

Insurance giants lose market share

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Insurance giants Promina and Axa both lost market share in the life risk market in the 12 months to March 2004, despite inflows in the market overall rising 11.1 per cent over the year, according to a report from actuaries Plan for Life.

PrefSure (216.8 per cent) and Tower (44.3 per cent) achieved the best results coming off relatively low bases, taking market share away from the bigger players.

Axa in particular has been prepared to lose some market share in order to reprice its products and return its business to profitability over a three year period.

"Now we have achieved that objective we can focus on improving volumes again," an Axa spokesman said.

The lump sum risk market, which includes term life, total permanent disablement and trauma insurance, grew by 10.6

per cent with all major companies recording positive results.

This sector has been significantly impacted by the housing market boom, as clients seek to increase cover on their expanding assets.

Income protection and business expenses grew by 7.1 per cent and group risk, which included super funds, master funds, credit insurance and wrap accounts, was up 15.5 per cent.

A spokesman for actuaries Plan for Life said: "This market is affected by trends in the corporate superannuation market as well as master funds and other investment platforms extending their services by providing risk insurance."

The buoyant insurance sales figures are in contrast to predictions from some doom-sayers, such as the Association of Financial Advisers, that planners would sell less insurance

as a result of Financial Services Reform.

In a letter to Ross Cameron, Parliamentary Secretary to the Treasurer, last month AFA president Robin Yates said FSR had exacerbated the decline in life insurance coverage, as FSR requires life brokers to produce a statement of advice (SOA) for every prospect that seeks their assistance.

According to AFA figures, only one in four clients act upon the advice, meaning three out of four SOAs are a waste of time. For this reason, the AFA is lobbying for insurance salesmen to be allowed to produce SOAs after the sale of a product and before the application is accepted by an insurer.

Given FSR has only been in place for a few months, the market will watch with interest to see if there is a knock-on effect in insurance sales in the current financial year. ■■■