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ABI RESPONSE TO FSA WITH-PROFITS REVIEW ISSUES PAPER NUMBER 3 – DISCLOSURE TO CUSTOMERS

Introduction and summary

1. ABI has been engaged with the initiative to improve disclosure to consumers of with-profits policies for some time, in developing its Raising Standards project and in responding to the FSA Scope Paper. We therefore welcome the acknowledgement of this work in the issues paper on with-profits Disclosure to Customers, the third of a series of papers published as part of the FSA review into with-profits, and the suggestion that it could form the basis of further work by FSA.

2. The insurance industry is committed to providing its customers with better, more informative details about the nature and progress of their investments and is keen to work with the FSA to develop improved regulation to assist this process. As recognised in the paper, several reviews other than the With-Profits Review are currently under way, and it is vital that the work on with-profits disclosure is treated as a part of that wider work rather than as something separate.

3. Our other main concerns are in connection with how regular disclosure can be made to existing policyholders in a cost effective way, how to introduce plain language terminology, and how to avoid information overload.

Disclosure to existing policyholders

4. The Raising Standards and ABI disclosure proposals already submitted to the FSA focus primarily on new business, while FSA now recommends that information should be disclosed regularly to all existing customers. We agree that this should improve customer understanding of their investment. However, we have concerns about the cost and benefit of requiring regular provision of mandated additional information to all existing policyholders, and believe that realistic de minimis levels need to be set.

5. Last year ABI commissioned research from NOP (summarised in Appendix A) to test the value to customers of yearly statements, the results of which were submitted with the ABI response to the FSA Scope Paper at the beginning of the with-profits review. The research shows that consumers want to know three key figures: the current/guaranteed value,

predicted future value, and value on death. ABI recommends that these figures should be available on at least an annual basis for existing customers (where appropriate for the policy). Not all companies are currently able to provide this data automatically for all policyholders, mainly due to legacy system problems. We therefore believe that full disclosure of the three key figures should be subject to a de minimis limit, where, for instance, there is only a small proportion of policies for which it is difficult to obtain data or where no new business has been written for eg 20 years. For cases where annual information cannot be produced automatically it should be available on request.

<u>Standardisation of terminology</u>

6. ABI strongly supports the initiative that all companies offering with-profits products should use clear terminology. Clear, plain language used consistently by all insurers would provide customers with much improved understanding and knowledge about the product. It is also important that there is cross-fertilisation of all clear terminologies that may be introduced (for instance, they should be used in marketing flyers, internet sites, by staff and in policyholder literature).

7. We have considered whether it is realistic to seek to create a glossary of standardised terms. Although this is in some ways an ideal objective, creating a glossary would be extremely time consuming. It also has to be borne in mind that the terms to be considered (listed in paragraph 22 of the paper) are also used for products which can have non with-profits elements. Customer confusion would also occur due to terms being established in existing policy contractual conditions, which could not be changed. Introduction of new terminology once agreed would not therefore be straightforward.

8. The top priority is to ensure absolute clarity in all communications. Therefore we recommend that work on terminologies should build on the approach used by the Raising Standards Quality Mark Scheme, which was developed by the industry after significant debate. This approach requires the insurer to provide an explanation of a minimum set of key terms in clear language. This covers most of the terms identified in paragraph 22 of the issues paper. Raising Standards also requires a provider to give an explanation of the terms mentioned in paragraph 26, which we believe is more appropriate than a short definition, which would be harder to agree across the industry.

9. However, we remain supportive of the ideal objective of seeking to achieve an agreed glossary of terms in due course. We are keen to discuss this with the FSA with a view to considering how this could be

achieved without stifling development of new innovative products or inadvertently constructing additional liabilities on product providers.

Information overload

10. The FSA paper expresses concerns about the risk of information overload, a potential problem that does not only apply to with-profits. Care needs to be taken not to confuse or mislead the consumer, and it should be the aim of companies to provide better quality, as opposed to greater quantities, of information. We have suggested that summary information should be provided, backed up by more detail if requested by the consumer. This concept of tailoring information will allow customers to obtain a level of detail aligned to their requirements.

