A positively different approach to driving better business

A guide to improving client engagement and embedding intermediary best practice

Contents.

At Vitality, we believe that advisers can empower their clients and enrich their lives with a protection plan – not only at the point of claim but from the first minute they are covered.

Our core purpose is to make people healthier and to enhance and protect the lives of our members.

This is why Vitality's unique Shared Value approach to life insurance has been designed to ensure plans benefit intermediaries as well as their clients.

There are many positives to regular client engagement, frequent plan interaction and member loyalty towards their insurer for advisers. Benefits can include increased opportunities to maintain long-term relationships with clients, which can help generate additional revenue streams in a way that safeguards themselves from competing intermediary business. Ongoing client relationships can be crucial to the sustainability of adviser business; as is the need for sound financial provisioning, contact strategy best practice and lead generation that drives long-lasting business quality.

As this guide explores, our member data also shows that daily engagement increases persistency and reduces the chances of lapses and cancellations.

Getting lead generation right, writing plans into trust and getting accurate and honest disclosure at application stage are also ways to ensure financial advisers put the best form of protection in place. Not only is high-quality intermediary business good for your clients, it's better for the industry too as we all aim to keep pricing fair and ensure as many claims as possible can be paid.

As we'll explore, this Shared Value approach to business quality can also benefit you. By looking holistically at the health and wellbeing of our members, we believe financial advisers can go far beyond just providing a plan that clients only use in a crisis. We've observed first-hand the reduction of mortality and morbidity risk as a result of physical exercise and positive behavioural change in line with the Vitality Programme[1]. Our practical focus on wellbeing, healthy lifestyle choices and prevention, meanwhile, makes it easier for advisers to justify the benefits of insurance to clients and cultivate ongoing customer loyalty as a result. After all, we are on the journey with you and your client every step of the way.

Greg Levine
Sales & Distribution Director, Vitality.

1

Improving the chances of a positive client outcome.

From presale to the moment a plan is put on risk and beyond, doing the right thing for clients throughout every part of the customer journey helps ensure business quality is of the highest possible standard. This benefits all involved - most of all your client.

Part i: Why getting lead generation right is good for everyone

It's no industry secret that poor lead generation practices drive clawback rates for intermediaries - as well as wasted sales efforts and low conversion rates - and lead to cancellations and policy lapses for insurers . None of which is helpful for either party.

Some customers can end up paying disproportionate premiums or with less quality cover. It can be damaging to industry trust too, especially where unscrupulous lead providers are accused of using fraudulent or misleading online advertising tactics to procure leads and resell consumer data by impersonating well-known insurance brands.

It is therefore crucial that both insurers and intermediaries take steps to maintain the highest possible standards when conducting lead provider due diligence and purchasing leads. This will ensure you write better quality business, which is more sustainable, while helping to increase the chances of more desired outcomes for clients.

Here are three steps you can take:

1. Know who you are purchasing leads from.
Understanding how data has been sourced and the nature of the customer journey can help avoid overlap and maintain consistency when contacting leads, so it is important to partner with a credible, transparent lead generation firm. One that is embedding best practice, such as surveying leads, using good quality scripts and meeting the correct regulatory standards around telephone data and communications.

2. Keep a close eye on the leads you purchase.
Once you have acquired leads, it is important to track their performance to assess the sales conversion, persistency and overall quality of the business. This will allow you to make better decisions in future when selecting lead providers to partner with. Staying in touch with leads where there is interest or a plan has been sold can help build positive client relationships. This can include updates about the Vitality Programme, something we'll explore in more detail later in this guide.

3. Spread the risk
Being too reliant on a single lead generation source can be risky and leave distribution firms in a precarious financial position should that supplier for any reason cease operations. It is vital that broker firms rely on a diverse range of lead providers underpinned by sound practices to secure the sustainability and success of their own business.

All firms who manage client data are required to meet regulations set out in the Data Protection Act 2018 and guidance is provided by the Direct Marketing Association. The Advertising Standards Association is cracking down on misleading tactics used by lead generators, as well as their affiliates (even if their brand is being used without their consent) . It is therefore a good idea to consider trial periods, carry out background checks and find out whether there are refund and quality guarantees (such as compensation policies) in place before dealing with lead providers.

"One of the biggest issues to be aware of is how the enquiries are generated. What do the adverts look like and where are they being promoted? If it's a phone-based lead generator, what are they saying to gain interest? If someone is misled at their first contact, are they likely to be engaged or to keep the policies that have been recommended?

"Another issue is the reselling of leads/data. How do you know that data isn't being sold to someone else too? This devalues the enquiry, increases risk of a clawback and can lead to disgruntled and confused customers.

"Self-generated enquiries via referrals and word of mouth are ideal, but purchasing leads is required by many firms and is done well by some. We would encourage anybody buying leads to do thorough research and due diligence to find out how enquiries are generated before working with a seller. There are also tools and services that exist to help ensure enquiries are not being resold, so engaging with these can also help."

Alan Knowles
Chair of the Protection Distribution Group

4. https://contactstate-assets.s3.eu-west-2.amazonaws.com/whitepapers/Protecting_the_Protectors_June_2020.pdf

Part ii: How to avoid client misrepresentation

At Vitality, we take pride in our claim statistics. Our most recent annual Claims & Benefits report shows we paid 99.7% of Life Cover claims, 92.5% of Serious Illness Cover claims and 97.7% for Income Protection *(source: VitalityLife Claims & Benefits Report 2023)*.

As an insurer, our aim is to pay all valid claims as quickly as possible, with minimum fuss, but occasionally claims are declined due to client misrepresentation in line with the Association of British Insurer's (ABI) Code of Practice.

In order to improve the chances of a positive outcome for your client, it is therefore crucial that questions are answered **honestly and accurately** at application stage – this will ensure that fair underwriting terms are offered and help prevent a claim from being turned down.

Brokers can also be negatively impacted when a claim is declined, especially if it is due to client misrepresentation or non-disclosure as part of the underwriting process. It can lead to client complaints, impair relations with the insurer and potentially hike Professional Indemnity (PI) insurance costs. And let's not forget the reputational damage it can do.

99.7% VitalityLife Claims & Benefits Report 2023

99.7%

of all Life Cover claims paid out

92.5%

of Serious Illness Cover claims paid out

97.7%

of Income Protection claims paid out

£96m

paid out in total

Here are two case studies based on real life examples*...

