



Building Professional Connections

Professionals and protection –
Building valuable business relationships



Introduction

Head of Sales and Distribution

2010 is likely to be another tough year in financial services, and one in which advisers will need to distinguish themselves from the competition if they are to be successful. Those coming out on top will be the ones who can adapt their business models and seek out new opportunities.

One way to do this is to widen their potential client base by developing professional connections.

AEGON has commissioned independent research to understand how financial advisers can collaborate more effectively with professional connections, including solicitors and accountants, in the business protection market to develop valuable business relationships. With over 30,000 firms of solicitors and accountants in the UK, the potential for advisers to tap in to this market is substantial.

Business protection is similar to personal protection in that it insures against the unexpected happening and effective planning and holistic solutions will ensure that money is in the right hands at the right time to enable continuity and succession of the business.

There are over 4.7 million private sector businesses in the UK¹, with a potential market widely reported to be around £1.1 trillion. 99% of these businesses are classed as small and medium sized enterprises (SMEs), and it is these businesses that are more vulnerable in the current climate. Advisers have a great opportunity here to develop working relationships with professionals, highlighting the importance of businesses having adequate protection in place.

The Financial Services Act 2000 stated that only firms authorised by the FSA could conduct regulated activity. Since this time many solicitors and accountants who previously gave financial advice have not taken the step to be authorised.

Many accountants and solicitors don't have the time or inclination to establish their own advisory businesses. This provides a great opportunity for advisers to tap in to this market by offering business protection solutions, to the professionals themselves and also to their clients. The research has helped us to provide a number of solutions to help make this happen, by looking at what professionals are looking for in order for a relationship to work.



AEGON has also developed a comprehensive website called 'Business Brain' (www.aegon.co.uk/businessbrain) which provides the tools and techniques required to make this happen.

People rely on accountants and solicitors to help them make crucial decisions throughout their lives, such as moving house, setting up a business, getting divorced or making a will. They trust their judgement and for that reason if accountants or solicitors recommend an adviser's services then the client is more likely to follow up and seek financial advice.

Developing successful business relationships between advisers and accountants can benefit all parties involved by improving the firm's offering to their clients by taking care of all their needs, including that of protection. This leads to improved client retention and repeat business, including extra income from referrals.

Clients often recommend advisers to friends and family while advisers can refer their clients back to the solicitors or accountants.

This report highlights the top line findings of the research. Should you have any queries relating to the following pages, please contact kevin.brown@aegon.co.uk

Methodology

AEGON commissioned research specialist 'So Here's the Plan' to interview 100 accountancy firms and 100 representative solicitor firms to better understand their attitudes to business protection and in particular business continuity and succession planning. It looks into how advisers can collaborate more effectively to unlock the potential to drive long term value into their businesses. The research was conducted by in depth telephone interviews in September and October 2009.

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¹Department for Business Enterprise & Regulatory Reform, 2007



How does business protection help?

Business protection is a way of protecting businesses in the event that something goes wrong and can provide a safety net for all types of businesses.

Business protection is all about insuring for the unexpected and with adequate protection in place companies can:

- Keep their business trading
- Replace key individuals
- Protect corporate debt
- Buy out a shareholder if they become critically ill or a shareholder's estate if they die.

What is business continuity and succession planning

Business continuity is the plans made by an organisation to ensure that critical business functions will be available to customers, suppliers, regulators, and other entities that must have access to those functions in the event of the unexpected happening.

Many businesses look to protect themselves against every eventuality, buying insurance cover for their buildings, contents and vehicles. But, the majority don't cover their single biggest assets – their employees. So what would happen if the business lost a key employee?

To ensure the continuation of any business, business owners – who may be key to the business themselves – need to consider if their business;

- could continue to trade or would suffer financially if it lost an employee who was key to the business?
- would have the necessary cash-flow to replace any loss of profit or repay any outstanding loans including any director's loans?

Business succession planning will incorporate shareholder and partnership protection solutions.

Where would the business interest go if a business owner died or left the business?

Effective business succession solutions will give the remaining shareholders or partners the peace of mind that money, assets and control of the business fall into the right hands, at the right time, if the appropriate option agreements and trusts are in place.

In the event of a business owner dying, having business succession protection in place can help:

- the business owner's dependants receive a fair price for their share of the business
- allow the remaining business owners to keep control of the business.

An holistic solution would of course also consider the implications of a business owner suffering a critical illness.





Key Findings

Are solicitors and accountants involved in arranging business protection for their clients?

Business Continuity Cover	Accountants	Solicitors
Actively involved	72%	35%

Business Succession Cover	Accountants	Solicitors
Actively involved	69%	31%

The research highlights a stark difference in the number of accountancy and solicitor firms involved in arranging business protection for their clients. 72% of accountants' firms are actively involved in arranging business continuity cover for their business clients however just over a third of solicitors are offering this product to their customers.

When it comes to arranging business succession cover, 69% of accountants are active, while only 31% of solicitors are active.

Of those solicitor firms actively involved in arranging business continuity cover, 83% come across under 10 cases per year, whereas 40% of accountants come across over 10 cases per year.

Of those solicitor firms involved in arranging business succession cover for their customers, 81% are involved in arranging less than 10 cases per year. Whereas of the 52% of active accountants, 39% regularly arrange more than 10 cases per year.

The research found that accountants have more constant and regular contact with their clients about business protection and will typically address business protection needs on an annual basis. Solicitor's involvement on the other hand is far more transactional.





Key Findings

What's stopping accountants and solicitors from getting involved with business protection?

