

PRESENTER: OK, Colin, so let's start by looking at the size of the market. Now over a £2 billion premium, I mean that's quite a sizeable market, so how do IFAs influence this? COLIN: Well first of all the market itself, in terms of the £2 billion, I should say that there are 12½m employees covered under 75,000 schemes. It's a market that's been around a long time, and indeed it's also growing. So there are 500,000 lives insured in just the last 12 months, increase in just the last month, and in fact there's been 500,000 lives of growth in the last 12 months alone. There's an organisation in the industry called GRID: Group Risk Insurance Development. And GRID is an independent body, a membership organisation where most of the providers are members, plus a range of intermediaries. GRID is a useful organisation because it looks at a number of factors influencing the growth of the market, one of which is claims, and what GRID has said in its 2016 survey published in May 2017 was that £1½bn of claims were paid in that year. Now that figure is an increase of £100m year-on-year, and it actually equates to £4m of claims paid every day, so a really very significant justification for the market itself. One of the best quotes I think in that survey was that this helped 24,925 UK families maintain their household financial resilience after the death, illness, accident or disability of a breadwinner. And I think that really does get to the crux of why we do what we do. You mentioned intermediaries, and it's probably worth saying that 95% of the figures that we've cited so far are due to the advice given by intermediaries. So a very small number of companies proportionately come directly to insurers for cover. PRESENTER: Given those sort of payments, it's hard to understand why this wouldn't be tangible. COLIN: It is, and if you look at mortality statistics in the UK, and these are cited by the government over the course of the last 60 years, we've seen a 25% improvement in mortality. So that seems fairly clear and it's quite well known. However just as we're living longer, what we're seeing is great strain on the NHS, and great strain on society at large as we work for longer. And this is also affecting the mental health and resilience of the UK working population. So for example in disability terms, what we're seeing is for every 1,000 lives insured for income protection, there are three claims every year. So that tells you quite a bit about why actually we're seeing more use of the benefits that we have. So income protection is the area where we see the opportunity to make the most comment about value. Clearly with three claims per 1,000 lives insured, if you're a smaller employer the likelihood of you having experience of a long-term absence is probably more limited. And therefore you could be forgiven for thinking that you'll just absorb that work that the other individual who's off can't cope with. And that has its own problems as you can imagine, and we'll come back to the SME opportunity later on. PRESENTER: Well we heard about wider value, what do you mean by that? COLIN: I think there's wider value or additional features incorporated in the insurance products, each insurance product at no additional cost. So in addition to the numbers of claims that we've already talked about, there are a whole load of features that an employer and an employee can access, which will improve their quality of life. But we'll get into those as we get into the products. PRESENTER: So then how would you define GP benefits, what does that mean exactly? COLIN: So benefits can be applied at a multiple of salary basis. Underwriting and medical underwriting is something that retail intermediaries know very well, is often avoided because of the implication of free limits as we call them. And that's based on the number of employees in the scheme and the amount of benefit that we're going to be insuring. But the idea being that up to a certain level a member can join very easily. And in terms of benefits, the benefits as I've said under a discretionary trust can be paid outside of the estate of the individual. In terms of additional benefits, there are a range of employee assistance programmes, which will provide bereavement benefits and bereavement counselling for example to family members on the bereavement of the insured employee. And we find that's extremely popular as a service and gets very good feedback. PRESENTER: It does sound quite straightforward, is this the case? COLIN: Yes, all the advisers need to do is make sure that they've got clarity of date, clarity of information from the employer, and that they're clear also on what benefit basis they want to insure. They can work with their insurer, and many insurers have very clear rules and

