If it ain't broke, don't fix it

We've all heard the phrase, 'If it ain't broke, don't fix it', with the principle being, if things are going well change is not required. With that in mind, if we look at our own life assurance industry the question is: are things going well?

The good news is that the intermediary share of the market has continued to grow in terms of life sales with circa-65% written in the independent sector in 2015 and in the same year £3.6 billion was paid to 129,000 customers or families as a result of claims on protection insurance policies - an average of £9.9m each day. The bad news is that total sales, according to ABI statistics, have dramatically dipped even in the last ten years when consumer debt has continued to spiral.

It is pretty clear therefore that sales of life assurance and associated products have not necessarily kept pace with either consumer requirements or the need to take out cover. The burning question therefore is, why this should be the case - where does the burden of responsibility lie for the shortfall ?

A number of potential suggestions have been made:

- The unwillingness of providers to change products and processes to fit the modern era or concentrate on simply evolving existing products as opposed to 'blue sky' thinking to develop new ones.
- The sheer number of advisers who have left the industry for one reason or another – we have all seen the demise of industrial life offices like the Prudential and many others whose mainstay was to support the provision of at least some life cover to millions of clients.
- The lack of awareness in the consumer sector related to the need for Life/Income Protection Cover – something we hear about in many customer surveys – or the general mistrust of customers in our industry around mis-selling, such as the PPI scandal that has left an undoubted scar on our marketplace in the eye of a typical consumer.
- The time it takes to sell life cover in the post-MMR era – we often hear from brokers that the increase in the length of the mortgage sales process has perhaps deterred them from following up sales of life and income protection products, or at least deferred them to a later date which for whatever reason doesn't seem to happen.

In reality, it could well be a mixture of all of the above, but whatever it is, we could say that at least something is 'broken' and a 'fix' is definitely required in some guise or another.

So how do we go about fixing it - bearing in mind the need to support the intermediary sector which is undoubtedly doing a good job in protecting clients, whilst at the same time increasing the awareness of the clear benefits to consumers of life assurance and associated covers. One way is to look at products and processes used in providing cover to clients.

There is little doubt that consumers are getting more and more used to services that are tailored specifically to them, and this will only continue to increase. However, insurers historically tend to have one product that is expected to fit a potential audience of 30m-plus people. Currently, protection products are largely generic, designed to protect people with varying sets of circumstances.

Insurers hold a lot of data about their customers, so could it be possible in the future for insurers to look at someone's individual circumstances, i.e. salary, mortgage, debts and family situation and based upon all that information create a product just for them? We are so used to using our mobile phones via a variety of ‘apps’ to buy a variety of goods and services, or merely to check on information like bank balances, yet if we look at the number of those apps linked to our industry separately, how many exist to support the sales of say life and/or income protection cover?

Yet we can easily imagine a situation where a client purchases a major item, a car on hire purchase, for example, which would add to their overall ‘debt’ and outgoing liability. They could then access their protection ‘account’ and immediately add to their premiums in order to cover that liability using a life and income protection product.

After all, the insurer could easily hold a significant amount of data including medical information using wearable technology and online banking information that could be used to give an immediate price for the increase and prompt the client to ‘buy now’ - just as we see in many other industries when one purchase prompts the app user to buy other products, for example, where buying a flight often leads to an e-mail to purchase a hotel room or car hire in a chosen destination. The technology clearly exists to do this as we see it every day in our lives

Keeping the adviser in the loop on these sales would help to enable them to ensure that the relative amounts were affordable and particularly relevant for him/her to continually advise the client on options so the customer was treated fairly. Such a simple use of that available technology could dramatically reduce the much discussed ‘protection gap’. It is up to the providers of life assurance, and the key distributors such as ourselves, to get together to help solve the problem and ensure that things are no longer ‘broken’.

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