



FINANCE & TECHNOLOGY RESEARCH CENTRE

Adviser Forum

Identifying good practices concerning business retention practices for protection business only

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Introduction to good practice

- This good practice document has been developed by the distributor groups and product providers who engage in Protection Forum.
- These organisations are:

Master Adviser	Sesame Bankhall	Aviva	AEGON	Axa	Exeter Family
LifeSearch	Proactive Insurance	Legal & General	Pru Protect	Fortis Life	Direct Life & Pensions
London & Country	Royal Bank of Scotland	LV=	Zurich	Friends Provident	

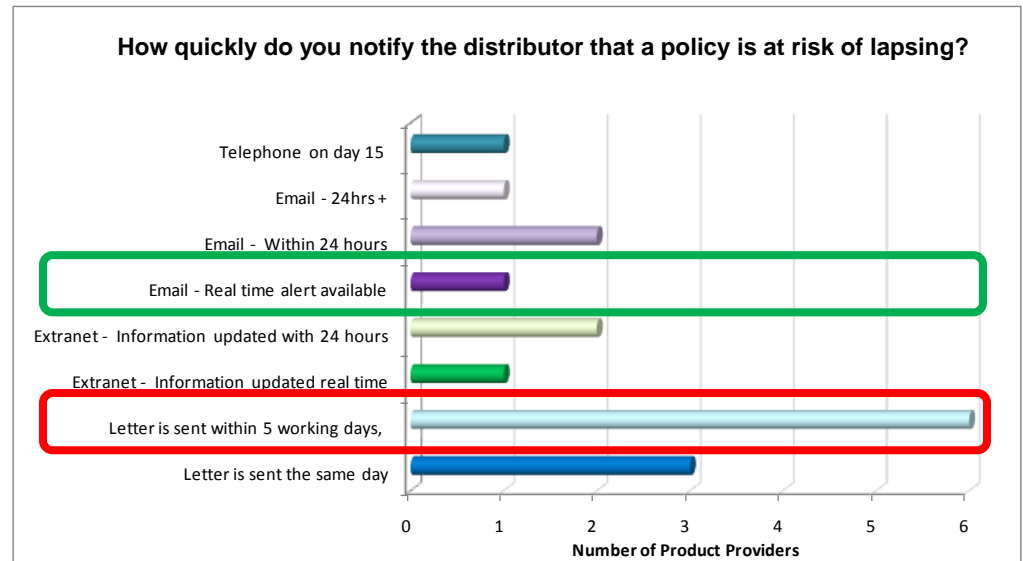
- The key issues addressed by this paper are:
 - Increase the speed at which product providers notify distributors when a lapse does occur.
 - Development of robust business retention processes where policies are at risk of lapsing.
- The document covers the following areas:
 - Why is good practice needed?
 - What does current market practice look like?
 - Good practice as a phase one development (areas providers can seek to deliver relatively quickly)
 - Good practice as a phase two development (areas providers can seek to deliver once phase one rolled out).

Why is good practice needed?

- Parties have agreed to collaborate on this issue in order to reduce the amount of business lapsing in the early years of a policy as:
 1. It is considered good TCF practice to develop processes and systems that can help consumers address issues such as:
 - ❑ Re-establish the original cover where a policy has been cancelled by the client but now wants to re-establish that cover.
 - ❑ Re-establish cancelled direct debits mandates where these have been inadvertently or accidentally cancelled so the consumer can retain the level and type of cover they originally purchased if that is still suitable for their needs.
 - ❑ Repay missed premiums as quickly as possible in order to re-establish cover.
 2. FOS would expect consumers to be given an opportunity to address these issues in a timely fashion and avoid any consumer detriment as a result of delayed and lengthy processes.
 3. There are also financial implications of lost commission and lost premiums for both distributors and product providers.
 4. Product Providers have a requirement to report persistency rates to the FSA, so have a vested interest in seeking to improve practices that could demonstrate enhancements to policy retention *“An insurer with permission to effect or carry out life policies must submit to the FSA a persistency report in respect of life policies by 30 April each year (<http://fsahandbook.info/FSA/html/handbook/SUP/16/8>)”*.
 5. It is understood that advisers are not yet required to report persistency data via GABRIEL, though from a TCF and Training and Competency view the FSA would expect advisers to monitor this information and have internal processes for identifying and dealing with any anomalies.