CASE STUDY 1: MR JORDAN

Railway guard and father of two, Mr Jordan took out a plan in November 2015 on a level basis for £160,000 originally for Life Cover and Serious Illness Cover (SIC) but this was updated the next month to be solely Life Cover.

The cover was taken out to protect his family in the event of death and pay off the mortgage and cover funeral costs. He was relatively healthy with the exception of adult-onset diabetes which was disclosed on the application form. This triggered a referral and underwriting as a consequence of his diabetes. However, it was deemed sufficiently well managed to be able to offer cover with a loading applied to the premium. Sadly Mr Jordan passed away in October of 2017 as a consequence of gastric cancer.

The claim was received and reviewed within two months of receipt. As the application had been completed fully, truthfully and accurately, the full claim amount was paid out. His wife and surviving children therefore had the ability to pay off the mortgage and remove the monthly payments from their outgoings as well as money for the funeral itself.

6, 7. https://fr.zone-secure.net/177801/.claimsandbenefits2021/#page=1

*names have been changed

CASE STUDY 2: MR WAYNE

While there was no mortgage, cover was required as a safety net in case main breadwinner Mr Wayne was to die, in order to manage the first 12 months of rent and utility outgoings. The Life Cover was for £140k which would have met the first 12 months commitment with £9k left for funeral expenses and £40k remaining for child care costs and education.

Mr Wayne's cover commenced in March 2019 and he died in January 2020 from multi-organ failure resulting from hypertension.

His application was clear but when we reviewed medical records during the claim assessment we noted he had not disclosed that he'd had two prior heart attacks as well as hypertension, sleep apnoea and depression. Accurate BMI was not disclosed during application, but records indicate it was plus 40. He'd also told us he was a non-smoker when he was still smoking. If this had been known, then Mr Wayne would not have been offered terms and he would have needed to seek suitable cover elsewhere.

The widow told us that they proceeded with the application without answering any medical questions (which were answered 'no' on the application) because the financial adviser told them that Vitality would contact the GP and ask about her husband's medical history. The investigation undertaken by our team highlighted that there was deliberate non-disclosure on the part of the client, meaning the claim could not be paid. This had been exacerbated by broker negligence and reckless misrepresentation as the state of the client's health and, specifically, their BMI, would have been visibly evident when they met in person. Consequently the adviser was terminated by the firm on the back of Vitality's findings and has been prohibited from selling Vitality products.

What advisers can do?

- **Make clients aware of the critical importance of answering questions honestly and accurately at application stage** and the potential impact that non-disclosure would have on a claim outcome. Clients themselves must always provide responses to their own questions, even for joint applications. This is especially important given that questions sets are different for male and female applicants, with gender specific conditions listed.
- **Highlight the areas where misrepresentation is most common** – such as smoking, weight and alcohol intake – and help clients gather accurate information where needed. For example, if a client is unsure of their weight, suggest they weigh themselves. Remember Vitality nurses are on hand to help.
- **Encourage clients to think carefully about their health.** It's important not to rush the application stage, while alerting clients to consider their medical history in advance can also help the process. Timeframes involved - such as five years for high blood pressure and 12 months for smoking – are also worth flagging. It is important for advisers to utilise our pre-sale underwriting support, rather than try to act as an underwriter themselves, even with the best intentions. This can add risk and increase the chances of client misrepresentation.
- **Get communication right.** Aim for clarity around potentially complex or sensitive medical conditions, such as mental illness, while ensuring questions are delivered at a careful and considerate pace (without grouping conditions). This is crucial in gathering accurate information and making potentially vulnerable customers feel comfortable. Extra assistance such as translation and interpretation services should also be considered for clients who do not speak English as their first language or where communication is a barrier.
- **Utilise eAMRAs and explain GP consent.** Electronic GP reports (eAMRAs) allow customers to provide medical information to insurers digitally and provide their consent during the application process. They can speed up the process and allow advisers to log an accurate electronic record of it online. It is therefore important to clearly explain this process and its significance to clients during the underwriting process.
- **Thoroughly review information customer details.** Checking and confirming the personal information provided decreases the risk of misrepresentation and prevents intermediaries from being held responsible for a claim not being paid later down the line. This can be done by asking clients to review the record of their details and to make amendments where needed.

Common reasons for misrepresentation

- **Smoking**
- **Weight**
- **Alcohol**
- **Pre-existing medical conditions**
- **Mental health**

Part iii: The benefits of trusts for you and your clients

Writing a life insurance plan into trust is advantageous to clients for several reasons.

1. As the plan sits outside of their estate for tax purposes, it will avoid inheritance tax (IHT) on the lump sum paid to beneficiaries and family members left behind. IHT is charged at 40% on any assets worth more than an individual's IHT allowance, so the tax amount could be significant.
2. A life insurance trust removes the need for probate, which means beneficiaries can access the funds straightaway and without delay.
3. They are easy to set up and do not cost anything.

Trusts also benefit advisers because they reduce lapse rates, which helps prevent commission clawback.

Despite this, it is estimated that **only one in 10** life insurance plans are written into trust[8].
In the past, it has been challenging for advisers to demonstrate the benefits of placing protection plans in trust, usually because this process has typically been time-consuming. However, there are signs that the percentage of plans written into trust is increasing with the emergence of online trusts.

What we do

In July 2019, we launched an online solution that makes it quicker and easier for advisers to place protection plans into trust.

- **It eliminates the need for written signatures.**
- **Intermediaries can set up a trust as part of the protection application using our Adviser Hub self-service portal.**
- **Available for all new Personal and Business Protection plans.**

Did you know?

VitalityLife's trusts are split trusts meaning the settlor has the ability to retain some benefits from the plan (such as Serious Illness Cover) whilst being able to gift others (such as the Life Cover).

"Ensuring life cover ends up in trust is a key element of financial planning. By making the process as smooth and quickly as Vitality have done, our clients can easily ensure that their loved ones quickly and easily receive the life cover payout, and lets them get back to what they do best, spending time with their family and friends."

Francis Gill,
Director at Humboldt Financial

8. Swiss Re Term & Health Watch 2020

Part iv: Preventing early cancellations

Plans gets cancelled from outset (CFO) for a range of reasons, including clients changing their mind or mistakes on the application. There are a number of actions advisers can take to help stop this from happening.

1

Make contact

Make contact with new planholders shortly after sale to bring attention to the Member Zone where they can complete a Health Review, access rewards & partners and start earning Vitality points. Ensure customers put a start date in to activate cover.

2

Reinforce

Reinforce the reasons for taking out their cover, be clear about premium costs and outline when payments are due and their duration.

