

Norwich Union Policyholder Consultation on Proposed Reattribution



Debrief on findings from half day Policyholders' Forum

18 December 2006

Presentation overview

- Introduction
 - Overview
 - Key findings
 - Policy knowledge and priorities
 - Information requirements
 - Reaction to the proposals
 - Perceptions of Policyholder Advocate role
 - Impact of the Forum
 - Appendix – Forum composition
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Introduction

Background

- The Policyholder Advocate has been appointed to negotiate with Aviva on behalf of policyholders on its proposal for a reattribution of resources from two with-profit funds
- This is a complicated issue, but the aim is for the best possible consultation with policyholders through:
 - An 'A-Day' letter introducing the subject and explaining what happens now
 - An explanatory leaflet (Q&As) to complement the letter
 - A dedicated call centre to answer questions from policyholders
 - Information posted on the Policyholder Advocate's website
 - An online questionnaire to allow policyholders to give their feedback
 - A series of communication roadshows
 - At least one deliberative consultation event

Detailed objectives

- The aims of the deliberative event were to:
 - Provide an educative function, by leading policyholders through with-profits and building understanding of the reattribution process and issues
 - Determine what policyholders expect from the process and what their priorities are with respect to reattribution
 - Identify any gaps in knowledge which can be addressed by subsequent information provided by the call centre and on the website
 - Provide insights to inform Clare Spottiswoode's subsequent negotiations
 - Provide learnings to fine-tune the format and content of the communications roadshows

Method

- Opinion Leader conducted a half day Citizens' Forum in London with 53 Norwich Union with-profits policyholders
 - We used a deliberative approach which ensured participants can learn about the issues and come to more informed decisions
 - Participants spent part of the time discussing issues in small groups of 10-11, prior to coming together for plenary sessions to compare findings
 - Participants also voted throughout the event, using electronic keypads, thereby providing **indicative** quantitative data
 - Policyholders were chosen at random from a list of policyholders living in London and the surrounding home counties
 - Participants were recruited to broadly represent a cross section of policyholders
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Overview

Overview

- Policyholders have varying levels of knowledge of their policies, and some are very ill-informed
- While written information can be helpful to those who already have an interest, it may not be used by others
- Lack of understanding and interest are potentially major barriers to engaging with the proposal, and to voting
- There is also significant suspicion of the financial services sector and its motives, which is likely to act as an additional disincentive
- As a result, as it currently stands a large proportion of policyholders may either not vote, or their decisions will not be well informed
- However, once informed, most are in favour of reattribution and there are clear preferences on how this should work

Overview

- During the course of the consultation, policyholders asked a number of questions about how the Inherited Estate came into being and why it has sat 'dormant' for so long
- They also want to know why reattribution is being proposed now and how negotiations work
- Ultimately, they are in favour of reattribution and prefer the receiving the money sooner and in cash
- However, before they can fully endorse reattribution, they want to know:
 - How much they are likely to get
 - What they are giving up in the future
 - Whether their policy will be affected

Overview

- The Forum was an ideal way to bring policyholders up to speed, although there are obviously limitations for how widely replicated this model can be
- What it provides more generally are clear learnings on the information needs and key questions that policyholders have
 - These should be incorporated into future communications
- The Forum also gives clear indications of policyholder preferences for the reattribution and what the Policyholder Advocate's priorities should be with respect to policyholders

Key findings

Policyholders' knowledge and priorities

Main reason for choosing their policy



Q: Thinking back to when you took out your (main) policy, what did you look for in that policy? What made you pick that one? (Prompted, pre-coded)

Base: All respondents (52)

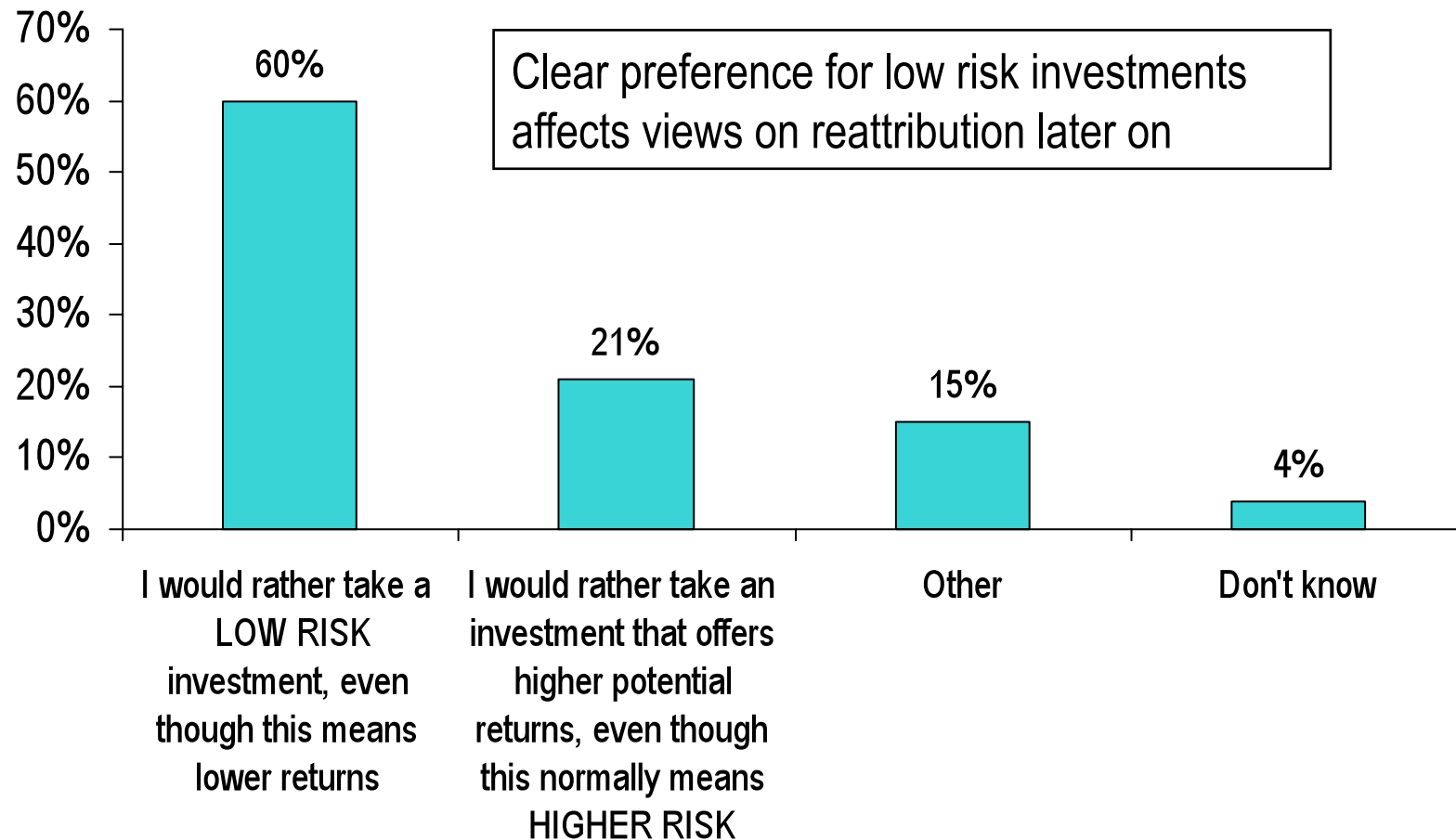
Recommendations and low risk are key choice factors

