IPIPELINE®

iPipeline Quarterly

Autumn 2024

Sponsored by:

Legal & General | HSBC Life | Standard Life | The Exeter | National Friendly | Cirencester Friendly | Guardian 1821

Table of *Contents*

September 2024 *Introduction*

By **Ian Teague**
UK Group Managing Director
iPipeline

Welcome to the latest edition of iPipeline Quarterly. We're leaving Summer well and truly behind as Autumn has appeared quite literally overnight!

As we approach the final quarter of the year and work both independently and collaboratively as an industry towards our goals, autumn is a time to reflect on the challenges we've encountered so far and the goals we have yet to achieve - year-end is approaching for many.

However, we can't put the organisational blinkers on. We need to be mindful of the role all of us play for the greater good. For our market, that means adding value to consumers lives by making them more secure financially, helping them protect themselves and their families.

Value is a very current theme, with the FCA recently announcing its forthcoming market study in protection and providing fair value — does the market offer consumers the value it should?

We debate value a lot in our industry such as the price vs value argument. But no debate is binary, and no debate should be stuck in time. Here, for example, we've seen a shift. Customers are no longer signing up to the cheapest policy as adviser judgement and recommendation influences their decision through a number of factors; product features, value added benefits, premium costs.

You'll read more on this topic throughout this edition including the importance of data when it comes to companies proving their actions — the age of data driven regulation is here to stay.

Speaking of data, our annual customer survey is currently underway and is an incredibly important piece of work for us as we gain valuable insights to help us improve what we do so that we can help you. This year's survey goes beyond your thoughts on us. We want to find out much more about the advice market we serve. To understand you better, means we can serve you better. We will summarise the results in our next edition to demonstrate how we are adding value to your world.

Finally, I'm very much looking forward to attending some of the industry's key events as we enter conference and awards season. We have the chance to reward and celebrate the efforts of our colleagues and peers. I'm very proud to announce that once again, iPipeline are finalists at this year's COVER Excellence Awards in the 'Insurtech of the Year' and 'Outstanding New Technology Offering' categories, the latter for our enhanced PreQuo Lead Gen tool. I wish all finalists good luck and look forward to seeing you there!

Another year. *Another article.*

By **Paul Yates**
Product Strategy Director
iPipeline

By nature, I'm future focused. It pays to be in technology. If you're looking backwards, it's likely you're going backwards.

So, when I stopped future gazing for a moment and was forced to ponder how long ago it was that the FCA pulled the proverbial rug out from the previous regulatory framework and introduced the much discussed and much debated Consumer Duty, I was surprised to note it was a year — almost to the day.

All firms were required to comply with the principles that govern this game-changing piece of regulation by 31st July 2022. A point in time where we still had a Conservative Government (although I've lost track of which Prime Minister) and were still enjoying summery weather, well — kind of anyway.

So, it got me a thinking. The year since implementation of what will forever be known as just 'The Duty' (to me, only...) has seen much, profound change and the UK financial services market is no exception. But has this change been as a direct result of The Duty? Now seems like an ideal time to reflect on this question and make some predictions for the future.

Whilst it wasn't like we didn't know it was coming. There was the pre-implementation period, where firms, along with an army of consultants, translated what it meant and what steps they would need to take to comply and to thrive.

Then there was what I call a 'proof planning' phase. Firms had developed their strategy and how they intended to respond, but Consumer Duty was also a clear shift to evidence based, data proven regulation. Firms needed to build a framework of data and evidence to prove how they had delivered against their strategy.

Finally, and perhaps most importantly, it is about embedding a true customer focused culture throughout all firms. I've been around the industry long enough to know that the vast majority of the market works in the best interests of their customers — some of them just need to 'show their working out' to quote my old maths teacher. All firms for example, now need to be able to prove that they offer fair value to their customers throughout their relationship.

So, with these key outcomes in mind — I reflect, has there been a discernible change which indicates that the required shift has taken place in the past year?

I think so, yes. There are a number of indicators which indicate that firms across the spectrum are embracing both the duty in practice and in spirit. Here's a few examples.

First, we've seen a big increase in demand from both distributors and providers for data that help them prove their Consumer Duty strategy is working to plan. The types of data they've requested has varied (more on that below) but the intention is clear.

We've also seen changes to the type of data requested. The core of our data business has always been supplying the most comprehensive pricing data to help providers deliver and manage their protection pricing strategies — this hasn't wavered, but we have seen demand grow into other areas of insight. Providers are clearly trying to understand in greater depth where and how their products are performing. They are more focused on closely monitoring effective product targeting and segmentation.

In terms of said adviser behaviour, we have noticed a trend develop and continue of advisers who are less likely to recommend simply the cheapest cover. Yes, price still remains the key factor driving the majority of recommendations, but we watch with interest the move towards assessing quality and value too. Of course, the cheapest premium and the best value often go hand in hand.

Can we pin all these changes solely on The Duty, no. But has it had an impact on market thinking, behaviour and therefore consumer outcomes, yes. I'm sure it will continue to do so.

As a final thought, it is interesting to note how the duty has changed the adviser mix recommending protection. This is an area we have a keen interest in, we've been monitoring portal traffic to better understand where protection advice comes from and where growth in the market can be stimulated. Is it through mortgage advice, protection specialists or generalist financial planners? But sadly, that's another story for another article. I've got my own duty to maintain — a duty to the wordcount.

Three tips for crafting the ultimate *protection strategy*

By **Dave Butler**
Market Development Manager
Legal & General

It's been over a year since Consumer Duty came into force and the regulatory focus on protection continues with the FCA publishing its thematic review and planned market studies. Reflecting on Consumer Duty's cross-cutting rules for supporting good client outcomes, we've put together three tips for crafting the ultimate protection strategy.

