

Income Protection The Sales Dilemma

Institute of Actuaries Conference
Edinburgh 9th May 2006

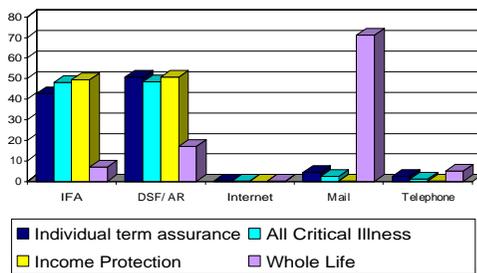
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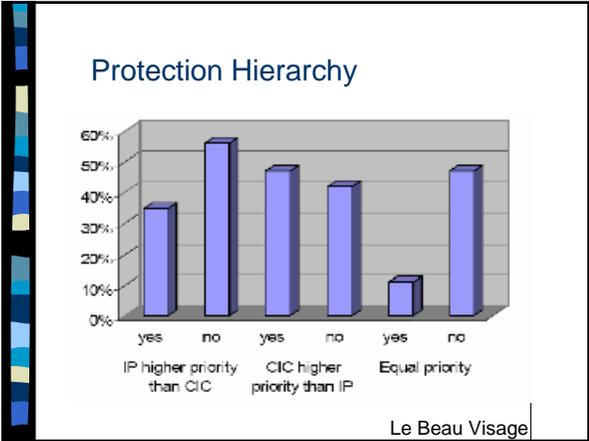


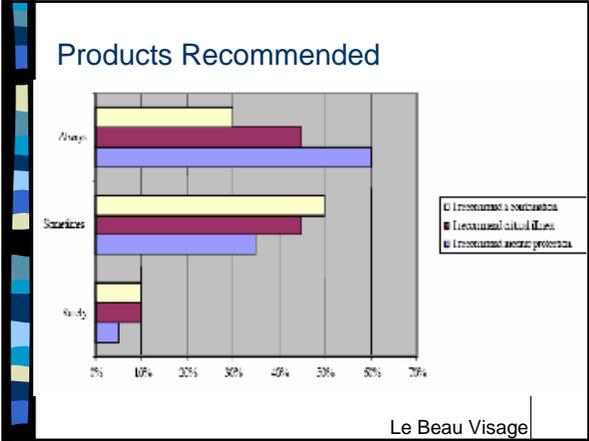
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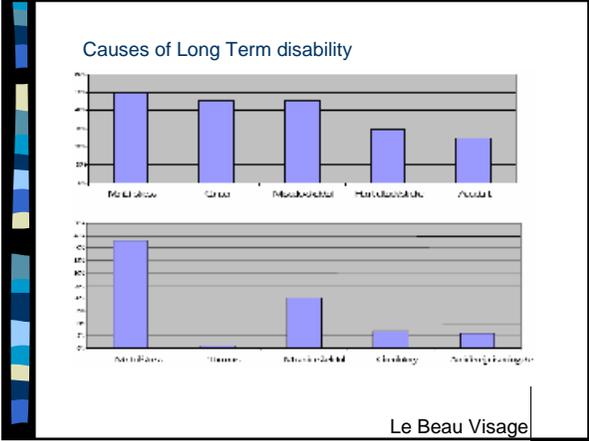
Distribution by product line % market share 2004