3

Check

Check bank and direct debit details with your client.

4

Confirm

Confirm everything in writing and outline the cancellation policy.

At Vitality, we make welcome calls to members to introduce clients to Vitality and remind them of the benefits, and this can be coordinated with your own contact strategy to achieve maximum impact and maintain a high quality of customer service.

Vitality data shows that Life members who receive a welcome call, launched in August 2020, are 16% less likely to lapse their plan.

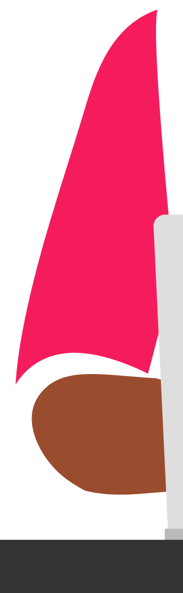
Reducing lapses

Once a plan is on risk and its value is fully understood by your client, you can reduce the chance of it lapsing later down the line by making contact with them and managing their expectations around what's next.

Because the Vitality Programme rewards your client's engagement through a range of incentives - such as lower premium costs, discounted fitness trackers and savings on leading brands for those who are physically active - advisers can factor these features into their own contact strategy to bring extra value to clients and improve the probability of them retaining their plan.

Tip: Rule of six

An initial post-sale call followed by another at six months can not only reinforce value to members who are engaged, it can be an opportunity to nudge those who are not earning Vitality points into action to improve engagement.



What we do

To ensure our members – your clients – are treated as smoothly as possible, we take a number of steps:

- We work with you to refer your client back to you should they require advice or have queries about the cover that might cross over with the advice given.
- We also do not actively try to retain a policy if the customer has received advice from their broker to switch their policy.
- If there are any concerns, we contact the adviser to agree next steps together.

For our key account partners and larger value policies, we work in tandem with the adviser to deliver the right outcome for the customer. This can include sharing management information (MI), agreeing discounting and waivers, and helping to provide any information we can to ensure we retain the member.

What to do if your client's Direct Debit has bounced

If a member is no longer paying premiums – for example, if their direct debit has been cancelled or bounced – we can help.

- Your client has three months in which to reinstate a plan, even if a premium is outstanding.
- We will contact you and your client outlining how the plan can be reinstated, followed by a final warning asking them to contact us within 14 days to restart it.
- During this process, you will be able to input the plan number and your clients account details online to track its status.
- Our services team will contact you by email or phone if there are any issues with the reinstatement of your client's plan.

Part v: How better engagement can support persistency

At Vitality, our Shared Value approach to life insurance drives client engagement through a range of incentives based on behavioural science. It is good for customers: because they stay healthier for longer and benefit from lower premiums and other incentives. And good for us: because it helps prevent and defer claims.

Our data shows that across seven key lifestyle factors, members engaged with the Vitality Programme are at least 10% more likely to improve their health[9].

9. The seven key lifestyle factors are physical activity, sleep, healthy eating, alcohol intake, smoking, BMI and mental health, based on Vitality data.

Optimiser

For life insurance, the vehicle we use to do this is Optimiser, which gives your clients access to our best available premium.

By taking steps to look after their health, through engagement with the Vitality Programme, they can keep their premiums lower[11] depending on Vitality status (Bronze, Silver, Gold or Platinum).

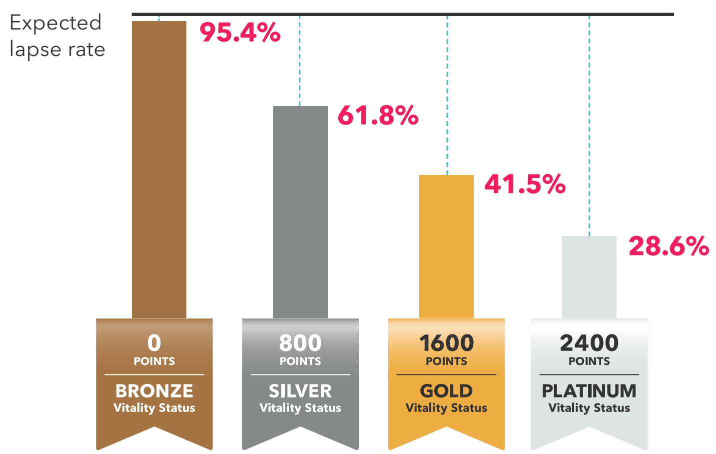
Increased persistency

It's not only members who benefit from greater engagement. Advisers also see higher persistency because clients who are more engaged with the Vitality Programme are far less likely to lapse their plan[12].

Our data shows that clients who reach Platinum status – the highest level of engagement over time - are two thirds (66%) less likely to lapse than members who don't engage across a 12-month period.

Those at Silver status are a third less likely to lapse their policy (33%) and Gold members are just over half less likely (54%).

Optimised clients show lower lapse rates across all Vitality statuses



*12-month rolling lapse rate.

Source: Internal Vitality data, September 2019.

10. Up to 30% lower than our standard fixed-term premium – dependent on age and the length of term. Up to 40% lower than our standard Whole of Life premium – dependent on age and the length of term.

11. Premiums for Bronze increase +2.5%; for Silver +1.5%; for Gold +0.5% and for Platinum 0%.

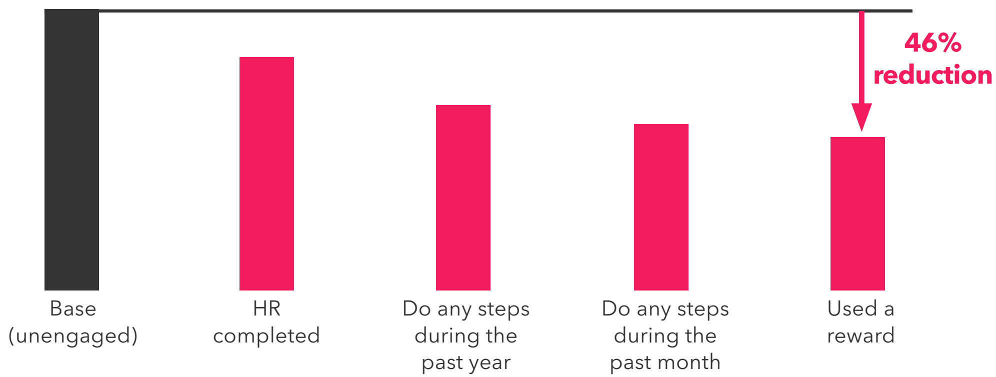
12. Vitality internal data, September 2019.

