Dynamic Protection – A Viewpoint

Our vision of protection is for a customer to own a portfolio of individual covers from different insurers that can be reviewed in real time, and updated by intermediaries or customers, to help achieve the customer’s lifetime goals. This is quite different to the “buy and forget” marketplace of today.

In a word, protection needs to shift from being “static”, to “dynamic”. People invariably never buy all the cover they need on day one, and few review their requirements, even after major life events. To narrow the gap between intentions and actions, protection needs to be a core part of their regular financial reviews. The more frequently people engage, the more we can engender trust and build loyalty. But we have a long way to go.

To do this we need a step change in how we manage our customers, learning from the investment marketplace and other successful consumer websites.

The ABI UK Insurance Key Facts 2013 state there are 29m term, CI, IP and Whole of Life policies in force – this compares with 2.5m new policy sales in 2013. The Insurance report 2013 (from Swiss Re) showed that 42% of UK adults held individual life cover, 15% CI, 10% IP and in total 48% had at least one protection product.

This data identifies that the protection challenge can be divided into two halves – how to extend its reach to the half population with no cover and how to deepen the scope of cover to the half population who have already engaged. This article focuses on the second of these - the 19m UK adults with some protection.

It’s time to get dynamic.

Life cover is the cornerstone of individual protection – accounting for 87.5% of all in-force covers. For the vast majority, this will be their only cover and the sale would have been made many years ago, probably to protect a mortgage. Any sale is a fantastic first step, as these customers overcame the contra indicators of “don’t need”, “can’t afford” and “don’t trust”.

The challenge is to alter the customer’s “job done” mentality, so that the first sale sparks a rewarding multi-sale, life long relationship. The follow up is arguably as important as the first sale.

We need to confine transactional protection to the trashcan of history.

Dynamic protection needs to create the opportunity for more frequent contact that prompts intention and makes it easy to take action. The objective is to track customer needs, and actively reduce their personal protection gap.

Over the last decade wrap platforms have transformed how wealth advisers manage their customers’ investments and these are now a core part of the marketplace, with an holistic view of a customer’s portfolio, real-time asset performance data, online transactions and analytical tools to assess risk and track financial goals. Customers benefit from a single view of their assets, consolidated financial statements and a single documentation depository.

Why should protection advisers expect any less?

In protection it is very difficult for intermediaries to form a single view of their customers’ protection covers. At best they retain details of the sale, they receive a copy of any annual benefit statements, from the few insurers who issue these, and they may be notified if a direct debit fails. None of this is online, none of this is real time, none of this is consistent, and none of this is accessible by their customers.
A protection platform offers huge opportunity to transform the way intermediaries manage protection. Some of the components could be:

- **A single customer view of existing covers** – show real-time in-force policies and insurability options. It should also be possible to trigger status changes, such as a payment failure, an address change, or a claim.

- **A single repository of information** – this could hold the customer’s needs analysis, their application details, policy documents and annual benefit statements.

- **A “cover gaps” dashboard** – this would be a powerful visual of the shortfall between the adviser’s recommendation and the customer’s in-force cover. It could also alert customers to further reviews, by time or life events.

- **A health fact-find** – this would be a secure site for customers to update their medical information. This could also benchmark their health against their peers and identify higher risk lifestyle factors.

- **A risk calculator** – this would use the customer’s personal data to determine the probability of different types of claims.

- **A cost calculator** – this would provide real-time prices for additional covers, based on the customer’s personal health data. It could also show how the price may change if the purchase is delayed.

By accessing this information online, customers can actively review their protection portfolio, with or without their intermediary present. Many people prefer to research online, and only contact an intermediary when they are ready to make a purchase. Of course, that shouldn’t stop advisers proactively reminding customers of the importance of regular reviews, or contacting those who have missed a premium payment.

It should be noted that lapses are often triggered by a change in circumstances, or because customers can buy cheaper or better quality replacement covers. With additional information on life events and cost of covers, intermediaries may be able to predict future lapses and intervene beforehand.

A protection platform provides a step change from static, “buy & forget” transactions to dynamic “active engagement”.

Dynamic protection is about using the first sale to spark a relationship that is a catalyst for additional sales. The step change needs like-minded insurers to provide the real-time information. Many already do this for investments, and could extend this to protection.

In summary, almost half the adult population has recognised the need for protection, but have inadequate cover. This offers a significant opportunity for additional sales that also narrow the protection gap. The first sale should no longer be the end of a transaction, but the beginning of a relationship. With a single customer view, and the right support tools, intermediaries can more effectively turn intent into action.

This step change could transform protection in the same way that wrap platforms have for investments.

This is a joint paper produced by UnderwriteMe and Sapiens. For further information please contact:

**Martin Werth**
CEO UnderwriteMe
Email: martin.werth@underwriteme.co.uk
Mobile: +44 (0)7914 590365
www.undewriteme.co.uk

**Dave Smith**
Head of Insurance Practice, Sapiens
Email: dave.smith@sapiens.com
Mobile: +44 (0)7815 053229
www.sapiens.com