guidance on what information is required, how to provide it, and that will ensure clean quote, clean information in a really easy to communicate way, all the way through to going on risk and providing the policy. So, as you can see from the graphic, the second product we've chosen is group critical illness, and group critical illness is very much the new kid on the block, and we're talking about only 3,000 policies of insurance, and around about 600,000 population insured. In the 2016 year the market paid £70m of critical illness claims. A lot of the same information is going to be important in deriving the quote, as you can see from the graphic. And what should be said about critical illness is that it's become very high profile. There's hardly a family, there's hardly a business that hasn't witnessed somebody having a critical incident, and therefore that makes it an extremely accessible and attractive benefit to provide. And very often it's provided on a flexible benefits basis so that you can actually elect to top up or take that benefit yourself. PRESENTER: Now this doesn't look as popular from a size perspective, is that the case? COLIN: It's not as popular from a size perspective because it's new as a benefit. And we'll come to some of the barriers to employers buying group protection benefits a little later. The third product, and arguably the product with most to talk about in terms of value, is the group income protection product. Again it's a product that's been around the UK market for many years, and it's changed and evolved over that timescale. The market is currently 17,500 schemes, and around 2½m insured under group income protection benefits. Around about £360m of claims were paid in the 2016 year, and it should be said that the difference in the claims payments for group income protection is that it's an annual payment. And that payment could be for shorter periods or for longer periods, but is often for more than a year at a time. So we see this benefit being extremely valuable to financial stability of an employee and their family. It's also worth saying that mental health, anxiety, depression and mental health claims are by far and away the largest group of incapacities reported for long-term incapacity, and that's from 13 weeks onwards. And one of the most significant features of the mental health claims is concerns about financial wellbeing. So the fact that this product exists is extremely useful for people, and working with those claimants is really important for their own future wellbeing and good health. So I mentioned added value in the context of income protection, and it probably starts with employee assistance programmes. Most insurers will provide an employee assistance programme of some sort, and that really concentrates on keeping employees well and at work and dealing with some of their daily concerns of life I guess. That can be anything from childcare concerns to elder care. It can be financial to legal advice, and it can be concerns about the workplace itself. So very often that benefit's embedded and made available to many employees. We as an insurer and the market at large have seen a really uptake in usage of EAPs over recent years. So in addition to some of those tools, there's also quite often the ability for managers to access EAP as well. So the EAP services that can be provided are everything from manager training around absence management itself, stress in the workplace. And some of these can be in the package and some of them will be available at extra cost to the employer. So we think that's a really good extra tool, again usually at no extra cost within the income protection scheme. And often it's available to all staff, whether or not they're insured. The next phase of added value in my mind is the early intervention service. So this really comes to when an employee has had to be off work for a number of weeks, and very often as little as three to four weeks into absence for the main conditions, which would be mental health, musculoskeletal and cancer. We would have a service as an industry that would enable staff members to access extra care, extra services, and to let our claims departments and vocational rehabilitation people know that they're off and in need of extra support. So early intervention to begin with should a claim be necessary, then we're talking about returning to work and vocational rehab support, which is one-on-one and will involve the NHS, the GP, treating physicians, the employer and the employee. So we believe that's got real value. And it actually across the industry has the impact of enabling a return to work before six months for the majority of absentees that are advised in the early stages. So we think that's got real resonance and real value to keeping people at work, and giving value

to the employee and the employer. PRESENTER: So these absence tools then must be very beneficial for employers. COLIN: We believe they are, and referring back to the GRID 2016 statistics, more than 2,300 people benefited from those services and returned to work in that year. So we think that's a real testament, which is in addition to the benefits, the £360m paid in benefits to those families. Quite clearly it's the smaller employers that we mentioned earlier on that may have less experience of long term absence of employees. But of course when that does happen in a smaller business, it can have tremendously disruptive effects. It puts a smaller workforce under more pressure through the absence. It costs to get in contract workers to fill the gap, if you want to do that. And you've also got the emotional burden of having that valued staff member not at work. So we really want to emphasise that as an industry to make sure that smaller employers buy this type of insurance. So you can see from the graphic the one L&G boast of this presentation will be the support that we've given, and the stats that we've managed to achieve in supporting employees back into the workplace. It's a significant investment, and L&G actually bats well above its market size for its contribution to return