ROUNDTABLE SUPPLEMENT
November 2019

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GETTING IT RIGHT

Kevin Rose – kevin@bestadvice.co.uk

There are not enough people in the UK buying a protection policy when they take out a mortgage, whether life, income protection or critical illness cover. The issue is compounded by the extent to which competition, technology and non-advised sales are putting pressure on mortgage advisers, coupled with Brexit related uncertainty destabilising the housing market. The result? Millions of people in the UK are currently under-protected, or have no financial protection at all, often unaware that they at risk of losing their homes, should circumstances change.

Mortgage brokers should focus on growing their protection business to remain competitive and profitable. But how can this be achieved? That's the question that our panel of seasoned industry experts set out to answer at the recent BestAdvice/ Royal London roundtable event.

All advisers recognise that the mortgage process is more complicated and takes longer than ever before, putting increasing pressure on time with the client. However, recognising that the protection conversation is as important as the one for mortgages is key. Failing to address the protection conversation early on in the process means it will be a hard sell further down the road, with the attendant risks of loss of income for the adviser, lack of necessary cover for the client and a possible future of complaints and liability issues for the broker.

On a positive note, our roundtable panel agreed these problems could be avoided with the creation of a dedicated, separate sales process for protection, where cover is mentioned from the very first conversation. The difficulties stemming from introducing protection too late in the process can be ameliorated by giving the subject the prominence that it deserves early on, helping the client understand the risks of allocating their monthly spending only to repayments on their property. Clients need to be fully informed and aware that in the event their circumstances change and they find themselves with no income, a lack of protection and inability to repay could spell disaster for them and their dependants.

Finding the right product for the client is obviously vital, but the proliferation of extra features and add-ons can make the job harder. The client's interest may have been piqued by the advert they saw on the Tube, but is the product that comes with the 'free' fitness tracker really the right product for them? If the adviser struggles to understand all the features, then there is little to no chance that the client will.

Advisers need – and value – support from the protection providers. Assistance from a business development manager can make all the difference – difficult cases can be completed, while new products and features can be talked through. The panellists' experience was that all providers are the same, which begs the question: if you leave the adviser in the dark, how are they expected to understand – and subsequently recommend – your product? ■

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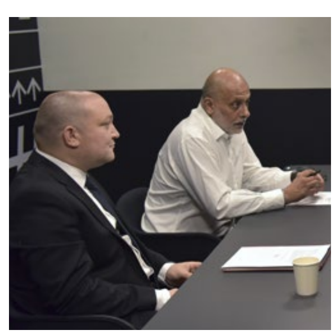


Clockwise from top left: **Owrang Rahmani, adviser and owner of Credius Wealth; Pardeep Tiwana, mortgage and protection adviser at Temple Walbrook Financial Services; Sebastian Riemann, financial consultant at Libra Financial Planning; and Jennifer Gilchrist, protection specialist at Royal London**

A DIFFERENT APPROACH

Protection sales will only increase with the use of a clearly defined, separate advice process, writes **Kevin Rose**

Bridging the protection gap will require a change in mindset and process for mortgage advisers. That was the view of delegates at a BestAdvice/ Royal London roundtable debate in October.

While all the participants saw the value to themselves and their clients in selling protection, there was no 'one-size-fits-all' approach which unified them.

What they did agree on, however, was that the mortgage sale today is more complicated and takes longer; this can have a knock-on effect on the protection sale.

Owrang Rahmani, adviser and owner of Credius Wealth, explained that mortgages took a lot less to manage 15 years ago, as opposed to the current environment, with regulation and affordability calculations adding extra complexities to the process.

"At the same time, with the affordability calculation, it's a good time to really build protection in," he said.

"However, the first thing clients do when they think about the mortgage is jump online and look at what the monthly costs would be. They then have this preconception of what their outgoings will be without factoring in protection. So you can you can be fighting a losing battle to an extent where you're trying to introduce a different outgoing figure to the client when their expectations might be a lot lower already."

He added that an added complication can arise when clients have previously spoken to other advisers who aren't protection focussed. This can require a difficult readjustment of their expectations.

Sebastian Riemann, financial consultant at Libra Financial Planning, agreed: "It's always difficult because if you don't win the client for the mortgage, there is no point talking about protection."

He believes that protection should be mentioned to the client enquiring about the mortgage from the outset and then continuing throughout the process.

"I do try to focus on the protection and not just on the mortgage. I concentrate on client retention and looking after clients for a long time. So protecting their income until retirement is a lot more important to me than just protecting a mortgage, which then may pay off or change. It takes the conversation in a different direction quite early on."

