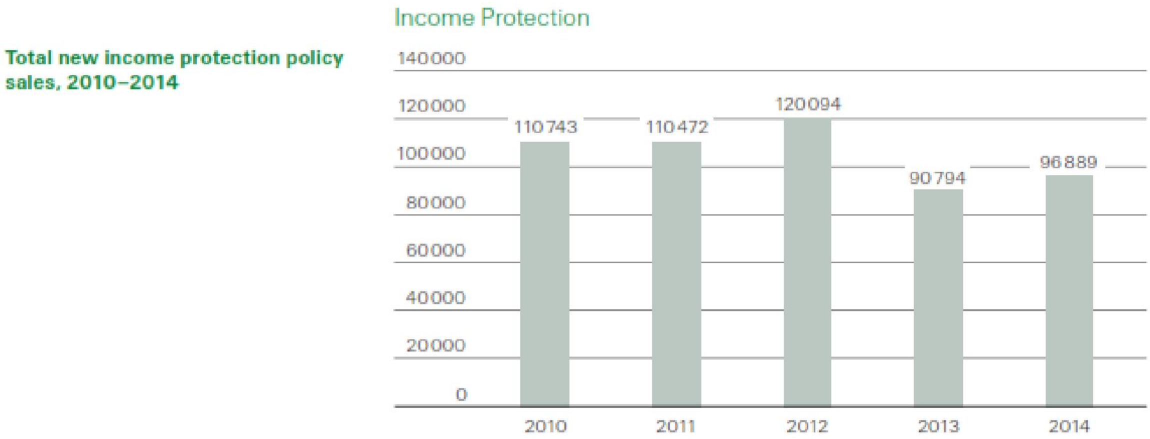
Income protection - Is there a silver lining at last?

Peter Le Beau

Each year when we come to analyse the prospects and the background to the individual income protection market the story is very similar. A cynic would call it 'Jam tomorrow', someone who chairs the IP Task Force might be a little more optimistic and suggest it is a case of the IP industry finding a voice, but the plain fact of the matter is that at the present time in the UK market, the levels of production have been deeply disappointing in recent years, have shown an encouraging increase recently, but much remains to be done.



Source: Swiss Re

There is a confusing picture this year of an industry trying very hard, particularly in places, to arrest the decline in sales in a market where the direction of travel has been at worst flat and more recently downward.

We asked a number of industry experts what the reason for this is.

We began with one of the leading proponents of the cover, Andy Chapman of Exeter,

> *"The vast majority of consumers are unaware of the need to protect their income and if they are, they often choose to ignore the risk that illness or injury could pose to their financial health.*
>
> *This lack of awareness puts little or no demand on advisers to offer IP in their advice suite so, simply put, many choose to ignore it in favour of cover that might be an easier sell, like term insurance. Equally, the lack of awareness means that few consumers attempt to buy IP direct.*
>
> *To build the IP market we need to change this status quo and win the hearts and minds of both advisers and consumers. As an industry we have made strides in some*

areas, such as reducing product and application complexity, which has helped, but we now need to effectively spread this message.

At Exeter Family, we have long known just how important this is – which is exactly why we have run the longest engagement programme with advisers in the protection market, a nationwide seminar initiative that has educated thousands of advisers in the need for IP for over five years. It's great to see that other insurers have now launched similar initiatives, but it has to be a long-term commitment, not just a short-term sales push."

Another organisation which has enthusiastically marketed the product, with notable success, is LV=. Justin Harper looked at the current market and commented accordingly:

"The usual suspects play their role in suppressing the demand for and sales of IP.

From the consumer perspective, there's virtually no active demand for IP. Consumers have a real lack of awareness and apathy towards their financial vulnerability, often with misplaced perceptions about their own invincibility - both health and financial. In addition to this there's confusion about what products are available and how much IP would actually cost then, add in a general mistrust towards financial services, and it's easy to see why the demand just isn't there.

From the adviser perspective - there's a mismatch between the most likely risks clients face and the protection advice and recommendations advisers actual make. When talking to advisers we hear that protecting income is the top protection priority, but for most – and the numbers of policy sales don't lie – recommendations start with life, followed by CI, and then for some… IP.

On the positive side, it feels like the change is on the horizon. We've seen leading protection distributors and networks making real commitments to prioritising IP. Seven Families is a great example of a genuinely good initiative and providers have a responsibility to use the media machines they have at their disposal to make this a success. We're already seeing notable increases in demand from advisers for additional support for income protection.

