



CONSUMERS IN THE RETIREMENT INCOME MARKET – AN ABI CONSULTATION PAPER

EXECUTIVE SUMMARY

How to encourage people to shop around for the best retirement income product has been an important subject of discussion between the pensions and annuity industry, Government and consumer groups for many years. At the heart of this is the “open market option”, which means that consumers do not need to purchase their retirement income product from their current provider, but can shop around and purchase their income from another provider.

ABI figures show that increasing numbers of consumers are buying an annuity from a provider which is not their pension provider (44.4% in the second quarter of 2011, compared to 35.9% in the same quarter of 2009), and about 70% of people shop around, that is, consider switching provider.

However, about a third of people do not shop around. As a result, consumers may be missing out on a higher income, potentially losing thousands of pounds, over the course of their retirement. Given about 650,000 people turn 65 in the UK every year, it is critical that the industry supports those individuals to obtain the best possible retirement income for their circumstances.

The ABI has identified customer inertia as one of the key reasons why people fail to shop around. Many consumers currently receive an application form for an annuity from their existing provider as part of the communication pack posted to them in the run-up to their retirement date. Many simply complete and sign the application form and send it back to their existing provider, rather than shop around for a better deal.

We therefore announced in September 2011 that we would introduce a compulsory code of conduct binding all ABI members. Under the code, ABI members will remove the annuity application form from the communications they send to their customers. This will stop consumers from automatically rolling over their pension savings to an annuity with their current provider. The new code will also ensure that customers receive all the information they need to shop around in one easily accessible place.

This consultation paper seeks stakeholders’ views on our draft code of conduct. Our draft code goes beyond our September announcement in three important respects:

- All communications by providers, whether written, on-line or over the telephone, must take consumers through a clear customer journey covering the three key steps of understanding retirement, understanding the different ways of taking retirement income, and understanding how to buy. Written communications must also include a standardised heading on the first page about the benefits of shopping around.



- Illustrations provided by the provider which have not been requested by the customer must follow rigorous rules to ensure the options are comparable, and include a clear statement about the higher income available from enhanced annuities based on lifestyle or medical conditions, where providers do not offer or illustrate them.
- Providers' sales processes must take customers through the key questions they should consider in order to buy the appropriate product, and alert them where they are not offering an enhanced annuity.

There is an ongoing debate in the industry as to the impact provider-rate illustrations have on customer behaviour. We are very interested in stakeholders' views on these communications, and will also undertake customer research during the consultation period to find out whether our proposed approach leads to greater engagement and shopping around.

The ABI wants this Code of Conduct to deliver consistently high standards across the industry, ensuring that customers make appropriate product choices and get the most out of their pension saving.

We very much encourage all stakeholders to respond to our consultation to make sure our code delivers change on the ground.



INTRODUCTION

The ABI and its members agree that all people with private pension saving should shop around as they approach retirement to ensure they buy the most appropriate and competitive retirement income product for their circumstances.

We have done a great deal over the past few years to improve the processes customers go through to buy a retirement income product. For example, ABI members have developed and signed up to Origo's Options pension transfer service, which has drastically reduced the time it takes for a pension pot to be transferred from one provider to another. Whereas it used to take over 30 days for a pot to be transferred, the average time using Options is now under 10 calendar days.

We have also worked hard to improve the communications providers send out to customers in the months before their selected retirement date. Our Good Practice Guide "Improving customers' retirement experiences" has been updated several times in the past few years, ensuring ABI members have had an up to date set of principles setting out the standards we expect our members to follow when explaining to customers what their options are at retirement.

These improvements have made a difference. ABI research* indicates that almost all (95%) people at retirement are aware of their right to shop around for a retirement income product. ABI statistics also indicate that the number of people buying externally (indicating that they have shopped around and have selected the best product available on the open market) is rising. 44.4% of people buying an annuity in Q2 2011 bought from a provider other than the one they saved with, up from 35.9% in Q2 2009†.

However, more needs to be done. Our research in 2010 demonstrated that although two thirds of people shopped around, one third did not. It is this persistent third, often people with low financial capability, small pots and / or no access to financial advice that we need to do more to help.

The ABI has therefore committed to developing a Code of Conduct which will prevent pension providers from selling inappropriate or uncompetitive retirement income products on the basis of customers' inertia or lack of understanding of the options.

This consultation paper invites stakeholders' views on the draft Code of Conduct.

