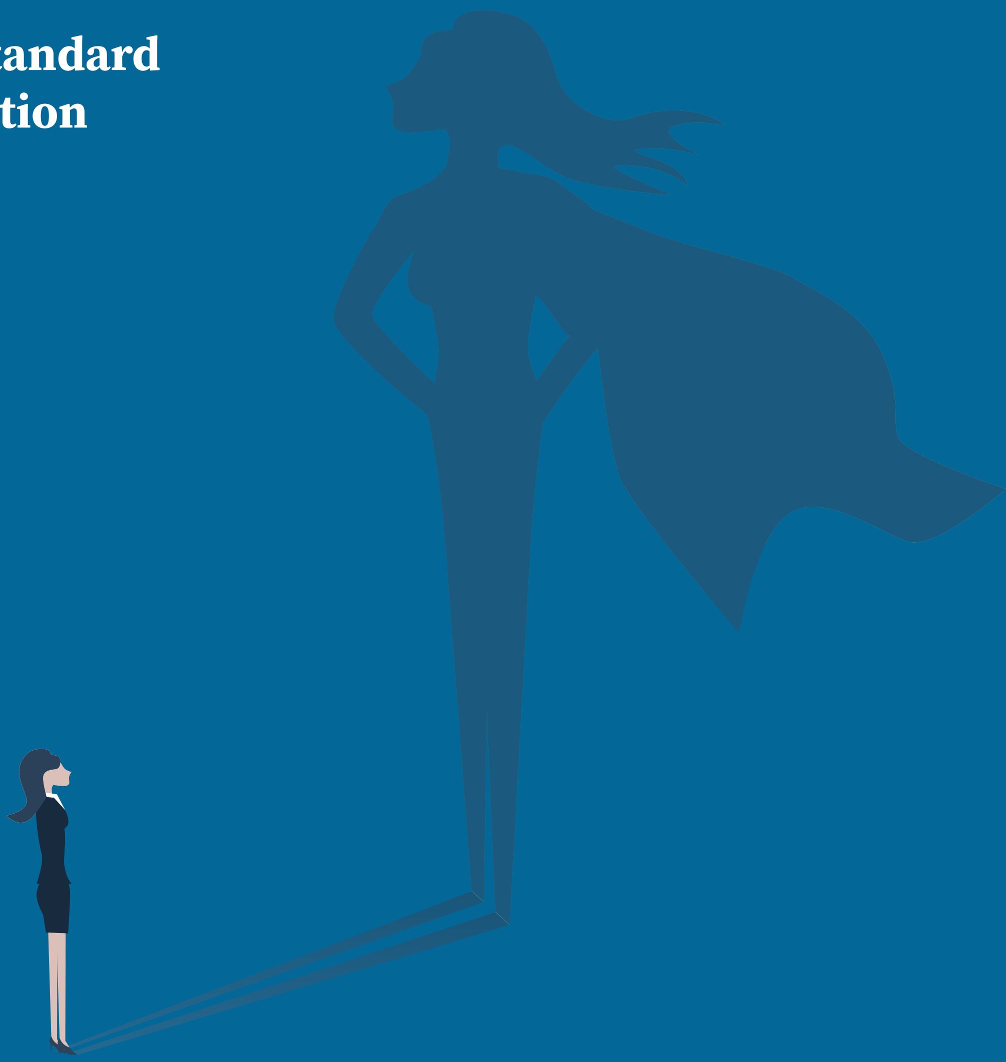
Protecting the Protectors

Setting the industry standard for online lead generation



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Setting the industry standard

Fixing fraudulent lead generation in Life Insurance

Every day thousands of people up and down the country choose insurance products to protect their families and loved ones. Those families, the life insurance advisers who help them and the insurers who provide the products are 'the protectors'.

In recent years a rogue element has entered this chain; a small number of mainly offshore lead generators have been producing fraudulent advertising as well as mishandling and reselling consumer insurance data. These firms care very little about the detriment they can cause to customer outcomes.

Many within the protection industry question whether lead generation - the process of advertising to and then introducing a consumer to an intermediary - is making the industry more accessible to the general public or merely commodifying and reducing the value of an insurance policy.

