White Dragon Communications
Client: Paradigm Mortgage Services/Paradigm Protect
Publication: Mortgage Introducer
Word count: 806 words
Date: 29/03/18

Is the protection market showing signs of growth at last?

According to many commentators the protection market took a change for the better in 2017. As we know, the market has been flat for some considerable time and although there have been slight increases in certain product sales (income protection, for example) these haven't been enough to make a major leap in terms of total product sales and annual premium growth as the core products are still term assurance and/or critical illness (CI) combined.

We are still to have the final analysis in from various sources to confirm the actual numbers but there does appear to be a feel-good factor around the market.

Many commentators will have their views on the reasons why we hope this is a sustained growth pattern as opposed to a short term 'blip' and in recent Paradigm Protect events I have been sharing some thoughts with attendees on why we may be at the start of the former, rather than the latter.

Product innovation

From the early days of 'dread disease' cover the product provider world has been advancing significantly in terms of illnesses covered which now constitute legitimate claims. Whether they are full or partial payouts based on severity, the net has definitely been widened in terms of payments made.

We only need to look at child cover as an example of payments being made due to innovation in product design to back this up. Many providers now tell us the children's critical illness claims form a major part of total claims made – a significant move from the early days of the base CI product.

The introduction of cver-50s plans in to the intermediary space has also had a positive effect on sales as has introducing group life sales in to the SME markets via mainstream intermediaries as opposed to specialists - this is certainly our experience within Paradigm Protect.

Underwriting stances

Most providers have moved with the times when it comes to underwriting customers, especially given the advancements in medicine and the significant positive impacts on life expectancy. The likelihood of the majority of clients 'making it' to their mid-60s, regardless of health problems, is significantly greater now than at any time in history. A 40-year old therefore should need considerably less underwriting than before given that longevity.

In practice, providers are looking at BMI, Diabetes and other ailments in a totally different way than they did previously, making access to simple term products easier and, in reality, more affordable as the costs of attaining medical data have reduced.

The development to allow 'straight-through processing' has also been important here with providers investing in systems to speed up the processes and target questions bespoke to the customer as opposed to a blanket underwriting approach.

This has had an impact in two ways. Firstly, in reducing the time to make an offer of life cover so clients don't get disgruntled and, secondly, speeding up the time it takes a broker to process a case, making the sales process more efficient thereby reducing their time burden in a world where, for example, the workload/time to complete mortgages has increased considerably.

Consumer confidence

The positive claim statistics emanating from life companies and passed on to potential clients is bound to have had an effect on consumer confidence. We have been brought down for years with the PPI issue and confidence in insurers paying claims - often cited in consumer surveys as one of the main reasons client do not buy insurance. Thankfully, the PPI saga is coming to a close, and we have to respect that consumers want to know that when they have an issue and make a claim, that claim will be paid.

Third-party software

The development of third-party software has also undoubtedly helped in developing the market. Products such as Solution Builder have helped intermediaries fit client needs in a far better way than previously. In addition they have been able to demonstrate to clients the breadth of cover and products available to match budgets in a simple effective way. Subsequently, this has reduced time in obtaining duplicate quotations from providers further adding to economies for brokers, and the indications are that products per sale have increased as a result.

Income generation

Finally, given the drop in buy-to-let sales generally, and the potential of slightly reduced income for those mortgage brokers recommending product transfers and retention products, it may well be there has been an increase in focus to develop what is clearly a lucrative income stream. At the same time, advisers can't underestimate the importance of fully protecting a customer and the goodwill this generates, hopefully ensuring future retention and referrals.

The sector is changing, and the market provides plenty of opportunities for those willing to cover off a client's protection and insurance needs - a true 'win-win' which it is hoped will continue throughout 2018 and beyond.

Mike Allison is Head of Protection at Paradigm Mortgage Services