There are strong correlations between Vitality engagement and lapse rates

By modelling lapse rates over a year, the models show that **customers who move from being unengaged to engaged improved their lapse rates by 17.5%** and that those lapse rates further improve as customers engage regularly while enjoying rewards.

Relative lapse rates by Vitality Status

P (lapse | level of engagement)



Source: Vitality analysis, annualised lapse rates by engagement type relative to base, 2019

Clients who reach Platinum status are two thirds (66%) less likely to lapse than members who don't engage across a 12-month period.

YOU'VE REACHED PLATINUM

Five easy ways to drive engagement within your client base

There are a number of things adviser can do to ensure clients engage with their plan. Here are just five:

1. **Clearly explain the benefits of Optimiser**

2. **Ensure they are set up on Member Zone**

3. **Encourage completion of the online health review**

4. **Regular client contact and/or annual reviews**

5. **Share relevant literature and online articles**

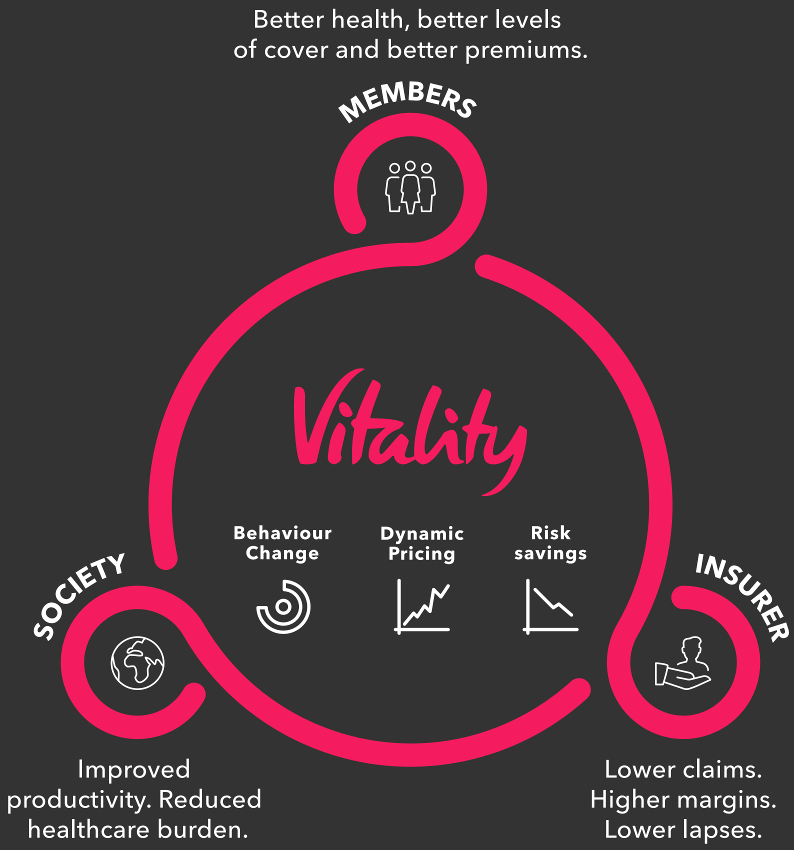
Part vi: Using our Shared Value approach to boost your business

Our Shared Value approach helps generate value for advisers and this is multiplied through the lifetime of a plan. Not only is this good for your client - because it's more affordable and they are they more likely to live a longer healthy life[13] – it is good for advisers too for a range of reasons. Here's how.

1. Enhanced sales opportunities

The Vitality Programme offers an effective upselling opportunity for intermediaries. Because our rewards and partners unlock additional value for members, our data shows that members buy more when items are positioned at a discount – twice as much in fact[14].

Our member data[15] also shows your clients are healthier and less likely to claim for a serious illness or death as a result. All this therefore provides a great opportunity to enrich and empower the lives of clients, while reaping the benefits for yourself. After all, keeping clients happy is likely to lead to more business referrals, create cross-selling opportunities and reduce the risk of clawback.



13. Moderate changes to physical activity and diet, resulting in minor improvements in metabolic risk, can have a material impact on a person's lifespan and healthspan. For example, a 30-year-old man of average health could gain 2.8 years of healthy life through moderate changes to exercise and diet. A 30-year-old female who makes a moderate increase in exercise and diet could add three years of good health – RAND Europe and Vitality.

14. Based on comparison between non-integrated and Vitality-integrated premium. Discovery Life Annual Review Executive Roadshow 2019

15. https://adviser.vitality.co.uk/insights/vitality-engagement-reduce-risk-covid-death/

2. Enhanced benefit take-up

Vitality Optimiser also delivers exceptional value by driving enhanced benefit take-up.

If compared to a Non-Optimised plan, for an Optimised plan[16] (at Platinum status):

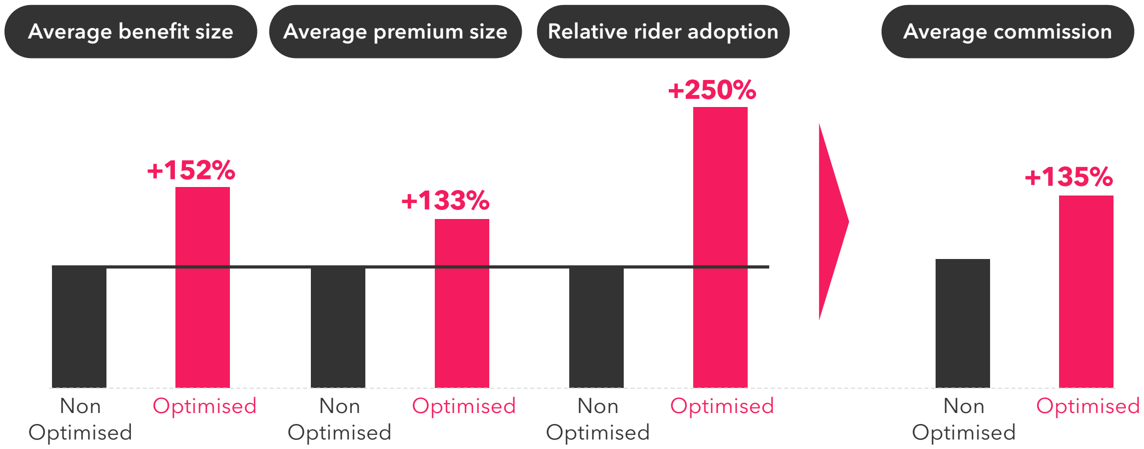
- The **additional cover uptake**[17] is 150% more
- The **average benefit size** is 52% more
- This combined means the **average premium size** is 33% more

This means **average commission for advisers** over time is 35% more than for non-Optimised plans.

