



Protection
Review

The Summit Summary Nov 2017

“We have all the products and processes we need to once again start recommending mortgage protection with every completion”

In partnership with

SCOR
The Art & Science of Risk

We held our third Protection Review Summit on 9 November 2017. At these interactive two-hour events, we are looking for change through debate. Styled around a classic “for and against” structure we tackle important, often controversial, industry issues.

This time our focus was on mortgage protection:

“We have all the products and processes we need to once again start recommending mortgage protection with every completion”

We’d like to thank SCOR for being our partner again, and of course everyone who came along and took part. All attendees shared a strong, positive desire to push the industry forward for the benefit of customers. Not a talking shop, this was an action oriented event where everyone was constructive, added value and focussed on customer outcomes.

We’ve put together this Summit Summary based on the content of the debate and at the end, include 5 key recommendations for the protection industry.

Before the debate, we heard brief presentations from four speakers.

Nick Erskine, AIG Life

Nick began by summarising some of the technology developments we’ve seen and how this has affected consumer behaviour.

Alexa and how people can do voice searches. How young people spend 24 hours a week on their mobile phones. Finger print scanning and face recognition. Wearables. Facial analytics.

Technology can make things simpler for people, but have we done enough to make buying protection easier?

He talked about the protection gap still at £2.4 trillion and 60% of people don’t have life cover.

Nick warned against overthinking products and processes and said the industry should use the KISS principle. Keep it Simple and Straight Forward.

The common reasons people don’t buy protection are:

- Too expensive
- Complex
- Process takes too long
- Lack of awareness

Nick pointed to some recent AIG Life developments like Key3 (which just covers 3 critical illnesses), Over 50’s plans and the soon to be launched Instant Life Insurance as examples of simplifying products and speeding up processes.

Providers are trying to make things easier for advisers but is it enough?

Charlie Carrick, LIME

Charlie set out his belief that technology can help overcome the issues Nick raised which prevent people buying protection.

But he said, “Digitising what you’re already doing is madness.” Many organisations are guilty of designing systems that copy the existing organisation.

Charlie’s contention is that the industry shouldn’t be looking to enable the now, but should set about creating the new. He said, “Life insurance is the best product which is the worst to buy.”

He argued that with the limited number of financial advisers who cannot serve everyone, there needs to be a better system of self service for consumers. Even if advisers point them to self-service options.

Let’s create new processes which give customers access, choice and control.

Mark Graves, Sesame

Mark talked about the changing skill sets around recommending and “selling” protection. We’ve gone from over 200,000 advisers in the 1980s to about 20,000 now.

Back then adviser’s earnings came from the protection products. Now the procurement fee for the mortgage delivers the income.

Product providers have cut their consultancy teams and their training budgets. Quite simply advisers have lost the skills to sell protection. It’s easier to talk about something people want, a home and a mortgage, rather than spend time on something they aren’t interested in, a protection product.

We hear arguments that after two to three hours of mortgage paperwork the last thing people want to do is talk about protection. But with the simpler processes (potentially a hand off to self-service as described by Charlie) it might only add another 15 minutes. But it’s perhaps the fear of rejection and reduced selling skills that push advisers out of their comfort zone in those last few minutes.

Nick Rendle, SCOR

Nick began with a provocative question. Will the next financial services scandal be “The Great Miss-not-selling protection” scandal?

He then showed a funny video where he implied various people in the supply chain were to blame for low mortgage protection sales.

Most telling was the “price spiral”. Regulation forces advisers to recommend on price. Providers reduce prices which leads to more underwriting, more process which leads to fewer sales. And so, it goes on.

Nick’s conclusion is everyone has contributed to the current state of the market and it’s up to advisers, providers and reinsurers to remove complexity, create better processes and get back to selling mortgage protection.

Debate

Self-service and collaboration

We discussed the idea of a self-service style of protection product mentioned by Charlie which advisers could send people to at the end of the mortgage interview. It's a promising idea but on its own might not overcome the usual customer objections.

Charlie also mentioned we must look at how to engage with different customers. Some will never seek financial advice, and for them the self-service route might be the only one they'll take.

The CEO of an adviser firm talked about a service his company has launched where advisers can collaborate with them and send along their protection cases for them to deal with.

Mark talked about putting a specialist protection adviser into each firm to take responsibility for the mortgage protection recommendation. He did caution however, that the protection conversation must happen in a specific window of opportunity. Once the clients have exchanged contracts they become busy with all the activities of moving to a new house and you lose any chance of engaging again with them about protection.

Technology

There was a sense from the people in the room that whilst other industries seem keen to embrace modern technology, protection is lagging way behind.

Charlie mentioned Alexa and how we might have to optimise our online content for voice-searches.

We shouldn't see technology as a threat (data leakage for example) but as a massive opportunity.

Product Models

An adviser questioned whether our product models were compatible with consumers expectations. Many people don't even commit to 2-year phone contracts anymore. They go sim only. Are 25-year term assurances relevant anymore? Should we be looking at annual costed options?

We also debated procurement fees and the regional variations. It's come up at Protection Review conferences before, but should we be paying advisers more commission for the work they do on mortgage protection? A contentious question with convincing arguments both ways.

Mortgage Protection versus General Protection

Another adviser asked why whether focussing on just mortgage protection (apart from the context of the debate) was the right thing to do. He talked about his own business practice of always having a follow up general protection planning meeting with all his mortgage customers. He's helped them get the keys to their dream home and he wants to help them keep the keys. But he always aims beyond just the mortgage. And because they set the meeting up quickly he finds take up is good.

He also suggested the lack of a protection trade body adds to the lower importance protection takes in the eyes of some advisers.

Protection Review's summary actions for the industry

Without doubt the extra paperwork and process generated by the Mortgage Market Review has affected protection sales.

But we believe some providers have worked to introduce simpler products and processes to compensate. Some adviser firms have committed to making sure they recommend protection with every mortgage completion.

Here are our three major takeaways from the debate:

- Technology is the key to further simplifying products and processes as well as engaging with younger clients. But we need to start with a blank screen rather than trying to “digitise” existing processes.
- We have an obligation to make sure clients protect their mortgages. If advisers don't want to fulfil the obligation themselves then work with someone else to either hand off the protection advice, or point the client to a self-service option.
- Let's work together as an industry to help replace some of the soft skills we may have lost such as selling, story-telling and empathy.

To find out more about the Protection Review Conference, Awards and Dinner visit: protectionreview.co.uk

Get in touch to discuss partnership opportunities: jo@lebeauvisage.co.uk