I think it's the adviser process and how IP is prioritised within it that continues to be a core issue for IP sales. As an industry we've already invested in significant 'new product' developments, and while these have delivered positive consumer outcomes, such as the move to all own occupation definition, the industry hasn't invested as much in supporting advisers and teaching them how to sell IP. We need to focus on developing tools and processes that allow them to sell IP to every customer they come into contact with.

In adviser research carried out last November, we asked advisers about what support they would like to help boost their IP take up. From the hundreds of advisers who took part, three common themes stood head and shoulders above the rest:

- *tools and ideas to help 'protecting income' discussions with clients*
- *IP and state benefits*
- *reducing the cost.*

In response to these requests we ran a series of 'Wake Up to IP' breakfast seminars earlier this year. These were specifically designed for those who wanted more support and ideas to increase their confidence about selling IP. The seminars were supported by one-to- one 'conscience coaching' from the LV= account management team.

Over 250 advisers attended our LV= Wake Up events and after just a month we'd seen real uplift in their IP business. So what had changed? Well, advisers were doing things differently including:

- *Putting IP at the forefront of the advice process. For many advisers, the priority order is 'Life, critical illness and income protection'. We advocate turning that 'traditional route' on its head, with IP first, critical illness and then life.*

- *Changing the conversation. Many clients don't understand or buy-in to the importance of protection. They assume the unthinkable won't happen to them, politely ignoring the adviser and moving on. LV= has developed a simple tool that instantly makes protection very personal, immediate and real … the LV= Risk Reality Calculator. Visit www.riskreality.co.uk/gen.*

- *Putting state benefits into perspective. A common belief from people is that state benefits will help if they're unable to work. Most benefits are means tested, reliant on a range of individual and family factors, often complex to understand and involve a lengthy process of forms and assessments. Our message is to keep it simple. Your client might qualify and, if they are fortunate enough to get some state support, the benefits are unlikely to cover everything they need them to.*

- *Show them 'two and a half giraffes'. The application process for Employment and Support Allowance is lengthy and complex. To powerfully illustrate the point, we suggest advisers print off a copy of the ESA application form (available at www.gov.uk/government/publications/employment-and-support-allowance-claim-form) and keep it close to hand. It runs to 57 pages, and end- to-end it measures longer than 2½ giraffes laid end- to- end.*

The LV= Wake Up to IP programme is evolving and now forms part of our BAU support for advisers. It continues to focus on the issues that advisers want to cover most and - importantly – teaches advisers how to get customers to engage with products emotionally."

This concerted attempt to educate advisers is one of the reasons LV= has been able to swim against the tide in terms of IP production. However, there is still a strong feeling, well articulated by David Heeney of Pacific Life Re, that advisers still don't 'get' IP in large numbers:

"Unfortunately, IP continues not to be 'front of mind' for many advisers. The justifications for this are around the complexity of the product and the time taken to complete the underwriting/application process, but the fact remains that for many people loss of income due to ill health is the biggest risk they face and inadequate protection could leave them and their families exposed to serious financial consequences. There are notable exceptions – advisers who recognise the importance of income protection and focus on this need as a top priority when

advising their clients - but the industry has to continue its efforts to make this the norm."

Johnny Timpson of Scottish Widows has been a very enthusiastic advocate for the value of IP in recent years but his analysis underlines the negative market movement of the individual market:

"Swiss Re's 2015 Group Watch Report highlighted that whilst the number of people covered by group IP schemes has increased by a modest 2.4% given the increase in both UK overall population and those actively employed since 2006, the number of people holding individual IP has declined by 16% - The reasons for this are many, a few follow:

- *Pre-Seven Families, with a few notable exceptions, lack of industry and trade body IP focus plus adviser and consumer educational engagement, especially so via social media.*

- *Long term real terms decline in household disposable income (due to a mix of low pay growth, increased income tax and NI take plus reduced eligibility to family tax credits and child benefit) within the consumer segments seen as IP target market forcing a prioritisation on perceived essentials and a resultant 'living for today, tomorrow will take care of itself' mindset.*

- *A common perception that the State and/or my employer will provide.... so, what is the value in paying for IP.*

- *Lack of consumer financial awareness and resilience need in particular related to the risk of a long term physical and/or mental health event and subsequent financial health consequence.*

- *Lack of consumer trust compounded by PPI contamination, product and application process complexity plus name and language that consumers cannot readily engage with.*

- *House price inflation and the hardening in mortgage criteria post banking crisis and following MMR, has reduced the number of key trigger point protection discussion opportunities. Although we have seen a significant swing towards long term home rental, the industry has not yet successful engaged generation rent in significant volume.*