Application and Implementation

11. There is obviously an important issue regarding implementation. Changes required for new business can be implemented the most quickly (although a reasonable lead time is still necessary). Provision of the regular information referred to in paragraph 5 above could also be implemented reasonably quickly, subject to a reasonable de minimis limit and possible exceptions for certain small types of business and paid-up policies. Implementation of wider changes for existing business will need a longer lead in time. The cost benefit analysis will be key here and it has to be borne in mind more closely than usual for with-profits business that any costs incurred are likely to be borne 100% by the affected policyholders. When assessing the benefits, the test needs to be what is being added for policyholders in excess of that already encompassed by our Raising Standards quality mark scheme (as enhanced by our response to the Scope Paper), as most companies are now familiar with those requirements and many are actively working towards achieving them. The introduction of new standards that vary only slightly from those of Raising Standards would create considerable additional costs for the industry and would create uncertainty in the short term, to the detriment of all.

12 For clarity, we assume that the disclosure requirements discussed here relate to disclosure directly to consumers and will not therefore apply to occupational pension schemes. We can see some benefits in their applying to defined contribution schemes, but they would be less appropriate for defined benefit schemes where fund performance and management are not concerns for the individual scheme member.

13. This response continues by addressing the 12 questions asked in the Issues Paper and concludes with Appendix A on draft yearly statements and the results of the NOP research, and Appendix B on Raising Standards information applicable to with-profits.

QUESTIONS

Q1 Do you agree with the descriptions in paragraphs 14 to 28 of the issues arising over the disclosure of information on with-profits products?

1.1 We agree that consumers tend to have a limited understanding of how with-profits works. Therefore to improve customers' understanding the information provided should be improved. We have already submitted significant suggested improvements into the FSA review (as laid out in our response to the Scope Paper).

1.2 ABI supports the idea of differentiating information so that 'headline' information is given to all customers and more detailed supporting information is available on request. 'Headline' information should cover all the key points that customers should know when purchasing their contract, and therefore all point of sale information must contain 'headline' details. We would welcome discussions with the FSA on the possible minimum content of such 'headline' information.

Raising Standards

1.3 The Raising Standards initiative already requires a simple pre-sale with-profits summary and a more detailed one to be provided to policyholders on request. This is in addition to the more complex statutory with-profits guide also being available on request. Another feature from Raising Standards that assists with improving disclosure is 'signposting'. This helps consumers to find where additional information is located. For example, the key figures on the yearly statement may point to further details on a later page, while the yearly statement may provide reference to extra information on market value reductions as being in the key features document or with-profits summary.

Q2 Are there any other issues arising besides those mentioned in paragraphs 14 to 28?

With-profits guides

2.1 In addressing the disclosure of information, there is no mention of the statutory with-profits guide. Although the contents of with-profits guides are currently covered by FSA rules, it would be useful if FSA could re-visit these requirements. We believe FSA should confirm the audience for, nature and content of, the with-profits guide, particularly because (as noted in Issues paper II on Regulatory Reporting) it is meant to be of use to policyholders, but most are requested by advisers, informed individuals or analysts. We believe they are little used by most policyholders.

Projected benefits

2.2 Consumers do not always appreciate the nature of illustrations of projected benefits. As recognised in the review of product information at the point of sale (Discussion Paper 4), there is a risk that consumers may view the range of the three possible outcomes as being ‘worst’, ‘most likely’, and ‘best’. This differs from the intended aim of conveying the message that the actual benefits are dependent on the level of investment return achieved. There is a finely balanced argument between using one growth rate or more than one to illustrate the uncertainty of projected benefits. Regardless of which way this debate proceeds, (and it is clearly of relevance more widely than with-profits investments) we believe there must be a clearer warning as to the uncertain outcome of the ultimate benefits.

Q3 Do you have any relevant research on with-profits policyholders that the FSA should consider?

3.1 ABI commissioned research from NOP Financial in November 2000, on a new style of yearly statement for with-profits policies based upon the Raising Standards templates. This work has already been shared with FSA in our response to the Scope Paper in July 2001. A summary of the key findings is provided in Appendix A.

Q4 Should standardised, and simpler, terminology and explanations of with-profits features be developed for use across the industry?

4.1 ABI agree that standardised and simpler terminology and explanations of with-profits features would be valuable, and has already developed significant improvements in our work on both Raising Standards and the yearly statements submitted in our response to the Scope Paper. This work is laid out in Appendix A.