1

Memorable advice drives *positive outcomes*

Research from The Association of Mortgage Intermediaries in 2023 found that, although 99% of advisers are raising the subject of protection, only 50% of clients can actually recall having the conversation[1].

When asked why, customer feedback suggested that putting protection into context with more personal stories and real-life examples would make these conversations more memorable. The key takeaway? If firms offer advice that leaves a lasting impression, customers are more likely to act on the advice they've been given and drive positive outcomes.

Advisers should carefully consider their language, when the subject is raised and how much attention is given to ensuring clients clearly understand the benefits.

If you need help with memorable stories to playback to your clients, see our latest case studies.

2

Holistic protection that should consider all risks

It's foreseeable that many clients will suffer some form of disruption to their working life before retirement. For example, one in two people will experience cancer in their lifetime.[2] But, without seeing the future, it's impossible to know which protection policy they might need.

Take a 35-year-old female non-smoker. Before retirement at 67, she'll have a 4.1% chance of dying and a 13.5% chance of serious illness. This may sound relatively low, but current statistics suggest that she'll still have a 46.3% chance of requiring at least one month off in her working life, due to injury or illness.[3]

Any of the above risks could have a devastating impact on the individual and her family. Advisers should seek to understand each customer's existing arrangements and budget to craft a holistic solution that provides the most-valuable protection for whatever happens.

3

Income underpins *financial objectives*

Naturally, many clients will approach advisers with a clear focus on their long-term financial objectives or mortgage. But it's important to help clients understand how protecting income can underpin many areas of financial planning. Without reliable income, their mortgage can't be paid, and their retirement savings or investment contributions might have to stop. They may even have to sell their home, break into savings or retire early.

In this way, Critical Illness Cover is more than just about preserving clients' current lifestyle or immediate financial stability. It's also about giving them the best chance of hitting their goals.

Find out about our recent ***critical illness changes.***

A final thought

Consumer Duty is arguably one the biggest regulatory changes we've seen from the FCA in recent years. As advisers, we should be focusing on having engaging and passionate protection conversations that go further than just explaining what products do. Solid, tailored advice must highlight any gaps in a client's existing arrangements, make them aware of their individual risks and prioritise their long-term financial objectives. This way, we can always put each customer's needs first.

For more insights, ***watch our on-demand webinars.***

Source

[1] AMI Viewpoint - The Perception Gap
[2] Cancer - NHS
[3] L&G risk reality calculator

Protection Superpowers — *Education*

By **Scott Machin**
Senior Product Manager
iPipeline

In the last edition of iPipeline Quarterly I started the first of three episodes based around superpowers, because of course you can't talk about superpowers if it isn't at least a trilogy.

As I wrote in the last superpower article, the best, most reputable brands on the market invest heavily on engaging clients and the same is true for education. Brands like Apple, Ikea and Colgate understand the importance of educating their customers.

Take Colgate for example, they spend millions of pounds on free children's toothbrushes, online resources and school visits to educate children on the importance of brushing your teeth twice a day.

I'm sure most people reading this will probably think "well of course, why wouldn't you brush twice a day, that's what my parents taught me."

However, it turns out:

- 31% of adults do not brush twice a day
- 2% admitted to not brushing daily
- 37% never floss their teeth[1]

So, what happened? I'm sure within the 31% there are many intelligent / diligent people. But for many, when the education or the parental coaching ceased, they simply stoped brushing.

So what has oral care and protection got in common? Not much really, the link to this piece is simply the importance effective education plays. The FCA Financial Lives Survey 2022[2] revealed that 17.7 million adults (34%) have poor or low levels of numeracy following financial concepts and the National Literacy Trust[3] revealed that one in seven have literacy skills at or below those expected of a nine- to 11-year-old.

These vulnerabilities highlight the critical importance of providing the right tools and resources to educate consumers when purchasing financial products at the same time disproving the belief that protection products are too expensive.

In my experience, every direct to consumer comparison service I have looked at within the market is sub optimal in terms of proviing eductation on how much protection cover a lient may need. The first two questions they ask is:

"How much cover do you want and how long do you want it for?"

Having worked in financial services for over 20 years, even I couldn't answer those questions accurately, so how should an adult with low levels of numeracy be able to?

Engage. Educate. Protect.

PreQuo®
Powered by iPipeline®

This lack of clarity and support usually results in the client either under or over-insured, both of which result in poor consumer outcomes such as lapsed payments or direct debits and cover being cancelled.

If we use education correctly, we can ensure we meet 3 clear goals for better-informed clients:

1. **Education empowers clients to understand the various types of life insurance**
2. **Educating clients about protection needs helps them recognise its long-term value**
3. **Clear communication helps build trust between clients and advisers**

Technology also plays a pivotal role, and it doesn't have to cost the earth either. Advisers don't need to immediately invest thousands in lead generation campaigns to stimulate the next generation of protection customers. iPipeline has recently launched a new, improved version of its ground-breaking PreQuo Lead Gen tool, designed to educate customers and convert them into qualified protection leads. By providing straightforward information about their circumstances, the tool provides customers with predictive instant feedback on potential cover amounts, duration and risks, along with an indicative premium.

When clients feel informed and educated, they are more confident in their decisions and more satisfied with their chosen policies. This transparency fosters stronger client relationships.

Source

[1] Dentistry: A third of British adults skip brushing their teeth twice a day
[2] FCA Financial Lives survey
[3] National Literacy Trust

Unlocking the Value: How Value-Added Benefits Revolutionise Financial Advice

By Richard Waters
Head of Protection Distribution
HSBC Life (UK) Limited

Consumer Duty celebrated its first birthday at the end of July and the impact of the regulation on the protection industry appears to be overwhelmingly positive. Value has become much more central to advice and cover selection. Conversations have gone beyond a focus on premiums, with an additional lens on added value services and ancillary benefits. I'd like to explore the transformative power of VABs, when and how to introduce them, and their real-world impact on clients.