- *Lack of access to advice following RDR can be viewed as an issue but it is much more than this, in regard to protection in the round and IP in particular, we have to address a wider set of adviser issues such as but not limited too - awareness and training (in terms of eating your own home baking - how advisers many have IP cover themselves?) need , social media reach, product complexity, access to tools and quote portals offering labour saving access to mutli-benefit and pre-u/w support."*

So far we have heard from providers and reinsurers. Direct Life and Pensions' Neil McCarthy provides an adviser's perspective and sees an obvious shortcoming in the industry approach:

"Sales have decreased in traditional long term IP, whilst we are seeing a small increase in short term/limited payment policies, which continues to suggest that we are failing to position the importance of protecting clients' income if they are sick or unable to work, or that clients are not perceiving the importance of it at the premium charged. This is of course simplifying it as there are bigger, well known issues about selling income protection, which I think creates hesitancy with advisers when positioning the 'what happens if' question or more importantly, 'should you be long term sick and unable to work, we can provide a monthly income to help mitigate the impact' statement. The correlation between the costs of certain protection policies and the volumes of sales also helps explain why sales remain low. Selling a simple decreasing term policy to provide death benefits to cover a defined liability such as a mortgage, is relatively cheap and easy. The sum insured is easy to explain, and a large capital payment seems high in relation to the premium. With IP the opposite is true, with higher costs for a monthly payout, which is often dependent on financial and medical underwriting at the time of claim. So the sales process doesn't focus on covering the most likely event, but often takes the line of least resistance, providing capital cover in the event of death.

The product solutions available from a range of providers allow an adviser to select standalone products or with IP integrated within a menu solution. I'm surprised not to see a higher volume of IP sales within multi benefit policies, providing more modest levels of cover.

Of course, we have also seen a significant reduction in adviser numbers, with more advisers focusing efforts in the wealth management area of their business so this will have a detrimental impact on the overall number of policies sold, as fewer individuals have access to advice. Not as much protection selling skills courses are undertaken, and advisers need to be trained into understanding how they can introduce and manage the holistic positioning of a 'Protection Portfolio' when looking at the overall ambitions and plans of a potential client."

While it is understandable that we should seek the avenue of least resistance, should we not be more committed to a product that even its detractors seem to acknowledge has a real value?

It is against this background that Seven Families was conceived by the Income Protection Task Force to bring much greater awareness of the financial vulnerability that so many people face. What has its initial impact been and how can the industry use the initiative most productively?

Andy Chapman believes that the development of this campaign is long overdue:

"Yes, I really hope that the initiative makes the difference it deserves to. However, to ensure this is the case it is vital that all involved in our industry understand and appreciate the important role they have to play in its success.

This is a social campaign. Seven Families is essentially an initiative backed by a team that produces compelling content and stories, the very thing that we have all been talking about for as long as I can remember.

So, how this content ends up in front of customers and how well the message and awareness build organically is really everyone's responsibility. That's reinsurers, insurers and advisers – we all have a big stake in this market, so we have to find a way to engage customers in what we do.

The great thing about having this content is that it can be used in so many different ways, and often for free. For example, we have encouraged all of our staff to share the campaign through email sign off and through social media. We have also shared our involvement and support through our AGM mailing, which goes to every one of our members.

We're really proud to be involved so will continue to find ways to share with more and more people."

Justin Harper is delighted to see the industry uniting over an issue that it believes is highly important:

"It's great to see the industry coming together to demonstrate the importance of IP. As the number one IP provider, we welcome anything that helps make consumers more aware of their financial vulnerability and the steps they can take to provide themselves with some financial security should they be unable to work through illness or an accident.

Seven Families supports chosen families during exceptionally difficult times in their lives – in a similar way that IP policies can. Using these examples in an engaging human way can help advisers, and ultimately their customers, understand the need for such protection. We look forward to seeing one of the families on breakfast TV telling the public about the virtues of IP.

The industry should be able to sit down after Seven Families feeling like we all gave it 100%, and not feeling the need to blame anyone if it isn't a success. It's a bit like Dragons Den, we've all put our investment into it and now we need to give it support to make it a success.

So even though Seven Families is a consumer oriented campaign, providers also have a duty to promote this to the largest distribution channel for IP – advisers. LV= is actively and visibly supporting the campaign and working with advisers to showcase the initiative, its purpose and the families. And we're guiding advisers on how they can use Seven Families within their day to day business."

This emphasis on involving advisers is an element of the campaign that is particularly important. The adviser is still in almost all cases the conduit to the public and an energised adviser market is essential if this initiative is to have any chance of real success.