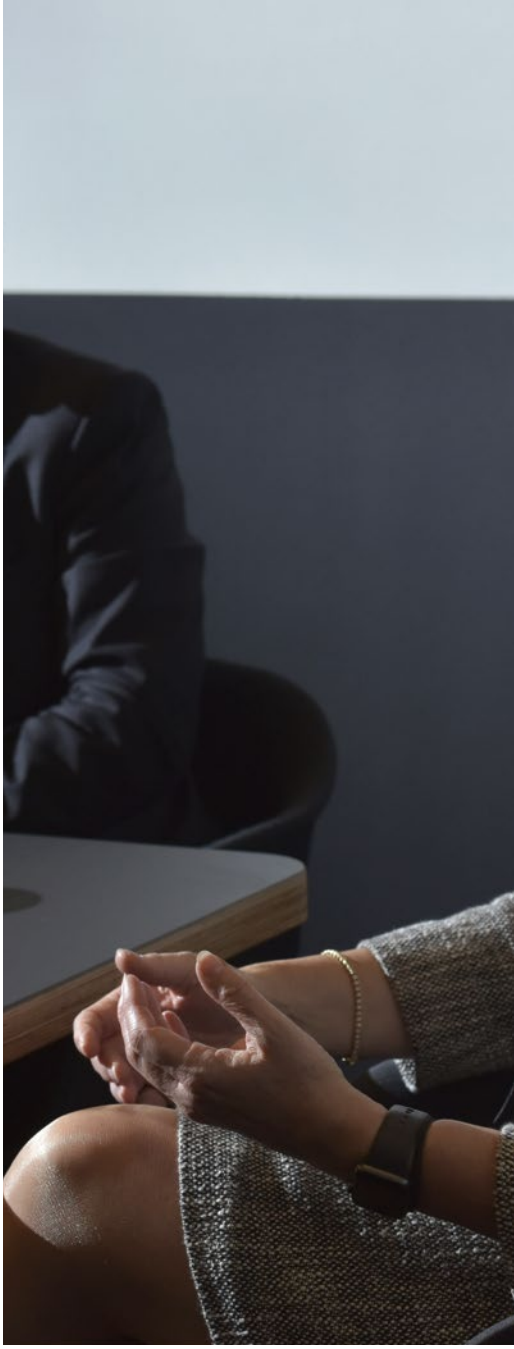
Rahmani favours two separate tracks for mortgages and protection, and if pushed, values the protection side more.

"We decouple the protection from the mortgage; the protection has got nothing to do with the mortgage because whether they rent or whether they own a home, if they don't have an income, they won't be able to support themselves."

He ensures that protection has its own sales and presentation meetings, as well as its own fact find.

"You can shortcut that process, because, as we've discussed, the mortgage process is much more complicated nowadays, with more of an emphasis on affordability. This means you know pretty much everything about these people anyway before whether they own a house or not." ▶

"Clients don't really understand that [the need] could exist or what risks they run in their lives, and how those risks can covered"



IN THE REAL WORLD

The group agreed that overcoming misconceptions or a wider lack of knowledge about protection is key to selling it.

Jennifer Gilchrist, protection specialist at Royal London, said a lack of understanding was something the business faced regularly. Despite a widely quoted industry statistic that 50% of adults in the UK have life cover, Gilchrist explained that clients lack awareness over the actual need for income protection and crucial illness cover.

"Clients don't really understand that [the need] could exist or what risks they run in their lives, and how those risks can covered."

When asked how this could be overcome, there was agreement around the table that face-to-face meetings were essential.

Riemann stated that providing advice over the telephone or online was no substitute for actually looking the client in the eye and gauging their responses.

"You can't engage with the clients otherwise," he said. "When you talk to them face to face you can engage with them and see their reactions. You can plant seeds [about protection] and get a feel for how they perceive it and what areas you need to focus on."

Rahmani said time pressures shouldn't mean advisers don't hold meetings with clients. He believes many brokers have fallen into a "trap of trying to be efficient with the mortgage application".

"In the past, the approach would have been to say to the client, 'here's a Word document, fill that in, send me these bits of paper and then we'll have a chat.'

"What actually needs to happen is something more involved than that. Trying to make it too efficient also misses all the opportunities that could arise from a proper fact find.

"You're not only going to get more information about them in their body language, they'll give you more face to face. You'll also understand what it is that matters to them and hopefully you'll be able to empathise with some of their situation."