This paper highlights:

- That unless the insurance industry changes direction, large intermediaries and insurer partners are at serious risk of being investigated by the Advertising Standards Authority (ASA) and the Information Commissioner's Office (ICO).
- How some life insurance lead generation firms use fraudulent short term tactics; misleading advertising, resell consumer data and impersonate insurance brands.
- That disreputable lead generation activity is driving clawback rates and increasing industry bad debt.

This paper recommends that the risks posed by using online lead generation can be mitigated and controlled by setting a universal standard of data exchange and certification, that will enforce transparency from the first click to the sale of a policy.

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A regulatory risk
The rules are clear

Advertising and data regulators are taking an increased interest in the lead generation sector with a focus on misleading lead generators[1] and the misuse of personal data[2]. At the same time, awareness is growing within the Life Insurance industry about the presence of non compliant data and fraudulent advertising practices[3] and a national newspaper recently investigated fraudulent lead generation practices within the Car Insurance industry[4].

The vast majority of insurance firms that buy protection leads take the view that culpability and therefore responsibility for financial promotions, lie with the generator of the lead and many wrap this into contracts to mitigate possible regulatory fines. It has also become standard for protection intermediaries to demand that lead generation businesses and affiliate networks seek direct FCA authorisation as a further attempt to distance themselves from risk.

It should be stated clearly that this view is both factually incorrect and presents a regulatory danger to the buyer of the lead. The ASA has been explicit in its advice; the affiliate and the buyer of the lead are jointly responsible:

> **Advertisers should also bear in mind that allowing their affiliates to have free rein over the content of ads does not excuse them from the responsibility of ensuring that the advertising is compliant with the CAP Code. The ASA has ruled that both the business and the affiliate marketer are responsible under the Code notwithstanding the fact that the ads may have been created solely by the affiliate rather than by the business themselves.**
>
> "Online Affiliate Marketing - ASA | CAP." 10 Dec. 2019
> https://www.asa.org.uk/advice-online/affiliate-marketing.html

The FCA are similarly clear about the role that financial promotions play in the buying cycle of a regulated product like Life Insurance:

> **Financial promotions or adverts are likely to be the most regular contact consumers have with firms that offer financial services and products. Financial promotions can take the form of a website, Facebook post, tweet, etc. They can form a significant part of a consumer's product knowledge, and can influence a consumer's decision making when choosing a product. It's therefore very important that these promotions are fair, clear and not misleading, so that consumers can make informed decisions.**
>
> "Regulating Financial Promotions and Adverts | FCA." 5 May. 2015
> https://www.fca.org.uk/firms/financial-promotions-adverts

The FCA also offer advice for firms that allow 'unauthorised' lead generators to act on their behalf:

> **When approving a financial promotion of, and for communication by, an unauthorised person, it is unlikely to be appropriate to accept at face value information provided by the unauthorised person. You should form your own view as to whether the promotion complies with our financial promotion rules.**
>
> "Approving financial promotions | FCA." 26 Nov. 2019
> https://www.fca.org.uk/firms/financial-promotions-and-adverts/approving-financial-promotions

Requiring all lead generation firms who promote and advertise regulated products to also become directly authorised is not the solution here. The regulatory body is overstretched and focused on serious financial crime, simply adding to the workload would further undermine regulatory powers and increase the uncertainty of whose responsibility it is to police affiliate adverts.

Lead generation firms may dislike the notion of sharing landing pages, adverts and incentives (citing intellectual property reasons), but seen through the highlighted regulatory view above, the acquisition of consumer data through lead generation is problematic if you're unaware or unable to check how and where that data is being produced. Unless the intermediary is able to proactively assess and approve how a firm is using adverts to introduce them to customers, they are at risk.

Recommendation 1

The Life Insurance industry must accept that without clearer guidance to intermediaries about what is expected and allowed of the online lead generation process, existing advertising and compliance rules will continue to be broken. TheLife Insurance industry should set out what is expected of every regulated firm that buys leads and then ask insurers to pledge to enforce these rules across their distributors.

