

The Outlook for Life Insurance in 2007 – Money Marketing (January 2007)

As we enter a new year and consider the outlook for 2007 I have to confess being a little pessimistic about the prospects for the market generally this year. Following the decline in sales from the peaks of 2002/03, and the stagnation we have witnessed since, I can see nothing on the horizon which offers sufficient promise to do anything more than perhaps sustain the current market. This is not something we should aspire to.

Anyone who knows anything about the current distribution landscape knows that within the mass market of small independently owned businesses there are many advisers who are practising with a distinct lack of protection expertise. This lack of expertise leads to customers' protection needs being either ignored or at best only partially dealt with and explains the lack of sales and the relative sales performance of lump sum term life cover, family income benefit, critical illness cover, income protection and payment protection insurance products, together with reportedly only 6% of advisers actively advising on the benefits of trusts.

Understanding this lack of expertise leads to an appreciation of why sales have suffered following the advent of statutory regulation and points directly to the solution. For this market to reach its potential the many thousands of advisers, who are meeting customers at a time when they are receptive to dealing with their protection needs, need educating.

Generic product and proposition training is exactly the kind of non-competitive initiative that the massed ranks of very clever people within providers should be devising and delivering. However as I look around me I see so many protection 'experts' kept busy by the business of tinkering with policy definitions and "looking at the problems" of 'this product' or 'that product' instead of developing the market for their products and the skills of those they expect to sell them.

Today we have a protection committee, a product task force and at least two industry campaigns, none of which are truly addressing the really big issue affecting our market 'the protection gap' which in truth is an 'advice gap'. Slightly improving the products we have today or trying to snuff out the alternatives to advice are not the keys to the market woes some would have us believe, they are simply temporary competitive issues between providers and between distributors.

Those responsible for distribution within insurers need to work together to solve this lack of education, as they do now over other industry standards, they need to start committing some of their sales & marketing budgets to an adviser education programme. However first must come an understanding that distribution, at its most basic level, is not a competitive issue and secondly they must address the bad behaviours they incentivise through annual bonus schemes. For an example of the 'bad' and short-sighted behaviour encouraged by incentives which point no further than the year end you need look no further than the PTA debacle. The ill-considered, ill-conceived development that was PTA with all of its costs (actual and lost opportunity) delivered little more than some enhanced 2006 bonuses for a handful of middle managers. Honestly, against a background of the cheapest premiums ever offered, did anyone really think that a small amount of tax relief on some 'life only' products was really going to make customers buy, and advisers sell, the cover people really needed?

Education is the key to the health of this market and one which will unlock the benefits of £2.5 trillion opportunity but first providers need to address some of their structural issues. It is time to reconsider the value destroying strategies which are all about winning a slightly larger share of a declining market.

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