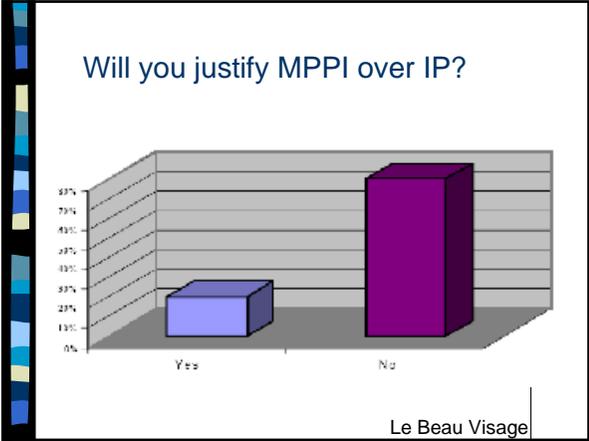
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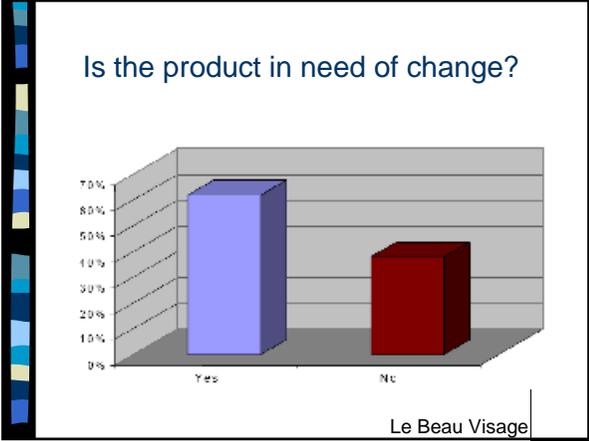




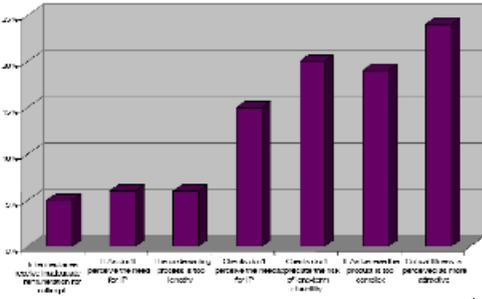






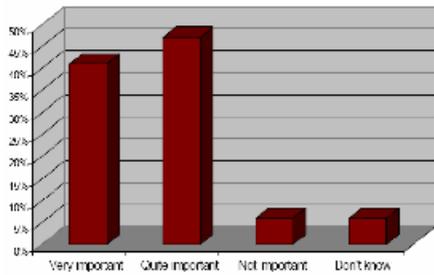


Why do you believe sales of IP have been disappointing in recent years?



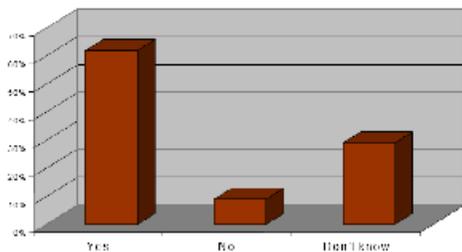
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How important are premium guarantees?



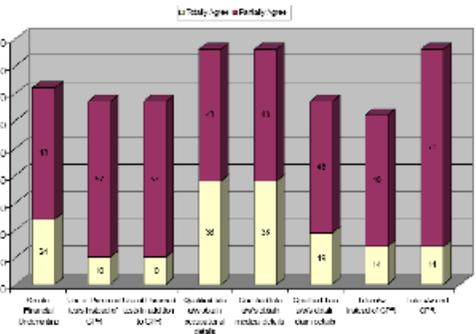
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Can underwriting of IP be improved?



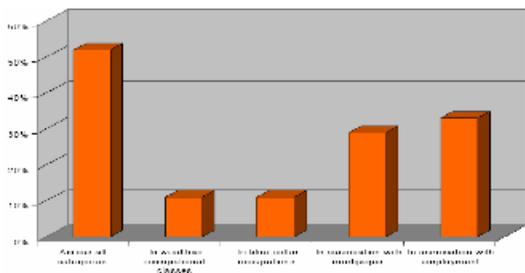
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How can underwriting be Improved?



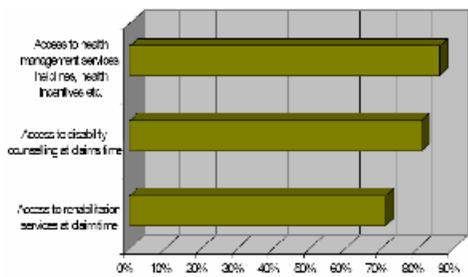
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Where do you see the greatest potential in IP sales?

