

Getting a handle on impending regulation

IFAs have risen to the Retail Distribution Review challenge and are creating strategies to ensure their firms can adapt, says **Simon Taylor**, chief executive officer of Uinsure



The world of financial services is about to embark upon one of its seemingly generational structural changes.

The Financial Services Authority is being broken up and refocussed as the Prudential Regulation Authority and the Financial Conduct Authority. Things will be more intrusive – that much has been promised.

At the distribution end of the value chain we have the Retail Distribution Review that has become a part of our lives and is due to come into effect from January 1 2013.

It will have a huge impact on the advisory community, particularly those involved in investments and retirement planning. Why? Commission previously

paid by the provider will be banned.

It will be replaced by a transparent agreement between clients and advisers and, of course, advisers will need to meet new and significantly higher qualification standards just to be in the advice business, let alone make a success of it.

For advisers in the mortgage market we have the Mortgage Market Review bubbling away in the background and although it has been oft repeated by the FSA that there will be no ‘lift and drop’ of the RDR rules into the MMR, experience says we can’t rule anything out.

Earning commission for protection sales is still allowed but we should keep an eye on this one.

For brokers, the RDR would seemingly have no immediate impact but it is ▶

◀ enlightening to see how IFAs are responding to the challenges posed by new regulation. The RDR has caused IFAs to look carefully at their business model with fresh eyes and ask some searching questions.

Just who are their clients and can they place a value around them? Do they know how much it costs to service them and just as important, what will they charge clients for future advice when the provider has no future say in determining sales reward?

This last question has led to thoughts of different charging structures for dif-

ferent levels of service. Can an IFA continue to operate on a 'one size fits all' level of service to all its clients?

This thought process has led to client segmentation and a menu of services becoming available to clients. They can choose what they want and how much they are prepared to pay.

We have observed fresh thinking on the part of IFAs as they move from a traditional transactional product sale model to one focussed on charging for advice and building recurring income into the business, thus stabilising cash flow and embedding value.

Are you sitting on a landlord's business goldmine?

You can't have failed to notice television property pundit Sarah Beeny standing in front of a massive red 'landlord insurance' sign on the recent advertisements for Direct Line. In the advert she goes on to tell landlord clients – "Did you know landlords need specific landlord insurance? Normal home insurance isn't designed for landlords and rented properties".

This message is timely as many landlords to whom you sold buy-to-lets during the last five years will be ignorant of this fact and may only have residential cover in place which would be unlikely to pay out any claims.

Over the last few years insurers have begun to develop specialist landlord cover which deals with the increased risk associated with rented property. From burst pipes to accidental damage caused by their tenants, landlords can now get cover designed for their needs.

Rather than let this direct insurer sell this to your clients, now is a great time to let them know that you can help them with some of the best specialist landlord products on the market.

These policies offer cover such as:

- Accidental damage
- Loss of rent as standard
- Landlords' legal liability
- Landlords' 24/7 legal help-lines
- Solicitors' legal assistance
- Home emergency options
- Tax advice helplines
- Rent arrears cover for those seeking to protect their rental income when tenants' incomes are under pressure

An example is Uinsure's new buy-to-let policy where a typical three-bedroom semi in many areas costs less than £18 per month for buildings cover including landlords' legal protection cover as standard. These are products whose time has come.

A number of brokers we work with have already started mailing their landlord clients with impressive results. So if you have landlord clients and you'd like a reason to call and review their situation this is a fantastic opportunity to make contact and start your own mini landlord campaign.

To help you Uinsure has created an initial approach letter that is on our website and is ready to send with our A5 landlord flyer.

At worst you are reminding your clients that you are there to help them and if you get this right you could be sitting on a landlord's business goldmine.

For every landlord there is at least one tenant

About 10 years ago many advisers met their new clients as first-time buyers who were in their mid-20s. Now the average age of these first-time buyers has risen to well into their 30s.

Your traditional source of new clients and business are probably now in rented accommodation for much longer. So the challenge is to engage with these potential new clients while they are still in their 20s. There is a view now that renting, as in mainland Europe, will become a lifestyle choice. If this is correct for the UK then what are the needs of this new growing segment?

What do these tenants need?

● To insure their possessions through contents-only cover ● To protect their income against sickness and unemployment ● Wider protection cover such as critical illness.

Many advisers have ignored these pre-home-owning young adults but given the trend to longer term renting there is a real need to provide advice.

Uinsure provides simple plans such as contents-only cover and a bill protector plan which provides short-term income protection against loss of income brought about by accident, illness or unemployment.

For only £27.50 per month a flat £500 monthly benefit is paid, backdated to the day income stopped.

The advisory community has always been good at seeing market opportunities but what we are witnessing is a growing number of IFAs extending their services and realising the importance of retaining clients in challenging times.

We have seen clear evidence that advisers are moving into areas that they previously ignored. As they examine and articulate their own business proposition to clients we have seen the growing importance of GI.

Domestic buildings and contents insurance now forms a significant earner for many businesses and again has provided the opportunity to open a dialogue around personal protection and tenants insurance.

Many IFAs and brokers have clients who own a portfolio of properties so it makes sense for advisers to focus on them and offer professional advice.

Our experience demonstrates that many of these investors hold the wrong insurance cover, having tried to make conventional domestic buildings and contents cover fit to their portfolios. Many amateur and accidental landlords

have a clear need for advice and access to better cover. So how in practical terms can you find these clients and design and implement marketing campaigns targeting them.

One way would be to talk to your estate and letting agent connections. If we are honest we have probably not given enough of our attention to lettings professionals in the past.

Solicitor contacts who act for amateur and portfolio landlords and who themselves may be property investors are also worth engaging with.

You could segment your existing client bank by identifying those who have taken out buy-to-let and let-to-buy mortgages which were popular during the boom times, and the grown-up children of existing clients.

Your segmentation work can pay dividends here by identifying landlords and younger renters as both groups are receptive to targeted messages. ●

For more information and details of our workshops please call 0844 844 3 844 or email helpmesellmoreGI@uinsure.co.uk or visit www.uinsure.co.uk