Resold data and misleading incentives

What is going wrong in Life Insurance lead generation?

If a consumer today responds to a life insurance advert, there will be as many as six different platforms and companies involved in managing the mechanism of the transfer of that data. As well as being potentially porous, the process is opaque and members of the chain are largely unaware of each other with very different expectations and metrics for success.

1. The "Advert" Advertising platform
(e.g Google, Bing, Taboola)

2. Lead generator landing page
(e.g. lifewebsite.co.uk)

3. Lead network
(reseller of leads)

Regulatory scrutiny begins

4. Insurance intermediary
(seller of insurance products)

5. Insurer
(provider of insurance products)

6. Underwriters and reinsurers
(security for the insurers)

Diagram 1

As diagram 1 shows, a consumer may have unknowingly already interacted with three different platforms and businesses before they enter a regulated environment where the actions of advisers are scrutinised. This raises the problem of data broking and the security of valuable, sensitive personal data; there is no single way to prevent data being sold more than once at step 2 and 3.

Two intermediaries at either end of the country might buy what they believe to be an exclusive, unique introduction to a consumer but without independent certification, there is no way to prove that and so the current chain allows for 'old data' to be 'blended' with new inbound enquiries and sold to unsuspecting intermediaries.

Data risks are not just caused by lead generators and as the Protection Distributors Group have highlighted there exists plenty of 'dodgy' life insurance distributors who mass cold-call consumers using illegally acquired data sets from existing insurance firms and then 'churn' policies'[5], misrepresenting the benefits of a new policy over an existing one to consumers they know have policies.

Recommendation 2

Industry wide third party certification of every generated lead would provide independent verification for every consumer journey and would allow the intermediary to constantly audit and challenge adverts used to introduce them to consumers. Crucially, questions would be asked of distributors who continually tried to submit consumers on risk without certificates and lead generators attempting to sell a lead twice would be prevented from doing so.

Misleading adverts

Inaccurate life insurance advertising matters because it serves as a collective advert for the whole protection industry; a consumer not actually in the market to buy protection yet, is today being routinely targeted and retargeted with adverts that suggest that Life Insurance is a cheap, disposable product. That branding matters a great deal because consumers on platforms like Instagram, Twitter and Facebook are subconsciously fed the message that life insurance is easy to switch and therefore easy to cancel.

The use of some lead generations firms using Covid-19 to incentivise consumers into filling in their forms rightly grabbed negative headlines[6] along with the less obvious affiliate fraudulent practice of using a life insurers brand to trick the consumer into applying for life insurance are becoming more well known[7]. The role of editorial advertising (native advertising) is now being talked about more regularly as a significant driver of lead volume via duplicitous measures[8]. It should be noted that Life Insurance is by no means the only industry that is dealing with this advertising issue and many have pointed out that the blurring of editorial and advertising is especially problematic[9].

The problem for all examples of misleading advertising is that the industry is involved in one giant game of 'whack-a-mole'. A misleading advert appears, generates hundreds of leads and then eventually gets shut down after numerous complaints and substantial profit made for the seller, the process is stacked in favour of those who want to cheat and trick.

Recommendation 3

The most appropriate way to change the balance of power within financial advertising is to ensure that lead generation adverts can only run with backing of the buyer of the lead. Where an advert is reported as misleading an independent register is kept of the name of the lead generator and the lead buyer so that both can be publicly censured.

Differentiation through data certification

Separate the good from the bad

The authors believe that legitimate lead generators, intermediaries and insurers should come together to agree a universal system of certifying lead generation that crowds out the fraudulent element of the market. In much the same way life insurance underwriters rely on a medical to make risk decisions, a universal data certificate would pave the way to understanding the full consumer journey and expectations. Each unique lead would have a data certificate attached to it, that would permanently remain with the lead.

