

COVER

The Health Insurance and Protection Market Covered

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Looking beyond the struggling mortgage market **Mark Jones** explains why advisers should focus on selling business protection, particularly in the small to medium-sized sector.

BEWARE
OF
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Guarding your assets

With falling numbers of house buyers and lending being reined in, it could be a cause for concern if an adviser's main income stream is protection sold off the back of a mortgage. However, there are other sales and targeting opportunities out there beyond the mortgage market. With an estimated 4.5 million businesses in the UK, the business protection market could provide opportunities to generate additional income.

Now is the time to diversify.

With 99.9% of the 4.5 million businesses being small to medium-sized firms, it is crucial that these are financially secure if the worst were to happen to a key member of staff. How would the smaller businesses cope without the income a key person would generate?

There are many financial impacts following the death or serious illness of key individuals that can put a business at risk.

These events can cause loss of profit, interruption to cash flow, disruptions to loan repayment and changes in shareholder control. In some instances, the financial burden can be so great that the businesses are unable to continue.

According to credit agency Experian, over 10,000 UK businesses failed in the first half of this year, a 17.5% increase compared with the same period in 2007. With the credit crunch continuing to bite, senior managers will be



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increasingly looking at ways to minimise risks to their business so now is the perfect time to present the case for business protection.

The business protection market is often perceived as difficult to operate in and as a result many advisers often avoid it. The reason for this is it is seen as a complicated sale because of the high levels of sums assured involved and the apparent complexity of underwriting. In reality, this is not the case and the principles are broadly similar to other types of protection. The perceived technical nature of the product will also give the adviser an advantage – business protection is generally an adviser-led sale so there is no competition with the retail sector.

Not only that, but business protection is often far more remunerative than personal protection due to the higher sums assured and older ages often involved, leading to higher premiums and potentially higher commission for advisers.

MULTI-SALES

Intermediaries in this sector could also benefit from more multi-sales opportunities – a typical business has four directors so it is possible to recommend four shareholder policies before even beginning to discuss key person protection. Furthermore, business' circumstances will change regularly, providing advisers with ample opportunities to check how adequate the cover is and the possibility of further sales.

The existing customer bank will be a good place to start to target potential business protection buyers with many of existing mortgage and corporate or high-net-worth clients requiring the cover. Intermediaries will have already encountered many businesses when addressing Inheritance Tax cover in the past and these can now drive some targeting.

It is important to identify as early as possible who the key decision maker in the business is so that any effort is focused in the right direction. Nobody wants to waste hours or even days through not dealing with the appropriate person in the business who has the power to make the final decision. The decision maker could be, for example, the major shareholder, the managing director, or the finance director.

Beyond the customer bank, another idea would be to use and improve any professional connections. Solicitors and accountants are often the key people that advisers have to get onside in order to progress business protection discussions.

There are many opportunities to identify potential customers for business protection such as joining and working through the local Chamber of Commerce, www.britishchambers.org.uk. This is an extensive national network with a comprehensive programme of events that provides a great opportunity to network and promote these services. Read up on trade associations, www.taforum.org, and use the Business Link, www.businesslink.gov.uk.

Before seeing a prospect it is a good idea to obtain their company accounts from Companies House, www.companieshouse.co.uk, which will give a better understanding of the company's needs. Some providers will even retrieve financial accounts for advisers from the Registrar of Companies' service. Where appropriate, this will save considerable time.

Everyday business suppliers, like printers, caterers and recruitment agencies, should also be seen as potential customers. Or check out local newspapers and directories such as Yellow pages, www.yell.co.uk, and Thompson Local, www.thomsonlocal.com. Seminars could be held for local business owners, perhaps arranged with the local Chamber of Commerce.

INITIAL STEPS

These are just a few steps towards developing new customer relationships and beginning to exploit the potential of this market.

Many providers have taken action to help advisers through the process and make it as easy as possible to submit cases with some providing dedicated business protection teams that give advisers direct access to high-net-worth underwriters for all business protection cases no matter what the level of sums assured. These underwriters can provide practical information on areas such as how best to present financial information and how to package applications. They even provide a pre-application service, giving advisers the opportunity to discuss any issues such as medical disclosure, underwriting limits and

tax implications before they meet the client.

Trusts provision has also been improved for shareholder or partnership protection. Through the use of the correct forms, on the client's death, the proceeds will be paid to those people in business with the client at that time. A tailored business protection trust form can allow for any changes in the business line-up and usually have a discretionary power of appointment vested in the trustees, giving the client more control. Some providers make it easier for advisers to tackle trusts by providing related questions within the online application process.

Businesses generally have less time than individuals and are likely to be more financially savvy so it is essential the service providers deliver is to a high standard. As such, many providers offer excellent agreed service levels for the processing of business protection cases – some will provide quicker initial underwriting decisions, regular updates from a personal case handler and case-tracking facilities. This is something all advisers should expect but it is worth finding out if this remains the same at lower sums assured.

BE PREPARED

With businesses under increased pressure as a result of the credit crunch, it is more important than ever to have financial protection. Customers would be wise to financially prepare and enjoy the peace of mind that business protection can provide.

There are a number of ways that intermediaries can broaden their knowledge of businesses and therefore better understand their need for business protection. In many cases the business will be looking for a good broker to help them mitigate risk. Whatever the scenario, there may only be one shot and a limited amount of time to convince the business that protection is worthwhile – good preparation is therefore key.

By tapping into the business protection market advisers will not only be able to build better relationships with business customers and provide valuable advice in the current climate but will also benefit from increased earnings. □

Mark Jones is head of protection marketing at Friends Provident