Business Continuity Cover	Accountants	Solicitors
Not regulated to give advice	59%	74%
Not a core part of the business	83%	85%

Business Succession	Accountants	Solicitors
Not regulated to give advice	62%	72%
Not a core part of the business	76%	86%

One of the main barriers to accountants and solicitors getting involved with business protection is that they are no longer regulated to give advice of this nature.


Only firms authorised by the FSA can conduct regulated activity. This means that solicitors and accountants who may previously have given financial advice, are now no longer authorised to do so and many do not want to take the step of becoming regulated, especially when their core competencies lie in other areas.

According to the research, knowledge is also a major barrier here, with 76% of solicitors saying that they would need to know more about business continuity and 75% about business succession before they would feel comfortable enough to get involved.

The barriers mentioned above do not detract from the fact that both accountants and solicitors recognise there is definitely a need to offer business protection to many of their customers, again proving that there is a substantial opportunity for professionals and advisers to work together.

63% of solicitors interviewed agree that business continuity is essential for their business customers, with 65% agreeing that clients are interested and aware of the benefits this type of cover can provide to them, their business and their families.

When it comes to accountants, 55% agree that business continuity protection comes up regularly in conversation with their customers and 40% agree that clients are actually interested in either taking out business continuity cover or they want to find out more.





Key Findings

Do accountants and solicitors recognise the potential in offering business protection solutions to their customers?

The research found 63% of accountants believed that business protection could be relevant to more than half of their customers while around half of all respondents believe there is an opportunity to address more business protection needs. However the challenge here is for advisers to educate professionals about the benefits to their customers.

This indicates there is an opportunity for advisers to demonstrate, to professional connections the benefits of business protection to their clients.


Solicitors are less likely to see the potential. 37% of solicitors believe that business protection is relevant to less than one in ten of their customers, while 70% believe it is relevant to less than half of their customers. Of those solicitors who believe there is an opportunity to address more business protection needs for their customers, only 17% actually plan to be more proactive.

Advisers have an opportunity here to help accountants and solicitors provide a better quality service to their customers, by referring them to an adviser who can offer business protection solutions for their customers.

Do accountants and solicitors recognise the opportunities associated with collaborating more closely with advisers?

Accountants are more optimistic about the possibility of working more collaboratively with advisers in the future, with 63% definitely seeing an opportunity. A further 8% are open to the possibility.

Only 47% of solicitors see an opportunity, with 34% saying they definitely do not see the opportunities. Again, this leads to an opportunity for advisers to drive home the importance of business protection to professionals and to their clients, highlighting what can happen to a business if they do not have adequate cover in place.





Key Findings

Do accountants and solicitors have business protection in place, and if not why not?

Business Continuity	Accountants	Solicitors
Have cover	73%	49%
Don't know	18%	33%

Business Succession	Accountants	Solicitors
Have cover	62%	31%
Don't know	21%	42%


From the findings it is clear to see there is a significant gap in self provision between accountancy and solicitor firms, with accountancy firms far more likely to have in place both business continuity (73%) and business succession cover (62%).

Business continuity is the more popular of the two types of cover. With almost three quarters (73%) of accountants and almost half (49%) of solicitors having this type of cover in place in their own firms. It is encouraging that they obviously see the importance for their business of having adequate cover in place if the unexpected were to happen to a key individual within the company.

There must therefore be a potential business opportunity for advisers to offer this service to clients of the professionals as many already understand the importance of business protection products and therefore will realise that many of their customers will also have a need. The barrier here is that many cannot offer this service themselves which is where the adviser can come in.

Of those firms without business continuity cover in place, both accountants (55%) and solicitors (52%) do not feel they have a need for this type of cover. And in terms of business succession cover, accountants (46%) and solicitors (50%) don't feel they have a need for this type of cover.

Business Continuity	Accountants	Solicitors
Don't feel there is a need for cover	55%	52%





Key Findings

Business Succession	Accountants	Solicitors
Don't feel there is a need for cover	46%	50%

Another opportunity arises here for advisers to highlight that there is indeed a need for both business continuity and business succession cover.

Having the ability to unlock this potential is vital.

Having the tools and techniques is one thing, building trust however is a critical first step. Accountants and solicitors have worked hard to build up their practice and reputation with their customers and therefore need to be 100% sure that building a relationship with an adviser will further benefit their customers.

What more can advisers do in order to build successful relationships with them?

Solicitors said that demonstrating greater professionalism and a focus on building relationships and improving communication were the keys to success. Accountants said that advisers needed to demonstrate better communication and introduce more customers to them.

When asked what one thing would have the biggest impact on collaboration with advisers, solicitors demand client centricity while accountants seek a holistic service and open communications.





Unlocking the potential...

... With AEGON's Business Brain (www.aegonse.co.uk/businessbrain)

Simply highlighting there is an opportunity is one thing, however we want to help advisers actually turn that opportunity into a working relationship that benefits all parties. We have therefore developed a wide range of adviser tools and support material, all of which can be obtained through our dedicated 'business brain' website.

Good working relationships are the key to a successful business, but making that initial contact and building up a solid partnership can take time, but the rewards for the adviser, their clients and the solicitor or accountant can be high. Our online support tool looks at helping advisers with the following:

- Why advisers should bother and the benefits a successful relationship can bring
- What solicitors and accountants are looking for from an adviser
- How to make contact
- Handling objections that may arise
- The mechanics of a successful relationship
- How to work together successfully
- What can go wrong?
- What to do when it does go wrong

For more information please visit www.aegonse.co.uk/businessbrain

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