

Pension Term Assurance – An Introduction – Money Marketing (June 2006)

So far I have refrained from writing in this column about the introduction of Pension Term Assurance (PTA), largely because there was, in my opinion, enough speculation in the news pages about its relative merits with talk of how it would be offered and by whom.

Now with the smokescreen of hype and pre-launch marketing dissipated I thought I would test the way PTA was being offered to the public through a range of distributors and from this I believe I have discovered protection distributors fall into three broad categories:

1: The 'not sure what you're taking about' category - advisers in this group tend to be 'heads down' employees and managers of small businesses who have been too busy dealing with mortgages and other related protection issues to deal with the effects of A-day. PTA has so far pretty much passed them by.

2: The 'cautious professional' category - advisers in this group are aware of the development, they can see the opportunities and the risks but have been waiting for a sufficient number of providers to launch their products so that they can fully assess the market and make suitable recommendations based on price and product benefits. They also appear to have spent quite a bit of effort into developing robust sales process to ensure they avoid silly mistakes.

3: The 'bull in a china shop' category - these firms have tended to rather rush at the product, apparently desperate to offer PTA to anyone looking for single life cover, whatever their circumstances. My experience has been that they ask no additional questions, or provide any additional risk warnings, before quoting. This approach appears to be largely driven by the business need to offer the lowest possible price. The recommendations made to me have been dressed up as advice but actually the advice extended to little beyond "use Company A because they are the cheapest".

This rush to market by category 3's has also led to one or two documented mishaps including one occasion when the 'advice' was to buy from Company A, yet the 'statement of demands & needs' talked of different company, different sum insured and different premium to the covering letter and bore no relation to the enclosed KFD and application form.

Studying the documentation, provided to me as a customer, also brought home to me the rather ridiculous situation ICOB advisers find themselves in when recommending PTA. In particular the need to make a statement about the 'advice' and the possibility that the advice may not be suitable. Surely the point of all advice is that it is suitable.

So we now exist in a world where providing suitable advice that isn't properly documented is bad and can result in FOS awards, yet giving potentially unsuitable advice and documenting the fact is good! It just doesn't feel right and I am sure that some future regulator or ombudsman may take a view on this practice. No doubt this situation will unravel over time; it does of course present an interesting challenge for ICOB advisers when campaigning for advised only sales.

My other interesting finds were an adviser and supporter of the No Advice, No Protection campaign offering PTA on a non-advised basis and when they wrote to me they didn't even enclose a KFD. Another adviser tried selling me something they called a TDLC in their statement of demands & needs, I had to look up what it meant and I was left wondering whether using industry acronyms in a client letter was TCF?

In conclusion I am glad that I waited before writing about PTA as it has been an enlightening experience and it has reminded me that we can all still learn from each other.

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