David Heeney shares this belief that the real dividend will come if we can engage the adviser population:

"Seven Families is a truly ground-breaking initiative which has successfully galvanised the industry into concerted, constructive action – a very rare and notable achievement. The aim is to raise awareness of the devastating impact ill health can have on individuals and their dependants and the enormous difference income

protection can make, not only in terms of financial contribution but also through targeted, specialist medical and rehabilitation support services. The coverage now being achieved via social media and the press is encouraging and will have an impact in raising public awareness but the real challenge is to engage advisers so the majority start to recognise this as a priority in assessing their customers' needs."

Johnny Timpson also feels that the mere existence of Seven Families is no guarantee of success. We need to understand how to use it effectively:

"In my view Seven Families and the consumer, influencer and social media activity engagement that accompanies it offers the industry a means of improving the appropriateness, volume and quality of financial protection in the round and IP in particular, BUT, this will not happen overnight and sustained activity by a coalition of the willing is required to support it.

So, how could the industry use Seven Families most productively?

- *Advisers should use the content to aid support their own social media, seminar and worksite activity to educate and improve engagement with introducers, clients, employers, employees and media contacts.*

- *In the US, the Protection Trust Taskforce was formed in 1994, this subsequently evolved into www.lifehappens.org, an industry not for profit body that sets out to support intermediaries bring the benefits of financial protection and resilience to life via the provision of key stats, blog content, video case studies, sales aids, national themed days, weeks, months etc. We could and should learn from this approach and engage appropriate health charities, trade bodies and think tanks around it.*

- *Improve charity sector, trade bodies, think tank/pressure group and Government engagement, highlighting the benefits of appropriate financial advice, protection solutions, access to rehab and support services plus improved outcomes to what are vulnerable customers, their families and carers."*

Neil McCarthy is also keen that the. Industry aligns product and process to capitalise on greater customer interest and access:

"The Seven Families initiative raises the profile of IP in a different way – and with funding from providers and reinsurers should create a generic message about how the industry can help, and the potentially devastating effect that sickness and disability can have at a very personal level. Using modern communication techniques has helped bring to life the real impact of sickness on ordinary people, and the extraordinary impact that it has on their lives.

This support from the industry, galvanised by the IPTF, should result in providers and advisers being more aware of IP as a potential solution. The adviser part of the industry should be more challenging on its sales teams – delivering more detailed reports on what products have been discussed with clients, what quotes have they seen and why the clients chose to buy or not buy specific products. If we had greater understanding of consumer behaviour, I'm sure the industry could create more appropriate product solutions that consumers would understand better and *purchase. The products are certainly better than they were 15 years ago, but perhaps the processes to underwrite and supply consumers with a better understanding of what they are buying is still lacking.*

Increased feedback from the industry and customer groups will help us understand how we can improve ad simplify the selling, and buying, of IP products."

In recent months we have started to see market changes which seem to be using the momentum created by Seven Families to develop a new focus on IP. One such move was Pink's insistence on it being mandatory for every adviser to raise the issue of what might happen to the ability to repay mortgage payments should health deteriorate:

"Pink network is to set new standards; with immediate effect, every adviser in its network is to discuss income protection with their clients from their very first mortgage meeting.

Pink believes that stress testing should not just be about whether someone can afford their mortgage were interest rates to rise. Rather it is about whether someone could continue to live in their home were they to lose their job or become ill. Therefore every mortgage conversation with a Pink adviser will include a discussion about how a borrower would meet their financial commitments whatever may happen to them."

We asked for opinions from our experts on this move.

Andy Chapman was very supportive:

"While it would be nice if every adviser appreciated this vital cover, and took every possible opportunity to recommend to their clients without it being made mandatory, Pink's move must be congratulated.

Income protection should be the foundation of family protection, and this move guarantees that clients will be given the right advice in every conversation with Pink advisers."

Justin Harper was similarly pleased with this move:

"We believe protecting income should be the priority protection need for working people. The public commitment made by Pink; ensuring that their customers are advised about this area and at the forefront of their mortgage discussions (rather than just mentioned at the end), is a real step forward.

Advisers can be creatures of habit and operate in a highly regulated environment. The Pink approach of 'best practice', which is also adopted by several other networks, can only encourage advisers to 'do the right thing'.