- Recommendations (from IFAs and friends/family) are key when choosing a policy

“I use a financial advisor and he tells me what it means. I hope that my independent financial adviser gives decent advice.”
- Low risk was a higher priority than high return

“The money that I put in is guaranteed, even if I don’t get any bonuses above it.”
- Brand name was also significant to some, however a number did not have a choice (e.g. company pension scheme)
 - Accounting for the high ‘other’ response
- Decisions much less likely to be feature led
- A key attraction of their policy was guaranteed returns

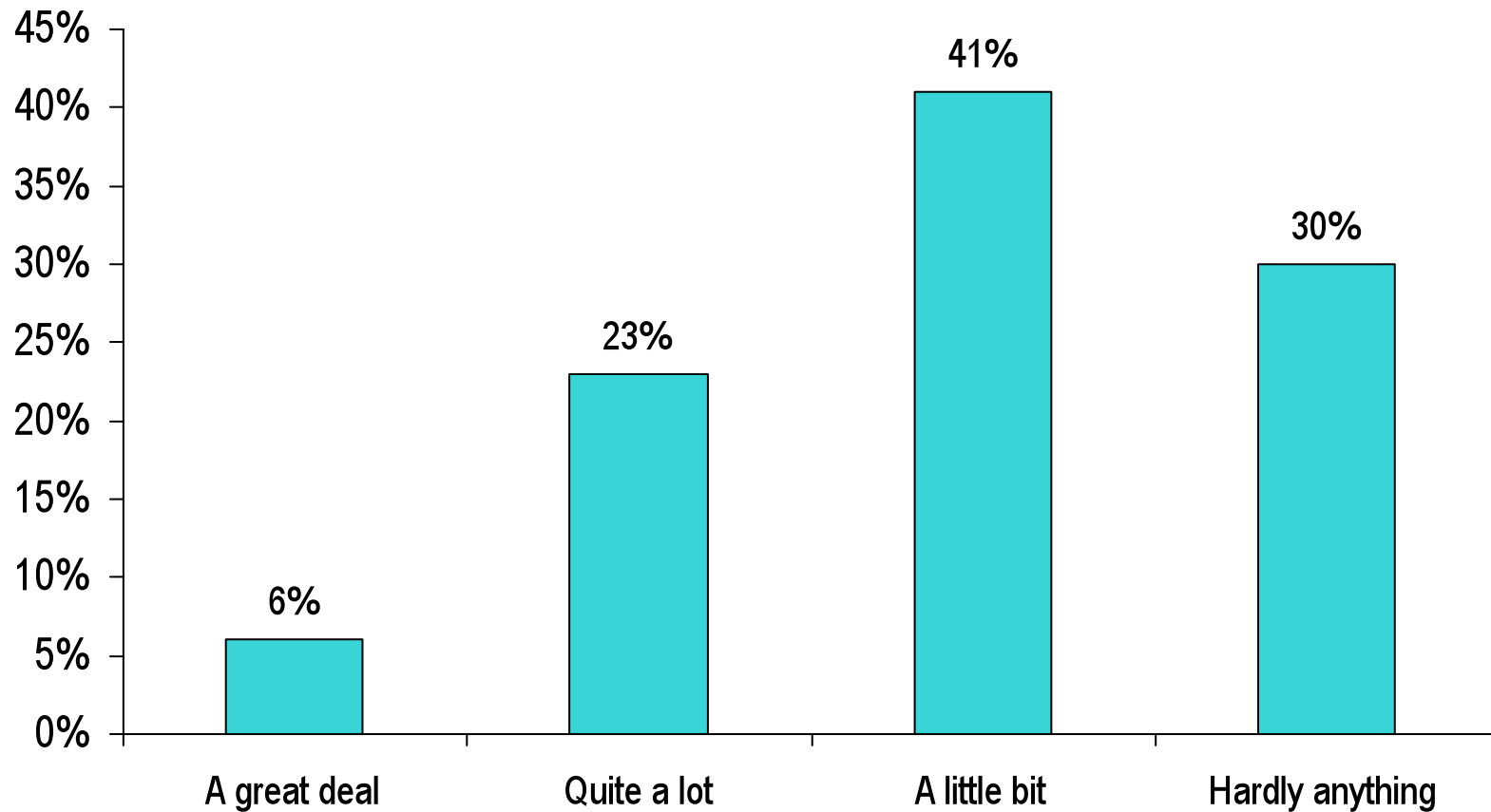
Risk profile



Q: Which of the following do you think best describes your attitude with respect to long term investments?
(Prompted, pre-coded)

Base: All respondents (52)

Knowledge of with-profit funds



Q: How much do you feel that you know about with-profits policies? (Prompted, pre-coded)

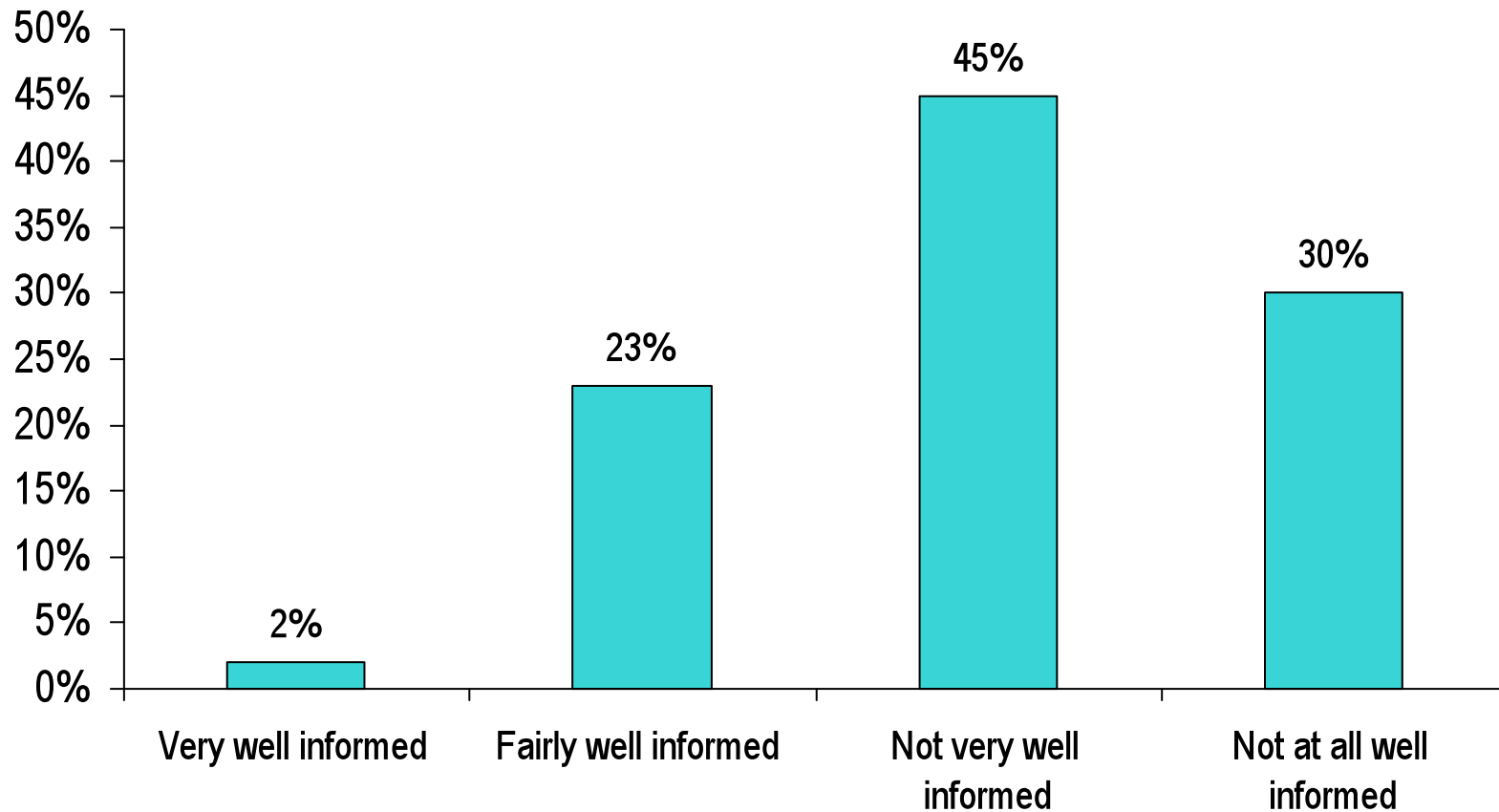
Base: All respondents (53)