16. Internal Vitality data, September 2019.

17. Life-only plans vs. plans with any additional cover.

The Optimiser delivers exceptional value, driving enhanced benefit take-up



In addition, Vitality's global data from 2020 shows new business levels proved to be resilient during Covid-19 across its insurance partners[18].

3. Stickier business

Better client relationships and increased loyalty helps drive persistency. And if advisers are themselves engaged with the Vitality Programme, they are more likely to get better client results.

Our experience shows that advisers who themselves engage with the Vitality Programme, on average, saw greater value retained within their own businesses, with:

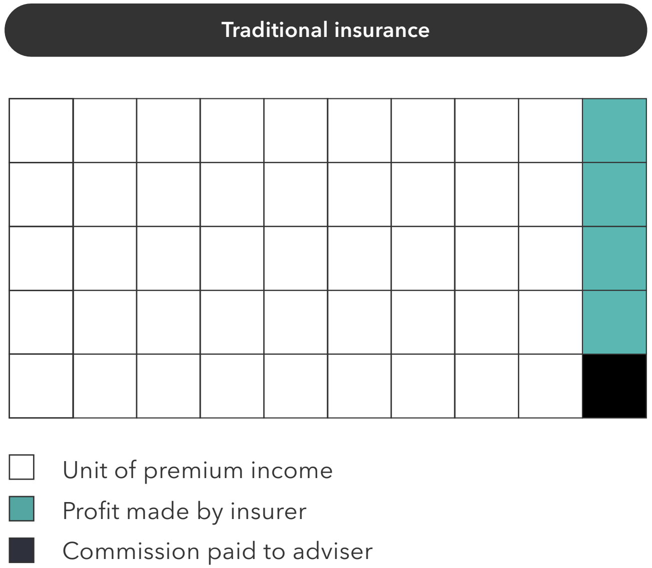
- 70% increase in persistency
- Twice as many products sold per customer
- 66% more commission earned

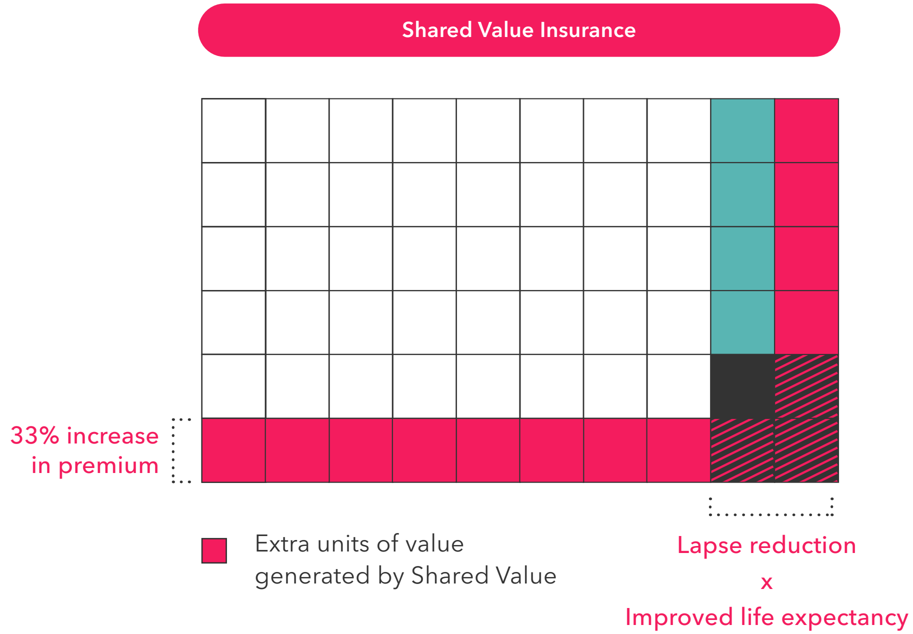
18. Vitality insurance partners have generally shown strong recoveries to pre-Covid levels. Discovery Life's distribution data, January to June 2020.

4. Extra commission

Compared to traditional insurance, the Vitality model generates 33% extra premium in line with lapse reduction and improved life expectancy, which leads to increased commission paid to the adviser. And this is multiplied through the lifetime of the plan.

18. Vitality insurance partners have generally shown strong recoveries to pre-Covid levels. Discovery Life's distribution data, January to June 2020.





How to do it

Our unique proposition can generate additional contact points for advisers which help keep clients engaged. These include:

- Client welcome calls
- Vitality status achievement notification
- Vitality value statements
- Anniversary calls

We also regularly published articles on Vitality Magazine for members and Vitality Insights Hub for advisers which can also help spur ideas or even create additional contact opportunities.

On average, an Optimised plan earns an adviser

35% more commission

than a non-Optimised plan.

Part vii: Reaping the rewards of ongoing client relationships

We asked three established protection advisers to explain how they use the unique benefits of Vitality to maintain more meaningful relationships with their clients and drive better quality business.

"There is no one-size-fits-all because every client is different. However, to help ensure my clients get as much value as possible out of the Vitality Programme, I schedule two yearly reviews to catch up about their benefits and draw upon what's included in their Anniversary Statements.

"As I tend to form an ongoing relationship and become friendly with my clients, I take a proactive rather than reactive approach to talking about their protection needs and the rewards they have available. I also remind them that the whole family can get involved with the Vitality Programme and always take steps to advise my clients to put their plans into trust to mitigate any inheritance tax (IHT) costs and to safeguard their money. This way my client can get the most out of the Vitality offering and they feel as if they have an adviser who is there for them and understands their needs, which can change over time – this increases the likelihood of return business and can lead to referrals to their friends."

Ria Wotherspoon
City Finance Brokers

"Many clients already understand the correlation between exercise and improved mental and physical wellbeing, therefore to be able to introduce a product that both rewards and encourages healthier lifestyle choices is a real positive.

"Clients often want to make positive changes already and simply need a tangible incentive to be able to do so. The Vitality proposition offers advisers a way to add fundamental value to their recommendations and deliver solutions to clients that meet a combination of personal financial protection needs coupled with support to help them take the necessary action to improve their lifestyle, health and wellbeing too.

