



# AEGON IFA Insights Survey

## Protection 2009 – Front Line Findings

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# Introduction

## Head of Proposition – Protection and Investments

The recent economic downturn in the UK financial markets has meant challenges for advisers and customers. While many market segments have been hit hard, the individual protection market has so far weathered the storm, highlighting the resilience of this market in difficult times. In fact, according to the ABI's new business figures, regular premium individual protection policies fell by just £8m in 2008, from £867m in 2007 to £859m.

AEGON believes that with the current economic downturn, protection products including critical illness, income protection, life cover and business protection are as important as ever. And advisers have a clear role to play, in ensuring their customers and their families are adequately protected against the unexpected happening in the future.

In this latest IFA Insights research, we asked advisers about the impact of the current economic climate on their protection business, with a majority seeing no decline in new business trends, while other areas of the financial industry are seeing a downturn. Business protection has also increased in importance in the current economic climate, with more advisers looking to ensure that businesses have adequate protection in place against the possibility of the unexpected happening to a key individual within the business or shareholder.

We also asked advisers to consider new technologies and the impact they would have on their business and time, with the majority of those questioned either saying they have already used an online application tracking tool or would be willing to give one a go.

A major industry issue in recent years has been the cost versus quality debate around protection products. While the findings show that price is still a fundamental factor for advisers to consider when recommending a protection provider, it is encouraging to see other factors such as underwriting capabilities and product terms and conditions also scoring high.

As in previous IFA Insight reports, we have published the top line findings in this document in order to illustrate the most important points. Should you have any comments or queries relating to the following pages, please do not hesitate to contact me via email at [Stephen.crosbie@aegon.co.uk](mailto:Stephen.crosbie@aegon.co.uk). Alternatively, for more information on IFA Insights or to view previous reports and other research conducted by AEGON, please visit our website at [www.aegon.co.uk](http://www.aegon.co.uk).

### Methodology

Populus interviewed 100 IFAs who specialise in selling protection products including, critical illness, income protection and life policies. The research was conducted by telephone between 27 February and Thursday 5 March 2009.

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# Question 1

## Are you selling more or less individual protection as a result of the credit crunch?

More	20%
Less	25%
About the same	55%

### Analysis

Three quarters of IFAs say they are either selling more, or the same individual protection business during the current economic downturn. Only one quarter of advisers are selling less protection business as a result of the credit crunch. More than half (55%) of IFAs are selling about the same amount.


### Commentary

Generally, during times of uncertainty the protection market remains resilient. The increased awareness of people wary about losing their jobs or homes in these times and the effect that this can have not only on themselves, but their families, may have also contributed to this market only being slightly down on last year, when other markets may be suffering to a greater extent. During this particular downturn, the mortgage market has suffered substantially and there has been a severe decline in the number of loans for house purchase in the last year.

House repossessions have also increased to an all time high, therefore putting protection in place to make sure customers can pay their mortgage in the event of a critical illness, long-term sickness or death is perhaps even more important in times of economic uncertainty.

And there has been a concerted effort in recent years to increase consumer trust in the protection market, with the launch of new ABI guidelines for non-disclosure which have helped increase the percentage of paid claims across critical illness and income protection. There have also been a number of other measures such as the introduction of online application tracking and pre-sale underwriting questionnaires, all of which have helped greatly when it comes to making life easier for advisers processing protection policies for their customers.

In fact, according to figures published by the ABI, regular premium individual protection policies fell by just £8m in 2008, from £867m in 2007 to £859m.





## Question 2

**What three of the following factors do you view highest when recommending an individual protection provider?**

Price/rate	82%
Underwriting capabilities	53%
Product terms and conditions	39%
Financial Strength	38%
Service	31%
Claims Experience	16%
Online service	15%
Brand	6%
Relationship with broker consultant	5%

### Analysis

Although IFAs overwhelmingly chose 'Price/rate' as one of the three factors they view as the most important when recommending an individual protection provider, it is encouraging to see other factors also scoring highly among advisers. Just over half (53%) chose 'Underwriting capabilities' as one of the three factors when choosing a protection provider, and financial strength also scores highly, with 39% of IFAs choosing it as one of their top three, perhaps even more so due to the current climate.

### Commentary


Advisers still regard price as a key factor when choosing a protection provider. But the research also suggests that other factors, especially underwriting capabilities also play a key role.

When selecting their top three most important factors to consider when choosing a protection provider, more than eight out of ten advisers (82%), chose the price of the product over other areas including, product terms and conditions (39%), financial strength (38%) and online service (15%).