4.2 ABI strongly supports the initiative that all companies offering with-profits products should use clear terminology. Clear, plain language used consistently by all insurers would provide customers with much clearer understanding and knowledge about the product. It is also important that there is cross-fertilisation of all clear terminologies that may be introduced (for instance, they should be used in marketing flyers, internet sites, by staff and in policyholder literature).

4.3 We have considered whether it is realistic to seek to create a glossary of standardised terms. Although this is an ideal objective, creating a glossary would be extremely time consuming. It also has to be borne in mind that the terms to be considered (listed in paragraph 22 of the paper) are also used for products, which can have non with-profits elements. Customer confusion would also occur due to terms being established in existing policy contractual conditions, which could not be changed. Introduction of new terminology once agreed would not therefore be straightforward.

4.4 The top priority is to ensure absolute clarity in all communications. Therefore we recommend that work on terminologies should build on the approach used by the Raising Standards Quality Mark Scheme, which was developed by the industry after significant debate. This approach requires the insurer to provide an explanation of a minimum set of key terms in clear language. This covers most of the terms identified in paragraph 22 of the issues paper. Raising Standards also requires a provider to give an explanation of the terms mentioned in paragraph 26, which we believe is more appropriate than a short definition, which would be harder to agree across the industry.

4.5 However, we remain supportive of the ideal objective of seeking to achieve an agreed glossary of terms in due course. We are keen to discuss this with the FSA, with a view to considering how this could be achieved without stifling development of new innovative products or inadvertently constructing additional liabilities on product providers.

4.6 The term 'with-profits' does have the benefit of being short, reasonably descriptive and well known by many UK customers. It was, for example, the label used by the Government in the Stakeholder Pension Schemes Regulations 2000. We believe the term 'with-profits' should be retained.

Q5 Do you agree that the same principles of disclosure should apply to both new and existing business? In what circumstances should a different approach to existing business be considered?

<u>New policyholders</u>

5.1 Any new disclosure requirements should apply to all new business. The ABI response to the Scope Paper recommends that at point-of-sale customers should be given a with-profit summary, and that post-sale statements should be sent at least yearly. This regular post-sale information should include details of any current market value reduction figure, how the with-profit fund is managed, fund performance, and the mix of assets in the with-profits fund. This information is laid out in the example yearly statements included in Appendix A.

Existing policyholders

5.2 ABI recommends that for most existing policyholders where the contract is designed for savings or investment annual statements should cover at least the following three key figures:

- Guaranteed/current value/transfer value
- Surrender value on death
- Projected future value.

5.3 For with-profits annuities, or other products designed to provide income, the annual statement should cover at least:

- The income paid last year (and any tax deducted from that income under PAYE)
- Changes in the level of income as the result of bonus declarations
- Whether, at current bonus rates, the level of income will increase, stay the same or reduce,
- A warning that if the level of bonus rates falls below the level they have selected, then the level of income will fall, and
- Any benefit provided on death.

Limitations

5.4 The details in 5.1 will be relatively easy to disclose to new policyholders at little extra cost to the provider. However, it is unlikely that any office would currently be able to provide the three 'key figures' (listed in 5.2) for 100% of their in-force policyholders, but generally 80-90% coverage of existing customers should be possible. The estimate of initial costs companies may incur in providing the data to all existing customers is a maximum of around £10 million (per company). However, several companies suggest that such disclosure would cost in the order of £3 million to cover 80% of existing customers.

5.5 The substantial nature of these costs stems from the computer environment in existence when many of the with-profits policies were first written. These policies are often still being administered on computer programmes written in the 1960s to 80s when storage capacity for data was limited and expensive compared to today. The provision of information such as early surrender value, which for a modern policy would be an automatic system feature, may well not be available on older systems. Indeed, data from which to calculate the surrender value may not be on the system, but would have to be manually calculated.

5.6 Companies with conventional with-profits business will probably have the greatest legacy system problems. Companies with industrial business may also have significant problems as policies tend to be small and up-to-date names and addresses of policyholders may not be kept on systems. Companies with smaller closed funds may also find disclosure particularly costly. However, we believe companies should seek to provide the maximum detail possible because we do not believe that these customers should be provided with any less information than other customers.

5.7 Most companies will experience considerable initial setting up costs in providing regular information to existing policyholders, but the ongoing costs appear to be more manageable. It will be easier for companies already providing improved disclosure for new business under Raising Standards as many companies will be taking the opportunity to change existing business processes.

