Plan strategically for 2012, Ernst & Young advises life and pensions industry

Mass market to open up as Personal Accounts come in to effect

London 17 August 2009: As the planning and positioning season gets underway, Ernst & Young advises the UK life and pensions industry to ready itself and thoroughly consider the implications of changes in 2012 as part of its strategic planning.

2012 will mark the end of an era as the retail distribution review (RDR) takes effect and thousands of intermediaries move from being commission-based sales people to fee-based professional advisors. As well as new solvency rules coming in under Solvency II, around eight million new UK investors will enter the mass market as a result of their auto-enrolment into Personal Accounts. Greater consolidation among providers, distributors and platform providers is inevitable as a number of organisations cannot support the increasing capital strain of the industry.

According to Shaun Crawford, Ernst & Young's head of insurance advisory in Europe, Middle East, India and Africa: "Accessing the middle-market cost effectively seems to remain the holy grail for the industry but the introduction of Personal Accounts could prove to be the catalyst. Succeeding in this market will be challenging but not impossible and any mass market solution will require significant innovation."

Shaun continues: "Successful players will be those who carefully select customer segments and tailor products accordingly and think about the best distribution model. It may be necessary to twin protection and investment products with broader financial services products.

"There'll be fewer financial advisers too, so the industry must plan now for how it will distribute products and information in the future. Direct to consumer channels will be key, so companies – including distributors needing to find more cost effective ways of reaching existing customers – may want to think how web or telephone-based services will fare, and potentially conduct risk analysis into this. New entrants with strong retailing pedigrees and access to innovative technologies will become more aggressive in this market."

A different environment – and the need to strategically plan
According to Shaun, it is clear that 2012 will be a very different environment for the life and pensions industry: "Given that 2012 is less than 28 months away, it is critical that everyone involved in the industry strategically plans to position and ready themselves for opportunities ahead of this date. Reviewing strategies in 2011 or even 2010 will just be too late.

"The 2012 landscape will be an exciting one. The financial crisis, along with recent tougher regulation has caused seismic change within the industry. Who'd have thought so much change could happen within such a relatively short space of time? The potential to change further is immense and we will see new winners emerging relatively quickly."

Predictions for 2012

Ernst & Young predicts that:

- Consumer demand will grow because consumers will become more selective about the products they buy and the service they expect. The rapidly expanding 'at retirement' market will be a particular growth market, mainly because of baby boomers retiring and a change to more supportive future government policies.
- Technology will be the 'bedrock' of consumer advice and fulfilment with many more advisors and consumers going online to access and manage their portfolios; and
- A new wave of market consolidation will have taken place as the historic life and pensions value chain is turned on its head. New and innovative operating models will mean improved systems, more reliable data and more tailored customer products. This will also be in part prompted by the delivery of Personal Accounts pensions which will impact the way providers engage with the mass market.

Shaun comments: "It is important that the life and pensions industry is fit for the future and 2012 in particular. Businesses will be vying for pole position and should be busy rising to the three-pronged challenge of RDR, Solvency II and Personal Accounts. They should also be strategically planning their positioning: will they provide niche or broader products? Will they go after specific segments of the market or go for the new mass market?

"We recommend that organisations accept that through the RDR, the future rules for full advice are now pretty clear. They must start to consider strategies and options to investigate if they wish to provide products or services. It really is a case of plan now to reap the rewards. There is no doubt that the RDR will be held up as a catalyst of real and positive change. And it is essential that all businesses are planning to make the most of these opportunities."

Contacts

Clare Rice

For further details please contact:

Clare Rice
Ernst & Young media relations

+44 [0]20 7980 0155
+44 [0]7795 427 848