However, other important factors such as underwriting capabilities and service also score highly among advisers, reflecting the developments providers have put in place to improve these areas such as helplines, improved online capabilities such as online application tracking and dedicated support teams.

Interestingly, claims experience was rated relatively low, with just 16% of IFAs choosing this as one of their top three factors. AEGON believes this could be a reflection on the initiatives providers have developed to increase full disclosure at the application stage with pre-sale underwriting questionnaires and the adoption of the new ABI guidelines, resulting in more claims being paid for critical illness, income protection and life policies.

In 2008, AEGON Scottish Equitable paid out 91% of critical illness claims and 93% of income protection claims, showing the true value of these developments.





## Question 3

**What do you think will happen to the Business Protection market over the next three years?**

Market will grow substantially (5)	2%
Market will grow slightly (4)	32%
Market will stay the same (3)	39%
Market will decline slightly (2)	17%
Market will decline substantially (1)	5%
Don't know	5%
Mean	3.09%


### Analysis

Almost three quarters (75%) of advisers believe the business protection market will either grow or stay the same over the next three years. Less than one-quarter (22%) of IFAs think that the market for Business Protection will decline over the next three years, and only 5% believing this will happen substantially. Two-fifths (39%) think the market will stay the same, while one-third (34%) think it will grow.

### Commentary

There are around 4.7 million private sector businesses in the UK according to the Department for Business Enterprise & Regulatory Reform, with a potential business protection market of around £500 billion (Swis Re Insurance Report 2007). Given the current economic climate, it is more important than ever that advisers help businesses protect themselves against the possibility of the unexpected happening to a key individual within the business or shareholder. Small and medium sized enterprises account for around 99.9% of all businesses in the UK, and it is these businesses which are more likely to be vulnerable in the current market conditions.

AEGON has been helping to educate advisers step into this relatively untouched market, setting up a series of Business Protection Workshops to help advisers understand the importance of businesses having adequate protection cover in place, especially for smaller companies who are more vulnerable.





# Question 4

## Which statement most accurately reflects your view on online protection tracking?

It will save me time	55%
I would prefer to track my client's application on the phone	11%
I haven't tried it but would be willing to give it a go	25%
I wouldn't consider using it because I don't have the time	4%
I wouldn't consider using it because I don't have the knowledge	-
Don't know	5%

### Analysis

The findings show that more than half of advisers view online tracking as something that will save them time, with a further one quarter saying that even though they have not yet used an online tracking system, they would be willing to give it a go. Only one in ten IFAs say they would prefer to use the phone in order to track their clients application. In total, 80% of advisers would use online tracking.


### Commentary

Encouragingly one quarter (25%) of advisers questioned, who have not yet used online tracking would be willing to give it a try. The 80% of advisers who would use online tracking would directly benefit from the time saved chasing cases in the pipeline.

Online tracking enables advisers, once they have submitted an application on behalf of their customer, to go into an online system and track what stage in the process the application is. A good online tracking system gives advisers an exact status of the policy at that particular point in time. This gives an indication of how long the application will take to complete, allowing the adviser to better manage their clients' expectations, potentially reducing the number of policies not taken up. Online tracking also helps advisers save valuable time tracking applications over the phone or writing letters and emails, allowing them to focus on meeting the needs of their clients quicker.

In May 2009, AEGON launched their own online application tracking system, allowing advisers to check the status of all individual protection applications through to completion.

The real-time system provides one central source to view all online applications and will allow advisers to track any new business applications at any time of day, seven days a week. This gives advisers the most up to date status of an application at the touch of a button.





## Question 5

**If you were to focus on protection business, how much of your time or that of your employees would you estimate being spent tracking applications?**

0-9%	42%
10-19%	39%
20-29%	9%
30-39%	3%
40-49%	1%
50% or more	2%
Don't know	4%
Mean Time	12.8%

### Analysis

It appears from the research that a concern among advisers is the time they spend tracking applications.

20% of advisers believe they would spend 20% or more of their/their employees' time chasing protection cases if they were to focus on protection business.

Four-fifths (81%) of advisers believe that if they were to focus on protection business it would take up to 20% of their and their employees' time chasing cases. 15% thought it would take more than 20% of their time.


### Commentary

Estimates suggest as much as half of advisers time can be spent checking up on cases to see at what stage in the application process they are. There are many circumstances that lead to applications not being completed immediately. These include inaccuracies or mistakes in the application, not fully disclosing all information, or waiting for applications to go through the underwriting stage with medicals and GP reports.

Without the help from providers to minimise the time it takes for applications to be processed, from pre-sale underwriting questionnaires, online tracking and specialist underwriting teams, it can be quite complex and time consuming for advisers.