Mixed levels of knowledge

- A minority felt that they had a good understanding of with-profits
 - Had detailed knowledge of how their money is invested and closely monitored their returns
- However, the majority felt less well informed, including some who had never heard of the term ‘with-profits’ and were unaware that they had a with-profits policy

“I know nothing. I just put a bit in every month and hope that I have enough to go shopping when I’m older.”
- Knowledge specifically of how NU runs its policies is even lower, with hardly anyone feeling well informed on this

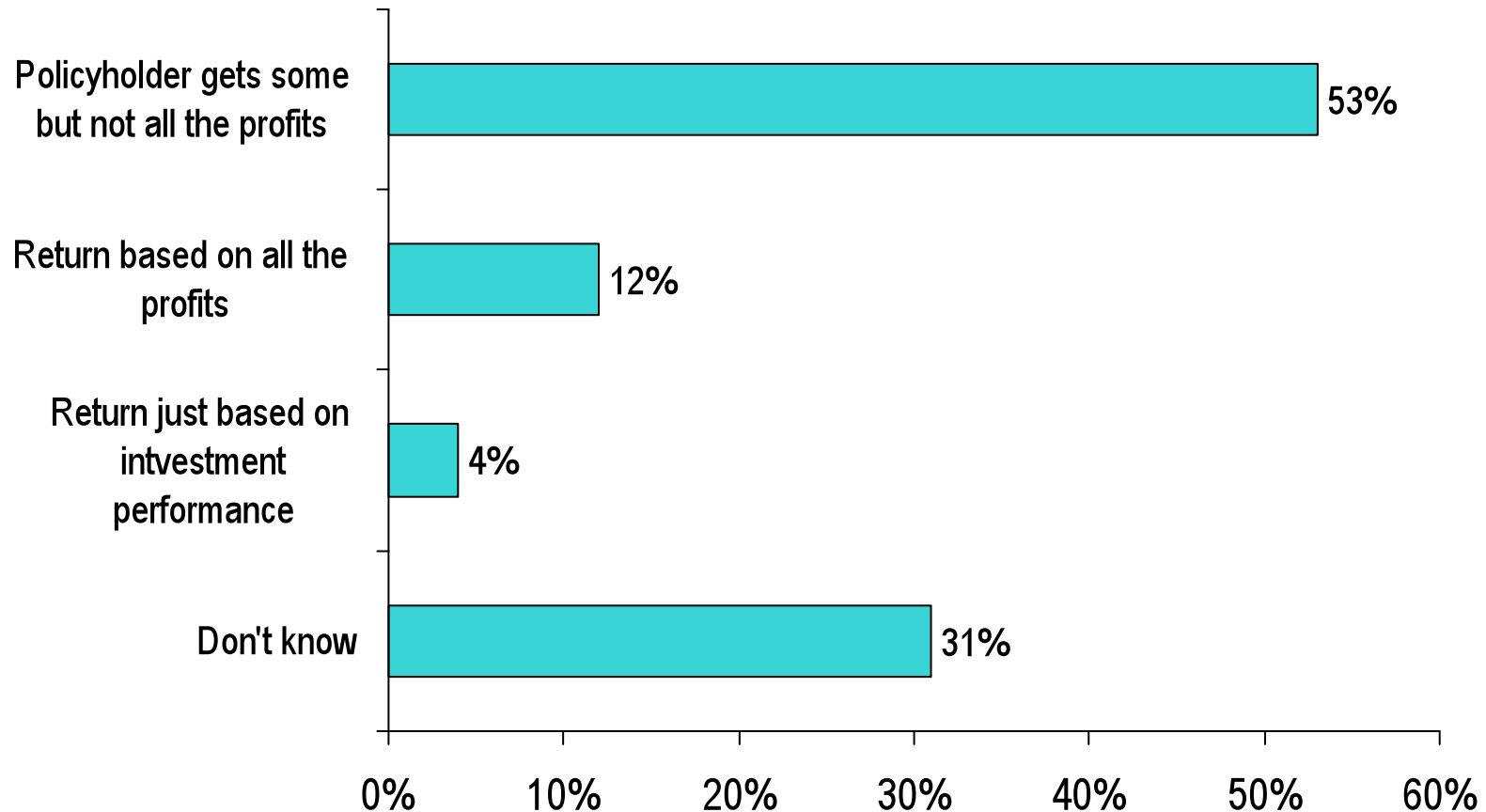
Knowledge of how NU runs its with-profits policies



Q: How well informed do you feel about the way Norwich Union runs its with-profits policies? (Prompted, pre-coded)

Base: All respondents (53)

Knowledge of distribution of returns



Q: To your knowledge, which of the following best describes how with-profit policies returns are distributed?
(Prompted, pre-coded)

Base: All respondents (52)

Lack of understanding of distribution

- Part-way through the discussion, participants were asked about how profits are distributed in with-profit policies
- Just over half of participants chose the correct response on how returns are distributed
 - However this appeared to be based more on guesswork than concrete understanding
 - Discussion of smoothing on a few tables gave the impression that some profit may be held back
- Of the remainder, one-third did not know, and more than 1 in 10 expected that they received all the profits
- Unprompted awareness of smoothing was also low
- A basic understanding of these elements will be required so policyholders are able to properly evaluate the proposal

Information requirements

Written information helpful may not be read

- In the Forum, participants were given ‘Portfolio – Guide to Investment in our With-Profit Funds’ to review
- No one could recall receiving this document, but there was agreement that it contains useful information in a user-friendly format
- One suggestion was for the risks associated with the policy to be more clearly displayed up front
 - “The bit about bonuses not being guaranteed is in small right at the back, and this is very important.”*
- A number admit that they may not read this document if they received it