The Department of Work and Pension and HM Treasury's OMO Review Working Group

The ABI's work to develop this Code of Conduct is being done in conjunction with our work with DWP and HM Treasury as part of their OMO Review Working Group. We fully support the Group's

* ABI research paper No. 23, 2010 "Annuity Purchasing Behaviour"

† ABI quarterly statistics



objective of developing a package of reforms to increase the number of people shopping around, and continue to work with the Group on areas outside the scope of this Code.

For example, it was felt by ABI members and other stakeholders, that the Money Advice Service's leaflet "It's time to choose", which providers insert into their communication packs, could be updated and improved. The ABI is working with the Money Advice Service, and other relevant bodies such as the Pensions Advisory Service and relevant Government bodies, to deliver this.

Compliance

The ABI has decided to make compliance with this Code of Conduct a condition of ABI membership. All CEOs of member firms will be asked to sign a letter annually confirming that their communications and processes are encouraging their customers to shop around.

The decision to make this Code of Conduct compulsory on our membership reflects how seriously we take our responsibility to help our customers achieve an appropriate and competitive retirement income. The ABI will also continue to monitor annuity sales, and other indications of customer behaviour at the point of retirement, to ensure that the Code is achieving the desired outcome and is not resulting in any unintended consequences. In particular, we will be monitoring whether our changes increase the number of people failing to access their pension savings at all, or missing out on valuable options such as guaranteed annuity rates.

Implementation

This Code will require providers to make many changes to their communications and processes. We appreciate that many of these changes will be both expensive and difficult to implement. We are therefore proposing to give providers one year from publication of the final Code to make the necessary changes to become compliant. Many providers will be able to demonstrate compliance sooner than this, and we would expect these providers to start making the necessary changes as soon as possible. The ABI will be working with providers throughout the implementation period in order to ensure that the principles in this Code are understood.

Question 1: Is the timetable for implementation appropriate?

Occupational schemes

For many people in trust-based pension schemes approaching retirement, the role trustees play in the retirement process will be critical to a successful shopping around process. The ABI represents insured pension providers, and as such we have focussed this Code on how providers are best able to effect change through the communications they have directly with their customers. This Code therefore does not apply to trustees but seeks to accommodate the role trustees play in representing their members and engaging on their behalf with the pension provider.



The ABI is, of course, working closely with the NAPF and the Pensions Regulator on the DWP/HMT OMO Review Working Group, and fully supports any steps they might take to reflect the principles set out in this Code in their guidance to trustees.

THE CODE OF CONDUCT

The Code of Conduct covers three key aspects: the customer journey, the sales process, and own-company illustrations. It is complemented by three Annexes, covering the template cover letter for the wake-up and follow-up packs, the template shopping around guide, and compliance.

The customer journey

The customer journey is structured around the three critical stages we believe a customer must move through to successfully shop around.

a) Understanding retirement

The Code starts by addressing how providers should help customers understand the retirement process, and the initial decisions customers need to make before considering the best retirement income product.

This section of the Code therefore looks at how providers can best prepare their customer in the years immediately before the selected retirement date, and how to support them through these initial decisions.

The primary vehicle for this support is through the wake-up and follow-up packs providers must send out at prescribed periods before the customer's selected retirement date. The wake-up pack in particular is frequently the first time a customer will become aware of the need to make any decision at all about their retirement income, and is therefore critical in establishing early engagement in the shopping around process. The follow-up pack is equally important in ensuring the customer is able to make an informed decision in time to start receiving his or her retirement income as soon as possible after their retirement.

The requirements set out under this stage therefore focus on ensuring the communications are clear and understandable, engage the customer in the process, and encourage them to seek out more personalised help, whether through professional advice, independent helplines, the provider's own helpline, or their shopping around support service.

The questions the customer must consider in this stage are about the wider issues around retirement. This includes the critical decision about whether they do indeed wish to retire on their selected retirement date, as well as more technical questions such as the possibility of trivial commutation.



b) Understanding the different ways to take retirement income

Once a customer has established that they do wish to retire, and that they would like to establish a retirement income, the provider must help them understand the different ways that retirement income can be bought. This stage is the most technical and difficult for a customer to understand, and it is critical that the provider gives the customer enough information to help them understand their options, whilst avoiding information overload that might result in the customer giving up on the whole process.

Although some providers seek to help customers through this stage primarily through the wake-up and follow-up communication packs, many others prefer to engage through helplines, online services or other methods. This section of the Code therefore sets out the requirements that a provider must follow however they are communicating with their customer.