Advisers sometimes employ people purely to manage these cases – liaising with the providers and reminding clients of their requirements, which is why online tracking systems are so important and beneficial.

AEGON's recently launched online application tracking system was based on adviser research and feedback. As a result it offers some key features that are designed to make an adviser's life easier, reducing the time spent on the phone chasing policies.





## Question 6

**For the individual protection business you submit to a provider that does not complete, what are the three main reasons?**

Underwriting decision	86%
Multiple applications submitted	15%
Speed of service	8%
Price	7%
The need of a wet signature	6%
Other (specify)*	14%
Don't know	1%


### Analysis

86% of advisers say that protection policies which do not complete are due to the underwriting decision. Only 8% say the speed of service is the reason for failed applications and only 7% say price is the reason.

### Commentary

Protection providers have been working on developing a number of tools in order to help advisers run through the application process with their clients, and to ensure that Not Taken Up business is kept to a minimum. Dedicated underwriting helplines have specialised staff who are able to explain to advisers the reasons why certain applications may be declined. There are also pre-sale underwriting questionnaires which help to increase full disclosure, thus reducing applications which are declined.

AEGON has also recently launched an 'understanding claims' website in order to encourage full disclosure at the application stage. Websites such as these can provide all the tools and information an adviser needs to help their clients understand the claims process and how to avoid non-disclosure occurring, as well as testimonials from claimants and some valuable case studies.





# Question 7

## What percentage of your protection policies are written in trust?

0-9%	31%
10-19%	13%
20-29%	15%
30-39%	7%
40% or more	32%
Don't know	2%
Mean	24.1%

### Analysis


Of the 100 advisers questioned, only a quarter said they write protection policies in trust. However other industry commentators suggest that this figure could be as low as 10%, or even less. One-third (32%) say they have more than 40% of their policies written in trust, while another third have less than 10%.

### Commentary

The importance of writing protection policies in trust cannot be underestimated. Potential pitfalls of not writing protection policies in trust can include unnecessary inheritance tax liabilities, payments not going to the deceased's intended heirs, the policy not being protected from creditors and the possible delay for deceased's heirs to receive payment.

However, according to the results from AEGON's IFA Insights research, very few advisers are actually writing protection policies in trust, with 60% of advisers writing fewer than 30% of their business in trust. AEGON believes providers have a key role to play in highlighting to advisers the problems that can be associated when policies are not written in trust. This will ensure customers' best interests are taken into account so families do not experience any future shocks if a policy pays out.

And the benefits of writing a policy in trust can be far reaching for the adviser too, leading to referrals from trustees, demonstrating the value of professional advice.





# Question 8

## Who do you regard as your main competition?

Banks & building societies	39%
Internet sellers and comparison sites	28%
Other local advisers i.e. mortgage advisers, accountants, solicitors etc.	11%
Supermarkets	6%
Product providers that sell direct	3%
None of the above	13%

### Analysis

Two-fifths (39%) of advisers think banks and building societies are their main competition; 28% think internet sellers and comparison sites. Interestingly, only 6% of advisers think that supermarkets pose the biggest threat in terms of competition.

### Commentary

Individual protection should form the bedrock of financial advice. People should always consider protecting what they have before thinking about what they can invest. Seeing the potential in this market, more and more distributors are focussing their attention on protection. While this will undoubtedly be a good thing for people in the long-term, with more people purchasing some form of protection, it also presents a challenge from other distributors to financial advisers who have traditionally sold protection policies.





# Question 9

## What is the main way that you segment your clients?

By needs i.e. personal, business	48%
By Income/budget, household or business	14%
By products i.e. savings, pensions, protection etc	8%
By financial knowledge	7%
None of the above	23%

### Analysis

Almost half (48%) of advisers segment their clients primarily by needs. 14% segment their clients by their budget or income, which could have decreased in recent times. Advisers and providers should however ensure that they are still adequately covered, and perhaps look to save money elsewhere, rather than reducing their life cover, or income protection premiums. One-quarter (23%) do not segment by any of the listed options.

### Commentary

Customers needs can change over time, and these needs are more likely to change in times of economic downturn. Advisers should be revisiting their customers to check whether their personal or business needs have changed, and whether they need to review their current protection requirements.

Customers may be looking to save money, however advisers must ensure that they remain adequately covered, in the event that they were to lose their job or become critically ill. AEGON has produced a customer liability audit which advisers can run through with their clients. This will help them identify where money can be saved elsewhere, without giving up important protection cover. AEGON's flexibility also allows for premiums to be reduced, rather than giving up protection all together.

