

## Highlights of Life Convention Andrew Hague, NFU Mutual



**How can actuaries  
transform the  
effectiveness of  
consumer  
information?**

---

# Agenda

---

1. Introduction

2. Imagine...

3. Current State of Consumer Info in the UK

4. Designing a Consumer Information Framework

5. Proposed Outcomes

6. Next Steps

---

# 1. Introduction

## Consumer Information Working Party

---

- The Consumer Information Working Party formed to explore the **information needs** of different people at different lifestages and how those needs could be better met.
- As actuaries, we feel we are **uniquely placed** to contribute in this area because of our technical expertise, wide ranging industry roles and duty of care to society.
- The timing of this work coincides with a **significant opportunity** to change how we approach communications – for example given the regulatory changes of the Retail Distribution Review and the legislative changes of Pensions Reform.

# 1. Introduction

## A long way from ideal

ABI review of Yearly Statements, July 2006:

*“To be useful, these statements should provide customers with necessary information on the performance of their products and prompt action where necessary. But we are **a long way from the ideal.***

*Current pensions and investment statements are **long and unappealing.***

*... In short, **we all appear to overlook the customer.**”*

# 1. Introduction

## Lack of progress

The Times, January 2011:

*“the arcane lingo of pensions is not just the inevitable consequence of precise people (actuaries) colliding with the messy, real world. It is more sinister than that. Opacity, **complexity and jargon have sometimes been deliberately introduced** into the system the more easily to bamboozle and overcharge the unwary. “*

