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Good evening ladies and gentlemen, and thank you so much for inviting me to say a few words at this special occasion – the Annual Protection Dinner. I'm glad this Protection Dinner is a couple of weeks before the mighty battle for the Ashes commences. I fear that if I was standing up in front of you in a few months time after another five nil walloping it is I who would need Protection!

First of all I too would like to congratulate Peter on his MBE – a well deserved and great honour.

I would like to structure my thoughts tonight into four bits - what our industry should not do, what our industry should do, what Government and regulators should not do, and what Government should do.

So let's begin with what our industry should not do. And that is, it should not forget what a noble industry it is and how much help it can bring to people in need.

As you know, I joined Friends Provident last year, but what you may not know is that it was formed in 1832 by two Quakers who were concerned to see the wife and family of a school teacher struggle to cope following the sudden death of her husband. That concern translated into action, and the rest is history. We need to remind ourselves from time to time that our profession is all about bringing real help, to real people, in real times of crisis. A few times in my career it has been my privilege physically to hand over the cheque and to see the impact it has. This, more than anything else, motivates me to go on trying to make our industry as good as it can be. Our challenge, just as it was back in 1832, is to find ways to translate our concern into action.

You see, the Beatles would have us believe that 'All you need is love'. In fact, they recorded that famous song on this very day, 25<sup>th</sup> June, 42 years' ago in 1967. There's not much that passes me by in the dizzy world of popular music! Fortunately for them, the song made them a lot of money, because although love is a wonderful thing, it is not all you need when it comes to paying the bills following the loss of a loved one, or a job, or your health. Life and income protection has a crucial role to play, but Swiss Re's latest report of the life protection gap standing at some £2.3 trillion reminds us that the message is not getting through to the people who need it. I'm told in times of war, soldiers know that people will be killed, but they don't believe that any bullet has their own name on it. The bullets will be for others, not them. And when it comes to protection, the same outlook, I suggest, is held by most people in the country. They know bad things happen, but they don't believe it will happen to them.

Let's stay with the Beatles a moment to illustrate the point. When they were singing their songs back in 1967, did any of the fab-four believe that one of them would die a violent death at the age of just 40, and another one would die from lung cancer at the age of 58? I doubt it. Even though 80,000 men die from cancer in the UK every year, too few of us believe that we will be one of them. In fact, the Rolling Stone magazine included John Lennon in its list of The Immortals. Nice thought, but his mortality was as real as yours and mine.

And it gets even worse. You may know that last week was Men's Health Week, and to coincide with this, Friends sponsored some research. About 2250 adults were polled and the results showed that three out of every four men ignored symptoms of ill-health in the past year, and two out of every four even ignored letters urging them to attend a medical check-up. Also, half of all men avoid acknowledging serious hereditary health problems, or don't even know whether there are any in their wider family; they simply turn a blind eye – "if I don't think about it, it won't happen!"

I believe one benefit of the current economic downturn is that it has magnified the need for protection. Because bad things are happening to more people, more often, people are more likely to realise that it could happen to them, and are asking themselves: "what if it did?" It's precisely these kind of worries that our industry can shoulder for people, and we should view that as a privilege that we should not forget.

So that's what our industry should not do – what should it do?

Firstly, and staying with bullets for a moment, we as an industry have spent long enough looking for that elusive silver bullet that will solve everything. We need to face the fact that it doesn't exist, and that we have to use the bullets we have, but more of them, and fire them faster.

If I may dip back into history again by way of illustration, another thing this very day is famous for is that on the 25<sup>th</sup> June in 1875, General Custer was making his famous 'last stand' at the battle of Little Big Horn. Where would we be without Google eh? Now the TV films would have us believe that the Sioux Indians were fantastic shots with their bows and arrows, but the truth is very different. In fact, Custer and his men only had single shot Springfield rifles, whereas the Indians had modern Winchester repeating rifles, enabling them to fire more shots in a short space of time. That was the deciding factor that day, and I think it will be for us today too.

We have to fire more shots, that is, find more ways to hit our target audiences, whether it be by innovation in product design, or by finding new routes to market, or communicating in ways that the consumers use today. And in a short space of time, because the need is urgent.

So what are some of these shots? Well, here's a few: First, we have to recognise that we in financial services are not the consumers' most favourite people at the moment. They don't differentiate between banks, life offices, intermediaries and advisors. We are all tarred with the same brush. Their attitude is 'plague on all your houses' for what they've witnessed over recent times. I am just about ending my year as president of the Chartered Insurance Institute, and my theme for my year of office has been 'bringing professionalism to life'. Working in financial services has to be recognised again as an honourable profession. Put bluntly, we must attract the right people, dissuade the wrong people and punish the crooks.

Number two, we must up our communications game. We know that protection cover is what people need, but it's not what people want. At a recent conference, I borrowed some words from President Eisenhower because they sum up the challenge facing us so well, the challenge being, and I quote, "how to get people to do what I want them to do and to get them to do it because they want to do it".

Our industry has to find ways of convincing men and women that they need protection cover in its many and various forms, and we have to do this in a way that they themselves want it, and want it enough to spend some money on it. This is a huge uphill struggle. Some research Friends Provident published last year revealed that if people had to choose between life assurance or a mobile phone, even if the life assurance was free, only 6 out of 100 people would go for it.

