evolutionary process designed to avoid stalling the market and outline his short term goal of weeding out all remaining undesirables, repatriating where appropriate. I think John would buy the department's plans, he would however insist they reduce their timescales and accelerate plans for compulsory testing, to ensure any systemic problems inherited from traditionally 'non-regulated' advisers are dealt with as soon as possible. This head keeps his job, but with more challenging timescales.

Head of Claims would describe a difficult but very important process being managed as well as can be expected given the circumstances. He would inevitably have to deal with the 'disaster' of current statistics for CI claims, however I think that John would accept his argument that the problems he has today are the combined responsibility of the Head of Sales, Head of Customer Services & Underwriting and Head of Product Development for their complete unwillingness to cooperate sensibly with each other and deal with his longstanding concerns. He would accuse them of a silo mentality which undermined the whole purpose of protection. John would no doubt consider these assertions for a moment and having been satisfied that the arguments stacked up he would reverse his earlier decision and send the Head of Sales packing with his colleague from product development.

Overall I think John would be somewhat surprised by the state of the department, yet secretly pleased because clearly there are enormous opportunities for big and quick improvements.

By Richard Verdin, Sales & Marketing Director, Direct Life & Pension Services Ltd.