5.8 To address the concerns that information may be unavailable and/or costs may be too great for the level of disclosure required, we recommend that companies provide information to as many of their existing policyholders as possible. Where data cannot be provided on a cost effective basis, the company should send annual statements with as much information as possible and offer to provide the balance on request.

De minimis limit

5.9 A de minimis limit should be set to allow some policies and policy groups to be excluded from disclosure post sale. For closed funds a suitable limit might exclude policyholders in funds that have been closed for, eg, over 20 years. Paid-up policies might also be excluded. ABI looks forward to working with the FSA to develop suitable de minimis limits.

Q6 Do you agree that the information in paragraph 33 and 34 is that which would be necessary to ideally provide a reasonably full explanation of the mode of operation, benefits and risks of with-profits products? If not, what information do you think is missing, or not necessary?

6.1 We generally agree with the factors FSA highlight as needing disclosure at point-of-sale and post-sale, and the way it is proposed that consumers should use the information. The information proposed in paragraphs 33 and 34 is extensive, and care is needed regarding the volume and complexity of information (ie to guard against information overload), and how the information is to be disclosed to consumers. However, we believe that most of the information suggested is necessary, and can be presented in a way that does not confuse consumers.

Section 33a to 33bii

6.2 We agree that the information in 33a should be provided to consumers, although some of this is not specific to with-profits investment, and we believe that this should be provided to all customers where relevant. While we agree with the information set out in 33bi and 33bii, we have some concerns about the following two sections.

Section 33biii

6.3 Research by our members shows that customers would not consider this additional information necessary for their understanding of with-profits. Consumers are less interested in knowing how the investment strategy may be affected in a range of possible scenarios, but are more concerned about being kept up to date with changes in the asset mix as part of the post-sale information.

Section 33biv

6.4 We have concerns with identifying the proportion of the premium used for life cover and the proportion used for savings investment. This information, combined with the existing disclosure requirements of charges and the proposed changes under CP121, would result in an excess of information that may confuse, rather than enlighten a consumer. Again, this is not only a with-profits issue as unit-linked contracts combine savings and insurance benefits in a way that is not transparent to policyholders.

6.5 Considering a £10,000 investment in a single premium bond invested entirely in with-profits (arguably one of the simpler forms of contract). A customer could be told the information shown below, together with the amount of the charges made on his investment, and the effect of those charges on his future investment return. These charges cover, among other things, commission paid to the adviser and the charges made to provide life insurance.

Premium invested	£10,200
Premium used to provide life cover (year 1) (say)	£12
Amount of commission paid to adviser	£1,100

6.6 Consumer confusion is currently likely to arise from:

- the fact that the effect of charges is usually shown as a mixture of £ amounts and % of the premium in literature;
- for a single premium product, the proportion of the premium that is used to provide life insurance in all future year depends on assumptions not only about the cost of life cover, but also the future growth in the value of the fund and any withdrawals made by the customer (which affect how much life insurance is provided).
- the fact that commission, expenses, and the cost of providing life insurance, are all included in the overall charges shown on the illustration, and are not separate charges.

6.7 The actual annual cost of life cover is unlikely to be fixed throughout the term of the contract. In traditional with-profits funds there can often be no explicit charge. The cost of mortality and morbidity claims is a charge to the fund, paid as claims arise. For unitised products the charge for life cover is generally calculated based on the difference between the death benefit provided in the policy and the value of the underlying (whether with-profits or unit-linked) unit funds. This charge is calculated each year and depends upon the age of the policyholder at the time and the difference each year between the value of the fund and the guaranteed death benefit.

6.8 We agree that consumers should be able to make an informed choice, but since an insurance contract cannot be provided without an element of life cover, it does not seem appropriate to split the premium as suggested in the Issues Paper. The life insurance element of the contract cannot be cancelled if “cheaper” cover can be found elsewhere – it is inextricably linked to the investment element. It is better for comparison purposes for a customer to understand the elements of life cover and savings provided, and compare the cost of the contract with the appropriate combination of other products available on the market.

Section 33c-f

6.9 We agree that the information contained in 33c to 33f should be provided to consumers, except we do not support the suggestion of separating the charges on surrender and transfer from those to cover the costs and charges for profit. We also agree with the information provided in 33e, although we are concerned that any pre-sale figures that relate bonus rates to investment return (which would depend on past performance) could be interpreted retrospectively as implying some guarantee.