What is a data certificate? Very simply, a data certificate is a record of data provenance and contains verified metadata about a consumer data transaction. It allows the organisation buying a lead to answer with confidence questions like:

- *On which website did this consumer originate?*
- *What did that website look like at that point in time?*
- *What legal documents and notices did the consumer see and what did they consent to?*

In practical terms it means that whenever a lead is generated (e.g. through a form on a website), an independent certification solution monitors the data exchange and generates a certificate that represents the transaction. This certificate can then be sent with the lead data to the buying organisation, and it represents assurance the lead was generated in a compliant manner and contains a rich dataset of information to support that. For instance, it might contain a screenshot of what the website looked like at that moment in time, and information about the type of data exchanged.

We believe that for data certification to be an effective force for change across the industry, data certification solutions must abide by the following principles:

- **Provided by an independent third party and generated through a secure mechanism.** If the mechanism is easy to cheat, or vulnerable to fraud itself, then this removes confidence in certification as a solution. Third party technology providers of certificates should not also be involved in the generation of leads, to avoid a conflict of interest.

- **Interoperable and open.** Certificates should integrate with existing technology platforms and be built on open standards, allowing anybody to participate in the marketplace. Technology providers should allow programmatic access to their certificate data so that companies are not “locked in” to a solution, and the implementation should be simple enough for lead generators to work with easily.

- **Built with consumer privacy in mind.** To this end, certificates should store as little about the consumer as possible. Certificates should anonymise the consumer and protect their privacy, and focus on the context and environment in which consumer data was submitted.

- **Be a gateway for consumers to exercise their rights.** Certificates can and should be shared with consumers. Certificates could be a fantastic springboard for consumers to exercise their rights under the GDPR.

- **Live with the lead data forever.** Certificates should live with the data item for a long time and act as a permanent record of compliance for any future regulatory audit.

- **Not add materially to the cost of a lead.** Certificates should not add friction to the marketplace and should be inexpensive.

Building trust between parties in a two sided marketplace like advertising and product distribution requires everyone to agree on a universal standard of certification; an independent arbiter that sorts out genuine data practices from fraud.

Conclusion:

A vacuum of regulation has appeared around life insurance lead generation and a lack of control has led to a number of unfortunate, unintended consequences that put consumers and the insurance industry at large, at risk.

The answer is not to stifle innovation or take a heavy handed regulatory approach. Instead, we believe that the industry should create a 'gold standard' of lead generation and reward those affiliates, intermediaries and insurers who create better outcomes for the consumer.

To do this we believe that every single Life Insurance lead should have an accompanying certificate created at the source and start of the customer journey by an independent technology business. That certificate will certify the authenticity of the data, the advertising used and the veracity of the compliance information.

What will happen if data certification is enforced as an industry standard tomorrow?

1. Rogue lead generators would need to change their behaviour or leave the Life Insurance market.

2. Distributors that rely on 'dodgy' leads or resold data would not be able to place Life Insurance business with insurers without being able to prove where the consumer first applied.

3. The numerous compliant and transparent protection lead generators who are today undercut by fraudulent players, would flourish in the space left behind.

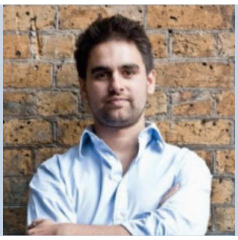
About the Authors

This paper was authored by Contact State and LifeSearch

Contact State was started in 2019 by Alain Desmier and Mike Laming with a mission to stop fraudulent data practices and set a new standard in consumer data exchange. Contact State is transforming the lead generation industry with its certification and compliance platform.

LifeSearch is the UK's biggest and best life insurance broker, helping families since 1998. In that time LifeSearch has arranged over 900,000 policies and the intermediary works with every major UK insurer. LifeSearch is trusted to give advice for some of the UKs biggest brands like MoneySuperMarket, Compare The Market and Lloyds Banking Group.

Alain Desmier founded and led one of the most prominent lead generation businesses in the UK and draws on a wealth of online experience in financial services marketing in Europe and the US.



Mike Laming is a technologist who started his career in Silicon Valley and has spent the last ten years working in innovation and digital transformation with a range of startups and FTSE 100 companies.

Emma Walker is the Chief Marketing Officer of LifeSearch, the UK's leading protection adviser and intermediary. Emma was previously head of protection and insurance at MoneySuperMarket.

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