Transformative ***power of VABs***

Consumer Duty has urged advisers to move beyond transactional relationships and embrace holistic conversations with clients. According to FCA research*, a significant 43% of advisers have refined their approach, demonstrating the industry's commitment to delivering fair value and acting to avoid causing foreseeable harm. The emphasis has certainly broadened into the comprehensive solutions and added services that protection can offer.

Making VABs real for clients

Advisers understand the disruptive potential of VABs, and many have become ambassadors for these benefits. Through meticulous documentation and thorough client education, advisers can enhance the value proposition of protection products, aligning themselves with the principles of Consumer Duty. By providing additional value beyond the core product or service, VABs can increase client retention, elevate the customer experience, and foster brand loyalty.

VABs' ***influence on perception***

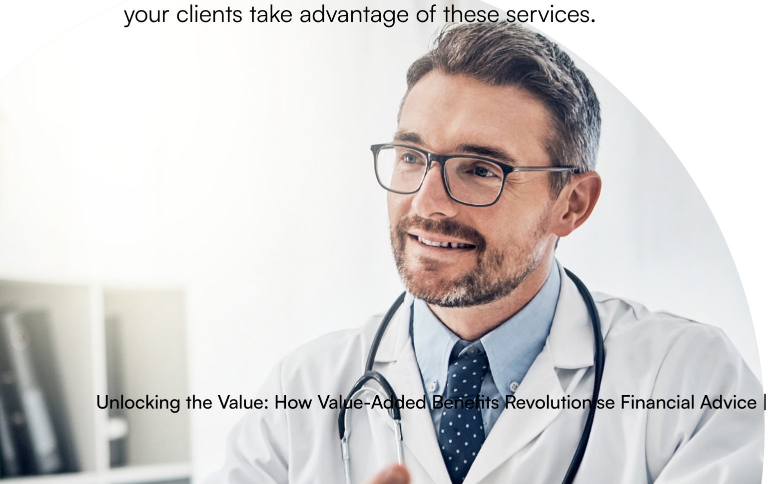
Value Added Benefits have emerged as potential cornerstones of protection propositions, significantly enhancing the perceived value of protection products whilst still being typically a non-contractual benefit. With services available such as 24/7 digital GP appointments, second medical opinion, and mental health support, VABs can empower clients and their families, in turn, positively impacting their well-being.

Evidence of ***efficacy***

Our own research data demonstrates the effectiveness and timely delivery of VABs.** Flexibility is exemplified by the fact that 36% of GP appointments are made outside standard working hours, ensuring clients have convenient access to essential medical assistance. Impressively, 90% of GP appointments are achieved within three working hours, showcasing the efficiency and responsiveness of VABs. Furthermore, mental health appointments are delivered promptly, with 95% taking place within two days. Second medical opinions are obtained in 95% of cases within 10 days, providing peace of mind and valuable insights into healthcare decisions.

The ***Benefits*** of Prevention

VABs not only offer reactive support but can also promote preventive measures. By focusing on proactive care, these benefits encourage clients to prioritise their well-being and take preventative action for a healthier future. These are great conversations to have with clients, promoting for example the value of the annual health check, making sure your clients take advantage of these services.



The evolving landscape of ***protection advice***

Since the inception of Consumer Duty, financial advisers have navigated a challenging regulatory landscape while striving to deliver exceptional outcomes for clients. Through clearer communication, diligent product selection, and meticulous processes, advisers have elevated the standards of protection advice. Tools such as sales aids, factsheets and explainer videos that are readily accessible and easy for advisers and importantly clients to understand also assist with the effective delivery of this advice.

At HSBC Life, we provide a reminder of VAB at six months and again each year within our annual reminder statements, as we really want customers to benefit from these services.

Looking ahead, the role of VABs becomes even more apparent — potentially transforming the market, empowering clients, and unlocking the true value of comprehensive financial protection.

For more information on HSBC Life UK's Value Added Benefits, please visit **here**.

Source

* **FCA: Consumer Duty — The Art of Possible in a Year**

** Independent research agency 3Gem Research & Insights: Interviewed a sample of 208 financial advisers across the UK specializing in protection between December 5th and 20th, 2023

In Conversation With: Paul Yates & Ron Wheatcroft

By Paul Yates, Product Strategy Director, iPipeline & Ron Wheatcroft, Technical Manager, Swiss Re

Protection Market 2023 — State of the Nation

In the June edition of iPipeline Quarterly, we spoke to Paul and Ron in the first of our mini-conversation series centred around the latest Swiss Re Term & Health watch report.

In this edition, we're continuing the conversation beginning with market consolidation, opportunities and niche markets.

Paul, we saw big name brands and major players exit the market during 2023. What impact did this have?

It's an interesting point. We lost both Aegon and Canada Life in 2023 and AIG has now been acquired. The volumes from Aegon and Canada Life were quite small — a key factor in their closure. However, what they did in their niche areas was extremely good. AIG is quite a different matter — delivering large volumes of products across many channels and segments. The UK is still a highly competitive market though, with price per mille still coming down in general. The market fluctuates in size, growing and shrinking and yet there are opportunities for entrants — indeed it has just been announced that Beagle Steet will join the intermeidated protection market next year — and we are expecting more providers to enter the intermediated market and to cover more product lines. There are also significant opportunities not being served adequately, areas like renters — we need to focus on growing out of our constrained market.

Ron, do you think there's going to be more consolidation?

I think there may be some acquisition of closed funds. I can see more consolidation happening and then there's a big question around what makes a healthy market for customers. I think if the demand and opportunities are there, organisations and smart people will fill them and we've seen this across long-term individual business and across group business as well. I think the market will consolidate, partly driven by just the cost of being in business.