"Clients are almost always interested in the rewards that are available to them as they see this as a way of potentially offsetting the cost of their protection insurances. However, we often position it more as a win, win, win. It benefits the client as they get the essential cover they need yet are motivated to make healthier lifestyle choices. This in turn benefits the insurer who is less likely to experience claims from their policyholders given the correlation between healthier clients and propensity to claim. It benefits us, as advisers, because we have clients who are more engaged with their insurances and less likely to cancel this essential cover down the line. Clients are often receptive to this because the logic is undeniable."

Matthew Chapman
Commercial Director, Plus Financial

"Often clients buy into it, love the concept and get really involved – they then wow their friends and send them to me! While I'm sure brokers are recommended, I can't imagine it happens like this with other insurance products.

"Personally, I'm into fitness and I run a fasting group. I've also recovered after 20 years of insomnia so consider myself an expert on sleep – so sharing Vitality articles about lifestyle and health-related topics with clients is a great way to stay in contact. The anniversary statement is also a great document and an easy reason to catch-up once a year. We talk to clients about a monthly sit down and catch-up about various points. We suggest they just take 15 minutes to log into the Member Zone, have a look around, read some articles, check devices synced and so on - make it part of their routine.

"It's important to remember that anything that doesn't work easily can make clients lose interest. For example, if their fitness device is not synced and they hadn't realised. In addition, the help and extra services Vitality brought in due to the pandemic have helped my clients re-engage with their fitness and the Vitality programme."

Roy Allaway
Principle, Taking Cover

2

How to raise standards to safeguard yourself from complaints.

Some complaints are inevitable. They can also be an opportunity to learn and help firms to improve their business practices. However, we do also believe that advisers can play a role in preventing customer complaints from occurring by taking steps to safeguard themselves.

Complaints emerge for a variety of reasons, from poor quality service during the advice process to incorrect information being provided. It is always worth remembering that if an adviser fails to meet the right standards, a claim for negligence can be made by the client.

Here are five ways to embed best practice, increase client satisfaction and safeguard yourself from complaints as a result.

1. **Maintain high standards of business practice.**
Having the best systems in place is vital in ensuring client service meets optimum levels, so regularly update and review processes based on client feedback. Rely on the right tools that are simple to use to ensure communication is clear, effective and straightforward for customers.

2. **Track performance and monitor progress.**
Keep a close eye on what management information is telling you and establish a solid set of Key Performance Indicators (KPIs) that are mindful of customer experience – not just sales targets. Record calls, keep them logged and assess their quality. Develop a contact strategy that is fair and reasonable to leads purchased from a reputable provider.

3. **Be clear and communicate effectively with clients.**
Carefully construct scripts and use your soft skills to provide plenty of support during the application process - do not rush it. Set appointments and tailor methods of communication to suit your client. If a plan is to be cancelled or amended, make sure your client is made fully aware of these changes and always refer to the relevant plan numbers to avoid confusion. Once a plan is on risk, send a reminder of plan information and stay in contact with clients to build an ongoing relationship.

4. **Manage client expectations.**
Always make sure your client is aware of what happens next regarding their plan. Bring attention to the Member Zone, suggest they complete an Online Health Review and help send them on their path towards earning Vitality Points to get the most out of our rewards and partners. Give them all the information they need to contact us if they require any assistance and remember you can also send updates or reminders about Vitality products and services yourself in a way that drives engagement.

5. **Turn complaints into a positive.**
If, for any reason, a client is unhappy, find out why and listen to their feedback. Use this new knowledge to make changes that improve your business and progressively raise standards as a result. This will help prevent complaints from happening in future. Lastly, invite client feedback through an open line of communication to avoid gripes progressing or materialising into official complaints later down the line.

2

Have a structured financial provision in place for when plans do lapse.

Alongside embedding client best practice to safeguard from risk, it is also crucial that intermediaries take a structured approach to financial provisioning to protect themselves from future lapses. This will help ensure that your business is sustainable and successful for the long-term.

Non-indemnity vs indemnity commission

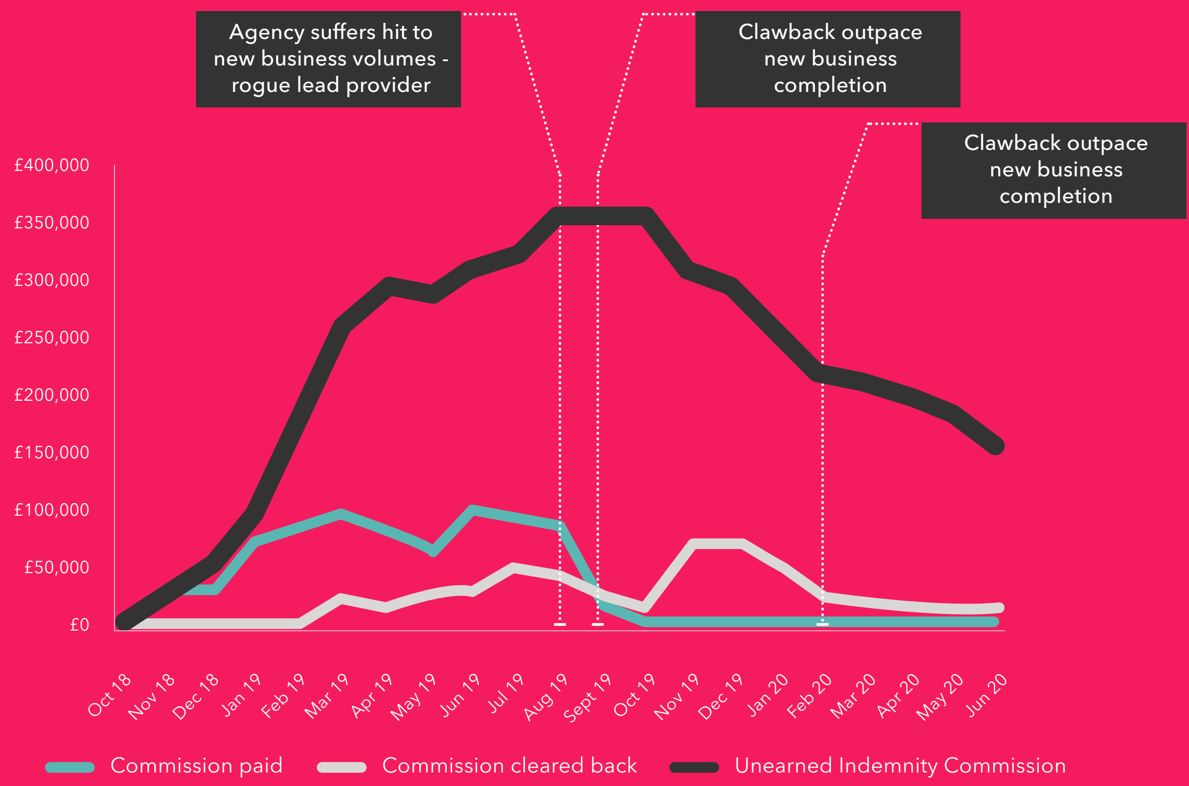
One area worth considering is the way you structure your commission.