The Code also makes clear that any consideration of retirement options is not complete without a proper understanding of the increased income a person who meets certain lifestyle or medical conditions might be eligible for through an enhanced annuity. Although enhanced annuities are only one amongst many different types of retirement income product, the relatively low awareness of this type of retirement income product, and the risk that an eligible customer might lose out on an enhanced income for the whole of their retirement, makes their consideration a critical part of the shopping around process.

c) Understanding how to buy

Finally, the Code addresses the stage where the customer chooses the product they wish to buy and the provider they wish to supply it. ABI research shows that people find this stage in particular confusing and difficult, and are not confident about how to collect different quotations about different products.

The Code therefore requires providers to ensure that their customer has all the necessary information to take to an alternative product provider to get a comparative quotation and to make it absolutely clear that shopping around could result in a higher and more appropriately shaped income. The different methods of shopping around must also be made clear, and customer must be pointed to where independent sources of help can be found.

Question 2: Is the customer journey set out in the Code appropriate?

The sales process

Whilst developing this Code, it became clear that providers also needed to support customers in understanding the characteristics and implications of the product they were considering. This applies not only to the providers who have managed the customer's pension pot throughout the accumulation stage, but to all providers.



The Code therefore specifically addresses the requirements on providers who are taking a customer through a quotation or sales process. In particular, we have set out the list of questions a provider must be confident that the customer has considered before selling them a product.

Question 3: Are the requirements for the sales process appropriate?

Template cover letter for wake-up and follow up packs

Annex A of the Code sets out a template for providers to follow when drafting their cover letter for their communication packs. The cover letter needs to be the first item a customer sees when opening the packs, and therefore needs to be immediately engaging. Given the low engagement and understanding of pensions of a large number of people, we have sought to ensure that the cover letter gives a customer a clear message about the importance of the shopping around process, and explains the most critical points to consider.

Using the exact wording of Annex A is not compulsory because providers need to be able to use their own tone of voice for their customers. However, the structure of the letter is, as well as the text of the headline message. The Code also requires providers to keep the letter within three pages.

Question 4: Are there any changes you would recommend to the template cover letter (Annex A)?

Template shopping around guide, and CEO's compliance letter

Annex B sets out a template leaflet that providers are required to include in their communication packs. This leaflet has been drafted to address our concern that although many customers would like to gather comparative quotations, they do not know how to go about it.

We consider this leaflet a good candidate for future inclusion in an improved Money Advice Service leaflet, which would enable the content to be updated in the future with the minimum of cost to providers.

Annex C sets out the compliance letter Chief Executives' of ABI member firms will be expected to sign once the Code takes effect.

Question 5: Are there any changes you would recommend to the template shopping around guide (Annex B)?



Question 6: Are there any changes you would recommend to the template compliance letter (Annex C)?

Illustrations

In developing this Code, it became apparent that there are different views on the behavioural impacts of sending a customer approaching retirement an own-company illustration, where an indication is given of the level of income a particular type of annuity will pay given the customer's pot size.

Some providers view own-company illustrations which have not been requested by the customer as having an impact similar to application forms, anchoring customers inappropriately to their existing providers, and potentially an uncompetitive rate. These providers considered that a more appropriate way forward would be to allow only generic-rate illustrations, to be sent to customers in the communication packs, with provider-rate illustrations being allowed only once the customer has approached the provider. It would however need to be established how these generic rates would be generated. Others believe that these illustrations are a very useful baseline for shopping around as many customers have no idea what income they can expect to receive when they transform their pension savings into an annuity income.

The ABI therefore believes that the most appropriate way forward is for the Code to ensure that any provider-rate illustrations sent out to customers prior to their engagement with a provider meet strict requirements. These requirements cover the range of options that must be shown, and clear health warnings to ensure that customers understand that other, potentially more appropriate and competitive, rates would be available from other providers, in particular enhanced annuities.

To make sure that the Code delivers the desired change on the ground, the ABI will undertake consumer research in parallel with this consultation to find out what impact illustrations have.

Question 7: Do you have any evidence about the impact that illustrations have on customer engagement or behaviour?

Question 8: Are the requirements for each stage in the Code appropriate?

Question 9: Are there any other useful customer resources we should be signposting customers to and which are not mentioned in the Code?

Question 10: Do you have any other comments on the Code of Conduct?