Missing information

6.10 For income-generating with-profits contracts such as annuities, annual statements should include the level of income selected by the client and the level of with-profits performance required (after charges) to maintain the chosen level of income. For instance, if a client selects income based on 5% investment return, a declaration of 5% investment return should mean that capital is not being eroded or the income reduced.

6.11 As identified on the last page of the yearly statements (see Appendix A), we also believe that the annual statements should include:

- an update of where the assets in the with-profits fund are invested and
- a description of any significant profits or losses that have arisen from business risks last year that will affect policyholders' benefits.

Q7 What are the most important pieces of information to convey pre-sale and post-sale?

7.1 In principle, the information given to customers should provide answers to some key questions they are likely to have about their with-profits policies (as identified in the NOP Research):

- How can I be assured that my money is safe?
- How is the return on my policy calculated?
- How do I compare products?
- Am I being treated fairly?

Raising Standards: Point-of-sale

7.2 The Raising Standards Scheme provides a model of the information that should be disclosed at point-of-sale. The main features are:

- Clear disclosure of all charges in consolidated and comparable form within the key features documentation;
- Plain language explanations of how the particular with-profits product works in the With-Profits Summary, which has to be given to every customer. This includes how the bonus system works, how payouts are managed, investment policy and how returns are smoothed, and how payouts on maturity and surrender are decided.

7.3 A separate with-profits summary must be produced for each type of with-profits business managed in a materially different way.

Raising Standards: Post sale

7.4 Raising Standards requires insurers to send customers regular statements, at least once a year, which show how their policy is doing. This requirement applies to all products including with-profits. Details include:

- Current surrender or transfer value of the policy (including for with-profits products, separate identification of the amount and an explanation of any market value reduction applying)
- Current amounts of regular and final bonus that apply to the policy
- Illustrations (using FSA projection rates) of future value at the planned maturity date (where this is relevant)
- Summaries of the payments into and out of the policy since the previous statement.

In addition to Raising Standards: Post Sale

7.5 In our response to the Scope Paper, ABI suggested that in addition to the Raising Standard post-sale requirements shown above, disclosure of the following items, (where relevant) would provide beneficial information:

i) **With-profits summaries**

- Further detail on the smoothing approach and in particular the period of time over which smoothing occurs.
- Identification of any non-investment and business risks (which may enhance the risk and rewards of investing in the with-profits fund).

ii) **Regular/yearly statements**

- Regular fund performance information - both the unsmoothed investment return and the effect of smoothing on the investment return. If fund performance information is shown as a ratio of unsmoothed asset shares, it may be preferable to average the ratio over the past five years, or provide data on a time-lag basis (ie provide detail on the previous year rather than current year basis) to prevent selection.
- Details of the current asset mix in each with-profit fund - to provide the customer with an update of the investment approach being adopted

7.6 This information should be provided for each class of with-profits business, where either the approach to smoothing or the asset mix may differ by fund.

Q8 Are there any other sources of profits (or losses) other than those listed in paragraph 33c, which policyholders may participate in?

8.1 We have not been able to identify other sources peculiar to with-profits products. Of course, as with all investments, other profits or losses may arise from:

- Changes in legislation
- Financial Services Compensation Scheme
- Changes in taxation.

8.2 It is important that any conclusion FSA reach on areas to cover here accords with current legal views of risks to which with-profits funds are exposed.

Q9 Do you agree with the FSA's view on how customers should use the information?

9.1 ABI generally agrees with the view on how customers should use the information. However, many customers have limited financial knowledge and so may not desire to, or be able to, use the information in the ways set out in the paper. As many policyholders will require or depend on financial advice in order to act on the information provided, the information will be of assistance to those advisers as well.

Q10 How might transparency and consistency of the price disclosure for with-profits be best improved?

10.1 We note the comment in paragraph 31 on price disclosure rules, and are interested in exploring this further with FSA to investigate ways of improving any indicator of 'price'. We believe that what really matters here is to provide the best method for consumers to know how the return they will get from their investments will be affected or reduced by charges and expenses.

10.2 The disclosure of charges format in the FSA's comparative tables is not as helpful as it might be. To show the effect of charges and expenses as a monetary amount at some date in the future results in a figure that appears to be inflated to the policyholder and is consequently hard to understand. It would be better to provide the monetary amount in present day terms ('time money one'). The comparative tables are also misrepresentative, in that total returns to customers are not dependent on charge and expenses alone, but are more closely related to the investment and performance of the fund itself.