Non-indemnity commission is paid monthly, whereas indemnity commission is paid upfront to advisers under the proviso that premiums will continue to be paid throughout a set period of the plan.

A lump sum can be attractive to advisers, who might use it as cashflow for their business, however, too much reliance on indemnity commission can put firms at risk should plans get cancelled and incur clawback as a result. Getting this right can be a balancing act that requires careful business modelling and there are various ways you can do it.

In April 2020, it was reported that a survey of adviser firms by Panacea Adviser found that 14% of advice firms were in danger of going out of business following the financial impact of Covid-19 without additional funding. As many as 1,680 advice companies had left the market since 2015.

To bring this to life, here is real-life case study model showing an unnamed adviser firm suffering a hit to new business volumes without a financial provision structure in place...



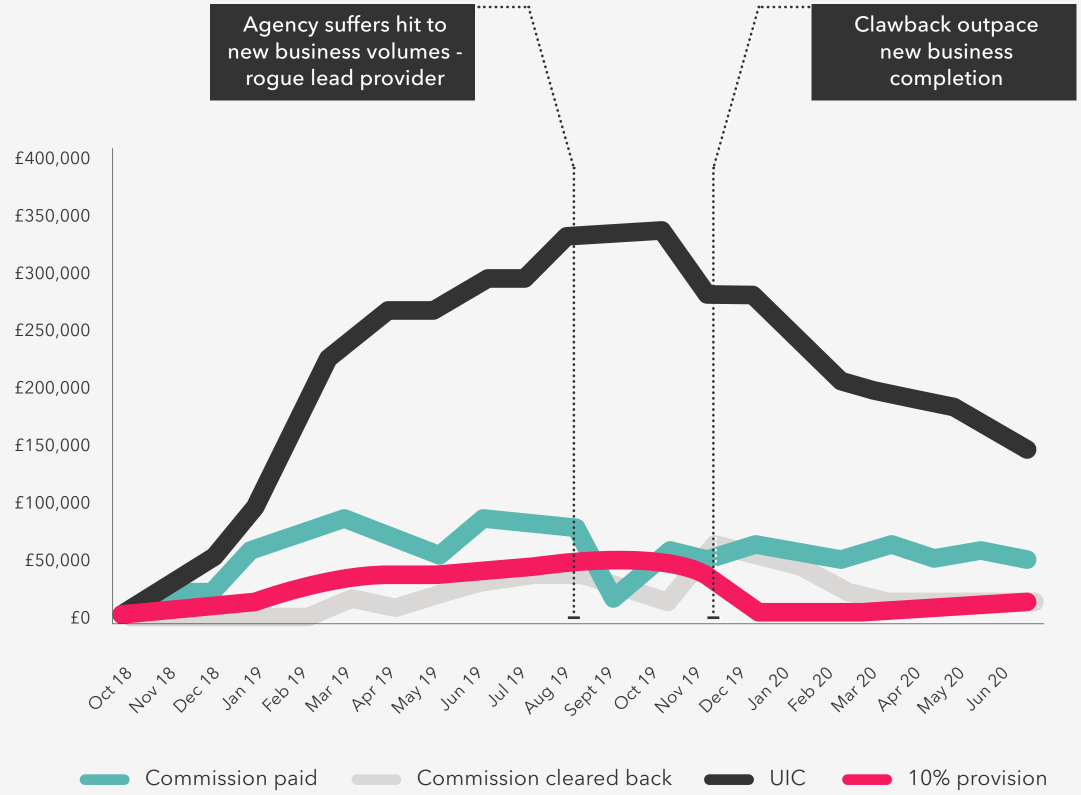
In this instance, the firm suffered a hit to new business as a consequence of poor lead generation. The generator in question ended its relationship with firm X and began re-selling prospects to a competitor which caused the spike in lapses between October 2019 and December 2019 meaning that...

- New business could not keep pace with clawbacks.
- The firmplaced business with other providers to ensure commission was payable on new business rather than being eaten up by the negative balance held on its Vitality agency.
- The position was ultimately untenable with no provisions to fall back on and the firm were unable to maintain overheads.
- The firm became insolvent and the relationship was consequently terminated.

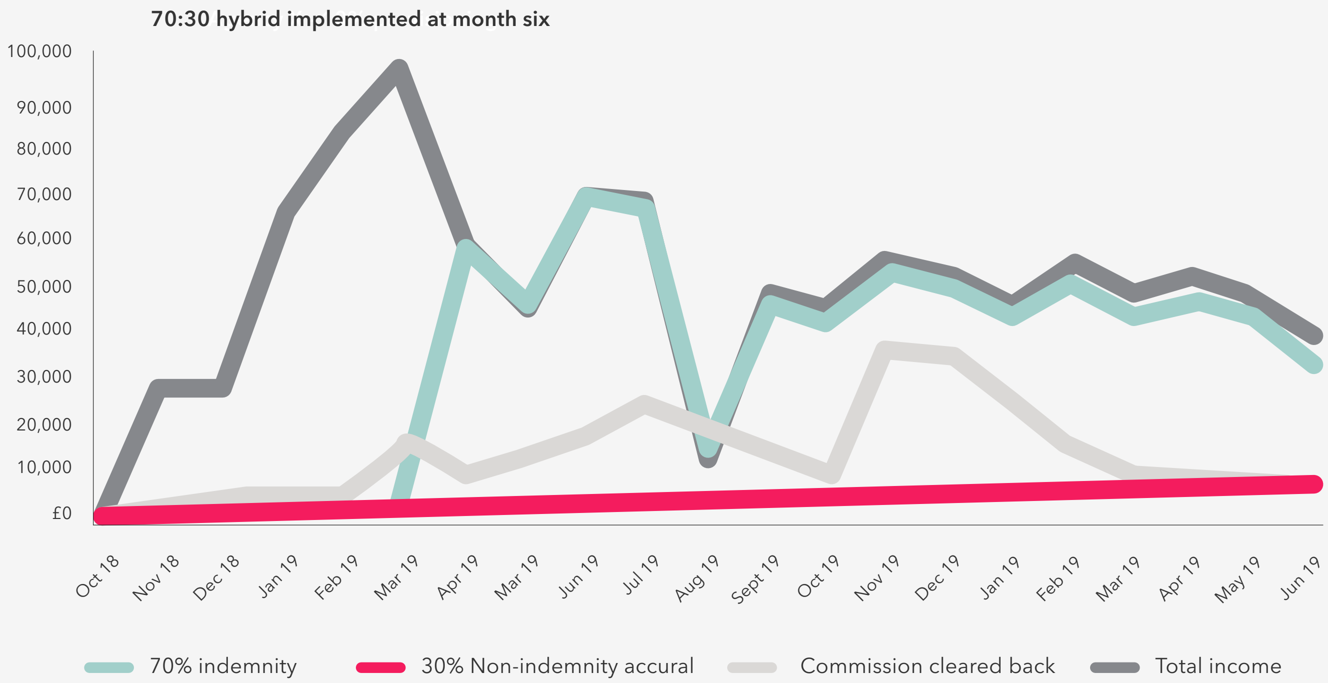
19. https://www.ftadviser.com/your-industry/2020/04/29/ifa-numbers-fall-for-first-time-since-rdr/?page=1