---

# Agenda

---

1. Introduction

2. Imagine...

3. Current State of Consumer Info in the UK

4. Designing a Consumer Information Framework

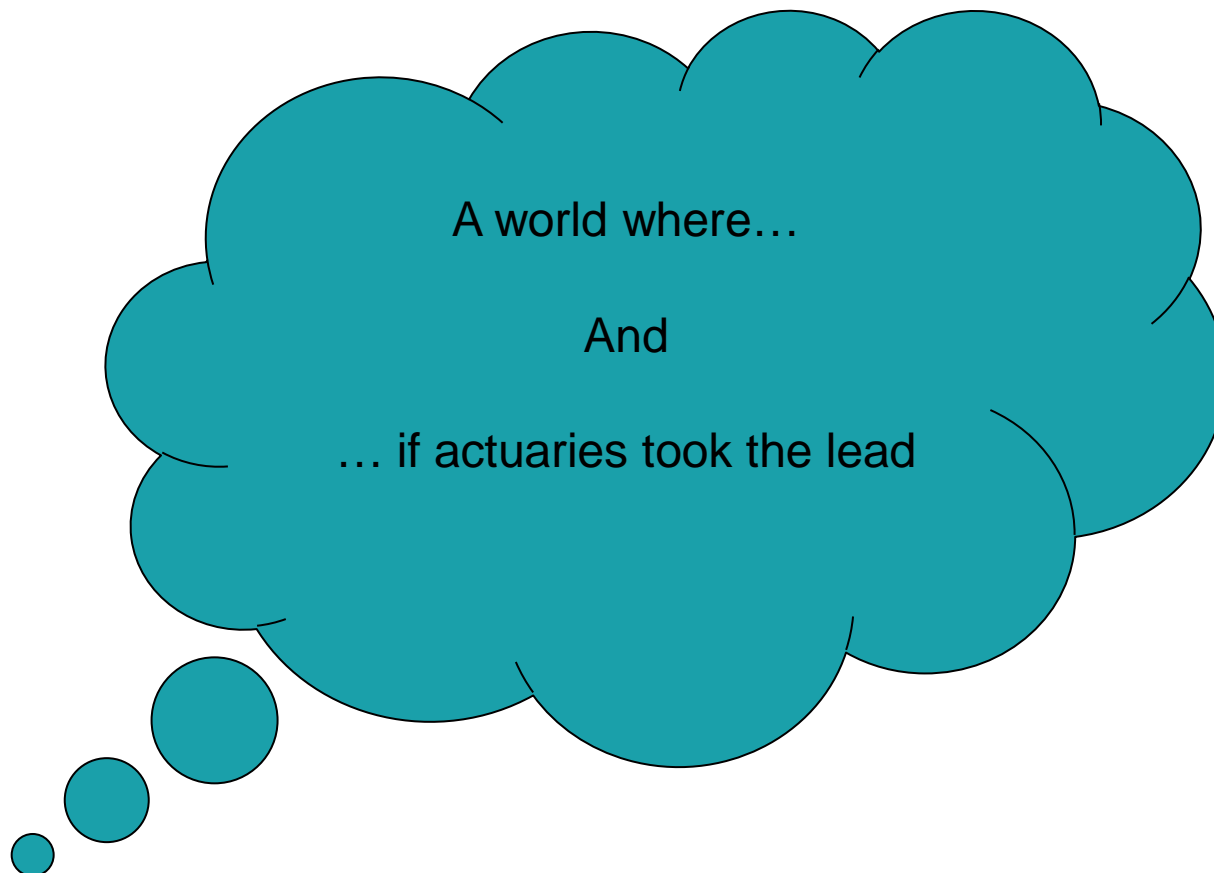
5. Proposed Outcomes

6. Next Steps

---

## 2. Imagine...

---



# Agenda

---

- |   |
|---|
| 1. Introduction                               |
| 2. Imagine...                                 |