10.3 Having looked at the available data and methods[1] of measuring the impact of charges and expenses (ie price disclosure) upon the performance of a policy, we believe the best measure for illustrating the effect of charges is the reduction in yield (RIY). An RIY figure of 1.5% will have the effect of reducing investment growth of 7.0%, to 5.5%. However the value of RIY may vary significantly depending upon the different factors used to calculate the figure (ie premium level, term selected).

10.4 Raising Standards requires that the overall impact of charges must be illustrated by an RIY figure. This is calculated at three defined periods and is disclosed pre-sale in the key features document or illustration:

- Policies with a set maturity date – RIY must be shown after 5 years, 10 years and on maturity
- Retail collective investment schemes and single premium life and pension schemes with no maturity date – RIY must be shown after 3 years, 5 years and 10 years
- Other contracts with no set maturity date – RIY must be shown after 5 years, 10 years and 20 years.

10.5 The RIY calculation must be based on the charges used in calculating the projected values shown in the illustration, and should be calculated in accordance with FSA rules.

10.6 Although RIY is the best measure of price disclosure, there is a transparency and clarity issue with using it. Customers will need to understand what the figure means, and it must be disclosed by companies appropriately (ie in illustrations at point-of-sale and in yearly statements post-sale). To assist consumers in understanding RIYs, a clearer term could be used and an explanation provided so that it is clear to the consumer that the measure shows the effect of charges or price upon their policy. Alternative terms to RIY could be ‘reduction in investment return’, ‘price impact’ or ‘effect of charges’.

Q11 How should the information be tailored to take account of the different needs of different audiences? How could information overload be best avoided?

11.1 ABI supports the idea that information can be tailored to take account of the different needs of audiences. For example, Raising Standards requires a with-profits summary and a more detailed summary to be available on request, for use by customers who are interested in further information, or by informed publics (such as financial advisers and

[1] The recognised measure of the impact of charges and expenses on unit trust performance (Total Expense Ratio) ignores the effect of initial charges and therefore would not be appropriate if used for life assurance products

analysts). Tailoring will provide key details to the interested parties, while saving the consumer from information overload.

11.2 Much research finds that financial services customers tend to ignore most information when there is too much supplied. Not all customers are interested in extra information about their policies. It is therefore important that we provide better, more tailored information, rather than more of it.

11.3 Clear presentation is vital to increase policyholders' understanding, rather than confuse them. A well-written document can be easier to read than a shorter jargon-filled document if the overall clarity, design, style and layout:

- includes headings that are bigger than the text and more noticeable;
- has figures divided by lines so as to be clearer;
- allows creativity of information design and the use of graphics rather than just words; and
- uses colour to make documents more inviting and easier to read.

11.4 Ordering and presentation are important, as customers need to find the information they require easily. It is preferable to provide key information at the start of the document. The key figures identified by research to be what customers most want to know are current guaranteed value, predicted future value and surrender value, and should be easily located on the front page of the yearly statement recommended in the ABI response to the FSA Scope Paper. Research with customers by NOP and various Raising Standards brands supports this approach.

11.5 It is also necessary to avoid jargon and explain technical concepts. Too much detail tends to be confusing to customers, and care should be taken that the documents are not too long. To prevent yearly statements getting too long, brief explanations should be provided, and signposts included, pointing to where more detail may be found.

Q12 Do you agree with the analysis in paragraph 36 of what might form 'core' and 'supplementary' information? If not, what information do you think should be provided to all customers as standard?

12.1 We generally agree with what forms core and supplementary information.

<u>Table One</u>

12.2 The content of the table is good, but should include where each piece of information should appear, such as whether it should be in the key features document, illustration or the with-profits summary. This will avoid duplication of information wherever possible, as customers dislike this. Signposting to other documents should be used if needed.

12.3 As explained in paragraphs 6.7 and 6.8, we do not believe it to be appropriate or helpful to consumers to attempt to identify the cost of life insurance each year, as this will vary even when there is a specific charge. Some policies do not even make an explicit charge but treat the mortality and morbidity risks as overall risks to the fund. All policyholders are also exposed to the risks of mortality and morbidity being worse than anticipated.

Table Two

12.4 The first section of 'supporting information' (ie 'summary of the product….investing performance affect returns') should be optional.

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