We are working closely with networks and with advisers to help them change the nature of their protection conversations and to put IP at the forefront of their discussions. Examples include:

- ***Changing the conversation.*** *We share some easy to adopt ideas to help transform protection conversations, including asking the client to bring along their contract of employment to their fact find meeting and getting clients to fill in a budget planner as part of their preparation for an initial meeting.*

- ***So you think you're invincible and it'll never happen to you?*** *Many clients don't understand or buy in to the importance of protection. They assume the unthinkable won't happen to them, politely ignoring the adviser and moving on. LV= has developed a simple tool that instantly makes protection very personal, immediate and real … the LV= Risk Reality Calculator. Visit www.riskreality.co.uk/gen.*

More enlightened distributors are now starting to follow the spirit of the Mortgage Market Review regulations, reinforcing the role of (income) protection in their advice process. They not only consider affordability as part of applying for a mortgage, but are ensuring their clients still have the means to repay their mortgage (and more) if their circumstances change.

However we do need to widen our audience when it comes to protection. People are now often buying houses later in life, but this does not diminish their need for cover in any way. Renters are less likely to be offered a stay of execution than mortgage holders if they fall into arrears. So we need to work together to make these people also aware of the need for and the value of IP."

The idea that MMR might promote a greater awareness of IP rather than an excuse to dodge it is very positive. David Heeney was delighted with this move:

"This is a very welcome and significant step which I hope all mortgage advisers will follow. It is clearly appropriate for this potential risk to be considered as part of the advice which should be made available to anyone entering into a new mortgage arrangement. For many people, merely ensuring they could continue to meet their mortgage commitments is probably not sufficient but it's a good place to start and the best possible time to do it."

Johnny Timpson was similarly enthusiastic:

"This makes perfect sense and aligns fully with the information that is collated and assessed as part of the mortgage advice and approval process. Mortgage advisers should consider highlighting the very limited support available to mortgage clients from State Support for Mortgage Interest (SMI) Benefit and check their need for 'a Plan B'.

In terms of highlighting the limitations of working age welfare support, it is well worth looking at the support available from benefits charity www.turn2us.org.uk.

We also need to engage 'generation rent ' especially those consumers renting for the longer term and/or those with aspirations to build the funds to at some point enter the mortgage market. Mortgage advisers working with and close to letting agents may be best placed to do this."

Encouragingly Neil McCarthy saw MMR as a catalyst for positive change in adviser practice:

"The MMR has changed the way advisers need to approach a customer and gather information. The requirement to assess the impact of interest rate movements on the capability of a client being able to continue servicing a loan immediately gives a mortgage and protection adviser the ability to discuss other areas that would have the same impact. Death, unemployment, long term sickness or the need to look after a partner suffering from a long term sickness are all areas that have a direct effect on monthly income available to pay all bills. It's interesting to note that an increase in interest rates only impacts the amount of money that will need to be repaid on the loan each month. The loss of an income, potentially for the rest of that persons working life, would quite often make any repayment completely unaffordable.

This is where fact finding at outset becomes so critical to the advisers role, and in creating any future recommendations. Pink and other mortgage advisers adopting this approach are to be applauded when looking at the impact of ill health on all of a client's long term outgoings. Once the adviser is fully aware of any potential employer payments, and client savings, and can make a reasonable assessment of the likely welfare benefits, then presenting a solution to mitigate this, rather than selling an IP product becomes a sensible part of any recommendation. Mandating the process helps to reinforce the advisory process, but hopefully in time, collecting the relevant information and broadening the recommendations will become second nature. Automation of fact-finding and using tools to accurately reflect the impact of losing an income can be facilitated by technology and the automation of information in a client friendly, graphical format can help explain the position to clients in a simple way. It sounds a cliché, but we stop selling a product, and provide a simple cost effective way of mitigating the risk."

In an era where we have a new UK Government we asked our experts whether they felt the protection industry could step up to the plate in helping to provide a new vision of welfare.

While Andy Chapman liked the theory he was dubious that the government have the will to embrace us as a partner in practice:

"A coherent and beneficial relationship between IP and the benefits offered by the state would be a welcome boost, but is there really an appetite from Government? – I'm not so sure.

To offer any benefit to IP policyholders would be yet more recognition that in reality the state increasingly cannot and will not provide for people who are unable to work. This could be politically dangerous, especially by seemingly pointing the public towards insurers, an industry which doesn't enjoy the highest levels of trust."

Justin Harper was keener on trying to forge a very clear link between IP and State welfare provision:

"Where there is a gap in welfare provision, the industry is there to provide solutions that allow people to protect themselves.

