JOHN JOSEPH
AT THE
PLENARY SESSION

1. **Consumers <u>level</u> of understanding and <u>desire</u> to understand**

"If I have a Critical Illness the policy will pay me an **income**."

"If I have a **Critical Illness** the policy will pay my mortgage off."

"If I die the policy will pay out."

Those were the answers I had from 3 of my "new" client's who had purchased policies from **other** advisors.

Interestingly, all three statements were NEARLY correct, although with typical client understanding, the one who said

"If I have a Critical Illness the policy will pay me an **income**."
Had a **PHI** policy,

The one who said "If I have a **Critical Illness** the policy will pay my mortgage off." actually only had a **death** policy with a **Terminal illness** clause.

The third one, "If I die the policy will pay out." had a **Death and Critical Illness *REDUCING* Term,** but did not know about the Critical Illness part or that the policy reduced!

Now I can put a lot down to clients not hearing what is said by a salesman, and a lot of client's forgetting what **was** said but in reality, what is **apparent,** is the lack of **<u>constant</u>** communication between the **three** protagonists you, us, and the client

Surely a "warm welcome to the club" type of letter from **you** IN ADDITION to the **cold** policy would help.

We the advisors, **should** issue reminders to our client's as to what their policy covers.

The client should be encouraged to communicate with both of us.

I purchased a new Volvo, 4 years ago. I still get newsletters and brochures from Volvo direct and the dealer.

I took a 3 day session on the QE2 with the industry working seminar called PIMS. The last time I went was 1997. I still get inundated with brochures extolling the virtue of the cruise liners. **The organisers of PIMS have not spoken to me since, so if it's not free, I won't go!**

The lesson is, if you ask a client if they want to understand, they will say they do, but **they** do **not** listen. Their **level** of understanding is limited by the ability **we** have to impart knowledge, which the client **wants** to hear or read.

2. Consumers Need For Quality Advice

Term, Decreasing, Income Benefit, With Death, Stand Alone, Whole of Life, Own Occupation, ADL's, ADW's and so on!

Of course the consumers need QUALITY advice, but more important, they need QUALITY advisors!

With the choice of potential cover so wide and so complicated, it is absolutely imperative the ultimate product selection is **exactly** right for that particular client's requirements.

The question should be how do we get "Quality" advice to the consumer?

This of course can only be achieved if the industry trains quality advisors.

They are not born, they evolve, and we need to create the desire in the IFAs to want to increase their knowledge and their ability to advise correctly.

All consumers perceive their financial advisor is fully qualified, totally conversant with all products, and able to disseminate product information to them in a professional manner. "IF ONLY!!!"

3. Menu Products Or Separate

"You can have any colour you like as long as it is black" said Henry Ford when he started the Ford Motor Company! Nowadays, you **can** have any colour, including 5 **different** shades of black!

Personally, I thought black was black, but not according to the marketing men.

What have you done to Critical Illness? You have given us the widest **selection** since Bassetts invented Liquorice All Sorts.

But is it **understood** by any of the IFAs who may fall into the "lets sell Critical Illness **this week**" category???

All I can tell you is that the **more** choice you give us, the **more you need to**

train us. It is not a matter of colour, it is a matter of life or death in the most extreme case.

Sometimes it is better to offer a client everything and **de-select,** rather than try to build from a basic policy by adding bits and pieces.

In this age of litigation lawyers advertising on radio they will sue anybody **dead or alive,** we the decision makers, must be sure we have **discussed EVERY** conceivable variation, **every** extra, and **every** nuance, of the policy we select. Furthermore, we must select from a group of over 200 policies, and sometimes the differences are minute.

You can be certain that if the difference will be detrimental to a client, that is the client who will have a claim denied, and sue us!
It's called Sods Law!

4. ARE OUR PIGEONHOLED PRODUCTS (CIC, IP, PHI, LTC, ETC.) COVERING CONSUMERS NEEDS?

In my opinion, there is very little that can happen to a client that **is not** coverable.

Cradle to Grave via the doctors surgery, intensive care, recuperation ward, old age home and finally, the hospice, leaves little room for any more product invention, but I am sure your fertile brains will come up with something we **cannot** do without!

But a word of warning, take a look at the investment industry. Most Insurance Companies used to have "in-house" fund management. Now, the leading insurers have recognised the expertise of 3rd party fund managers and we have a "supermarket selection" of funds to choose from.

Of course **we** can get the **fund** selection wrong, but the consequences are not as dire as if we get the selection of **protection cover** wrong.

Trying to roll too many products into one policy may prove to be counter-productive, as it may lead to information overkill.

5. DOES DEPOLARISATION HELP CONSUMERS

As much as haemorrhoids help a ballet dancer!

All a consumer needs to be sure of is the ABILITY their advisor has to consider the entire market AND, on their behalf make an **educated unbiased** decision as to the product and the company.

Commission DOES NOT produce bias, it produces sales. Charging **fees** will produce bias, but towards the upper end of the market.

"Look after the pennies and the pounds will look after themselves" my mother used to say.

"Look after the small clients and they become the big clients in due course" says me.

Anyone want to argue with 32 years of doing it right, with the same client's coming back **year after year** to effect new policies on which they **know** how much commission I earn?

AND LADIES AND GENTLEMEN. NOTE THE WORD "EARN".

6. WHAT PRICE IS RIGHT FOR GUARANTEES

With medical science advancing at a pace only surpassed by the product design team's ability to change the product, I think that you have inadvertently made a rod for your own back.

Yes we **need guaranteed** premiums and I believe the public WILL be prepared to pay more for the peace of mind, BUT ONLY IF IT IS EXPLAINED WHY, AND WHAT THE DIFFERENCE IS.

We already have a ridiculous difference in premiums between a 10 year policy Term V's Whole of Life.

- Male aged 30, non-smoker…
- £100,000 S/Ass

Term 10 years Guaranteed Premiums £12.97p/m

Whole of Life Maximum Cover £10.27p/m

Why would any advisor select a Term Policy?

For the longer Terms, the difference should be greater and perhaps we should start to show the expected premiums on a 10 year Rolling Term or Whole of Life so we can then present our client's with a viable alternative.

That assumes of course, you **WANT** to write business with **GUARANTEED PREMIUMS!**

Maybe we will hear from Perry Thomas about alternatives in a few minutes

7. THE INTERNET.

DO CONSUMERS WANT E DISTRIBUTION

No, they want advice. You live in a strange world if **you** think every person in the UK will go to a screen and buy a policy.

You buy a flight ticket, because you know where you want to go, and on what date.

You book a hotel having seen the picture of the room you may or may not get, and you accept the price charged.

You buy a car cheaper than from the nearest garage, but when it comes to servicing it, you still have to pay retail !

Client's who come to me having purchased a **Term** Policy from the **Net**, are treated to a lecture as to what happens **when they run out of Term.**

If the statistics that **you** produce are right, **one in three** of us will suffer a major illness **before age 65.**

Those people who purchased off the **Net** were treated to that "sales" information, and **then** allowed to buy a **Term** Policy that **probably or possibly** finishes at age 55. When do you think the most likely age band would be for a C.I claim?

I do not like **anything** that interferes with the building of **personal** relationships with client's, and that goes for "off the page" applications, "direct phone call centre" or the "Web."

Call me old fashioned, but a smile and a handshake still count in my world.

Ladies and gentlemen, thank you for staying awake!