



# What goes around comes around

By Liam Egan

IF there is a silver lining to the volatility in the investment markets it is that investment advisers are now selling more life insurance, independent of their investment advice.

In doing so, these advisers are helping to close Australia's much-lamented underinsurance gap, although their motivation may be to substitute falling incomes from investment advice.

Anecdotal evidence for the trend has been growing since the start of the current market downturn about 18 months ago, as borne out, for example, in comments from Association of Financial Advisers executive director Richard Klipin.

For some time Klipin has held that the ongoing investor flight into cash was being accompanied by stronger inflows into life insurance products such as trauma, term, income protection and total and permanent disability.

"From the perspective of investment advisers, that's exactly what's happening, and it has been very noticeable in the past four to six months," he reiterated last week.

The trend has also been confirmed by new research from Investment Trends and by the heads of leading insurers, who all attribute strong inflows to growing sales from investment advisers.

Last week's Investment Trends research found advisers earned an average of 26 per cent of their practice revenue from life insurance in 2008 – a 30 per cent jump from 2007.

The October 2008 Planner Risk and Risk Technology Report recorded large increases by both bank-based advisers and planners who had previously earned only a small proportion of their revenue from risk products.

It is a sentiment Commlnsure's head of adviser distribution, Todd Kardash,

would agree with. The insurer posted a sales increase of 29 per cent for the first half of 2009 compared with the same period last year.

Kardash attributed this to investment advisers "needing to broaden their base to replace net revenue (from investment advice) that is down by 30 or 40 per cent since the market peak".

"They need to find some other ways to generate revenue and part of that is going back to what they used to do years ago – sell insurance.

"We are seeing a return of the old and the bold back to insurance – there's no question about that."

Another indication Commlnsure has of an increase in adviser demand for risk is a 33 per cent increase in calls to its technical team.

"In the past eight or nine months, we have been receiving more than 600 calls a month for technical help from new advisers.

"By contrast, a year ago we were averaging less than 400 calls a month."

He is anticipating at least 15 to 20 per cent growth over the next 12 months in new business sales, driven by a "mentality accompanying the consumer flight to security to make sure [risk portfolios are] intact at a time of uncertainty".

Aviva experienced a 16 per cent increase in new sales in the 2008 calendar year over 2007, leaving Aviva general manager, customer technology, Natalie Eckersall "very bullish for our risk inflows" in 2009.

The sales increases have been recorded more or less evenly across the product board, including in lump sum, critical illness and income protection, Eckersall said.

She said the growth in Aviva's sales was motivated by a significant reduction in asset values and house values.

"Often their assets haven't generally changed but their assets have fallen (in value) and they need to top up their (life and risk) insurance. That's really a driving factor."

In addition, she said a significant number of new advisers who are joining Aviva are "looking at this market to diversify their revenue base. I believe it is in the order of 800 new advisers over the 2008 calendar year".

ING head of marketing and retail product Gerard Kerr said the second half of 2008 was a "lot better than the first half, with a spike in the fourth quarter providing a really positive start to this year".

"It's probably a little early to attribute this growth to leaps and bounds in our recruitment of new planners, but there is definitely a greater interest from investment planners to incorporate life as part of their overall package."

Kerr said there are "probably lots of different reasons" for the increase, including the general downturn in the market, which has affected end-consumers' behaviour.

One of these reasons is that consumers were using cheap money to build assets as a buffer against the bad times in place of taking out insurance.

"Now they realise that that's not a good strategy anymore and this is making them more open to the life insurance message."

He also said investment advisers who are returning to the industry find insurance is "not as bad as they thought it might be".

"An investment adviser who left the life industry for three or four years, and has come back recently, will find we have made some gains in making it easier to write life, particularly at the underwriting stage."