| 3. Current State of Consumer Info in the UK   |
| 4. Designing a Consumer Information Framework |
| 5. Proposed Outcomes                          |
| 6. Next Steps                                 |

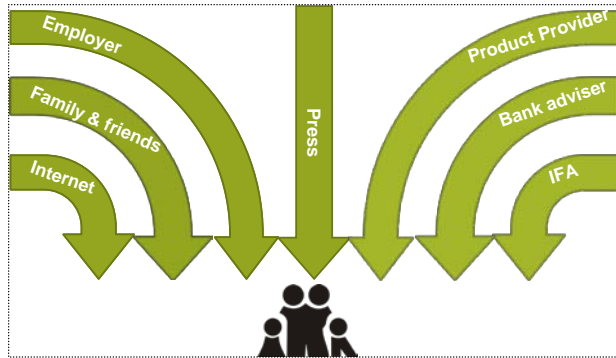


# 3. Current State of Consumer Information in the UK

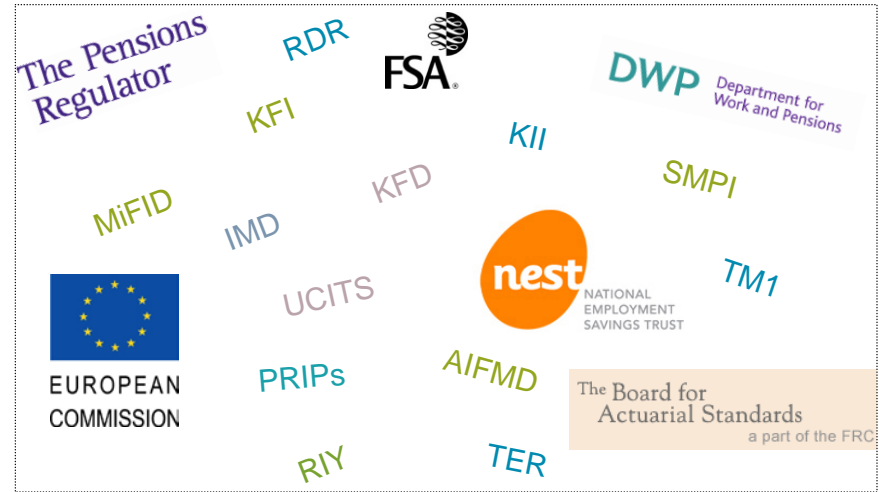
## Consumer Insights

8

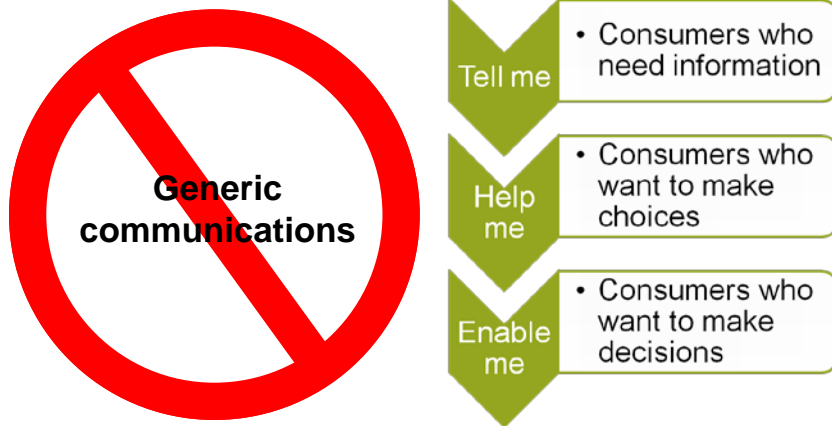
Many touch-points:



Many regulators:



Lack of engagement:



Big Problem:



### 3. Current State of Consumer Information in the UK

## Behavioural economics implications

Information  
overload  
and  
complexity

Inertia

Ambiguity  
aversion

Availability  
heuristic

Regret and  
loss  
aversion

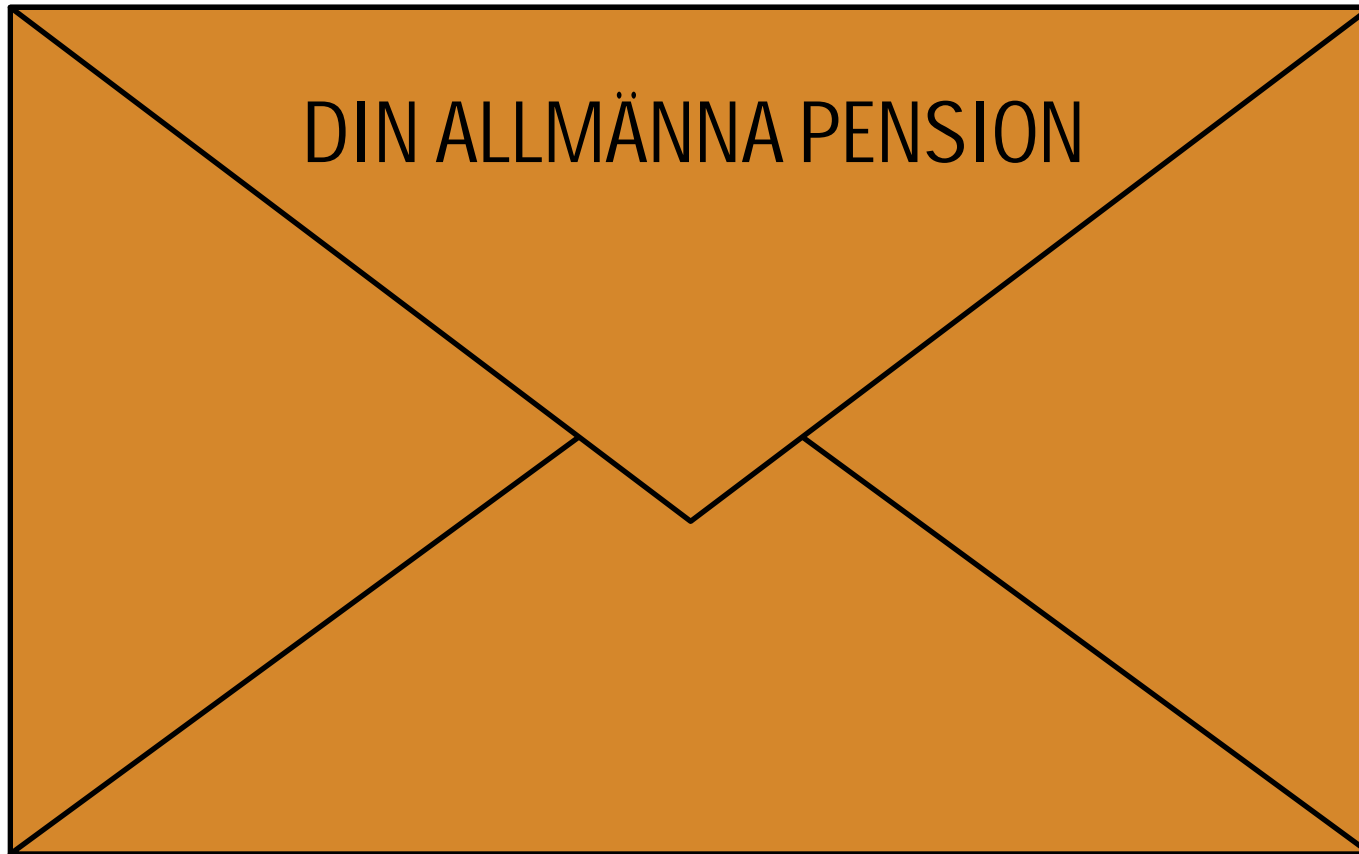
Consumption  
vs. saving  
decision

---

### 3. Current State of Consumer Information in the UK

## Other countries and industries

---

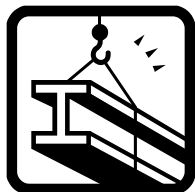


# Agenda

---

- |   |
|---|
| 1. Introduction                               |
| 2. Imagine...                                 |
| 3. Current State of Consumer Info in the UK   |
| 4. Designing a Consumer Information Framework |
| 5. Proposed Outcomes                          |
| 6. Next Steps                                 |

## 4. Designing a Consumer Information Framework



**We define a possible framework for the provision of information to consumers of long-term savings and investment products, based upon three key principles**

### **Anticipated Benefits:**

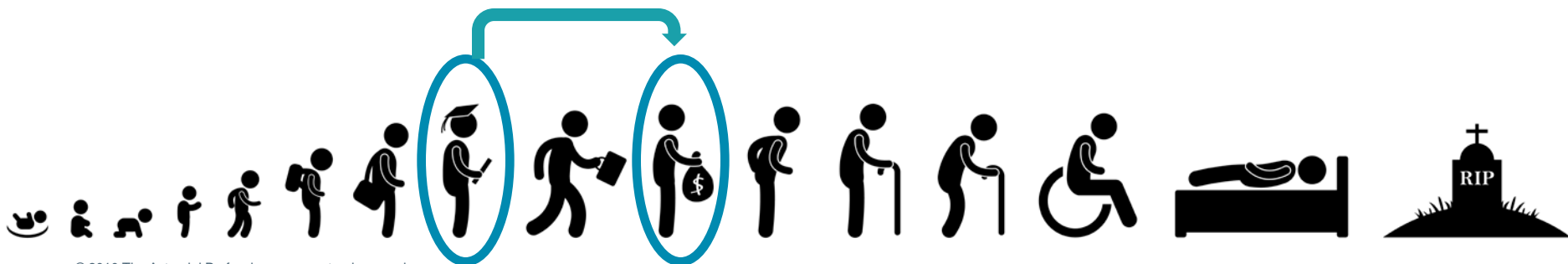
- More engaged and better informed customers.
- Higher revenue for providers and distributors
- Lower costs from customer complaints and mis-selling claims.