Verbal presentations helped to build understanding

- Participants found the presentations clear and informative
 - “I learned a lot more than I knew when I came in”*
- The overwhelming response was surprise at the existence and size of the Inherited Estate
- Many would prefer the money to have been used to make up for particular shortfalls (with endowment policies in particular)
 - “It’s amazing that £4bn is sitting there when a lot of people have suffered hardship.”*
- Participants were also not clear on how this Inherited Estate came into existence
 - Some questioned whether it was due to mismanagement of their funds

The consultation challenge

- Having a meaningful consultation on the reattribution will be a challenge, given amount of time and information required to get policyholders up to speed on these issues
- Cynicism about the financial services industry and the performance of their policies translates to scepticism about the reattribution proposals
 - Once informed, some believe that the money in the Inherited Estate is rightly theirs and has been wrongly withheld from them
 - Some are suspicious of motives – why is reattribution being considered now?
 - There is uncertainty about how this might affect individual policies or policyholders' right to a distribution of the Inherited Estate in the future
- Questions asked are summarised on the following charts

Key questions asked

- About the Inherited Estate:
 - Where does it come from?
 - Who does this money belong to?
 - Why has it been left 'unused' for so long?
 - Why has it not been used to make up for shortfalls (particularly for those with endowment policies)? Why has it not been used for smoothing?
 - Is the size of the Inherited Estate a result of mismanagement?
 - Will measures be put in place to prevent the Inherited Estate from growing to this size in the future?

Key questions asked

- About reattribution:
 - Why is the reattribution happening now?
 - Why are shareholders eligible to the money?
 - Which policies are eligible to the money and why?
 - Will ex-policyholders get any pay-out?
 - When will the decision be made and who makes the ultimate decision?
 - Will the money be taxed?
 - Is there a time limit?
 - If I accept reattribution what exactly am I giving up (i.e. what could I expect from a possible distribution in the future)?
 - If the reattribution goes ahead, how will this affect my policy in the future?
 - Are there measures in place to stop people buying policies now to get a share of the pot?

Key questions asked

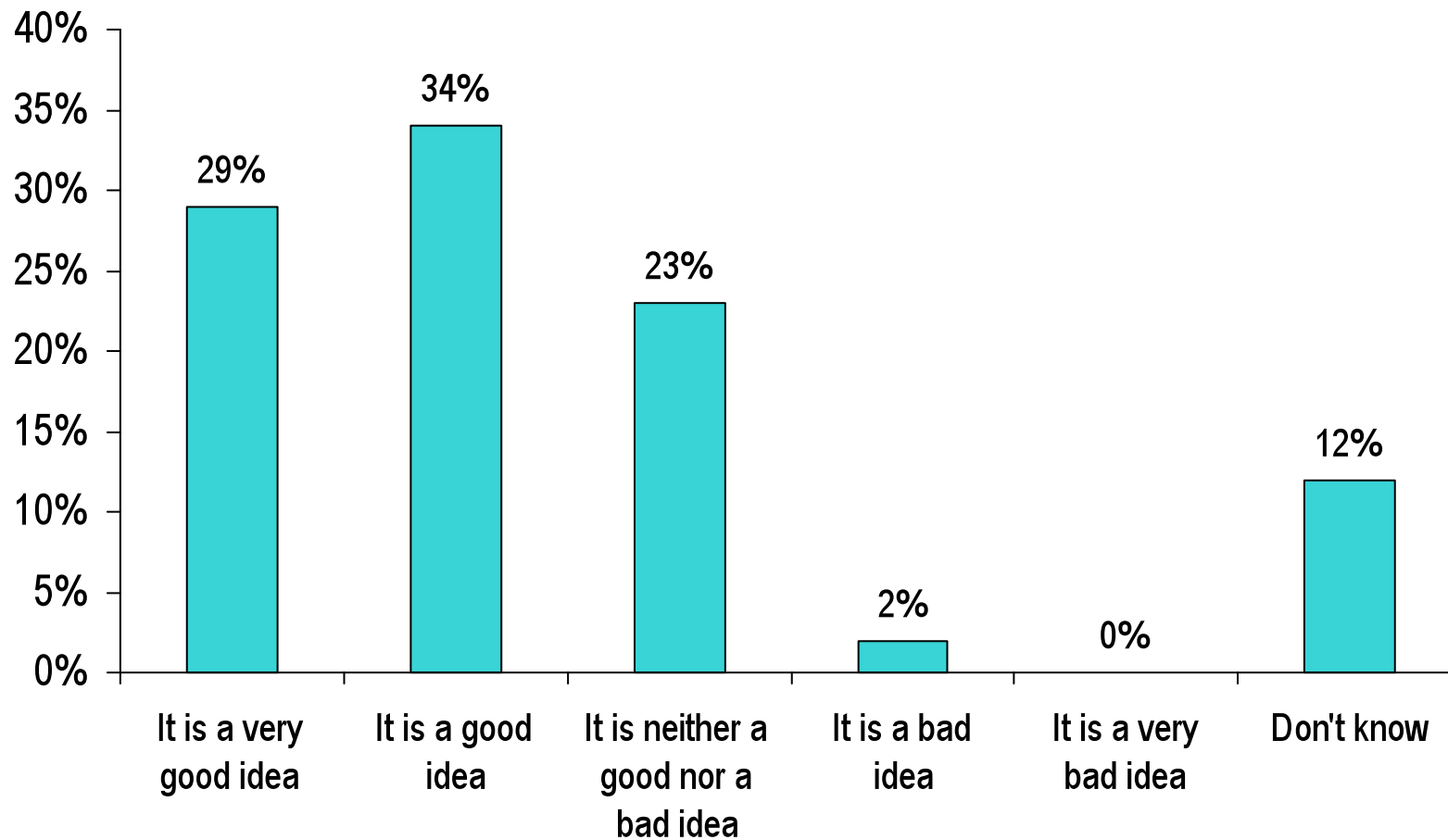
- About the Policyholder Advocate role:
 - Why is this role necessary?
 - How independent is this role if wages are paid by NU?
 - What will the Advocate do if different policyholders want different things?
 - If and how is the FSA involved with the Policyholder Advocate's role and the reattribution?