Whatever area of protection we focus on, communication is key. Quite simply, consumers' preferred way of communicating doesn't fit with how our industry does it. We need to bridge the gap between what we do and what customers prefer. It's our responsibility to reach them, not their responsibility to reach us.

Number three follows a similar theme. Just as we need to find new ways of communicating, we also need to find new ways of selling that reflect consumer preferences, whether it means selling through social networking websites or some other vehicle that they use and we don't. At Friends, for example, we're very excited about the opportunity of selling protection products via Tesco's supermarkets. It may not be the whole answer but, dare I say it, 'every little helps'!

Fourth, we need to recognise that the demise of direct salesforces over recent years had some big downsides. Some excellent training academies went with it, where advisors were taught how to sell protection, so that has left a gap. And a large section of the population was disenfranchised, these being the less well-off people who IFAs can't afford to service. And also, direct salespeople typically owned their books of clients, so their relationships with their clients were maintained over the longer term.

Providers have to respond to try to fill some of these gaps. We should certainly be active in providing opportunities and materials to help IFAs to become better equipped and more proficient at selling protection business.

A bigger challenge, though, is the need for IFAs to see protection as a means for creating long-term relationships with their clients and for creating long-term value in their businesses. Their cashflow from commissions is key to this. In my view, the ideal model is level commission over the term of the contract. This not only provides, in due course, a known and reliable income, creating business value, but also protects their client bank, making it more beneficial to create lasting relationships where repeat business would become the norm, rather than the exception that it is today.

I recognise that IFAs will find it challenging to move to this model from the upfront commissions they rely on currently just to survive. But it is worth pursuing. A step towards this is creating 'glide paths' to help IFAs at least move from receiving all initial commission on day one, to being 'paid on the drip' over the 48 month commission period. We at Friends are certainly helping IFAs make this transition by offering the facility for them to flex how much they receive upfront and how much they take over the four year period. I am sure this will become increasingly popular.

And just a couple of quickies to complete my list. First, on critical illness, please let us not compete on medical conditions, trying to outdo one another with ever-increasing lists of rare, exotic, obscure and scary-sounding illnesses that no-one has ever heard of. If advisers don't know what they are, and why should they, they won't try to sell the product for fear of looking foolish.

And second, customers' perceptions of income protection is that it will go on paying all the time they remain unable to work, and therefore there is a risk that short-term income protection products do not meet these expectations. I recognise that they have a place as an alternative to PPI, and that they may be more appropriate to some clients on the grounds of affordability, but unless we can ensure that customers understand what they are buying, and what the more comprehensive alternatives are, short-term IP has the potential to harm our industry.

OK, so much for our industry. Now let me briefly turn to Government who, thanks to the scandals of second houses, flipping houses, moated houses, duck houses and even phantom houses, are trying to outdo our industry on the unpopularity stakes, and making a good job of it!

So what should Government and regulators not do? That's easy. They should not extend RDR to embrace protection. Comparing protection and investment products is like chalk and cheese. With investment products the future outcome is uncertain. I believe clients need professional advice to help them determine their strategies, select appropriate products and investments and then manage their portfolios on an ongoing basis. Protection is very different and much more straightforward. Again professional advice is helpful but you can see what you will get – pay a certain price and then if the insured event occurs receive a certain benefit. Prices are explicit and kept in line by the extreme competitiveness of the marketplace. The government has enough on its hands without trying to solve a problem that doesn't exist.

We don't need adviser charging on protection. In the RDR Consultation Paper issued today, the FSA states that IFAs may see a commercial incentive to shift their sales to pure protection products to maintain commission income. They ask would any consumer detriment arise? They are worried about too much protection being sold!! Good grief I say. Maybe this would help reduce our life protection gap. There is no consumer detriment there. I think we should all be arguing strongly not to extend adviser charging to protection products.

And finally, what *should* the Government do?

Well, one thing they should do, but won't – because there's no votes in it – is to help dispel the myth that "the State will look after me if something bad happens". If people were aware just how little state benefits are, protection sales would balloon, especially income protection, given the recent Welfare Reform changes. If, for example, a person earning £30,000 a year knew that their income would drop by almost 80% if they had to rely on State incapacity benefit, they would see income protection in a new light.

On the other hand, the advent of personal accounts in 2012 does provide the Government with an excellent opportunity to extend life cover cost-effectively. What they should do is look at the Australian compulsory superannuation model – I always find it helpful to listen to Australians, don't you? Down-under, employers pay a dollar a week per person for their employees' life cover; a cheap way of providing life cover on a falling scale, starting at sums assured of 60,000 dollars for younger ages and scaling down to 20,000 dollars as the employee gets older. An initiative like this could reduce the protection gap by 20% in one step! It's simple and we know it works. If Yvette Cooper wants a quick win, here it is on a plate.

So there we have it. What we should and shouldn't do, and what Government should and shouldn't do. Food for thought, I hope.

I started by mentioning one of the Beatles' most famous songs, so let me end with the lyrics of another. Wouldn't it be great if we, by translating concern into action, regained the confidence of consumers such that they were coming to us and saying:

"Help me if you can, I'm feeling down  
And I do appreciate you being round  
Help me get my feet back on the ground  
Won't you please, please help me."

That's what it's really all about. Are we up for the challenge?

Thank you.