Current market practice

- Research conducted by this group identified the main issue to be the speed at which providers were alerting distributors when cancelling cover, cancelling a direct debit mandate or when a client missed a premium. See graph below.
- The majority of product providers operate a process where they will issue the distributor a letter within 5 days of a policy going on risk of lapsing. Current processes create the following issues:
 - Notifications sent in the post delay the speed at which a distributor can contact the client to address the issues that have led to the policy going into risk.
 - Every day the process is delayed, the risk of outstanding premiums develops which can deter some consumers from addressing the lapse issues as they may not be able to afford to pay the provider.
- Distributors have stated that the key to improving retention lies in speedier communications from product providers.
- The ideal scenario is to receive a communication from the provider as soon as a “trigger” occurs (this is defined as an event that can prompt a lapse).



Good practice guide to business retention – phase 1

No	Requirement	Rationale / Comments
	Event triggers	
1	<ol style="list-style-type: none"> 1. Client cancels cover. 2. Client cancels direct debit mandate. 3. Client misses premium. 	<ul style="list-style-type: none"> • Distributors have identified these triggers to be the key events affecting business retention. • It has been agreed that this good practice statement will only cover three triggers, extending this requirement could reduce provider capability to deliver a solution.
	Notification process	
2	Time lag between a trigger event and the distributor being notified should be no more than 24 hours.	<ul style="list-style-type: none"> • Distributors who are notified within 24 hours of a trigger event are better positioned to contact the client and address the issue that has led to the alert. Communications issued after a 24 hour period reduce this capability significantly and notifications received after 5 working days are deemed to be redundant. • The ideal scenario would be for distributors to receive a real time notification, though firms recognise that achieving an alert within 24 hours will be a significant step forward.
3	Use email to alert distributors to the event/s	<ul style="list-style-type: none"> • Whilst email is an effective communication tool, it has been agreed that there are significant data protection issues that need to be considered if firms were to use this medium to communicate client specific data. Firms who adopt this practice should ensure that there are sufficient safeguards in place to protect client data such as secure email solutions. • Email is better utilised as a mechanism to ‘alert’ the distributor that an event/series of events have occurred to policies that are now at risk of being cancelled. • Depending upon how the administration function is set up within the distributor business email alerts will need to be sent to (1) a central mail box from where the distributor will retrieve the information and pass to a wider team to action (2) several administrators who will disseminate the email to a wider team to action (3) to a single administrator (4) to the adviser.

Good practice guide to business retention – phase 1

No	Requirement	Rationale / Comments
	Provider extranet	
4	Web link	<ul style="list-style-type: none"> • Email should contain a web link that takes the distributor directly to the business retention site on the extranet. Poor practice would be a scenario that leads the distributor to the providers homepage. • Distributors have stated that web site navigation can be challenging and to reduce time delays web links should point them to a specific web page that deals with business retention.
5	Provider extranet log on should be secure and user friendly	<ul style="list-style-type: none"> • As distributors have to access multiple provider sites it is important that log on processes are simple to operate without undermining any security features.
6	Multiple user access rights	<ul style="list-style-type: none"> • As mentioned in requirement 3, distributors will operate different models and this may mean that multiple individuals are required to log into the provider's extranet.
7	Process for handling distributor email accounts for staff that join and leave	<ul style="list-style-type: none"> • Agreed that this process should be managed by the distributor and providers should be notified as and when email accounts are switched off for leavers and created for new joiners. • To address the issue of some distributor firms reluctance to share email address information with product providers, parties should agree the purpose for which emails should be used. In this context, it is recommended that where a distributor does make adviser email addresses known to providers then it should be on the understanding that the provider will only use the email address to notify the adviser of policies at risk of lapsing and not for any other marketing campaigns (unless agreed with the distributor firm in advance). • It is also recommended that providers seeking to capture current email addresses for advisers could cross reference the information they hold on Unipass certificates where these are in operation.

