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Providers need to push back the boundaries to make life easier for mortgage brokers

In recent times, mortgage lending in the UK has been enjoying its strongest spell since the financial crisis in 2008. CML figures show impressive growth in 2016 to around £250bn of gross lending – an increase of around 12% on the previous year. Lending in 2017 however has levelled out a little with latest monthly figures showing £22.1bn of activity in June 2017.

This flattening of overall lending masks uneven growth between types of lender, for instance, lending to first-time buyers continues to grow, with lending to home movers showing some decline and buy-to-let lending showing large falls over the course of 2017 to date.

Despite this slowdown in the housing market, the number of residential house transactions remains buoyant, relative to the trend over the last decade – encouraging for all of us in the industry. Further encouragement comes from market share statistics with around 80% of mortgages now being arranged through brokers, compared to just over 50% in 2014.

What all mortgage intermediaries are clearly well aware of is the additional time it takes to complete a mortgage post-MMR due mainly to more stringent rules on affordability and income verification at fact finding and offer stages. This lack of capacity means that mortgage brokers don't have a great deal of time to add 'additional sales' to their process. Advising on a protection product will add to the time taken even if the advice to take out protection of some kind will in most instances be welcomed by the client.

A conundrum therefore exists with there being a clear opportunity but something of a strain on resource when the 'in-tray' presumably full of other mortgage opportunities due to higher demand from the public for intermediary sales.

You might think that given such circumstances, the protection industry would step forward to provide help. Has that truly been the case?

The principles of life assurance state that contracts are influenced by a number of criteria, commercial as well as insurance. As the insurer does not know anything about the proposer, the duty of disclosing the material facts is imposed on the proposer. The decision of the insurer will depend upon the material facts disclosed by that proposer

The premium should reflect the risk that the proposer has of 'claiming' from the pot of the many, which is designed to support the few. Insurers need to be careful that via their processes they are not 'selected against' to make that pot uneven. However, in reality, the purchase of a property does not normally take place to drive the purchase of an insurance policy. Therefore, logic suggests that the risk of 'selection' against the insurer is greatly reduced if the driver for the purchase of the life policy is actually the house purchase.

Over thirty years ago clients taking out much-derided endowment policies to sit alongside their house purchase used to be asked four basic questions in order to have life assurance added to the policy. These were typically age, smoker status, sum assured, and a question relating to any visits to the doctor for other than minor ailments in a previous time period (usually three or five years). If those questions were answered in the positive, from an insurer perspective, cover was granted to a limit sufficient to cover most house purchases at the time. Granted as the investment levels rose, the amount left required to pay off the mortgage reduced; but this remains the same today on capital and interest mortgages.

In various discussions with Paradigm Protect brokers it is apparent that simplifying the process, reducing the time spent underwriting the policy and offering a quick solution would lead to increased sales. More importantly it would add the cover that many customers sadly lack in today's market.

Clearly, where the reduced questions in relation to the policy were not answered in the positive, or if clients were outside age frameworks, they could be underwritten normally. Even if there was a slight differential in price to reflect a potentially slightly higher risk this would still be explainable - to reiterate this is not a request for insurers to abandon the principles of life assurance but to adapt their processes to take into consideration the circumstances around the mortgage/purchase.

I understand that some insurers are considering this and/or similar options at present but the sooner the better for the sake of clients and the positivity of the life industry as a whole.

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