Reactions to the proposals

Reactions to proposal & options

- Once the basic aspects of with-profit policies and reattribution had been explained, and questions had been answered, participants considered the details of proposal and options available:
 - Higher payment and waiting vs. lower payment and cash in 2008
 - Higher risk/return vs. lower risk/return investments
 - Longer to run getting more vs. shorter to run getting more
 - Those with more money get more vs. everyone gets flat rate
 - Reattribution which gives cash payment vs. bonus distribution
- Participants discussed their views on the proposal and options and then voted

Response to proposal overall



Q: What is your overall view of the proposal that Norwich Union is making to carry out this reorganisation?
(Prompted, pre-coded)

Base: All respondents (52)

Majority are in favour

- The majority are in favour of a reattribution in principle
 - They believe that the money has sat dormant for too long
 - They are concerned that if they don't take the money now they won't get it in the future

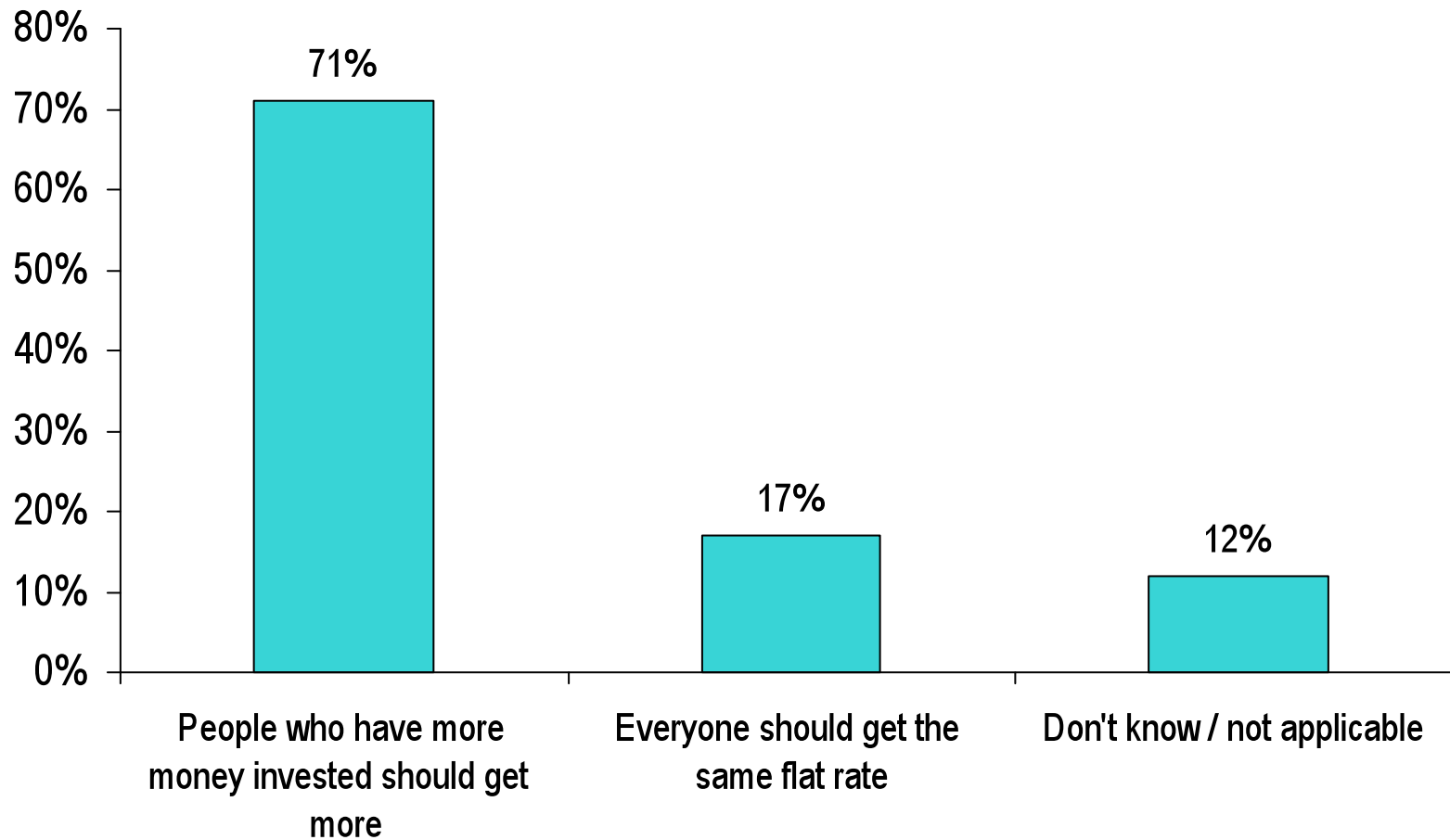
"A bird in the hand is worth two in the bush."

- However, one-third feel that they cannot take a position even after the information received
 - They first want to know how much they might get
 - And what they would be giving up if they choose reattribution now

Response to options: overview

- There was clear consensus that:
 - People who have more money invested should get more
 - It is better to get money sooner and in cash (although a number opted out)
 - Investments should be lower risk (the argument of having more buffer in the fund to bear higher risk investments was not understood)
- The options around length of time till policy maturation were more difficult to understand
- Most did not opt for an auto-charity donation, preferring to have the choice themselves

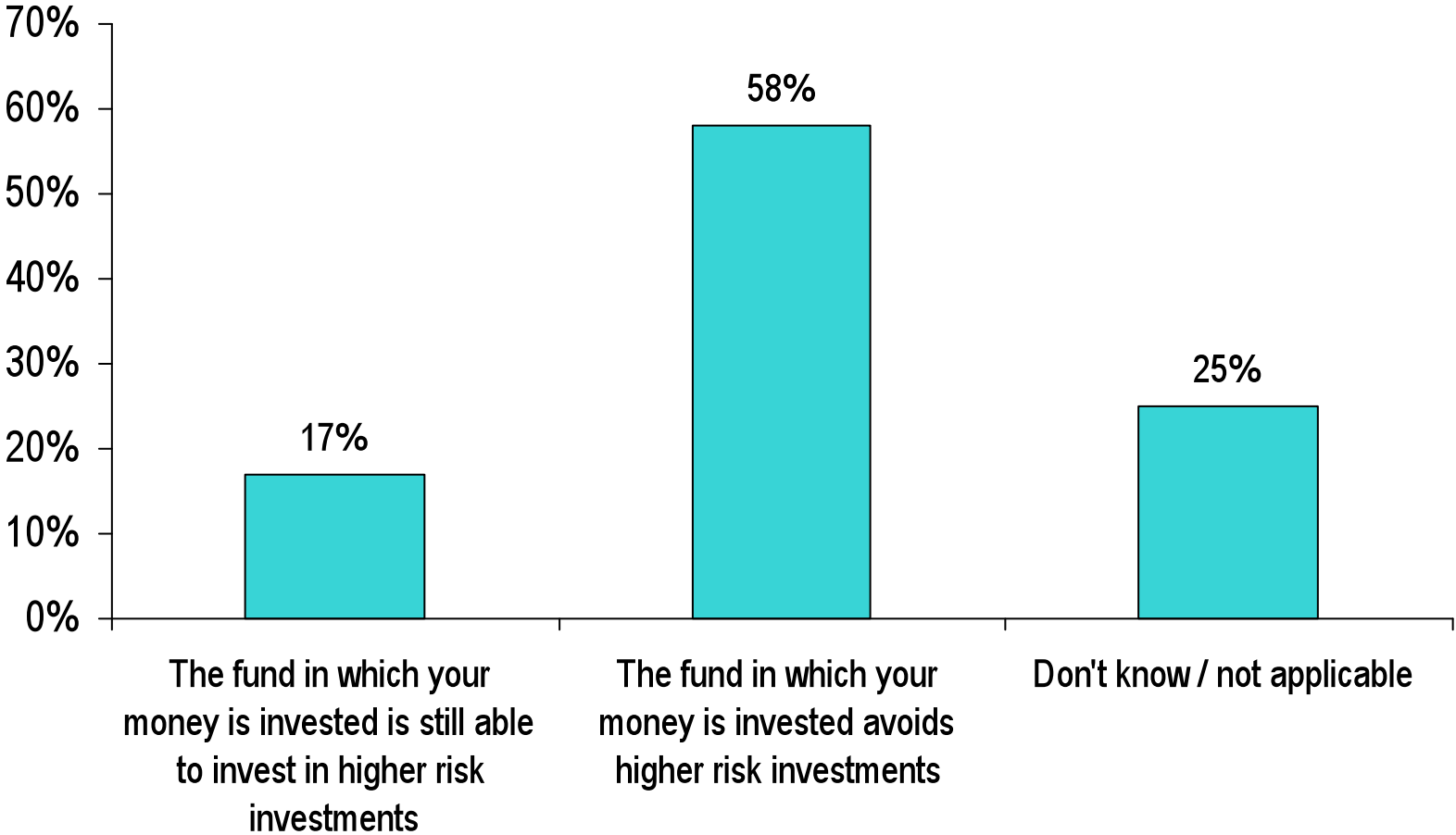
Response to options: Money invested



Q: If reattribution occurs, which of the following options do you prefer? (Prompted, pre-coded)

