



Institute  
and Faculty  
of Actuaries

## **Life Board and Life Research Committee**

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### **The value of with-profits for consumers Working Party**

This working party is being initiated as part of a strategy review by the Life Board.

The Institute and Faculty of Actuaries (IFoA) is seeking proactive, innovative volunteers to join this short life (4 months) working party to help drive the development of actuarial practice in the life area.

#### **Background information**

This will build on the Report of the IFoA Working Party on [The Management of With-Profits Funds in Run-off](#) (published 7<sup>th</sup> November 2014).

#### **Working party objective / aims**

There are two topics:

1. Do consumers understand the value of their with-profits policies and, in particular, is the value of inherent guarantees and potential for real asset growth recognised by consumers?
2. What is the consumer's perspective on the run-off of with-profits funds? Are consumers getting what they signed up for and do they understand the potential "end games" of the run-off of the fund?

#### **Experience / skills / background desirable**

We are seeking up to six qualified Fellows with experience of with-profits fund management or product design, and a keen interest in how this relates to policyholders and the consumer.

Non-members with relevant experience would also be welcomed.

#### **Research methodology**

Initial work is expected to be desk research given the members experience of products and the 'objective' value of these products.

Further research could include:

- Survey of life office with profits practitioners
- Interviews of industry commentators/ABI
- Interviews with FCA and PRA on views
- With-profits policyholder surveys/interviews/focus groups

## **Audience for the research**

This research is aimed at contributing to the public debate on with-profits. Thus the target would be financial media, regulators, government and the investment industry. The outcomes are also expected to be of benefit to with-profits customers and to help with-profits providers better communicate the value of with-profits policies to customers.

## **Outputs**

- (a) The working party should consider all relevant consumer research previously performed, e.g. as performed by the Regulators, and including any wider research on consumer understanding of financial products.
- (b) The working party should then review the features of typical UK with profits product offerings, focussing on the risks to which policyholders are exposed and the guarantees provided. The Working Party should aim to reach a view on what consumers understand about their with-profits policies, why they bought them and what they expect to happen in the future.
- (c) The working party will be expected to look at open with-profits product offerings as well and compare and contrast these against other products in the market place from a consumer viewpoint.
- (d) It is important for the differing needs of different market segments to be considered – are with-profits policies really appealing to a sophisticated audience or to a more “man in the street” audience, and how are they being distributed?
- (e) The working party should also consider relevant with-profits marketing literature and benefit statements with a view to identifying improved/simpler explanations of the concepts underlying with-profits and whether or not sophisticated technical explanations should be used.

Deliveries (b) to (e) will need to draw on the experience and knowledge of the working party members as well as input from a selection of with-profits providers.

The output is expected to be a report that can be drawn from, to support IFoA presentations and any external communications.

- Presentation at life conference in November 2016
- Brief paper to the Life Board suggesting further research

The types of tasks working party members take part in:

- chairing meetings
- reviewing literature and draft papers / reports
- interviews
- creating questionnaires
- writing
- modelling
- research.

## **Time Commitment**

For this working party, volunteers will typically be expected to attend meetings fortnightly for four months. Members will be expected to perform research between meetings. Volunteers should expect to contribute to the research and drafting of articles and papers.

Meetings are often held in London, however, there is flexibility based on where the majority of the working party members are based, and there is flexibility regarding timing. Members can participate in person or by conference call. Meetings usually last for one to two hours, but may be shorter if taking place on a fortnightly basis.

**June 2016**