How to respond to this consultation

Please respond to this consultation by **cob on Friday February 3, 2011**. Please address your response to:

Dr Yvonne Braun
Head of Savings & Retirement
Association of British Insurers
51 Gresham Street
London EC2Y 7HQ
Tel.: 020 7216 7414

Yvonne.braun@abi.org.uk



The ABI Code of Conduct on Retirement Choices

Introduction

This Code of Conduct has been developed by the ABI and its members to ensure that pension providers' communications to customers (or their trustees) approaching retirement help every customer make the necessary decisions about his or her retirement choices, and encourage shopping around for the most appropriate and competitive retirement income product.

The Code sets out the rules that ABI members must follow throughout the retirement process. These requirements must be followed in addition to any legislative or regulatory requirements that may also be relevant, but are subject to any existing contractual requirements previously agreed with the customer (or their trustee.) This include, for example, any agreement that the trustees of a scheme are responsible for compiling the customer communications, or any automatic conversion of a pension pot to an annuity at the age of 75.

The customer journey

The primary purpose of all customer communications is to help the customer understand the decisions he or she must make, and to support him or her through the retirement process.

The provider must ensure that their communications take the customer through the following journey:

a) Understanding retirement

The customer must be clearly informed about the decisions he or she will need to make before receiving a retirement income. The timetable of these decisions must be set out clearly, and the possibility of deferring retirement, commuting or amalgamating pension pots must be explained.

b) Understanding the different ways to take retirement income

The provider must explain the range of ways retirement income can be taken, including those products they do not offer themselves. The customer must be given clear information describing the characteristics of the different products and where further information and help can be found. The provider must be particularly clear about the possibility of joint and enhanced annuities.

c) Understanding how to buy

The provider must encourage the customer to gather comparative quotations from different providers. In order to do this, the provider must clearly explain how this can be done, provide all the information needed and must not sell any product by relying on the customer's inertia or ignorance.



The customer journey

d) Understanding retirement

Over the five years prior to their selected retirement date (SRD), a provider must communicate with a customer (or their trustee) to:

- Encourage the customer to start considering their retirement options
- Introduce the customer to the decisions they will need to make

If a provider has not already been approached by a customer (or their trustee) about their retirement options, the provider must send out:

- a 'wake-up' pack at least 6 months pre-SRD for trust-based schemes and at least 4 months pre-SRD for contract-based schemes
- a 'follow-up' pack at least 10 weeks pre-SRD for trust-based schemes and at least 6 weeks pre-SRD for contract-based schemes

Both wake-up packs and follow-up packs must also:

- Highlight the importance of the communication and emphasise that the customer should not ignore it
- Be clear and jargon free (see Customer Impact Clear Language and Layout Good Practice Guide, ABI Jargon Buster and the Plain English Campaign <http://www.plainenglish.co.uk>)
- Be targeted as much as possible to the circumstances of the individual customer
- Set out information in as accessible and engaging a way as possible, with signposting to key information where relevant
- Avoid inconsistencies and irrelevant information, or duplication within each pack
- Take account of customer (or their trustee) preferences of the appropriate method of communication where possible

Follow-up packs must:

- Give a strong message of the need to make a decision

Both through the wake-up and follow-up packs, and when approached by a customer (or their trustee) about their retirement options, a provider must:

- Encourage the customer to consider their circumstances and their retirement income options.
- Encourage the customer to seek financial advice and/or further information (see **useful customer resources**)
- Explain the timescale of the retirement process
- Explain the decisions the customer needs to make at each point of the retirement process



e) Understanding the different ways to take retirement income

Both through the wake-up and follow-up packs, and when approached by a customer (or their trustee) about their retirement options, a provider must:

- Explain the range of ways in which a customer can receive their retirement income, including the different annuity options and products available, particularly the possibility of medical conditions or lifestyle choices leading to a higher level of retirement income
- Encourage the customer to seek further advice and/or information about the different ways in which they might be able to take their retirement income (see **useful customer resources**)
- Highlight any applicable guaranteed annuity rate (GAR) or market value reduction (MVR)

Both wake-up packs and follow-up packs must also:

- Prominently highlight the possibility of medical conditions or lifestyle choices leading to a higher level of retirement income
- Prominently highlight any applicable guaranteed annuity rate (GAR)
- Include the Money Advice Service leaflet

f) Understanding how to buy

Both through the wake-up and follow-up packs, and when approached by a customer (or their trustee) about their retirement options, a provider must:

- Indicate the value of the customer's pension pot
- Explain the benefits of shopping around and that different providers might offer a higher level of retirement income
- Explain that the provider might not offer the annuity options or product that best meets the customer's needs
- Encourage the customer to seek further advice and/or information about how to shop around (see **useful customer resources**)
- Explain to the customers how to shop around (see **useful customer resources**)

Both wake-up and follow up packs must also:

- Make available all information about a customer's pension pot needed for shopping around in one easily accessible place (see **Annex A**)
- Prominently highlight the benefits of shopping around and state clearly that different providers might offer a higher level of retirement income
- Include an annuity shopping-around guide (see **Annex B**)
- Not allow the customer to purchase an annuity from the provider without first contacting that provider



Illustrations

An illustration that is included in the wake-up or follow-up pack, where a provider demonstrates the level of income the customer's pension pot could buy, must:

- be for the purposes of:
 - encouraging the customer to consider which annuity is most appropriate for his or her circumstances, and
 - demonstrating the impact the decision will have on their retirement income
- clearly state that all rates are indicative
- show a rate that the customer is able to access
- use standardised payment options
- be as concise and clear as possible

Unless the customer (or their trustee) has requested an alternative, an illustration must clearly set out at least;

- any applicable GAR
- a single-life annuity
- a joint-life annuity
- an escalating annuity

and either an enhanced option, or a prominent statement as follows;

“[This illustration does not demonstrate / we do not offer] a rate based on lifestyle or medical conditions (an enhanced annuity). If you are eligible for this type of annuity, [this type of annuity / another provider] could offer you a much higher level of income.”

The sales process

When collecting information from the customer in order to send out a personalised illustration, annuity quotation or to sell any retirement income product, the provider must ensure the customer is taken through the following questions and is made aware of any risk resulting from their answer. This can be done by ensuring the customer has filled out a comprehensive information collection form whether online or in hard copy, by means of a telephone conversation, by ensuring the customer has consulted a financial adviser, or by any other method the provider considers appropriate.

- Whether they are trivially commuting any savings and/or taking tax free cash
- Whether they are married/partnered or have a dependent that might outlive them
- Whether they are concerned about their income losing value because of inflation
- Whether they have any lifestyle or medical conditions that may mean they are eligible for an enhanced annuity



When quoting or selling an annuity, a provider who does not offer an enhanced annuity must make the following statement:

“We do not offer a rate based on lifestyle or medical conditions (an enhanced annuity). If you are eligible for this type of annuity, another provider could offer you a much higher level of income.”

Providers must make all payments promptly and accurately

Provider communications following purchase must:

- confirm the details of the purchase
- clarify the details of any cancellation rights

Where a product was bought through the Open Market Option, both providers must:

- ensure the product is set up within 30 days
- use Options where possible

Where a customer’s purchase is delayed, the provider must:

- take steps to resolve the delay as quickly as possible
- keep the customer informed



Useful customer resources

For general retirement advice and information

- The Money Advice Service, 0300 500 5000, www.moneyadviceservice.org.uk
- The Pension Advisory Service, 0845 601 2923, www.pensionsadvisoryservice.org.uk
- IFA Promotions, www.unbiased.co.uk
- Personal Finance Society, www.findanadviser.org

For information about different retirement income products

- The Money Advice Service leaflet “Your pension – it’s time to choose”
- The Pensions Regulator leaflet “Making your retirement choices – think before you choose”
- The Pension Advisory Service online annuity planner www.pensionsadvisoryservice.org.uk

For help with shopping around

- The Money Advice Service online annuity comparison tool, www.moneyadviceservice.org.uk/tables



Annex A – Template cover letter for wake-up and follow up packs

Objective

The cover letter to both the wake-up and follow-up pack must:

- Give customers all the information they need about their pot to shop around
- Emphasise the importance of shopping around
- Highlight the most important questions the customer must answer in order to choose an appropriate retirement income product

Use of the template

Providers must use the template to ensure that:

- Their customers are taken through the customer journey set out in this code
- Including any guaranteed annuity rate.
- The three questions on the customer's circumstances are included
- The cover letters are engaging, relevant and short (within 3 pages)

Providers do not need to use template's exact wording

The headline message

The headline message and summary of information must always appear on the first page of the letter.