Base: All respondents (53)

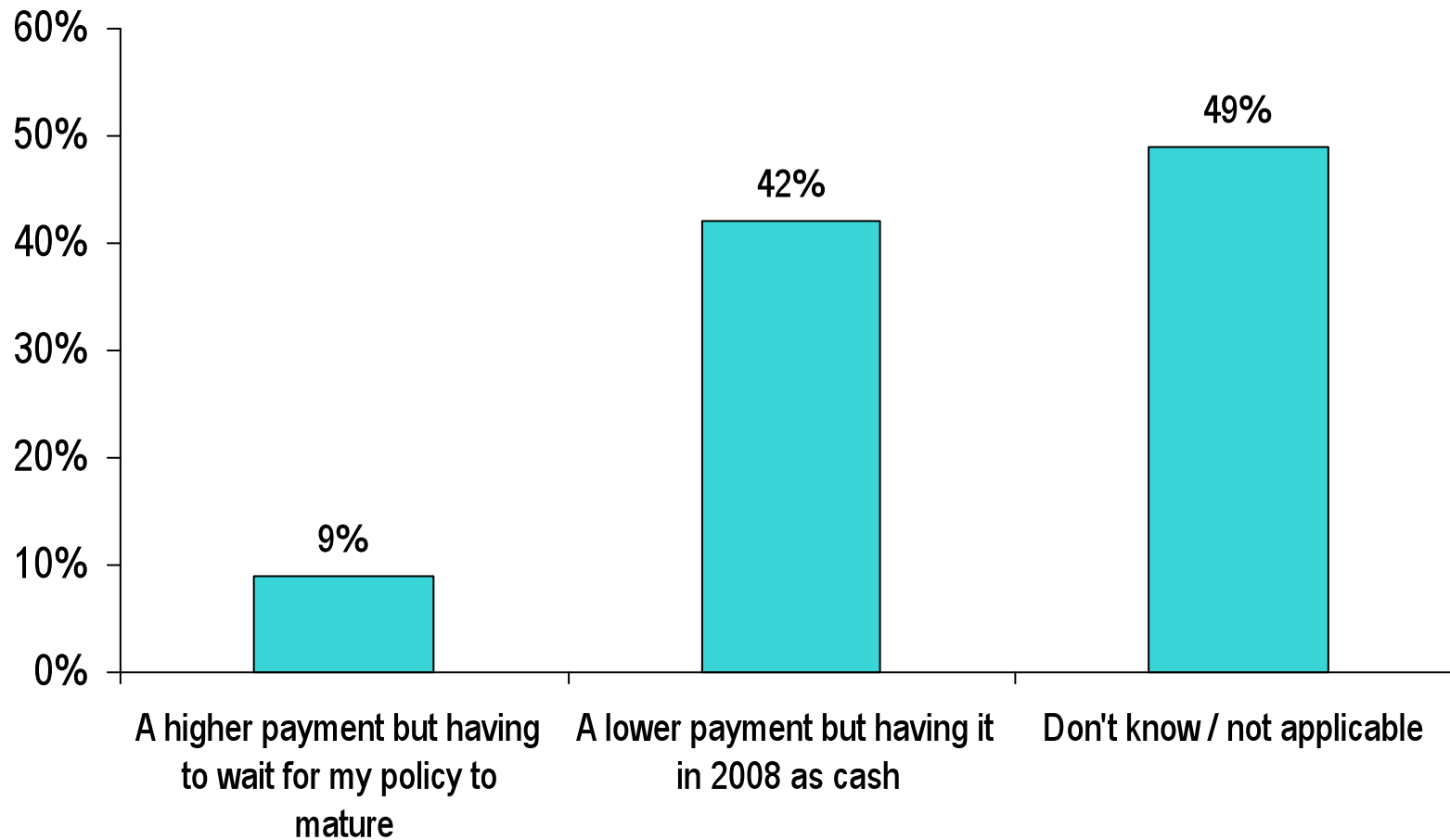
Response to options: Risk



Q: If reattribution occurs, which of the following options do you prefer? (Prompted, pre-coded)

Base: All respondents (52)

