

# Profitable partnership

AT8's Mark Loosmore reports on the launch of Partnership's new Retirement proposition – a simplified service aimed at cutting the time to process smaller annuities



For those who haven't come across Partnership before, they were launched in 2005 following the demutualisation and management buyout of Pension Annuity Friendly Society. Initially specialising in enhanced annuities, they soon launched into the Long-Term Care market, Protection and Equity Release (through their sister company Partnership Home Loans).

The focus of the new proposition is squarely on annuities, a substantial market that is experiencing massive growth at the moment. Last year the market was estimated to be worth £3.4bn and is expected to rise to £6bn next year. It is interesting to note there are some commentators who argue the annuity market is failing to meet its Treating Customers Fairly (TCF) obligations. According to ABI statistics, 80% of annuity funds are below £30,000 with small funds being generally uneconomical for most IFAs to support and research shows the real cost of processing the business is around £750. However, with an average commission rate of 1.5%, an adviser can only earn £450 leaving a loss of £300. As a result, many people don't receive any advice on their annuities. In a fee-based environment, this shortfall in income relative to cost will become even more visible.

## Annuity apartheid

It is small wonder then that over 80% of the small funds never make it to an Open Market Option (OMO). Instead, they pass seamlessly through to the annuity product of the existing pension provider thus denying the client the potential of achieving savings that can be between 30% – 40% in some cases when compared to an enhanced annuity product via the OMO. In effect, the current situation is what Partnership managing director Andrew

Megson describes as an 'Annuity Apartheid' where those with big enough pots of money receive the benefits of OMO while 80% of the clients never get to hear of them, let alone obtain the benefits they could provide.

Partnership's new proposition is to drive out costs from the annuity process to redress this imbalance. By taking their underwriting experience, Partnership has created an online system they claim has a series of yes/no underwriting questions, combined with some basic personal details that allow an adviser to process business in less than five minutes.

Now, I remain sceptical about the five-minute claim if the solution is used by an average adviser in front of an average client. Simply getting the client to complete the doctor's details section for most of us will take that long, especially if we can't remember the details and have to spend time looking the information up. It may take an administrator five minutes to enter data already collected by an adviser but that is hardly the point. Regardless, and cynicism aside, it is vastly quicker than

current methods. The common annuity form for example is 15 pages long compared to the 10-12 questions asked by the Partnership system. The questions are a simple yes/no format, making them quick and easy to answer and they have automated identity checks included, all of which does seem to result in processing time being substantially reduced.

Speed is only one aspect of the proposition though. Another key aspect is the avoidance or reduction of intrusive questions which no adviser relishes asking a client.

## Wealth of data

The improvement in questioning is possible as Partnership has been operating in this market longer than anyone else in the country and is the only company that uses their own proprietary underwriting engine as opposed to a third-party system. Their approach has given them access to a wealth of data to help them refine and improve their underwriting process.

Partnership is keen to emphasise that while the initiative is driven and funded by themselves,

it has been designed as an Open Platform and they have a number of major annuity providers working closely with them. The approach means that if the underwriting engine determines the enhanced route is not appropriate, rates from the standard annuity providers of the distributor's choice can be displayed. In theory, other enhanced annuity providers can also be added to the system.

The system also comes with a pipeline tracker that enables cases to be part processed and saved. They can be re-quoted if appropriate and can keep track of the stage in the process the annuity is at. The system is set out logically and is simple to use.

The solution has been built working closely with 1st – The Exchange and according to Andrew they were chosen because they had proven experience in developing online trading platforms. Importantly, the experience is for more than just annuities as Partnership were looking to break out from the current annuity processing dynamics and bring annuity processing up to (and beyond) the standard of processing that applies to protection business. The credibility of the organisation and the reputation for delivery were also seen as key elements in their selection process. However, above all of these benefits was the need for speed to market. Partnership perceived that they had a solution that could offer real benefits to advisers and consumers now and so they wanted a solution to hit the market as quickly as possible. 1st – The Exchange were very visible at the launch and it was clear that the two companies have developed a close working relationship to make this solution happen.

## Close integration

The system is undeniably slick but I believe the system could go further by offering closer

integration to some of the leading IFA Practice Management software systems and to some industry databases (eg a doctor look up database) so that data is pre-populated into the system, cutting processing time further. I am told this is a likely follow-up piece of work and given that Partnership's partner technology company is behind one of the most widely deployed Practice Management systems in the market (Adviser Office) it is easy to see how this will become a natural follow on to the development plan.

Will there be an appetite for the solution in the market? With the birth of consumer aggregator sites like Confused.com and GoCompare, consumers can already do their own research to save money on financial products – apparently saving an average of £88. If consumers are familiar with using a search engine to buy other products, it may be possible to persuade them to use an assisted, simplified process, guided by an adviser, to obtain an OMO annuity that could improve retirement income by thousands of pounds. With a dramatically improved process, IFAs could use the Partnership solution to make money with a wider range of customers and deliver a significant benefit to improve customer outcomes and meet TCF requirements.

The new site is due to go live at the end of May.

The screenshot shows the Partnership website interface. At the top, there's a navigation bar with 'partnership' logo and links for 'HOME', 'ABOUT US', 'CONTACT US', and 'FAQ'. Below that, a 'Full quote' section is visible, followed by a 'Health Check' section with a list of questions and checkboxes for answers. The questions include: 'Has the member suffered from any long-term medical conditions?', 'Has the member suffered from alcoholism or considered alcoholism?', 'Does the member suffer from diabetes (including insulin treatment)?', 'Has the member ever been treated for HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?', 'Has the member ever been treated with HIV/AIDS (including HIV)?'. At the bottom of the form, there are buttons for 'BACK', 'NEW SERVICE ENQUIRY', and 'GET TO THE POINT STAFF'.

## KEY INSIGHTS

- Sub £30,000 annuities poorly served in today's market as they are too costly to process
- Costs can be driven out of the processing by redefining the underwriting process
- Partnership has applied their extensive underwriting experience to the operation of the solution
- Technology, delivered by 1st – The Exchange, is used to orchestrate the new underwriting process in a clear, concise manner

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