- Firm utilised the 10% provision account in November 2019 to maintain overheads.
- Had the provision account not been drained, it would have afforded the firm the ability to continue new business volumes until the spike in lapses had abated in February 2020. At which point the firm could have begun replenishing the provision account and insolvency would have been avoided.

In this scenario, we have modeled a 10% provision account against the firm's Unearned Indemnity Commission (UIC) liability for the same situation...



Here is what the scenario would have looked with a hybrid commission model in place (70% Indemnity Vs 30% Non-Indemnity)...



Professional Indemnity

Professional Indemnity (PI) insurance premium costs hiked during the pandemic and some broker firms have struggled to renew policies or get favourable rates. It is crucial that you embed best practice into your business strategy and take a structured approach to solid financial provisioning to avoid encountering obstacles when applying for PI insurance.

It is a legal requirement for distributors of life insurance and other related products to have PI insurance. When arranging premiums, a range of factors are considered by PI insurers.

- Structure of business
- Commission income
- Compliance
- Complaints
- Claims history

3

We are here to help you make it happen...

Everything explored in this guide is especially achievable with the right staff training and support in place. Embedding best practice into your business from the top down is a core driver of success and a pathway towards higher levels of productivity. Optimised engagement also boosts revenue as clients stay on risk for longer and this can drive referrals and provide additional opportunities to cross-sell. Therefore, investing plenty of time and resources into improving seller competency is a no brainer.

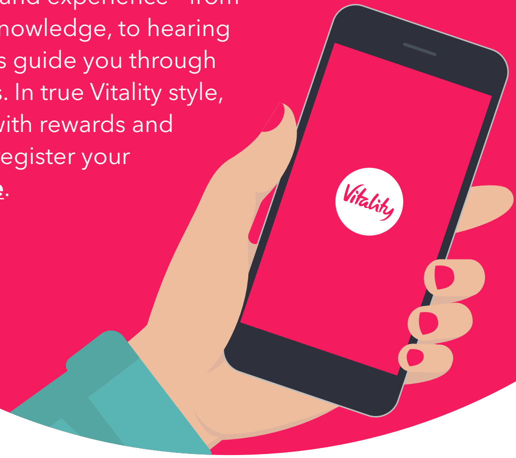
It's not just good for business, it's a regulatory requirement too. The Insurance Distribution Directive (IDD) demands that intermediaries identify customers' insurance demands and ensure that products offered are consistent with those needs[20]. This means advisers must know their products and have suitable governance and oversight in place to make sure customers are treated fairly and appropriately, with a particular focus on meeting the needs of potentially vulnerable clients.

In January 2018, the FCA stipulated that protection advisers must complete 15 hours of focused continuing professional training or development (CPD) every year[21].

Have you joined the Vitality Academy?

To help advisers meet these regulatory requirements as well as help them learn about our products and stay up to date with industry knowledge, we have developed the Vitality Academy.

Offering digital learning at your convenience, it's easy to dip in and out, with simple access through mobile devices too. New content is added regularly across all Vitality products and it caters for varying needs and experience - from foundational knowledge, to hearing our key leaders guide you through industry trends. In true Vitality style, it also comes with rewards and incentives, so register your free place here.



"The Vitality Academy has been set up to offer the most up-to-date, comprehensive, and accessible learning within the insurance industry. In response to our constantly changing working lives, we have bolstered our Academy to make it easier and more convenient for advisers to access the training and resources they need, wherever they are. The quality of experience is as important to us as the expertise on offer. And our creative vision is to deliver more than just the straightforward e-learning that many advisers may be familiar with. Our courses are designed to be compelling as well as engaging, involving all the different mediums available to us, including animation and video, to interactive infographics."

Karl Hewstone
Sales & Adviser Development Director, Vitality

20. https://www.fca.org.uk/firms/insurance-distribution-directive/idd-delivering-clear-fair-outcomes-consumers-insurance-sector
21. https://www.covermagazine.co.uk/news/3023837/fca-advisers-complete-hours-protection-cpd

General Adviser Enquiries

Tel: 0345 601 0072

Lines are open Monday to Friday, 8:30am to 5:30pm

Email: lifeenquiries@vitality.co.uk

Commission Enquiries

Email: lifecommissions@vitality.co.uk

Phone: 0345 601 0072

Fax: 0870 240 0937

Lines are open Monday to Friday, 8.30am to 5.00pm

Find out more

Underwriting

Tel: 0800 012 1796

Lines are open Monday to Thursday, 8.30am to 6.00pm and Friday, 8:30am - 5:00pm

Email for pre-sale enquiries: Presale_Underwriting@vitality.co.uk

Email for post-submission enquiries: lifeunderwritingadmin@vitality.co.uk

Prestige Service

Tel: 0845 6027 457*

Email: lifehnwadmin@vitality.co.uk

Lines are open Monday to Thursday, 8.30am to 6.00pm and Friday, 8:30am - 5:00pm

*Calls cost 5p per minute, plus your phone company's access charge.

Find out more.

For more information about any of the areas covered in this guide please contact our team of Business Consultants.

J6966_12/2021