Only then, he explained, could advisers properly tailor their advice and begin to recommend the correct protection solution to the client.

CASE IN POINT

The issue of millennials was widely discussed by the panel. Research from Royal London, published earlier this year, found that three-quarters of IFAs surveyed by the insurer think younger consumers are not addressing their protection needs early enough, with 43% of advisers struggling to attract clients under the age of 35.

The main barrier to selling or recommending the product was a lack of awareness of income protection among clients, while affordability was another obstacle, despite the fact that, on average, income protection is cheaper than a monthly gym membership.

While the panel was broadly aligned on this view, Riemann's experience was different. He finds that millennials are keener than the previous generation on advice and will have done some research in advance.

"The conversation is often slightly different in that they will have a better basic understanding, but maybe don't know exactly what they want or need. They are much more open to getting advice and assistance."

Rahmani agreed that millennials do not want to receive advice online: “I don’t think we’re ever going to have ‘robo advice’ that can empathise in a human way with another human about the fact that if they lose the main breadwinner in the house, their kids are going to be out of a home.”

The panel talked about the use of case studies when discussing protection with clients and all agreed that these could have real impact. Gilchrist cited a case study from Macmillan’s annual report on how much it will cost an individual when they get cancer.

The study said the extra financial cost was £570 a month and looked at the case of a 28-year old single man who was diagnosed with cancer. Despite living and working in London, the extra costs forced him to move back in with his parents in the North of England. This also meant that his cancer treatment in London stopped and he had to arrange new treatment near his parents’ home.

Gilchrist commented: “You think it’s all just horrible and what you want is for him to have income protection so he can keep his flat. He can keep the life as it is, not have to worry about money and get on with his cancer treatment.”

Pardeep Tiwana, mortgage and protection adviser at Temple Walbrook Financial Services, added that case studies can be beneficial to both the client and the adviser.

He mentioned that there is a fear factor of something goes wrong; there could be problems later on if the adviser didn’t talk about protection to the client or had no disclaimer.

Tiwana outlined a recent case which had caused him to look at things differently: “I had a client who died last year and her husband, who also was a friend, called me. Literally the second thing he said to me after he told me that she had died was: ‘What about the house Pardeep?’ because she was the breadwinner. She earnt a lot more than him.

“It was very sudden, it wasn’t expected. Thankfully, I had done life cover for her. So he’s not going to lose the house.

“But I know personally it hit me that it could have gone seriously wrong. I’m sure every adviser has got a story like this.

“You’ve got to start changing and not just because it is profitable for the business. For me personally, that’s why it’s become a big thing now.”

Riemann added: “It comes with age; we all have more experience when we get older. We tend to witness people close to us suffering and clients suffering. So it does make the conversation that much easier when you’ve got first-hand experience - easy in the sense of knowing what it’s like and explaining it.”

Gilchrist mentioned research that Royal London had conducted recently into what triggers people into thinking about cover and found that other than needing a mortgage or starting a family, another key factor is change in employment.

Rahmani agreed that a change in life circumstances should be a time for a protection review: “Generally, people start to get serious about money when they buy. So it’s a good point at which to start talking about protection. But the conversation doesn’t end there. People get divorced, people move, people go from being employed to being self-employed. And that creates a whole new series of risks because they lose their employee benefits that they may have. So we use the mortgage as an excuse to find out absolutely everything about each client.”

This resonated with Riemann. He said: “We’ve had such a shift in the makeup of the employment sector, where people have gone from PAYE to contracting and self-employed.

“There are a lot of people out there who have taken out policies, but then their family has expanded and the husband now stays at home. He might not now qualify for a pay-out, so he’s paying for something that he can’t get anyway. I think that’s where there’s a huge need for a protection conversation.” ■

WHAT REALLY MATTERS

Features and adds-ons shouldn't get in the way of understanding clients' protection requirements, writes **Kevin Rose**

The general consensus among the advisers at the recent BestAdvice/Royal London protection roundtable was that while protection products have more features than ever before, advisers should focus on what the client actually needs.

One reason the panel believed that protection products are a lot better today than they were in the past is that they apply to more individuals and their particular circumstances.

Owrang Rahmani, director & adviser at Credius Wealth, said he believed the main improvements have been in critical illness products.

"They are superior products to those which were available in five or so years ago – additional covers for cancers, part payments, children's cover, for example.

Sebastian Riemann, financial consultant at Libra Financial Planning, sounded a warning, however: "Providers are trying to differentiate themselves, which is a good thing, but it can be tough on the adviser knowing what is best for the client," he said.