Occupational schemes

Providers must take into account trustee needs when sending out retirement communications to occupational scheme members. If the firm is issuing the wake-up letter to the trustees, sufficient time must be allowed for the trustees to forward the information to the member to meet the six month deadline. As many trustees simply forward the material sent to them by the firm, it is preferable if this material includes a letter to the member.



[1 – Headline message]

This letter contains important information to help you make a decision on when and how to turn your pension savings into a retirement income. It's important that you read this letter and consider all your options – you may be able to substantially increase the income you receive.

[2 – Introduction]

Dear [X]

You are approaching your selected retirement date, and will soon need to make a decision about what to do with the money you have saved with us. Buying a retirement income can be daunting, but this letter and the accompanying booklet contain important information on how to do this. You should also shop around for the best possible income and we have enclosed a leaflet talking you how to do this.

If you don't understand anything or would like to talk through your options, please contact us on [XXXXXXXXXX]. Alternatively you can ring the free Pensions Advisory Service's helpline on 0845 601 2923 for free impartial information.

[3] Summary of information *[Firm to insert information]*

- **Name of policyholder:**
- **Policy number:**
- **Current value of pension pot:**
- **Information on any GAR or MVR:**

[4] Retirement Options

There are many different ways you can take your retirement income. Below are a few of the most popular options and there is more information about each of them in the accompanying brochure. Once you have decided what you want to do, please get in touch with us and let us know.

a) Postpone taking your retirement income

You do not need to do anything with your pension pot yet. You can leave it with us and we will contact you again in X years. Please let us know if you want to defer taking an income on the form included.

b) Commutation of smaller pots *[If appropriate]*

If the total value of all your pension savings is less than [£X,000 (current tax year)], you may be able to take it all as a cash lump sum. If you wish to do this, you have to take all payments from all your pots within a 12-month period. If any of your pots is less than [£X,000 (current tax year)], you may also be able to cash it in, regardless of any other pension savings you have.



If you think you might like to do this, please ask us for further details.

c) Tax free cash

You can usually take up to a quarter of your pension pot tax-free as a cash lump sum, using the remainder to buy a retirement income product.

d) Buy a retirement income product

i) Annuities

An annuity is a financial product where you use all or some of your pension savings to buy a guaranteed income for the rest of your life. It is the most popular way people buy a retirement income and, if you have built up more than one pension pot, you can combine them into one annuity.

You do not have to buy an annuity from us, and you should shop around to make sure you buy the right type of annuity for you. The accompanying leaflet contains more information on how to collect different quotations from different annuity providers.

There are many different types of annuity, each designed to suit your own personal circumstances. If you plan to buy an annuity, you should consider the following questions;

- **Are you married or do you have a partner? Will they need an income if you die first?**

If so, you should consider a 'joint-life' annuity, which continues to pay an income for both of your lives.

- **Do you smoke? Are you on any medication or do you have a medical condition?**

If so, you may be eligible for an 'enhanced' annuity, which pays you a higher level of income.

- **Do you want your income to increase over time to help counteract inflation?**

If so, you should think about an 'escalating' annuity, which starts lower but increases over time, or adjusts to rise in line with inflation.

There is a free online annuity planner at www.pensionsadvisoryservice.org.uk which can help you answer these and other questions about which type of annuity is right for you.

ii) Other retirement income products

The accompanying brochure includes information about other ways you could take your retirement income. You should speak to a financial adviser if you are thinking about one of these products.



[5] The Lifetime Allowance *[if appropriate]*

If the total value of all your pension funds is more than [*£X,000,000 (current tax year)*], and you have not taken steps to protect your funds, we have to apply a 'Lifetime Allowance' charge set by the Government. We strongly recommend that you take financial advice if your total pension savings exceed or are close to this amount.

[6] What happens next?

Please contact us to discuss what you would like to do with your pension pot, either by telephone on [XXXXXXXXXX], or by filling in the form enclosed. If you do not get in touch with us, we will write to you again in [*x-x*] weeks.



Annex B – Template shopping around guide

Objective

The shopping around guide has been designed to encourage customers to shop around and support them through the process by:

Showing them different methods of shopping around

Alerting them to the questions they will be asked

Helping them gather the information necessary to answer those questions, and

Showing them where to go for help with shopping around.

Use of the template

Providers must use the template to ensure that their shopping-around guide:

Is a separate leaflet of no more than two pages that is clearly distinguishable from other material in the same communication pack

Actively encourages customers to look beyond the provider's own products

Accurately signposts the customer to where further information can be found either in the provider's material, or from another source.