We would like to see welfare and private provision complement one another, without excessive complication and without overlap. In particular people doing the right thing by purchasing their own protection should not be penalised by any loss of *welfare benefits that would have been available to them. We look forward to greater clarity over the scope of welfare provision, to allow insurers to provide long term products and consumers to make their own provision without fear of financial penalty."*

David Heeney sees this having implications for product design:

"We should definitely aim to design our products so they integrate as effectively as possible with state benefits. However we are in a long-term business whereas governments tend to focus on the term to the next election, so the welfare system is often a moving target. The changing demographics of the UK population mean that 'pay as you go' social welfare will become increasingly strained over the coming decades so there is an obvious need for private insurance to play a greater, complementary role.

However there are fundamental, structural differences in the way these two systems operate, the main one being that everyone is 'included' in social welfare systems whereas people elect to buy private insurance. As a result the latter requires some restriction on who can buy and at what price to prevent anti-selection so, in general, there will always be significant numbers of people already receiving state benefits who would not be eligible for private insurance cover. Private insurance can be made compulsory and priced on a 'community rated' basis but this would make it much more expensive for most people and, arguably, less 'fair'. In my view it would be detrimental for the industry and its customers to move significantly in that direction so I believe we need to be careful and selective in promoting private insurance as a viable alternative to state welfare benefits."

Johnny Timpson also believes that there is a massive need to integrate IP into the welfare reform agenda:

"This is vital, I'm writing this comment pre-election and we should remember that significant change to working age welfare support has already kicked in with much more to follow in 2016, 17 and beyond - All of the main political parties have expressed support for Lord Freud's welfare reform agenda plus also the welfare powers that will be devolved to the Scottish Government as part of the Smith Commission proposals.

Changes already announced to means testing rules will meant that policy benefits paid as a result of a TI, CI, IP and MPPI claim will be taken into account as part of the means testing process.

In engaging Government we must build our case, clearly articulate the benefits of protection to all stakeholders, highlight the benefits of risk pooling and rehab, support services such as RedArc and a speedy claims process plus enrol the support of the charity sector. Key will be a commitment to improving consumer trust, a step change in culture and governance, treating customers fairly, supporting vulnerable customers and consumer education and communication as we cannot risk a repeat of the scandals of the past."

Neil McCarthy sounds a warning note based on a fuzziness about what the protection industry is and might represent to government at the present time:

"I don't think we have a coherent and consistent approach to what the 'protection industry' is, so in the immediate future I think it is impractical. At the current time we can help clients understand the impact of relying on any of the welfare benefits, and help them to understand that there are alternatives provided by insurance companies. In the same way that individuals choose to pay for PMI they have the choice to pay for a product that provides certainties and will not rely on them going through the welfare system. The current benefits structure is complex, means tested, constantly changing and under pressure to reduce the benefits paid.

In the future, the sheer pressure on paying for State benefits may drive a government to seek a better coordinated State/private enterprise solution. Whilst the protection industry has a current distribution mechanism, the current rules may not be the best way to distribute these solutions. Different channels will be developed to service different client sectors that qualified advisers may not want to service. The approval of products or kite marking of minimum standards may be required, but historically the present insurance industry has not had great success in this area, and we may see new entrants making a success marketing a new hybrid offering to new distribution areas."

However positive the new noises coming from parts of the industry are, there is an elephant in the room - payment protection insurance (PPI). We asked our experts if they felt that PPI was still a constraint on the ability to move forward with a progressive IP agenda; and if there was a problem, how do we solve it?

Andy Chapman was very clear that PPI still cast a shadow over the IP industry:

"Trust takes a long time to win back, so we have to continue the progress that we have already made and be even more open and transparent than before.

We have long since believed that any IP plan can only be viewed as simple and trustworthy if it is described in everyday language, that makes sense to all consumers and not just lawyers.

Based on the evidence that I've seen, many insurers still have a huge amount of work to do on this."

Justin Harper believes the damage to the reputation of insurance has been widespread:

"All insurance has suffered, not just from the PPI scandal, but from both the actual and perceived failings of the entire financial services and banking industries. This mistrust also fuels false perceptions about insurer pay outs; there's a significant gap between how often consumers think insurers pay out and the reality of the industry's claims experience (nine out of ten claims are paid).

As an industry we need to demonstrate through case studies, and initiatives like Seven Families, how beneficial these policies can be. There's a danger that we focus on making the sales process slicker and forget to look at the key issue: the lack of awareness of IP.

We know as a result of the PPI scandal the name 'income protection' does carry some stigma with consumers and those within government, but does changing a *name change consumer perception? And as a result would they wake up tomorrow understanding the value of the product if it's called something different? It's difficult to believe they would. The product name resonates with those that sell the product, and they in turn sell the benefits of that to the consumer, it's the benefits consumers need to buy in to not the name.*

I would suggest that efforts are better directed on showcasing the benefits of IP, engaging with consumers emotionally and a greater use of case studies and supporting initiatives like Seven Families."

