

## Education, Education, Examination – Money Marketing – (May 2006)

If you want to give consumers advice on investments, including pensions, or on mortgages then you have to first demonstrate a level of knowledge and competency by studying for and passing an exam recognised by the FSA. If you want to advise on life insurance, critical illness cover, income protection benefits and ASU you don't. You do of course have to be authorised and regulated by the FSA but that is no recognition of your competency although most consumers probably think that it is.

Given the amount of damage which can be done by those who set out their stall as a protection adviser, yet prove to be inadequate, this must surely be something to be addressed soon by the regulator. There are of course voluntary tests which can be taken, that may be of a high quality, but compulsion is the key to driving up standards and driving out cowboys. I accept that the FOS and the FSCS are there to put things right if certain things go wrong but as we know, a well documented sale may be a compliant sale yet still not a good sale based on sound principles and good advice.

As an industry you only have to look at the relative sales volume of certain protection products in comparison with others to expose a few frailties around market practice, for example the low number of FIB sales when compared to non-mortgage level term sales or the number of ASU sales versus Income Protection Benefit and you will soon come to realise that we have some pretty significant educational issues to deal with if we are ever going to close the protection gap.

By way of example over the last 5 years there have been around 800,000 new sales of IPB policies and 3.4 million Accident Sickness or Accident Sickness & Unemployment Cover policy sales, making IPB sales only 19% of the total. However a quick analysis of occupational classes and premium costs suggests this really should be the other way around. Interestingly the in-force policy count for ASU contracts stood at 2.45 million in 2001 and in 2005 there were still 2.45 million despite the 3.4 million new sales during that period! I am sure you can draw your own conclusions from such statistics but for many it will suggest that change is needed.

Changing adviser habits is not easy because first you must change their minds, which again points to education being the key to change. Better educated, better trained advisers are really what the market needs because only then will 'popular' products become disregarded as more suitable products become more widely used. And if, through improved understanding, we could reverse the fortunes of these very different products and achieve upwards of 500,000 IPB policy sales each year then maybe, just maybe, insurers would have a business case for developing their systems to accommodate better, easier to understand, products which we could all (customers included) be a little more confident in.

It is time now for the industry debate to move on and to stop being diverted by arguments about the cost of one ASU against another and the minutiae that leads to such differences or single premium versus regular premium contracts, there is a market for all properly constructed, properly sold, well priced products, which suit a defined need, instead let us educate the market about all the products that are available for them to use.

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