Providers are not required to reproduce the wording or order of the template exactly.



SHOPPING AROUND CAN HELP YOU IMPROVE THE INCOME YOU RECEIVE IN RETIREMENT

How do I shop around?

Using a financial adviser

Financial advisers are qualified professionals who can give you individual advice on your retirement income. They can assess your individual circumstances, talk you through your options and recommend a provider that offers the right product for you.

You can find an adviser near you at these websites;

www.unbiased.co.uk or www.financialplanning.org.uk

Using a comparison website

The Money Advice Service offers a free and independent comparison website for standard annuities which can be found here; www.moneyadviceservice.org.uk.

Using dedicated shopping around service

There are several websites which offer a dedicated shopping around service, allowing you to compare and purchase different annuities offered by different providers, just like with care or travel insurance.

Talking directly to the product providers

If you want to talk to any product provider about what they can offer, the Association of British Insurers has collected many of their contact details here;

www.tobecreated.com



What questions will I be asked?

Questions about your pension savings

You will need to answer questions about how much money you have saved in a pension. You should also be aware of any guarantees or restrictions that might apply to some or all of this money and of any other pension savings you have with other providers before you select a retirement income product.

We have sent you all the necessary information about the money you have saved with us along with this guide. If you don't understand what we have given you, you can contact us and ask us to explain it or go to one of the free and independent bodies listed on the last page of this guide.

Questions about how you want to take your retirement income

There are lots of different retirement income products such as annuities or income drawdown, and lots of different ways in which you may be able to take your money at the best time for you.

For example, if the total value of all your pension savings is less than £18,000 and you are over 60, you may be able to take it all as a cash lump sum. You should also consider whether you should make sure your partner (if you have one) is provided for if you die before them.

We have included some material with this guide explaining the different products available. You can get more information and help with understanding it by talking either to us or the free and independent bodies listed on the last page of this guide.

Questions about you

You will be asked questions about you and your partner such as how old you are and where you live, as these factors may affect the level of income you receive.

Also, if you or your partner answer yes to any of the following three questions **you could be eligible for a much higher level of income** and will need to be prepared to complete a questionnaire about any medical or lifestyle conditions you or your partner might have.

Do you smoke?

Have you been diagnosed with a medical condition within the last 10 years?

Are you on any medication for a health condition?



Conditions can range from minor illnesses such as high blood pressure or high cholesterol right through to more serious conditions such as a heart attack or stroke.

You can get the full questionnaire from your financial adviser, an enhanced annuity provider, or from this website www.commonquotation.co.uk. You might need to talk to your doctor to get the details of any medication you are receiving or treatment you have had.

Where can I go for help?

The **Money Advice Service** is a great place to start. You can go to their website www.moneyadviceservice.org.uk to find lots of information about pensions and retirement income products, and use their unbiased comparison tables to help you compare annuity rates. Their Money Advisers can help you with your money questions on 0300 500 5000. Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes.

The **Pensions Advisory Service** also gives free and independent advice on pensions and has a free helpline you can call on 0845 601 2923. They also have an online annuity planner that can help you choose what sort of annuity is right for you at

www.pensionsadvisoryservice.org.uk

We can explain anything you don't understand about your pension pot or the information we have sent you. You can call us on 01234 567 8910 or email us at Ihaveyourmoney@provider.com



Annex C - Compliance

All ABI members must be compliant with this Code as a condition of Membership. All CEO's of affected companies must complete and sign the attached letter annually.

Providers must be able to demonstrate that they are assessing whether their communications and processes are resulting in customers shopping around for their retirement income product. To do this, they must:

- Assess customer reactions
- Collect information on the number of retirement income products being bought by internal and external customers
- Monitor the number of days taken to complete the sale of an annuity
- Share with the ABI the results of the above exercises.

CHIEF EXECUTIVES' COMPLIANCE LETTER

If applicable, please return a letter on your company headed paper, including these paragraphs and signed by your Chief Executive, by [first Friday in February, annually] to:

*Association of British Insurers,
51 Gresham Street,
London EC2V 7HQ*

Retirement Choices Code of Conduct

I can confirm that [XYZ Company Ltd] complies with the ABI Retirement Choices Code of Conduct. I have caused checks to be carried out to confirm that our processes and communications meet the rules set out in the Code and I have taken appropriate action where any shortcomings have been identified.

[Signed]

Name

Company or companies covered by the letter