The niches will be there, but will they become clever distribution niches needing a life insurer with a licence? That remains to be seen. I think the market is not in a bad way despite some contraction in new sales. I also think it's natural that firms will decide that they're going to employ their capital somewhere else from time to time.

The question around opportunities and whether we target the challenging intermediated prime market or a market no one's serving, niches such as renters for example, is interesting, Ron?

There are some good niches, for example business protection which has been woefully undersold. We (Swiss Re) are looking at how we can raise awareness as it's a huge opportunity. I'm encouraged to see individuals in the industry who are providing specialist training in business protection.
Market data on the occupational side shows that the customer in 90% of schemes across each of the product lines is an SME. So there's demand and interest in it, but just not enough. There's a huge opportunity for workplace disability arrangements with all the value-added benefits they include for both the employer and the workforce.

Paul, what is your experience of this?

I think we should consider how to signpost SME group protection better on protection sourcing systems. Perhaps have a page or two just about SME schemes, who provides them, how they work, regulation, how to get an agency where required etc. We should have one place that everyone can go to so we can understand who's playing in that market and how easy it is to source and write this type of business. It is all about bringing it to the front of mind, so when an adviser is in front of someone who runs an SME, they can ask, 'have you considered a protection scheme for your employees?' We could add in sales and marketing support, there are many great marketing and support items in the market.

A speaker at Protection Review commented that our protection is the cheapest in the world. However, it isn't just about price, Ron?

I think what customers expect from us is ***value*** and I genuinely believe that price and value are closely linked but it's not just a case of taking the cheapest products. Anyone can go and buy products online, but advisers need to be making the point that the value they're adding is actually the advice. Take policy ownership as an example. A customer wouldn't normally realise that a policy should be put in trust or in a nomination so part of the ***value*** of advice here is that these aspects are handled properly and that intended beneficiaries get their money faster.

What's your view on the value of advice Paul?

Even with all of today's technology we are not getting all the right messages to the right people in the market. Demand for protection is not rigid and this makes the process of tapping into peoples' needs and ensuring they take out the right products for their needs very difficult. Advice and empathy are invaluable in our market. Not just when helping clients understand their needs and then take action to take out the right policy (and trusts) for their needs, but on an ongoing basis to review and update their financial resilience. And as value added services grow, so does the need to help remind clients of the options they have.

So are annual statements the way to go in your opinion Ron?

I used to be quite ambivalent about annual statements but now I think they're absolutely the right thing to do — not just because it's another piece of paper, email or whatever it might be, but because it reinforces the value of what the customer has, supports regular contact with customers and makes them more aware of what they have, haven't got or should do.

What are your thoughts on this Paul?

Our Life Update form provides the technology that makes these tasks simple. A simple tick box exercise establishes if anything has changed and if the product is still appropriate. Some firms use this rigorously, but not everyone. Really, everyone should use a review process as it helps remind people that they've got cover! People need constant reminders. Maybe we should add in the value-added benefits that came with the policy and ask if they're aware of them and used them?

So this leads onto the questions and challenges of how we're going to evolve and product design and market scoring. Ron, take us through this.

There's a discussion around designing products to get better ratings on comparison and analysis sites. Whatever scoring system is used has to be relevant and weighted to the most important factors. Service comes into this as well and that's not so easy, but I do think ***service really matters*** on things like this.

Paul, how does this stack up with your own service?

The number of times people choose the cheapest product on our service has gone down. They no longer just buy the cheapest, but review quality measures — which is driving higher quality. We can see that the number of people selecting essential / budget products is reducing as advisers take them through the cost value decision process.

It's still quite hard for people to weigh up the balance of price and other quality factors. This goes back to the value of advice and explaining to a client in a suitable way to get them to understand and then select the most appropriate solution for their circumstances.

Finally, Ron, what are your thoughts on the topic?

Yes, it's very easy to just revert to the cheapest. We are encouraged that we've seen some very good growth on the individual income protection side on the number of new policies that go through to retirement age. As an industry, we moved over quite quickly to the majority of new sales being two-year benefit periods. That's OK as long as it's clearly explained but a two-year benefit could pose issues for those suffering from long term sickness or disability.

The group risk market has shifted over a period of time to providing typically five years maximum cover and possibly a lump sum at the end so there's been a general shift across both individual and group markets towards shorter benefit periods.

National Friendly

Short-term accident protection needs — Supporting your clients, and their incomes, further

With cost-of-living pressures persisting, National Friendly's refreshing approach to short-term accident protection can support stretched household finances in an affordable way.

National Friendly's new Friendly Shield policy has been designed to support stretched household finances from unexpected accidents in an affordable way.

To make life a little easier when things go wrong.

Spotting the market gap

By listening closely to what both advisers and policyholders have to say, National Friendly has created an innovative product that's easy to buy and even easier to understand, making insurance more accessible for everyone.

Friendly Shield is straightforward, with no medical underwriting, a single pricing structure, and benefits for each family member. It's the refreshingly simple solution the industry needs right now.

With cost-of-living pressures still very much apparent for the majority of the UK, with ONS **reporting that 55% of adults in May 2024** felt an increase in their household expenses compared to the month before, Friendly Shield can help bridge any protection gaps in an affordable and accessible way.

Who's it for?

Friendly Shield is perfect for a wide range of customers. It can complement traditional life or protection policies or be an affordable first insurance product for young buyers and renters. It's ideal for people in jobs where accidental injuries are more likely and who might find traditional income protection too expensive. Small business owners could also find it valuable for protecting their employees in a hassle-free way.

Advisers, this one's for you!

Whether you're doing a simple or detailed fact find, you can use Friendly Shield to address your clients' main concerns, without breaking the bank. It's flexible enough to be added as a rider to existing life, health, or protection policies, making it a great addition to your sales toolkit.

Benefits for your clients

Friendly Shield offers a range of protection. No one likes to think about accidents, but they happen. Friendly Shield provides a generous accidental death benefit and a smaller benefit for non-accidental deaths to help with unexpected expenses.