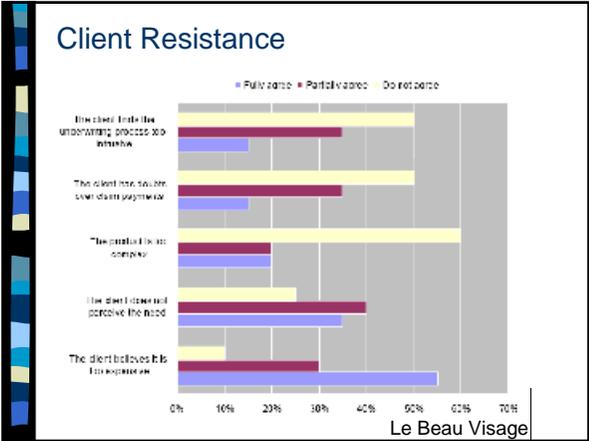


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More than a cheque



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Defaqto Report Autumn 2005

- Defaqto believes there is no single cause for the lethargic income protection sales of recent years and consequently no quick fix can be applied.
- Radical action is needed and Defaqto is of the opinion that if providers are not prepared to reinvent IPI in a form that really addresses client needs they should withdraw from the market.
- To increase consumer appeal, the focus of the IPI proposition must move away from pure income replacement towards a holistic health management proposition, possibly led by the treatment/diagnostic management team.
- The lack of a direct link to family protection may be a drag on consumer appeal. There are elements within the product that should be developed to provide a work/life balance.
- In Defaqto's view IPI probably breaches the principles of Treating Customers Fairly as the market has become divided with complexity and inconsistency as providers look to protect their own interests rather than addressing real consumer needs.

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Defaqto Report Autumn 2005 (Cont d)

- The manipulation of maximum benefit rules to gain competitive edge must come to an end to enable consumers to judge providers on the tangible parts of their proposition.
- Providers offering renewable rates expect advisers to recommend their product blind and consumers to effectively get a blank cheque for future cover. Defaqto suggests that a 'base and collar rate' approach should be considered.
- Greater transparency of claims experience in both the IPI and MHP/MSU markets is essential if clients are to understand the scope of the cover.
- IPI's attempts to exploit the mortgage market is in danger of diluting its cover whilst tying its fortunes to that of MHP/MSU which is set to become a singularly unpopular offering.

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Comments from PFS member survey (Feb 06)

Simplify the process
IFA knowledge is poor on State benefits
Cover different benefit levels (3 months full pay, 3 months half pay) in one contract
Provide better sales aids including what if scenarios
Simplify definitions

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Comments from PFS member survey (Feb 06) (Cont d)

Companies should pay out without financial underwriting at claim providing the client is in work
Underwriting needs to be speedier
(IP) is a crucial area to the client's long-term prosperity
Make IFAs more aware of their responsibilities as ADVISERS rather than product salesmen
Clients believe State benefit will fill the gap

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Objectives of the Income Protection Task Force

To engage with advisers to try to understand better the barriers/positive aspects of the current product/process in order to increase the penetration of Income Protection sales

To underline the value of Income Protection to a wider industry and consumer audience, including key regulators

To talk to the press and broadcast media to promote the positive value of Income Protection

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Re-think on Incapacity Benefit
possible areas of interest to our industry:

Insights into fraud by population at large trying to claim this benefit

Applicability of the Work Focused Interview (WFI) in helping to standardise claims philosophy of industry and Government

Government are keen to emphasise the high priority income protection has. Can we use this momentum to increase the momentum around Income Protection?

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Re-think on Incapacity Benefit
possible areas of interest to our industry
(Cont d):

Do we need a greater focus on services, other than just income?

Employers need help on absence management and occupational rehabilitation can the industry help?

We need to dovetail income protection better into the State system

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Likely Suggestions From the IP Task Force

Streamlining product AND underwriting process

Develop actual case studies as sales aids

Get in-depth research about what would make IFAs sell IP

Work with the new ABI Protection Committee

Increase generic awareness of the product

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