to work in the marketplace. Turning to the smaller employer, we've talked a little bit about that, we thought it might be useful to put some context around this. Because we believe that the stats support that this is the significant area of opportunity for IFAs. As you can see from the graphic, there's about 237,000 SME companies between 10 and 250 employees, and this is a stat supplied by government. Now of those 237,000 about 44,000 actually currently have insurance cover, group protection insurance benefits, and we believe this highlights that whilst we've got 20% of those SMEs covered, what we want to do as an industry is to make sure we're giving good information to support you in targeting those 80%, that 190,000 companies that don't currently benefit from these sorts of benefits. PRESENTER: OK, Colin, so we've talked about the benefits, but what are the challenges for IFAs selling these? COLIN: I think the first challenge is that employers are still faced with a range of benefits that they have to buy. They've only got X amount of pounds to spend, and it's about making sure that they're aware of the risks to their business of having the right spend in the right places. And there's also a temptation in the intermediary market to spreadsheet the cost of the benefit over understanding the value of the benefits. So we're very passionate about getting across the message about the value the benefits can provide, and that cost should be a secondary consideration. So we believe that building confidence for IFAs is extremely important. They're very proficient as retail advisers and often in the business protection space, and what we want to do is to tell them actually, and educate intermediaries to the point that actually group protection benefits are fairly straightforward and can be easily accessed, and they can be an additional benefit to a current client that they already give a range of advice to. Second point is efficiency: really got to run this type of business very efficiently. There is a perception that it's more difficult to administer, and we want to make sure intermediaries realise it's really quite easy to do business in this sector, provided you've picked the right carriers with the right support mechanisms. Value over cost we've talked a little bit about already, and therefore understanding the fact that, understanding the components of value well is extremely important. And the final point here is that employers are looking for health and wellbeing solutions today. They've got a problem, many of them don't quite understand it yet, but they're seeing their absence rates rise, and they're seeing their workforce's average age increase. And as that average age increases, that's going to impact their absence. We believe group protection has a lot to offer in terms of managing that absence. So both a challenge and also a benefit of writing group protection business alongside retail business is that in the group market we don't typically pay indemnity commissions. Now this is good for the embedded value of the business, because it means that you'll get annual renewal income in repeat years after the first sale. But what it does mean is that the cost of actually writing that business upfront has to be thought through and that plays very much to the efficiency point.

PRESENTER: So then what can IFAs do to address this? COLIN: I think the first thing to do is to build up their knowledge. They don't need to be experts in every nut and bolt of group protection, but there's a

lot of guidance, a lot of ease out there of information gathering, and insurers are keen to help IFAs to broaden their approach to writing business with their clients. So first of all it's that know your client. We know that retail brokers are very close to their customers. We know that they spend a lot of time getting to know and continually testing intermediaries' desire for and appetite for benefits. So knowing client and making sure that that's very clear in terms of how this benefit would apply is very important. We think that there are plenty of cross sell opportunities in a retail intermediary environment, where they've already got what might be a quite complex retail business protection environment. Actually this is an obvious next step, and we believe that retail intermediaries are really well placed to capitalise on that. And the final thing is to build on your relationships with your accountants and solicitors. This is an area again where IFAs are very adept. We know that customers spend, corporate customers spend most of their time, and most of their trust is put in their accountant and their solicitors. So this has got to be a good way to build a client book. PRESENTER: So then these opportunities, where would you see these for IFAs? COLIN: First of all, we think that retail intermediaries are much more adept in selling the benefits to their employer clients than the traditional EBCs who tend to be a little bit more standoffish and not quite so sales focused. So we think that's a benefit. Secondly, we think that as a result of that group protection could be a relatively cost effective additional sale. We think the customers will be open to it and the intermediaries are better at selling it. But thirdly actually there's a vibrant corporate healthcare market out there, and actually it's an easy step across the hall from group protection to healthcare and vice versa. So we believe that that