David Heeney referred to a toxicity that was part of a culture that surrounds the industry:

"Yes, this toxic legacy remains an issue, not helped by the apparently never-ending blight of cold-calling, 'ambulance chasers' who continue not only to irritate huge numbers of people (many of whom never bought PPI) but also to remind them of the existence of the problem. IP providers and industry representatives have worked hard to educate as many people as possible about the fundamental differences between these products but with very limited success. I'm not convinced a change of product name would make much difference. Ultimately I think it comes down to advisers talking more about IP and promoting its qualities to a wider audience and to tougher regulation of PPI 'claims management' organisations."

While Johnny Timpson agreed that it had harmed the industry he pointed out that IP's problems had already begun well before this scandal emerged:

"IP was suffering before this, in altering the position, clearly articulate the benefits of protection to all stakeholders, highlight the benefits of rehab, support services such as Red Arc and a speedy claims process plus enroll the support of the charity sector - Key will be a commitment to improving consumer trust, product simplicity and transparency, a step change in culture and governance, treating customers fairly, supporting vulnerable customers and consumer education and communication as we cannot risk a repeat of the scandals of the past.

The ABI IP Statement of Best Practice is long overdue a review and I propose consumer consultation on what we call the product as I do not feel that Income Protection resonates with consumers and advisers of today."

Neil McCarthy believes the damage was serious and continues to be ongoing:

"In short it continues to taint the industry, not just because it suggests that miss-selling is rife, but it doesn't give anyone any confidence, and PPI and IP to the consumer are often seen as the same thing. The PPI 'scandal' has failed to mention that correct claims have been paid where individuals have qualified for payment protection insurance, where redress is due it's been paid quickly, and that the sales processes have been radically changed.

Justifying why income protection sales, or indeed mortgage payment protection insurance policies, are policies that do pay claims is a negative way of starting a conversation with a client. The good thing about an advised sale is the relationship established between the adviser and the client, and by explaining the simple cash flows of most households, the impact becomes fairly obvious to the normal *outgoings if an income were to cease. The impact if it ceased for a long period of time can be devastating. Positioning this in a non-threatening, factual, but emotive way can help introduce why income protection is so valuable. If the adviser has a policy, or can refer to material such as real case studies like the Seven Families then this will help explain the importance to a client."*

Given the cause for optimism even in a falling market set against the malign shadow of PPI, what did our experts feel the future of IP might look like? Did they have greater optimism or did they expect frustration to continue in sales terms?

Andy Chapman's optimism was fuelled by the fact that IP fulfils a real need:

"'I'm always optimistic, because where there is a real need, there is potential for big growth.

I do however think that we need to change how we approach the opportunity and what we're trying to achieve. The real opportunity here is to provide a hugely beneficial cover that will benefit society as a whole - we know the damage that ill health can do to families and their finances, so this isn't about sales, it's about lives.

Insurers and advisers need to work together to grow awareness and demand; it's not likely to happen in isolation. As such, my rallying call would be for insurers to place less emphasis on winning the battle with their competition, competing for a larger slice of a smaller pie and focus on the bigger issue – engaging customers.

Yes, this is harder. Yes, it is likely to take longer. But the rewards for success will be so much greater, not least for those extra policyholders whose family finances will be covered when illness or injury strikes."

One of the highest producers in the individual IP market had an interesting perspective on the market. Justin Harper saw an opportunity... but a niche one:

"There seems to be more interest in the industry about income protection, but it remains unlikely that this will become a volume segment.

Personally I remain optimistic, there is definitely an increasing positive sentiment towards IP which I haven't experienced in the last ten years, and this could drive more volume, although it's unlikely to match the sales of its largest rivals.

If we could sell IP on 50% of all mortgage applications - as some firms already do - then we would see a significant growth in the market, and more importantly an increased number of consumers possessing the most valuable protection product."

David Heeney is given hope by the impact ...and lessons from Seven Families:

"Seven Families gives me hope – not only in terms of the specific focus of the initiative and the gathering momentum it is generating, but also because it has demonstrated that the industry can look beyond competitive tensions and work coherently together for the collective benefit of its customers. My fear however is that the number of advisers focusing on protection will continue to fall and that it will become increasingly difficult for many people who need protection cover to

access expert advice. More work is needed to make products and application processes simpler so that in-depth, expert financial advice becomes a less essential requirement for the majority of people to make informed, prudent decisions about their own basic protection needs."