Rahmani noted that while core products were fine, he was not convinced by what some protection providers were offering as extras.

"The products are better in terms of the number of things that they pay out on, great. But frills? Add ons? Amazon Prime? I'm not really that bothered about those. I prefer to keep the conversation about the product and what the product does."

Pardeep Tiwana, mortgage and protection adviser at Temple Walbrook Financial Services, questioned whether the issue with adds-one was with advisers not understanding them or not being able to explain them with the client.

"I've come across a lot of clients who like the Vitality proposition, they've seen the adverts on television. A lot of people are pretty switched on to it and they quite like it:

OVERCOMING CONFUSION

Jennifer Gilchrist, protection specialist at Royal London, told the panel that the insurer had recently conducted a piece of research on critical illness, but that the participants' definition of critical illness was actually income protection.

"They wanted something to make sure that you had income on a monthly basis in case they couldn't work."

Rahmani concurred, saying that clients often don't understand the difference between income protection and critical illness cover, especially if it's critical illness that pays as an income. This just highlighted the importance of face-to-face meetings in order to thoroughly explain the differences in the products and all the options available.

Gilchrist added that Royal London's research found that consumers like the idea of a lump sum as opposed to an income. But having spoken to a number of people who have received money from insurance products, they don't always use it to pay off the mortgage, which one might expect them to do.

"A woman we spoke to, she'd had cancer," she explained. "She didn't want to pay her mortgage off, she didn't want her family to not have something in the bank to fall back on. And this was five years after the claim was paid, it was still sitting in the bank, she was fine and back at work."

The panelists agreed that the simpler the process for the adviser, the better for all concerned. This was why they liked the Menu approach from Royal London. Rahmani said: "We love Menu; for most clients, that sort of product is the best it's all in one place - one policy document. One Key Features, one Trust document."

He added that there was some frustration with certain providers' implementation of a menu-type approach. For example, he said that some insurers still required separate direct debits even from a menu.

"We have several clients where we've got very complicated protection arrangements because we've built on existing provisions. They're always asking questions such as 'Remind me again, what's that £17.99 a month for? And what's that thing?' That tests your knowledge of your client's policy details, which can be embarrassing. It forces you to be diligent."

Riemann compared the process to one when sourcing mortgages, where an ▶

'Oh, I could do my 10,000 steps and I get an Apple Watch.' They may be the frilly bits on the side, but that's what catches them."

However, Rahmani believes that having a number of features with a product can over-complicate the issue.

"You've got to steer the conversation in the direction that you want it to go in, which is around ensuring that incomes and homes and families are protected," he explained.

"All of that other stuff is nice to have, but I don't want them to detract from the concept of risk. 'Would you want to take the risk of losing your home? Do you want to mitigate it or do you want to eliminate it altogether? What do you want to do?'"

He mentioned that his network – Quilter (formerly known as Intrinsic) - recently added AIG to its panel and that he was interested in its whole of life product.

"It doesn't have any underwriting at all, there is a price based on your age. You've got to say no to a few questions, and as long as that's the case, then you get it. So that's quite clever; that kind of innovation is useful," he said.

adviser would first look at what the existing providers can offer and then looking at a whole the market.

"When I put the protection advice together, it involves checking their menu plans with the provider directly and then seeing what else is in the market. You can give the clients the choice; nine out of 10 times you'll probably end up there anyway. But it's doing that research to start with. Those complications contribute to the gap in the protection market," he said.

It is unlikely to surprise advisers that a common gripe with the panellists was documentation.

"There needs to be an improvement in how well they are presented," Rahmani said.

"Quotes could be presented better, some of them are awful! When you read a quote from a provider, you find yourself asking, 'where's the premium? Which bit relates to which? Hold on, the waivers over here. Why is it there?'

"We need documents that the layman can read, because I'm an adviser and I can't read them."

He also argued that Key Facts documents were often too long and that they should be two pages maximum.

"There's an awful lot of simplification that could occur in the articulation of the value that these policies have, because I think they are brilliant policies. I just don't think it's that easy to articulate."

PROVIDER SUPPORT

According to the panel, the relationship with a business development manager (BDM) can make all the difference when it comes to understanding the products and their add-ons, and helping with live cases.

Rahmani said: "With Royal London and Aviva, we work very closely with the BDM, but less so nowadays with Aviva - and unsurprisingly, we don't recommend their products that much any more. I wonder why that is; because we don't understand the products as well.

"Having someone that we can call and say, 'we've got this case, what do you think?' is crucial."