actually is another market area that could benefit from greater exposure to group protection sales. PRESENTER: Well for a first hand perspective we're now joined down the line by Andrew Shiner, a specialist group risk protection advisor. So, Andrew, as an active IFA is the group protection market an area of focus for you? ANDREW SHINER: Yes, it certainly is. I've worked for the Health Insurance Group for the last six years. We're primarily a private medical insurance brokerage specialising in small to medium sized companies, and we realised that we weren't talking to clients about group protection as much as we should be. So we were missing an opportunity to increase our portfolio, but also we were aware that our competitors were talking to our clients about these sort of things, and we risk losing clients because of it. So over the last six years we've really developed this and it's gone really well. PRESENTER: What would you say would be the appeal of these products for an adviser looking to work in this area of the market? ANDREW SHINER: Well these products offer valuable and affordable protection; in fact much more competitive way of setting up benefit than for an individual to purchase them themselves. There should be a big demand for them, because there's a protection gap in the UK where not enough people have life cover or income protection cover. Employers are looking for ways to provide benefits to their employees at reasonable cost, and I think this is an ideal way of doing that. PRESENTER: And are the insurers supportive in this market? ANDREW SHINER: In my experience, the insurers are very supportive. It's a very competitive marketplace, and they offer a wide range of products, technical advice, training, including webinars, face-to-face visits, if that's necessary, visits to clients. And really they offer everything that you might need in developing your knowledge to give you the confidence to go out there and talk to your clients about these products. PRESENTER: And finally what's the value for IFAs? ANDREW SHINER: Personally I think it's the ease of doing business with the insurer. Any IFA that may have dealt with individual protection will understand that the underwriting process can be very laborious and very complicated. It's much easier on a group scheme, only the highest paid individuals will need underwriting, and in many cases not even those people do. So the administration is much easier. I also like the earnings potential, and the fact that I'm safeguarding my portfolio of other business from predators. PRESENTER: Andrew, thank you. ANDREW SHINER: Thank you very much. PRESENTER: So Colin, Andrew mentioned growth, is this realistic? COLIN: It's essential for the group protection market in the UK, and it's a huge focus for us as providers, and working with our

intermediary partners. So we need to understand what it is that customers and employers need and want, and we need to make sure that we invest in the right areas to drive that growth. The graphic that you can see relates to the SME market, and we talked earlier on about the fact that 190,000 of the companies in that graphic don't currently have access to these benefits. We believe that's essential, so we need to make every best effort to drive forward the various products we've talked about today. Digital is quite clearly an expensive area to invest in and has got to be the way forward. Everybody wants immediate information these days, but what we've got to make sure of is that we move away from this cost argument towards the ability to invest in technology and more value-based tools. PRESENTER: And would you say IFAs have a role to play? COLIN: Oh absolutely, and more than ever. Fewer and fewer insurance companies are registered to give advice to customers on the one hand, and especially in the group protection marketplace. And as we've mentioned earlier on 95% of the current market is actually advised by intermediaries and IFAs. So we see the IFA as crucial to the growth of this marketplace. PRESENTER: So where can IFAs find more information? COLIN: We're keen to talk to as many IFAs as we can, and this is just one of a number of mediums that we hope will help our intermediaries to really access the right information, the right support, and the right advice. PRESENTER: Well unfortunately Colin we are almost out of time. So what then would you say are your final thoughts, what would you like people to take away from this session? COLIN: I think what we're seeing in the provider space is a huge level of interest in health and wellbeing, and concern from employers about their workforces. We know that salary, salary roll is the most significant component in the cost of doing business, and therefore being concerned about your staff's welfare has to be part of the remit of a 21st century employer, especially as they have a mix of employees working for them with different types of concern. So we believe the time is right to really drive forward value-based solutions to meet the needs of these customers, and we think IFAs are really brilliantly placed to derive the real benefit of that. PRESENTER: Super, Colin, thank you. COLIN: Thanks Jenny. PRESENTER: Contributions there from Legal and General's Colin Fitzgerald and Andrew Shiner, Specialist Group Risk Protection Adviser at the Heath Insurance Group. We move on now to an audio interview I conducted a little earlier with Martyn Pask. He heads up an advice