Good practice guide to business retention – phase 1

No	Requirement	Rationale / Comments
	Reports and documents	
8	Report configuration (bulk and individual)	<ul style="list-style-type: none"> • Reports should be configurable as bulk files or on individual case basis. • For bulk files especially, there should be a mechanism to import this data into distributor business systems. This is a key requirement for distributor firms that place large volumes of protection business.
9	File format	<ul style="list-style-type: none"> • Important to offer flexibility and choice of report formats as different distributors will use the information in different ways. Ideally should seek to offer files in Excel, CSV and PDF.
10	Download / upload documents via extranet	<ul style="list-style-type: none"> • As well as offering information about policies at risk, it has been suggested that providers could assist further by making available forms/documents that the client will need to rectify the issue. • In particular where a client cancels cover, to make declaration of health forms available at the time these are requested i.e. Extranet should have these forms readily available within a document suite so distributors can download these and distribute to the client.

Good practice guide to business retention – phase 1

No	Requirement	Rationale / Comments
	Top 10 information requirements	
1	Client name (see note 1)	Needed to identify client so contact can be made.
2	Intermediary case reference number	A number of distributors apply an ICRN to each case/client and this is used when interrogating internal systems and databases.
3	Policy number (see note 1)	Not all firms will be using an ICRN and will be using a policy number as the main identifier.
4	Reason why policy is at risk	Imperative that the provider confirms which of the 3 previously identified triggers have caused the policy to be 'at risk'.
5	Number of missed premiums	Will assist the distributor to understand extent of outstanding premiums and can have a conversation with the client to agree how this is managed i.e. Do they have funds to pay back missing premiums?
6	Timeframe for repaying premiums	Provider timescales for repaying do vary so distributors cannot assume a timeframe therefore its important for providers to state what timescales they work to.
7	Potential claw back amount	Some distributors may elect to prioritise the cases they address first by assessing the value of the claw back amount that the business will have to repay the provider.
8	Off risk date	This information is considered important as it can help to focus the clients mind to ensure that they perform the activities needed to address the 'at risk' issues.
9	When the client cancelled/missed premium	Providing the date of the client action that prompted the 'at risk' status will allow the distributor to understand how much time the client has to rectify the issue i.e. Did the event take place within the past 24 hours or has it been longer? If longer, the case may need to be prioritised above others as the timescales for addressing the situation will be shorter.
10	Product type (see note 1)	Should identify the type of contract the client has as this can assist the distributor explain the implications of the client losing the cover more appropriately.

Note 1: classified as being "personal" or "sensitive" information, therefore firms must ensure that if such information is sent via email then this is done securely e.g. emails will need to be encrypted.

Good practice guide to business retention – phase 2

No	Requirement	Rationale / Comments
	Extranet capability	
11	Action events via extranet	<ul style="list-style-type: none"> Where cases are identified as being at risk this often requires distributors to undertake tasks to prevent the policy from lapsing. Therefore, it would be helpful if extranets could be more than just an information repository and allowed the distributor to communicate with the provider directly. As the whole process is time sensitive (provider timescales for resolving the issue that caused the 'at risk' status very much from firm to firm) it is imperative that actions can be addressed quickly. Key areas of functionality/support identified are: <ol style="list-style-type: none"> Create a facility to input direct debit mandate details (note 1) Create a facility to pay to accept missed payments online (note 2) Allow distributors to schedule tele-underwriting interviews on behalf of the client via the extranet, again another way to reduce process delays that could result in a lapse.
	Management Information	
12	Demonstrating benefit and validating the business case	<ul style="list-style-type: none"> As with all new developments providers will be keen to ensure that business cases are met and that key distributor requirements have also been met and are delivering business benefit. It is recommended that providers build an MI suite to capture information that can demonstrate areas such as: <ul style="list-style-type: none"> Number of policies that were at risk and have been retained. Level of premium income saving this represents to the provider. Level of commission income saved this represents to the distributor.

Notes

- Adviser Forum was established 2001 by F&TRC.
- Over 9+ years Adviser Forum has evolved into an environment where major adviser and provider / investment firms meet regularly to discuss common business issues and identify how to address them co-operatively.
- Forum focuses on improvements to business processes, achieving cost savings and service enhancements.
- F&TRC facilitate four industry Forums: Investment Forum, e-Services Forum, Workplace Benefits Forum and Protection Forum.
- Protection Forum was launched in March 2010 and firms meet every quarter. The sessions are attended by large protection distributor firms and product providers.