# 4. Designing a Consumer Information Framework

## Principle 1

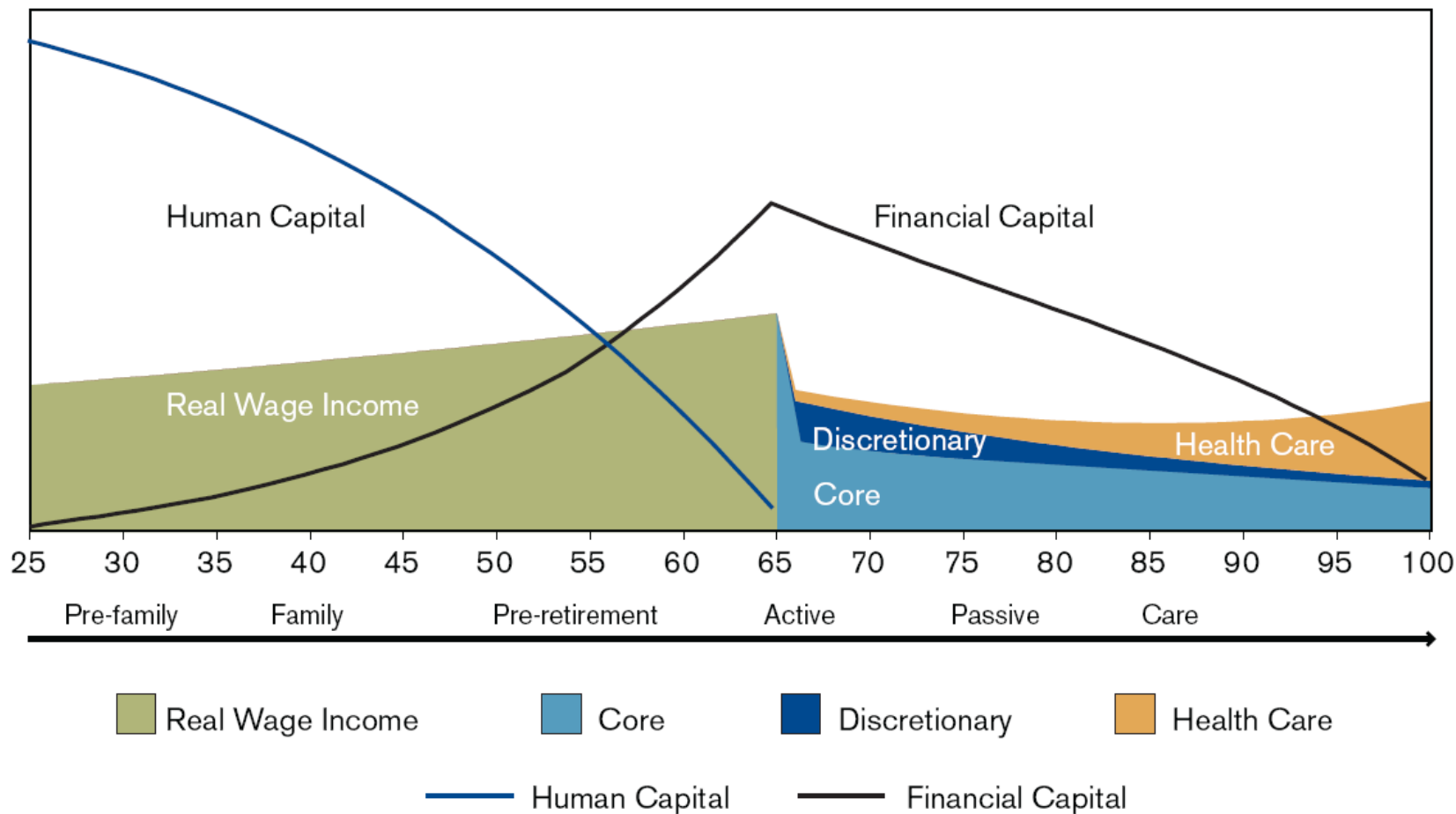
Information should relate to a consumer's financial goals:

- Financial goals should be framed in terms of consumption needs and wants
- Outcomes and risks should be assessed relative to the consumption goal
- All significant forms of asset and liability risk should be considered



## 4. Designing a Consumer Information Framework

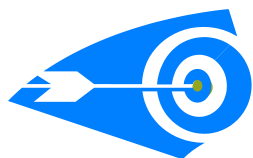
### Principle 1 continued – financial lifecycle



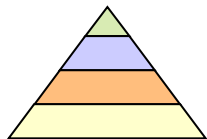
# 4. Designing a Consumer Information Framework

## Principle 2

Delivery should facilitate consumer engagement:



**Segmentation** - Design information that is appropriate for each consumer segment



**Tiering** - Tier information to each engagement level



**Format and Framing** - Present information in a format and frame to facilitate decisions



**Timing** - Time information to when people need to make decisions



**Consistency** - Ensure information is consistent across the full range of consumer touch points



# 4. Designing a Consumer Information Framework

## Principle 3

Consumer Information should be free of bias.

Such as:

- Methodology or Model Bias
- Input or Assumption Bias
- Presentation Bias



# Agenda

---

1. Introduction
2. Imagine...
3. Current State of Consumer Info in the UK
4. Designing a Consumer Information Framework
5. Proposed Outcomes
6. Next Steps

---

## 5. Proposed Outcomes

---

Arguably the most difficult challenge is how to implement such a model. We recommend that information providers focus on three outcomes:

1. Communicate savings progress relative to the consumer's goal;
2. Communicate risk and reward by reference to the chances of achieving the consumer's goal; and
3. Ensure communications are engaging, easy to digest and free of bias (meeting the Principles described earlier).

# Agenda

---

1. Introduction
2. Imagine...
3. Current State of Consumer Info in the UK
4. Designing a Consumer Information Framework
5. Proposed Outcomes
6. Next Steps

---

## 6. Next Steps

---

And urge the Actuarial Profession to take the lead with six next steps:

- A. Champion cultural change with providers of information
- B. Explore how best to communicate financial risk
- C. Apply a consistent approach to financial projection for consumers
- D. Promote rules of thumb – the savings ‘five a day’
- E. Provide independent decision aids for consumers
- F. Support better financial information and education in schools

---

# Questions or comments?

---

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