Johnny Timpson is a naturally optimistic person as any Hull City supporter must be but his optimism is qualified:

> *"I'm optimistic about IP sales but accept that it will take time as given the fragility of household finances together with the significant and post-code creeping reform of working age welfare benefit provision both in place and in plan, protecting family and lifestyle is more of an issue than ever. As an industry, we have every good reason to talk to and engage with UK consumers about protecting their incomes, spending and lifestyles but we need to earn the right to do so by embracing culture change and walking the customer centric talk. So, let's step up strategic partners such as charities and ensure that our financial 'Plan B' proposition and messaging to consumers is simple, educational, highly relevant, timely, informative, value adding and delivered in the format and medium of their choice, supportive, fair and transparent. Let's set ourselves the goal of making the taking out and retaining of protection products easier and part of the norm of taking out everyday insurance such as buildings, contents, pet and travel."*

Neil McCarthy's view suggests the market will grow within reason but, for this to happen, the market and marketing needs to change:

> *"I don't think the volumes will ever reach that of term or CI, but there are significant opportunities to help provide simple cover for shorter terms to help clients cope with the impact of losing an income, and without them having to rely on the State. Similarly, with greater flexibility at retirement, but with increased uncertainty about the growth of funds, protecting a regular income to an assumed retirement date has never been more important. I'm optimistic that we can simplify the message and the sales process for IP, and integrate the sale within.*
>
> *Advisers need to fully understand the product variations available from the different insurers, and be confident about the application and underwriting processes available within IP policies, so they can tailor a solution to a client's needs. If we position the potential solution around the impact of a loss of income in relation to the family cash flow, it's easy to see the value of a product like IP – and position the cost against the likelihood of an event happening when compared to normal life insurance.*
>
> *Re-market the product and message as an income replacement policy, simplifying the application process to make it more accessible to consumers looking to provide financial security for themselves."*

One of the comparatively recent and most energetic entrants to the market has been British Friendly. Steve Wanstall gave us this summary of what they believe might create momentum in the IP market:

'In January, British Friendly was the first income protection provider to release its claims stats from the previous year as well as its five year claims stats. The Society achieved 96.7% of claims payments in 2014 and over 96% since 2009. British Friendly's chief executive, Mark Myers, called for other IP insurers to show the same transparency and openness about their claims payments so that as an industry we could work towards shifting public opinion and dispel any myths that income protection doesn't pay out.

The Seven Families Campaign is already starting to raise awareness about the importance of income protection for the consumer and supports the industry's efforts to shift public opinion. Providers will need to reinforce the messages from the Seven Families by continuing to pay and announcing their high industry claims stats. This positive industry led initiative is giving advisers yet another tool in selling income protection to the consumer. However, despite the success of the campaign, income protection sales still aren't soaring.

In light of Pink's recent initiative to offer income protection alongside mortgage products, it begs the question why more similar adviser led initiatives aren't already in place. Provider led initiatives like the Seven Families can only go so far as raising public awareness, but adviser led initiatives secure new sales. As providers, we should work with our key partners and develop more positive initiatives that have a real impact on driving IP volumes.

Providers also have a great challenge ahead to work together towards growing our market by accessing a new group of consumers who should have cover in place but don't. There's no point in re-educating the educated when they already know why IP is vital - the real value exists in capturing the minds and hearts of those who never realised they could protect themselves and the ones they love from unexpected financial hardship.

So when asked why individual income protection sales continue to disappoint and how we can change our outlook towards more positive growth - the answer is pretty clear. More needs to be done to break down the barriers of negative public perception of our industry by reinforcing with positive factual evidence that we're here for the hard working people of this country - we're here to pay their claims. As an industry we must support our adviser partnerships and challenge them and insurers to create more initiatives that allow the consumer greater access to information about income protection. And, most importantly, IP providers must unite and grow the market together helping new consumers realise we're in an industry to pay claims. Only then can we start helping more and more people get the cover they really need."

Key points:

Provider claims stats should be published because they support our industry's ability to pay out.

As an industry we need to focus on developing initiatives that grow the volumes of IP sold
Consumer choice is improving, but we're writing the same volumes of IP so we need to focus on growing our market.

We began on a relatively pessimistic note with low production continuing to dog income protection. Our commentators are all admittedly noted for taking a constructive view to the product, but also a realistic one. There is potential change afoot in the market. Some excellent research by ABI on welfare reform and the unity of a market which is coalescing around an initiative that has brought a willingness to bring a wider perspective to what income protection can do for people, may be a catalyst for positive change. The weather in income protection waters might be stormy (or perhaps more accurately becalmed) but there is a definite silver lining which may create some serious momentum. We await 2015/16 with interest!