For the first three months after an accident, when someone might be unable to work, they've got a solution with the short-term income benefit. The policy also provides a cash benefit for hospital stays, which can help to cover parking and childcare costs, plus a helpful cash benefit for bone fractures.

But that's not all! With a virtual GP service which is provided for the whole family from day one, Friendly GP, clients can manage their health and rehabilitation, providing them with access to private treatment to get them back on their feet.

With over 155 years of experience, National Friendly knows how to take care of your clients.

How to talk about Friendly Shield

Not every client can get cover if they have poor health, or a limited budget, but everyone is vulnerable to having accidents. This policy should be offered to all who would suffer a financial loss, and don't have the time, budget or medical history to apply for comprehensive, underwritten cover.

When discussing Friendly Shield with clients, the policy can be presented as an exciting, innovative new option from a trusted name in protection.

Why National Friendly?

National Friendly has been helping customers with their healthcare and life cover needs for over 155 years. As a mutual, their customers and brokers are at the heart of what they do.

Relationships are key to their ongoing success, and they focus on providing a personal, friendly service to both brokers and customers while offering a fresh approach and innovation to the protection industry.

Looking Ahead

Friendly Shield offers more than just insurance; it provides peace of mind and affordable protection for when it's needed most.

It's the simple, affordable and quick option for your client.

Learn more about this new policy **here** or call 0333 014 6244

IPAW 2024: Turning Awareness into Action

By Co-chairs: Jo Miller, Vicky Churcher & Andrew Wibberley
IPTF

Income Protection Awareness Week (IPAW), the income protection themed event from the Income Protection Task Force (IPTF), is back for 2024 and will hit the screens each day between 12 and 1pm in the week commencing 23rd September. Sessions are free to attend and each one qualifies for one hour of CPD with certificates being issued automatically for those attending the live sessions. Anyone interested in attending should register for each session that they want to attend here and follow IPTF on LinkedIn to keep up to date.

So what is IPAW? Previously known as Income Protection Awareness Week, this year the A has been reclaimed with the event now known as Income Protection Action Week. The aim of IPAW has always been to inspire advisers to take action following the broadcasts and the new name cements that intention with viewers encouraged to share how they were inspired and what they will do differently #BecauseOfIPAW on social media.

The series of webinars are aimed at anyone with an interest in income protection and will cover a diverse range of topics including how critical illness and income protection can work together, adviser panels considering working with different types of clients, an examination of business protection, an evaluation of the adviser role in the claims process, annual client reviews and a consideration of value-added services. New this year, coaching sessions each day will offer guidance

Income Protection Action Week

on adviser mindset, avoiding common mistakes in the advice process, overcoming objections and managing trickier client conversations when their experience is not straightforward.

IPAW aims to inspire advisers by sharing best practice among peers and encouraging open discussion about the challenges and successes faced by those advising on income protection. In recent years we've seen a growth in sales which comes on the back of the pandemic, a cost-of-living crisis and of course Consumer Duty. Although this is good news for the market, it has never been more important to keep talking to clients about protecting their income and to ensure that advisers have the confidence and understanding to do this.

IPAW works best as part of a collaboration across the industry. Last year we saw unprecedented levels of engagement online and we hope to see a repeat of that this year. Additionally, it's great to know that so many IPTF members will be holding events such as income protection themed webinars and educational events.

Despite rising sales of income protection over the past couple of years, it's important we keep the momentum in the market and build the confidence of advisers to have effective conversations with their clients. There's never been a better time to turn awareness into action.

#IPAW2024

A flexible approach to *guaranteed income*

By Peter Cowell,
Head of Annuities, Individual Retirement,
Standard Life

Standard Life
Part of Phoenix Group

Everyone's view of their retirement is different. Your clients' actions are often driven by their individual ambitions - and a desire to have enough income to live well in retirement, even as their circumstances change.

It's the duty of our industry to provide people with the solutions they need to achieve their retirement goals. However, later life can also bring different attitudes to risk. Changing personal situations could mean that more clients feel the need for products that can provide income security, but also the flexibility to adapt their plans after a fixed term. They therefore might want to consider guaranteed fixed-term income options.

Are attitudes towards guaranteed retirement income changing?

The high cost of living and uncertainty in the markets is making it harder for retirees to keep up with their essential outgoings. In fact, we found the number of retired people aged between 55 and 64 who had chosen to move back into working life almost doubled from 2022 to 2023 - growing from 6% to 11%[1].

With interest rates still relatively high, a guaranteed income for a fixed term can be an attractive, viable option for clients who are not ready to commit to guaranteed income for life products, but who crave the reassurance of a regular income that will meet their essential needs and fit their current plans.

But we know that only covering the essentials is not what most retirees have in mind. After all, living well often goes beyond the basics. The cost of travel and adventure, or just more time spent on hobbies and activities with the family can add up over time.

According to our research, around 70% of Baby Boomers and Gen Xers say that the ideal for them would be having a retirement income that has enough guaranteed to cover their essentials but offers flexibility for their other spending too[1].

A way to balance your clients' retirement

The Standard Life Guaranteed Fixed-term Income product could be a key tool for advisers looking to create balance within clients' pension portfolios and fulfil the FCAs' requirements towards the consideration of retirement income solutions.

For example, for clients who are taking a step back from work, it could provide a short-term guaranteed income to bridge the gap in salary and ease their transition, while protecting their current lifestyle. And the option to combine a guaranteed fixed-term income product with other retirement solution products can help provide ongoing assurance to clients who want to feel in control of their income throughout their retirement journey.

The need for pension reviews when clients reach the end of their chosen fixed-term provides a natural opportunity for adviser firms to make sure a portfolio remains fit for purpose throughout a client's retirement. After all, regular fact-finds and reassessment of clients' retirement income needs were both key points highlighted in the FCA's recent thematic review of retirement income advice.

