

'Unregulated = Untrustworthy'?

• Protection Products

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- -FSA find no evidence of consumer detriment
- -Simple proposition capable of clear description
- -Ombudsman provides accessible efficient resolution of any dispute
- FSA duty of cost effective regulation —lighter touch for some products and services

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Building Confidence

- Current diverse range of regulations
- Problem of overlap or gaps in regulation
- A new regulator FSA rebuilding the rules
- EU directive yet to come

Potential Scope of Regulation

- Prudential Resources
- Distribution
- Sales Process
- Communication
- Product Design and Tariffs
- Complaints

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Compensation Schemes

Supplementary Regulation

- Ombudsman's role
- Industry Codes of Practice
- Senior Management Responsibilities (Principle 6: Customer's Interests)

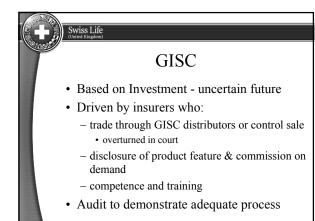
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The Regulatory Regimes

- Savings & Investment
- GISC
- Stakeholder
- Mortgage
- Protection
- Draft EU Intermediary Directive

Investment Regulation

- Process not outcome
- Prove:
 - $-\ suitability\ \&affordability$
 - $-\ensuremath{\, {\rm product}}\xspace \&\ensuremath{\, {\rm commission}}\xspace disclosure$
 - training & competence
- Restitution by review
- Hugely expensive & did not stop misselling
- FSA exempts Pure Protection & General



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Stakeholder

- 'Light touch' regulation claimed
- Simple Product:- 'controlled' transparent terms
 - KFD plain English guide to policy
- No margin to pay for advice - complex situation
 - DECISION TREES DIY advice

Mortgage

- Outcome Regulated
- No requirements govern distributors
- Providers have duty to disclose
- Accountable for the conduct of their distributors Senior Management Responsibilities
- Discipline from the ombudsman - has good practice been followed

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Themes

- Process to Outcome
- · Advice to Disclosure
- Prescription to Consumerism
 - complaint > ombudsman
 - fair and reasonable
 - following good practice
 - supplier is accountable
 - consumer responsibility?

Draft Intermediary Directive

- Register of all distributors
 - clean record & financially sound
 - professional indemnity cover
 - training & competency
 - terms of business letter set out tied / IFA
 - reason why statement
 - complaint process with Ombudsman
- Disciplinary regime

Switch Life Pure Protection---ABI Code • Now included in COBS • Distributors to be competent - developing a training regime • Explanation of cover

- KFD endorsed by OFT, PIAO/IOB, consumers association, PPIAB (?)
- Fit for purpose and within the means - decision tree (endorsed?)
 - reason why letter from a competent advisor

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Is anything missing?

Investment v Protection

- Commission disclosure
- disclose if asked
- Product terms disclosure *
- Affordability & suitability *
- Training and competence *
 - * in ABI code

Cost Effective Consumer Protection

Duty of the provider

- clear product description *
- consumer decision support *
- use reliable distributor
- trained staff

* validated by OFT / FSA

Cost Effective Consumer Protection

Duty of the distributor

• use the literature

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- safeguard client money
- PI cover to meet cost of error
- trained staff

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Cost Effective Consumer Protection

Duty of the ombudsman

- was the literature clear?
- was 'good practice followed'?
- fair & reasonable?
 - did they have information to make a rational decision?
- discipline without need for costly audit

Sviss Life Overview Overview State related regime —no audit / control cost Founded on generally agreed disclosure —clarity for simple propositions Policed by ombudsman —simple restitution

• Consumer should not abdicate interest in their own affairs

Action needed

• Training regime for protection

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- Develop decision support material
- Require product disclosure — commission disclosure on demand
- Obtain FSA / FOS /OFT buy in.