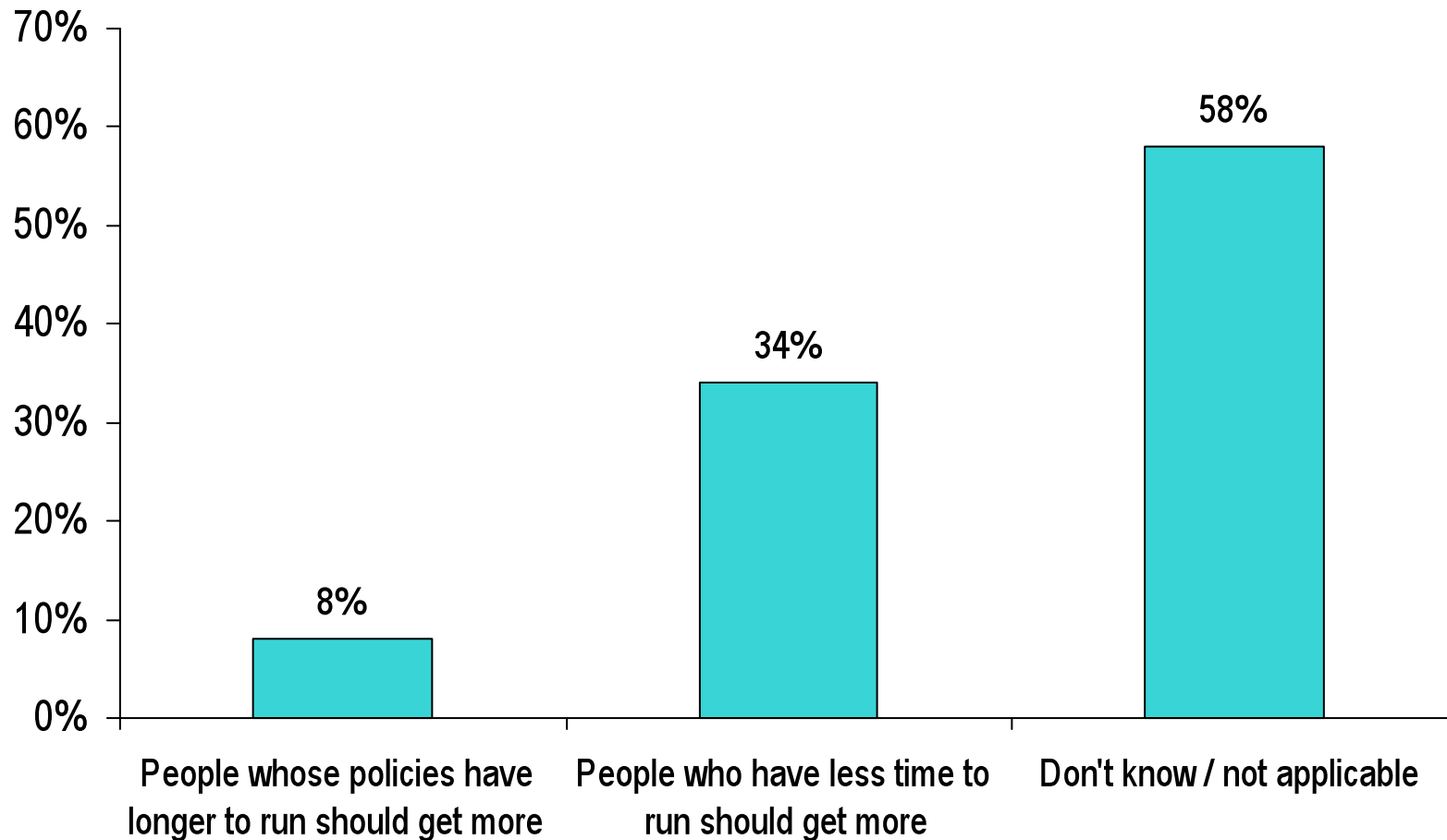
Response to options: Timing



Q: If reattribution occurs, which of the following options do you prefer? (Prompted, pre-coded)

Base: All respondents (53)

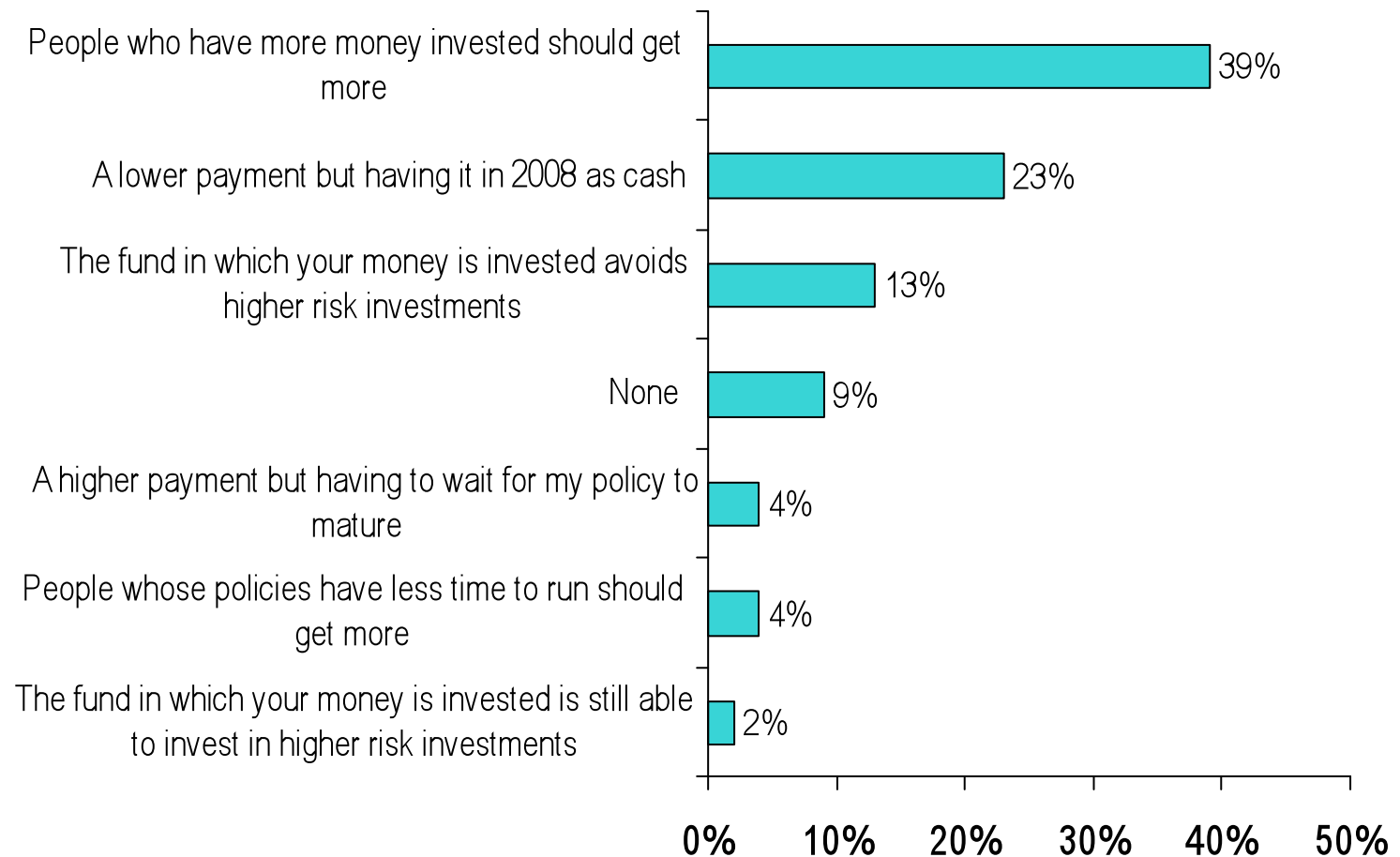
Response to options: Policy maturation



Q: If reattribution occurs, which of the following options do you prefer? (Prompted, pre-coded)

Base: All respondents (53)