We've expanded our suite of retirement income options to include a Guaranteed Fixed-term Income product to help more of your clients feel secure in later life.

Visit our **website** to find out more.

Source

Standard Life **Retirement Voice research report**, 2023.

Quarterly Q&A

By **Andy Walton**, Protection Proposition Director, **Mortgage Advice Bureau**

We caught up with Andy Walton, Protection Proposition Director at Mortgage Advice Bureau who shares his views around the future of protection. A year on since the Consumer Duty came into force, improvements to deliver better outcomes for customers have been made. But there's still more to be done around the protection advice process, as Andy explores.

Andy, tell us what you believe the future of protection looks like and how do we get there?

Protection has always been seen as the foundation to all financial planning. Without the right protection in place almost all other financial planning can easily fall apart.

But in reality, protection advice has too often been the last part of the discussion with customers and therefore given least priority. More often than not though, it has been left out altogether.

However, post the pandemic and post Consumer Duty there definitely seems to be a renaissance in this crucial advice area. It is now an increasing priority, and many firms have a renewed focus on how to position protection, when to position protection and how to engage customers effectively.

A key word in Consumer Duty (mentioned 8 times) is the word "journey". The FCA want advisers to go on a "journey" with the customer.

A customer journey could refer to the journey they go through when initial advice is being given. But it can also refer to the customer's ongoing journey during the "life cycle of the product" and how our advice needs to adapt and change to their circumstances.

These are two key areas that the industry (provider and distributor) needs to think about and improve.

What's key in the protection advice process?

It is vital that protection is positioned as part of the advice agenda from the outset. Not from a product perspective, more from a customer need perspective. The protection need should be engaging and most importantly - consistent. Too often a busy adviser in other areas might decide consciously (or unconsciously) to skip protection advice. Therefore, it becomes critical to ensure that whatever process is being followed it is followed every time. This almost certainly means that protection advice must be embedded in the initial advice technology and process.

In terms of ongoing advice and protection, this is probably the biggest gap in the UK market. Where protection is sold today it is too often forgotten tomorrow. Protection is arranged on a long-term basis and in many cases is either never reviewed again or at best it is reviewed at a future mortgage event. But customers' needs may have changed substantially during that time. Plus, we find that many customers forget what the original policy was for. This puts us at risk of a future lapse - for which customer would want to pay for something they can't recall what it's for or what it does?!

So how do we go on an advice journey with a customer so that it is effective for everyone involved?

The answer is almost certainly using technology to go on a nurture journey with the customer. The technology needs to interact with customers at the right time — highlighting outstanding needs, encouraging customers to update their changes of circumstance and to automatically highlight the need for advice reviews — and serving this all back to the adviser.

If we are to go on this advice journey with regards to protection there is probably a huge shift required from providers in terms of flexibility and ease of being able to make changes to long term policies. Many providers offer the flexibility to change and update existing policies BUT to do so is manual, time consuming and clunky. The whole industry needs to rethink how we encourage ongoing reviews and allow the policy to live and breathe with customers as their lives and needs change.

If we genuinely go on a customer journey it will feel far less like we have "sold" them a policy. Rather it will feel like we care about the customer and are looking out for them on an ongoing basis. This in turn will improve lapses and improve engagement.

Most protection in the UK is sold currently on the back of a mortgage event. But going on a journey with the customer will decouple the protection advice from the mortgage event. Yes, the initial advice might start with a mortgage, but the ongoing protection advice will occur when customers' needs change which could happen outside any mortgage change.

Think for a minute of all the changes that happen in our lives (in customers lives) that require new updated protection advice: Change of job, change of relationship, change of marital status, new dependents, childbirth, increased outgoings, change of mortgage, moving house ... the list goes on!

With customer heightened awareness of their financial vulnerability post-Covid and with new regulation helping the industry focus on customers' needs surely NOW is an amazing time to turbo boost protection from the fairly static levels we have seen for so long into a far more customer focused world which will bring results we have only dreamt about .... until now...

Why revisiting protection conversations should be a priority for us all

By **Jamie Page**
Head of Protection Distribution
The Exeter

Did you know that according to the Association of Mortgage Intermediaries (AMI), only one in two advisers regularly revisit their client's protection needs?[1]

With everything advisers need to do to protect clients and comply with Consumer Duty, revisiting existing client's needs can sometimes fall lower down the priority list. But for those advisers who don't have time to revisit protection conversations, they could be missing a great opportunity. Not just to ensure clients are adequately protected, but to demonstrate the value of the advice to clients.

Building trust

Trust is the foundation of any adviser-client relationship. Reengaging with existing clients is a great way to demonstrate a commitment to their long-term wellbeing and to continue to build trust. Whether clients take out protection or not, it's key to keep educating clients on the need to ensure they understand what protection offers and can make an informed decision.

Afterall, advisers are in a unique position to act as an educator, guide and potentially, the first line of defence against life's unforeseen events.

Supporting clients with changing needs

Life rarely stays the same. Family dynamics, employment status and health can change over time. Regularly revisiting protection conversations ensures that advisers can adjust their clients' protection plans to fit their current circumstances. Added to this, protection providers will often add enhancements to cover which clients may not be aware of, presenting an opportunity for advisers to help clients understand how these changes may impact them.

Pressure on client budgets

With the Bank of England estimating that around 5 million homeowners will see their mortgage payments rise between now and 2026[2], advising clients on how to remain protected while facing increased mortgage costs is even more important. And for those 1.5 million homeowners who have fixed rate deals ending in 2024[3], ensuring protection is part of the mortgage conversation is paramount.

