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The 'Black Friday' effect – helping brokers identify personal risk versus sales opportunities

According to *The Guardian* UK shoppers in 2017 splashed out more than £2.5 billon on Black Friday deals, as they continued their affair with the US-inspired discount day. Sales continued over the whole of that particular weekend, and it was expected that £7.3bn would be spent between the Friday morning and Monday night, according to the Centre for Retail Research.

Unsurprisingly, most transactions took place online with customers using credit cards; this has inevitably added to the already mounting consumer debt we hear so much about. When we talk about trillions (£1.557 trillion of debt at the end of September 2017) these figures tend to pass us by as almost incomprehensible but when the figures are drilled down into they seem more relevant to our own situations and those of our clients.

Given the UK's total interest repayments on personal debt over a 12-month period would have been £49.885 billion, this averages out at £137 million per day. Households in the UK would have paid an average of £1,841 in annual interest repayments – a per head figure of £964 – which is 3.65% of average earnings. According to the Office for Budget Responsibility's (OBR) March 2017 forecast, this will rise significantly in the next five years.

Back to macro figures for a final time – total credit card debt in September 2017 was £69.4bn. Per household this is £2,562 – for a credit card bearing the average interest it would take 26 years and 1 month to repay if you made only the minimum repayment each month. 'So what?' I hear you cry.

Other than the fact advisers know these debts exist there is not likely to be any immediate solutions to paying off the debts nor cutting down on the bills. The reality however is that quality advisers now have more tools at their fingertips to help clients understand the need to cover themselves in the event of death, illness or incapacity than at any other time in history.

Because of the busy lives we lead, and the workloads added to - all due to changes in the regulatory environments - advisers will more naturally be reactive than proactive in speaking to customers. What can be achieved however is to use those tools to maximum effect at the times when client meetings take place.

The recently launched and innovative risk report from iPipeline helps a client identify their own personal situation along with the likelihood of a claim against the three core areas of death, serious illness and incapacity due to sickness. This in turn highlights to clients solutions for them in helping them to cope financially should any those situations arise.

The input required to produce the report is limited and is driven from some of the data already placed in to the 'Solution Builder' system when identifying broader needs. We have always said that life assurance needs to be 'sold' as opposed to being bought by clients and anecdotally all brokers know that if the individual person knew for sure that they were going to suffer an incapacity tomorrow, they would be significantly more likely to buy a policy today. We are not quite there yet but what this drives us to is potentially helping clients identify the optimal time for them to take out cover.

While the modelling is not perfect yet, it does use ONS data and it can importantly identify occupational classes – highly important for income protection sales. Users of the system do therefore have the facility to produce this personalised report for each and every client. Not forgetting of course that 35% of households have no savings whatsoever, the risks of 'Generation Rent' at not being able to pay their obligations is just as relevant as it is to homeowners.

Using the data on applications put to the providers through the Solution Builder system it is potentially possible to highlight propensity to rate clients using lifestyle measures too – again a statistic that may be highly useful to brokers working with clients in certain occupational classes.

From a distributor perspective Paradigm wants to help our firms identify areas of the market we can help grow as opposed to 'sharing' the sales between different organisations. Tools like this do help to achieve this aim, satisfying not only the client and the broker but also the regulator in supporting positive client outcomes and of course treating customers fairly

Moving forwards tools like this will be able to highlight in bulk the 'highest risk clients' in every adviser client bank based on age, smoker status, occupation and of course debt – open banking may help here too.

As with the statistics set out earlier the greater relevance for any of us comes from knowledge of micro risk as opposed to macro. Given the usefulness of this tool Paradigm Protect members now get access to it completely free of charge.

Mike Allison is Head of Protection at Paradigm Mortgage Services