business operating in the SME space and we talked through the client conversation around protection products. PRESENTER: OK well first question that's come in with well Martyn how did you get into the group risk or group protection business? MARTYN PASK: Probably like a lot of other advisers really. We, as a consequence of auto-enrolment, we got involved in the corporate market for the first time. As most advisers that work in the private client space, we had clients who were directors of businesses, who naturally came to us and asked for help when they need to implement an auto-enrolment solution. So really that was how we sort of started. PRESENTER: But once you get that conversation going around auto-enrolment, how receptive are business owners to a conversation around protection products? MARTYN PASK: I think it's pretty natural that you follow on. I guess that traditional employee benefits, consultants, their target audience isn't really in that small SME market. So these are people who haven't really had the conversation before, it's the first time they've got involved in providing additional benefits for their employees. And so it's a pretty natural progression that if you're going to talk about pensions then why wouldn't you talk about the other areas of employee benefits that a lot of people are used to when they've previously worked in larger companies. So yes it seems pretty obvious. PRESENTER: And what are some, I mean you mentioned the SME market in particular, are there specific issues that they face given their size or lack of size as businesses? MARTYN PASK: Yes I think probably the obvious thing is the point that the impact of illness or serious illness or in the ultimate, an employer dying is much greater in a smaller business, because you haven't got a mountain of employees and alternatives to fill those job roles. So particularly I think one of the easiest conversations is around income protection because, you know, as a small employer or an employer of a small number of people, if you've got someone who has worked with you

for a long time. You know, sometimes they're family businesses or you've got very close relationships. The directors and owners of the business know all the staff and if one of them goes off sick, whilst the contract, the employment contract might say that you only pay for a limited period of time, you then get into that moral dilemma of how long do we pay them for, what's the impact on the other staff and everyone knows everybody else and what's going on. But of course you've also got the problem that if you have a key member of staff that's off ill, their role's got to still be fulfilled and you haven't got a load of other people to do it so you might need to employ someone else. So then you've got a financial consideration. So insuring against these sort of things is an obvious and easy conversation to have. That I think most employers recognise as a problem that they may not have had but one that they can easily identify that could happen to them. PRESENTER: So how would you say your relationship with businesses has changed after you've had that conversation around insurance products and indeed sole product? MARTYN PASK: Well I think it really helps. I think most advisers who work in the private client space are very used to developing an ongoing relationship. You know, you don't meet a client, be it an individual or a corporate and solve all of their problems in that first meeting or that first couple of months. It's an ongoing agenda that you develop over the years to help the client get to where they want to be. So I think that's, you know, it's a well-trodden path for advisers that you've got to develop the relationship over a period of time. But also I think there's a sort of a change in that a lot of employers have more of a sense of corporate responsibility now. They feel a responsibility to their employees. And we're seeing that things like education in the workplace are becoming much more common. And there's a lot more appetite for employers to get people like ourselves into the company to educate employees particularly around financial requirements so they feel that sort of moral responsibility to help their employees. So that helps. And if you can provide a service and look after them and you can provide that education then that obviously is partly altruistic from the employer and the adviser's part but also there are commercial benefits, and obvious areas of that will develop into business opportunities. PRESENTER: You've been in this market for a while, Martyn, as you look back over your time in it, if you had one top tip, what would it be? MARTYN PASK: I think it's just about the fact that the SME market is under-catered for. You know, as I said earlier the employee benefits consultant was not the traditional consultants; that isn't their real target audience. And they're not really designed to cater price-wise and structure-wise to deal with those clients. So there is a big appetite, you know, and as we've seen earlier in the content of this video is that there is a big gap and therefore there is a big opportunity. So if you can design a structure and I think it suits the small advisory business to go into those small businesses and offer them a solution, which we can do at an affordable price, and that can really work well for both the employer and the adviser. PRESENTER: We have to leave it there. Martyn Pask, thank you.