Source

1 Association of Mortgage Intermediaries
2 Bank of England Financial Stability Report December 2023
3 Homeowners alliance

Supporting advisers

There are a range of resources available to help advisers in their protection conversations. At The Exeter, we have created a Revisiting Protection Conversations tool to help advisers re-approach the income protection conversation with existing clients. This could be a great starting point for those advisers who don't currently revisit protection conversations.

Why not take a look?

The Exeter - Revisiting Protection

Is a new dawn in financial advice coming? *Why it pays to be ready*

By **Jon Finley**
Business Development Director
iPipeline

After 14 years of Conservative rule, we're in the early months of a new Labour administration. Now, whatever your political persuasion, this change did bring with it a certain change in atmosphere. Is it a new dawn, a new day? Or will the disarray continue? Time will tell.

Time will tell on the future of the financial advice market too, although conversation and reading over the last 6 months have left me optimistic that we are indeed entering a new and exciting period for financial advice in the UK.

The advice market is at a crossroads. What is clear, just as the political spin masters worked so hard to persuade you of a couple of weeks back, is that change is needed. Ultimately, financial advice should be a force for good within society. At present it's a force which reaches too few.

Let's understand the numbers behind that statement. As recently as 2022, the FCA estimated that only **8% of the UK population have received financial advice in the last 12 months — just 4.1 million people.** This number has risen slightly in recent years but remains shockingly low.

The outcome of this lack of coverage are plain to see. Protection remains undersold and under-appreciated by consumers, who prioritise other areas of spending. Many of whom remain in a precarious financial position, one which will bite if ill-health or early mortality strike. Families are reliant on risk not becoming reality.

Beyond protection there are also massive challenges to overcome. As we move through and past the baby boomer generation, it begins to crystallise that things might not be so good in retirement for the next generation. Whether Gen X or early Millennials, pensions will be a far greater challenge. With the exception of the public sector, final salary schemes have largely disappeared. Whilst auto-enrolment is a step forward, you could argue it still is both too little and too late.

This challenge has been compounded by a lack of access to financial advice. For many, expert impartial advice is an aspiration they will be unable to make reality due to insufficient assets. Regulation and remuneration have led to polarisation of the advice market, which has in turn increased barriers to advice. Barriers that for many are insurmountable in the short term.

Is there another way?

The current advice model is prefaced on principle and indeed regulation which could be described as perfectionist. That the only advice is the 'full-fat' version, where an expert adviser gives a client dedicated, one-to-one attention via regular reviews and planning — either face to face or more increasingly, via video. The result? This type of advice is and will always be expensive both to deliver and receive which will likely continue to make it the domain of the few rather than the many.

So, it is with interest I'm watching the evolution of the debate around targeted support or simplified advice, which seems to be everywhere. Indeed, the topic has recently garnered debate in the red tops, with The Sun reporting that the FCA are planning to abandon ideas of simplified advice in favour of focus on targeted support.

Now, some of you may be reading and thinking this is simply a rehash of the long since failed robo-advice. But both targeted support and simplified advice, I believe, represent a huge opportunity - especially within the retirement sector — and there is one notable difference, or two letters, that truly make this an opportunity, AI.

AI has accelerated the ability for technology to learn, and in terms of financial advice, within a set of very carefully defined set of parameters, really provide an enabler and much greater confidence that automated, technology driven advice can become an ambition realised.

What's needed?

As with everything, ambition takes work to become a reality. Let's cover three of the most important hurdles to simplified advice below:

Ambition

First, we (the market) must be ready and willing to accept both the opportunity of a new advice and support regime and mitigate the risks that it will pose. Advice given in this manner may not be the optimal solution but the benefit of giving some advice to many more people outweighs the downside in my opinion. Pragmatic, low-cost guidance and advice given to many, is better than no advice given at all.

Engagement

For new guidance and advice models to have the impact they could, and arguably need to have, there is a real need to drive engagement. Consumers will need to know these simplified advice options exist. They will need to know and be clear on their scope and limitations. They will need to understand the benefits they will bring. The success of this engagement is down to many factors, but perhaps two come out front of mind.

First, is transparency. There will be many who feel uncomfortable being clear on the limitations of guidance or simplified over full advice. But it is akin to the difference between a self-catering and all-inclusive holiday. Both have value, but the experience is different. What is required of the consumer is different. That needs to be crystal clear.

Second, is place. For new guidance or advice models to be successful they need to be adopted where consumers already interact with their finances. That means online, but it also means with their primary financial services provider, in many cases — banks. A fuller return to the advice sector for high street banks has the power to make or break a new dawn in the advice market. A new dawn that will open opportunities right across the market.

Efficiency

This is perhaps the least obvious of all success criteria, but maybe the most crucial of all.

For success, providers of targeted support or simplified advice need to ensure they deliver their service in a seamless, efficient manner. Not just because it is what their customers expect, but because new guidance and advice models will likely deliver lower margins. Indeed, there has already been speculation that advice businesses are struggling to see how simplified advice can be provided profitably. This doesn't have to be fatal, but the industry will need to tackle inefficiency throughout the value chain to overcome this reality.

This means that investment in technology and process improvement can't wait any longer. For many, legacy technology remains a drag on business. A drag which will need to be removed before the simplified reality even becomes an ambition.

TAKE NOTE:

THE 125 FOUNDATION

The 125 Foundation was established in 2015 to celebrate the Society's 125th Anniversary. The Foundation provides exclusive financial support to your clients, their communities or causes that are close to their hearts.

125 Foundation

KEEP AN EYE OUT FOR THIS SYMBOL!

THROUGHOUT 2023

WE HAD A TOTAL OF

83

APPLICATIONS

PAYING OUT OVER

£51,000

IN FINANCIAL AWARDS TO MEMBERS, LOCAL CAUSES AND CHARITIES

! **45 applications** of those have been to help our **Members**, ranging from financial struggles, to supporting those suffering life-altering events.