A common complaint was with the medical profession; specifically, the time it can take to get a General Practitioner's Report (GPR).

Tiwani suggested that it would be beneficial to advisers and their clients if the providers could some how put pressure on doctors' surgeries to issue GPRs in a timely fashion. He revealed that he recently had to wait three months for a report.

He said: "In the end, I finally managed to get through to the practice manager and told them that my client was desperate for the cover. I added: 'What are you going to do if she dies? Are you guys going to give her the money?' And then suddenly they started moving to get the report sorted out."

Gilchrist revealed that the insurance industry was attempting to work with GPs to try and increase medics' use of electronic requests and other technological services. Whilst it would initially take them more time because they needed to learn how to use the new systems, the industry view is that in the long term, the time savings for over-stretched surgeries would further improve adoption rates.

She added: "Royal London has a data analytics team who sit behind all this medical data and it's one of the areas that we feel is going to be important in the future.

"What they are really trying to understand is whether every piece of information we get in actually relevant and if we use it? If the customer has given you sufficient information, when you get the GP report, has it actually added any value?

"It's about putting the trust in the customer and the information and to start thinking about how to do things in a more effective way. It could be that the best way to get information might not always end in a medical or a GP report. We all will see things change as that data analytics model continues and gets more progressive. This is a new idea, we're learning as we go." ■

PRIORITISING THE PROTECTION CONVERSATION

Jennifer Gilchrist, protection specialist, Royal London

Alarmingly, most people continue to run the risk of life shocks without having an appropriate back up plan to help them cope financially, practically or emotionally. In Royal London's State of the Protection Nation research, we measure consumer awareness and confidence in protection insurance. We've found that there's still some way to go in dispelling the myths that protection isn't essential, is too expensive and that insurers won't pay out.

Protection insurance is all about de-risking life; being there when life throws you a curve ball. It's difficult to get these messages out, but thank goodness for advisers like you who raise awareness of protection and encourage clients to get covered.

HOW TO MANAGE THE PROTECTION CONVERSATION

Providers supply lots of marketing material and tools to help advisers demonstrate the value of protection. Using case studies to support a protection conversation can help illustrate the benefits for customers who have claimed, as well as positioning the potential impact of not having cover in place.

Customers told us that they expected to be more likely to die in their working lives than to be off work sick for more than three months. The reality is actually the opposite: illness and injury are far more likely than sudden, early death.*

More than half of people could manage for no more than six months if they were sick and unable to work. Of them, 22% would only be able to last one month.* Protection is all about covering the everyday risks we run in our lives. It can provide some peace of mind so your clients don't need to worry about their financial position should they be unable to work, get a serious illness or die. An added incentive with insurance these days is support services that can help a family cope with sickness and death.

And it doesn't have to break the bank. When we asked customers to explain their reasons for not currently having protection in place more than a quarter said they thought it was too expensive.* But with the different options available these days, you can tailor cover to suit most budgets. With family income benefit on life or critical illness cover and limited payment periods on income protection, no-one should go without cover.

The outcome we want for all our customers is that if they need to claim, we can pay out, and usually that's the case. We paid 99% of claims in 2018, totalling over £500m.** When we look at why certain claims aren't paid, the reasons are largely people not being truthful about their past medical history and not meeting a policy definition. But this last one doesn't mean it won't pay out in future if an illness progresses. And an adviser who understands the importance of disclosure can make a real difference in helping the customer at the application stage.

WHEN TO HAVE THE PROTECTION CONVERSATION

It's easy to let protection conversations end up taking place at the moment when major life events are in progress, for example buying a house or having a child.

Instead of trying to compete to be front of mind at such a busy time for the customer, some advisers' business models introduce the idea of protection ahead of the event, or even revisit after it has happened. When your clients buy a house, disposable income will probably be restricted because they obviously want to achieve the maximum loan possible. So perhaps coming back to assess the level of protection once the dust has settled could help them take a sensible and realistic approach to making sure they cover their biggest risks, and manage them for the long term.

Our recent research has identified additional triggers for protection conversations, such as moving jobs, getting a salary increase, becoming self-employed or starting a business. Customers cite these examples as reasons they took out income protection in particular. Could we see advisers use these as an alternative way to start having conversations with their clients, or use them to review existing client cover? If conversations were more connected to careers could we see this leading to people getting cover earlier in life and benefiting from lower premiums?

At Royal London we're committed to the protection market. Financial advisers are pivotal to people understanding the risks they face in life, and getting the right protection cover in place. ■

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