IN OUR MEMBER'S WORDS

"We simply wouldn't have had the money without the 125 Foundation. And there are no words to express how you can thank somebody for that, because it's life-changing opportunities that have been given by their help and support."

WATCH ANNE'S STORY HERE

To find out more about our 125 Foundation, head to our website **www.cirencester-friendly.co.uk/member/added-value-benefits**

Why the importance of data just keeps on growing within protection

By Jacki Moore
Strategic Business Manager
iPipeline

They say game changing interventions by the regulator are like buses...Well, they don't and I'm sure that there are many in the market who hope they won't ever say that in future!

But as I muse on the value and importance of data ahead of our next Market Pulse, I see the FCA has just announced a forthcoming study into the protection market. A study which will take in everything from competition and commission to claims. From a previously 'light touch' approach to protection, there are heavy footprints from Stratford beginning to show all over the market. All this follows hot on the heels of Consumer Duty, which to many is anything but a distant memory.

So, there's plenty for many in the market to think about. Plenty to keep them busy on top of searching for the elusive growth we all strive to achieve. But is this latest study a negative thing? I think not. I welcome the FCA showing its hand and displaying just how important protection is and to get it right. The protection part of our market strives to get the entire market to show this same focus and include protection planning as a foundation on which all financial planning is built upon, rather than an add on recommendation which is how some would see it.

That said, this study is likely to be a further challenge for many.

The forthcoming study will examine many different facets within protection and how the market is functioning. There is clearly going to be a focus on commission and remuneration, with a view being formed on whether current arrangements are fair across the board. There will also be a focus on value. Does protection offer consumers the value it should? Are there scenarios where potential benefit is outweighed by total premiums paid for example? These are big questions which will impact the market for years, even generations to come.

I'm not equipped to use this article to hypothesise the potential outcomes to the study, past stating a belief that the protection market in general provides a strong societal and social purpose, protecting people and families from shocks with a safety net that in more cases than not just simply isn't available elsewhere.

I can use the column for a rallying call, that ours is a market which can still up its game on data. There is a developing and clear thread from the regulator, and one which is sure to continue. For all market stakeholders, whether distributors or manufacturers, it's not enough to state that they make decisions, build and manage products and processes and structure their businesses in the best interest of consumers. They need to prove it. With data.

When I say this, I expect very few to be surprised. Data has long been the lifeblood of actuarial teams, but its reach and impact is beginning to grow massively. When I'm speaking to partners and prospects, I'm now almost as likely to be taking a Proposition or Distribution Director through one of our market leading dashboards as I am to be speaking to a Head of Pricing. That trend isn't going to change any time in the near future.

So, how can data help with the likely forthcoming questions from the FCA?

Product performance

One of the key questions is likely to surround the performance of products relative to their stated target market. Internal and external data can help prove that products are doing the job they were designed to do. From attracting the right audience at quote, to delivering the right result at claim.

Distribution management

Providers can use data to understand the distribution landscape in greater depth. Where they now might understand where their volume comes, and might come from, they need to increase their understanding — joining pre- and post-sale datapoints.

Segmentation & insight

Providers are striving to become more scientific in their segmentation and understanding of adviser types and sectors. Clearly data has a big role to play here too. It can help build a picture of competitive position and success in specific segments, in context of the market. It can also help to identify adjacent targets, segments or firms close in profile and behaviours that can be used to fuel growth.

100%

OF LIFE CLAIMS PAID

Now there's a claims stat you don't see every day.

Read our
2023 Claims Report
to find out more.

adviser.guardian1821.co.uk/2023-claims-report

GUARDIAN 1821
LIFE. MADE BETTER.

News you may have missed

COVER Excellence Awards 2024 — we're a finalist!!

The COVER Excellence Awards 2024 shortlist has been revealed and we're excited to announce that we've been shortlisted in **2 categories:**

- Insurtech of the Year
- Outstanding New Technology Offering (for PreQuo Lead Gen)

The awards recognise advisers and providers raising the bar for the industry in protection and health. With over 230 entries and 93 firms shortlisted, we're delighted to have reached the final and are really looking forward to the awards ceremony on 7th November. Good luck to all involved!

You can find the full shortlist **here.**

Increasing efficiencies and boosting protection business

You may have read in the press that we've released version 2 of our PreQuo Lead Gen tool (and it's already been shortlisted for an award at COVER Excellence) The upgrade, in response to adviser feedback, ensures a seamless integration with a firm's own website and branding while providing a much more interactive experience for the customer and increased engagement. We're excited about the enhancements - read more **here.**

Finger on the protection pulse

Our quarterly webinar series sharing data trends, insights and expert opinions on what's been happening in the industry continues in October!

Join us on 15th October at 10am for: Market Pulse — Your Quarterly Market Update — see you there! Why not sign up for one of our other webinars today? There are many to choose from or you can catch up on a past webinar at a time that suits you.

Click **here** to register.

Don't forget...

*if you haven't yet signed up for IPAW 2024, you can still do so **here!** The week of free-to-attend online events highlights the need to talk about protection, ideas to help you with your advice process and many other tips to help you.*

Our business is to accelerate and simplify advice, sales, compliance operations and customer support. We automate processing for every stage of the business — from pre-sales, new business and underwriting to policy administration, point-of-sale execution, post-sale sale support and data analytics. Within the UK, our unique and powerful aggregated community of providers, financial adviser networks and independent financial advisers, is dedicated to enabling customers to secure the financial futures for their families.

To stay up-to-date with our latest news and updates follow us:

iPipeline Customer Support

If you need any support with using any of the iPipeline Services, you can get in touch with our Customer Support Team on the contact details below.

0345 408 4022

uk.support@ipipeline.com

For advertising & sponsorship enquiries please contact:

Simon Duffin

Sduffin@ipipeline.com

For media enquiries please contact:

Angela Benz

ABenz@ipipeline.com