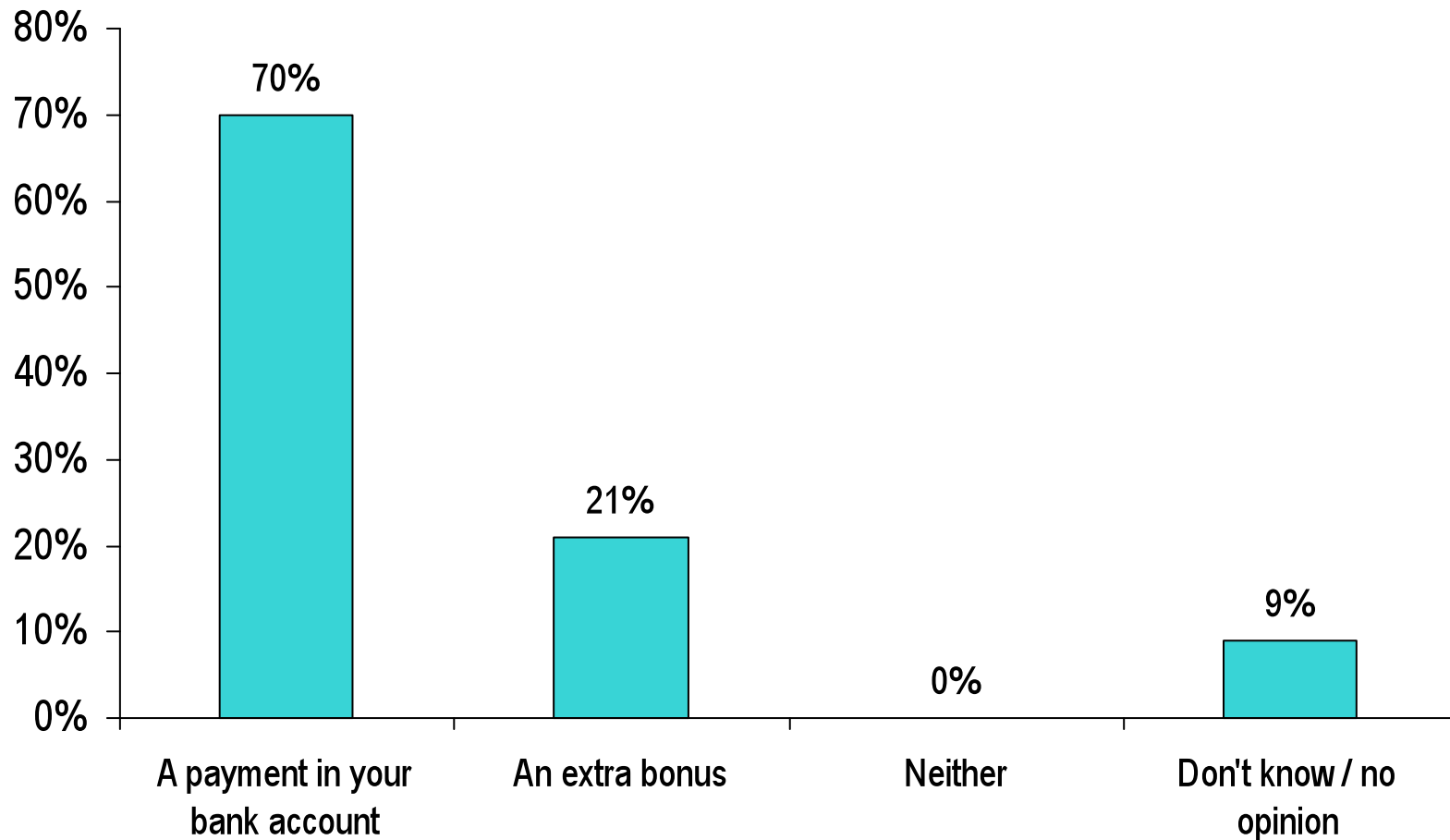
Main factor to consider in distribution



Q: Which of the following is the most important overall? (Prompted, pre-coded)

Base: All respondents (52)

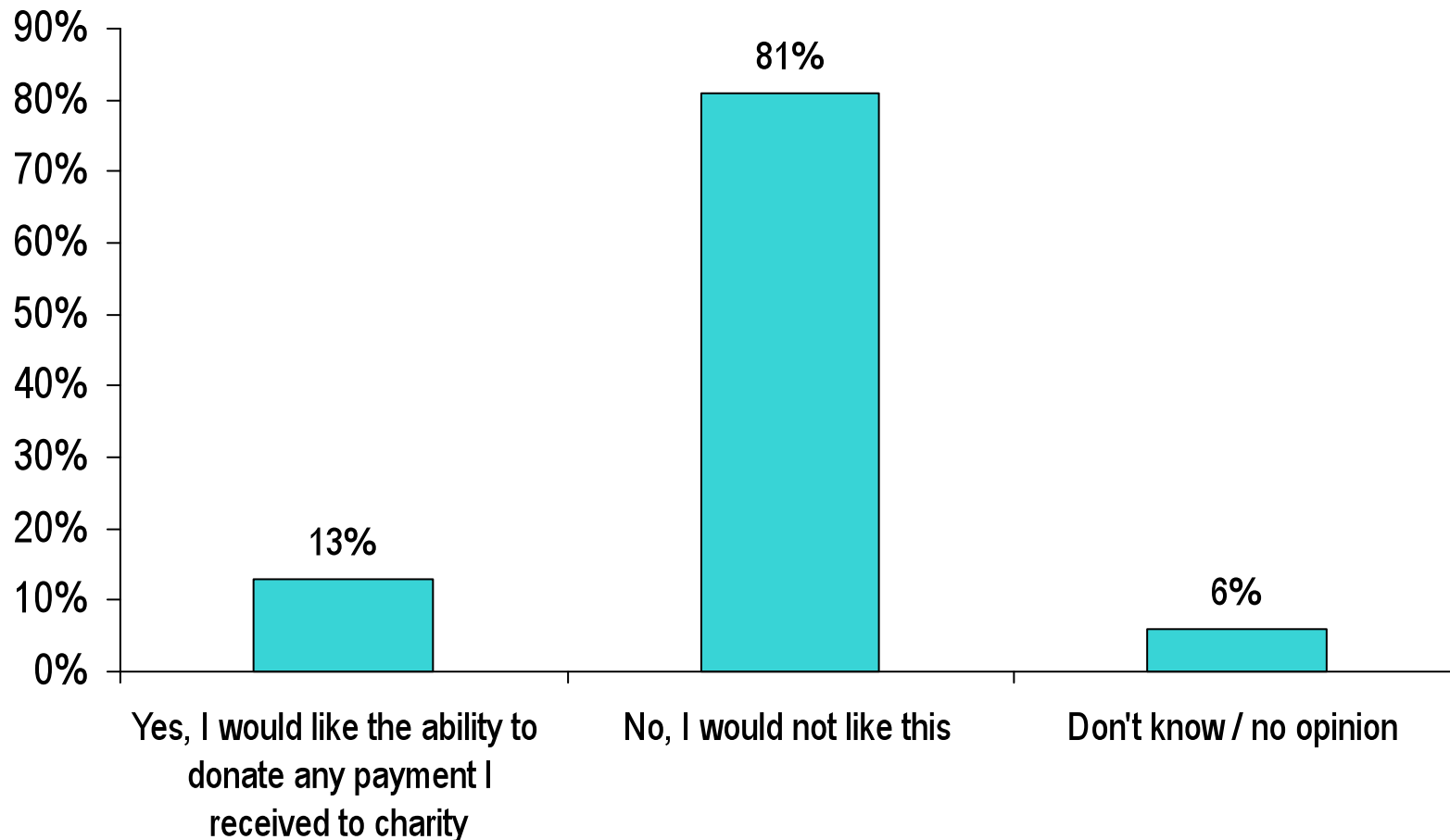
Other options: Payment method



Q: If you had a choice of how any payout was given to you, would you want it as ready money or would you want it as an extra bonus to your (main) policy? (Prompted, pre-coded)

Base: All respondents (53)

Other options: Donating to charity



Q: If you had a choice would you like to be able to donate your payment directly to a charity? (Prompted, pre-coded)

Base: All respondents (51)

Perceptions of Policyholder Advocate Role

Confidence in Policyholder Advocate

- Participants feel confident in the OPA having met Clare Spottiswoode at the Forum
- People's initial concerns about the possible lack of independence of the post were allayed over the course of the Forum given Clare's detailed and frank answers to their questions
- They are confident that the Clare and the OPA will negotiate what is in their best interests

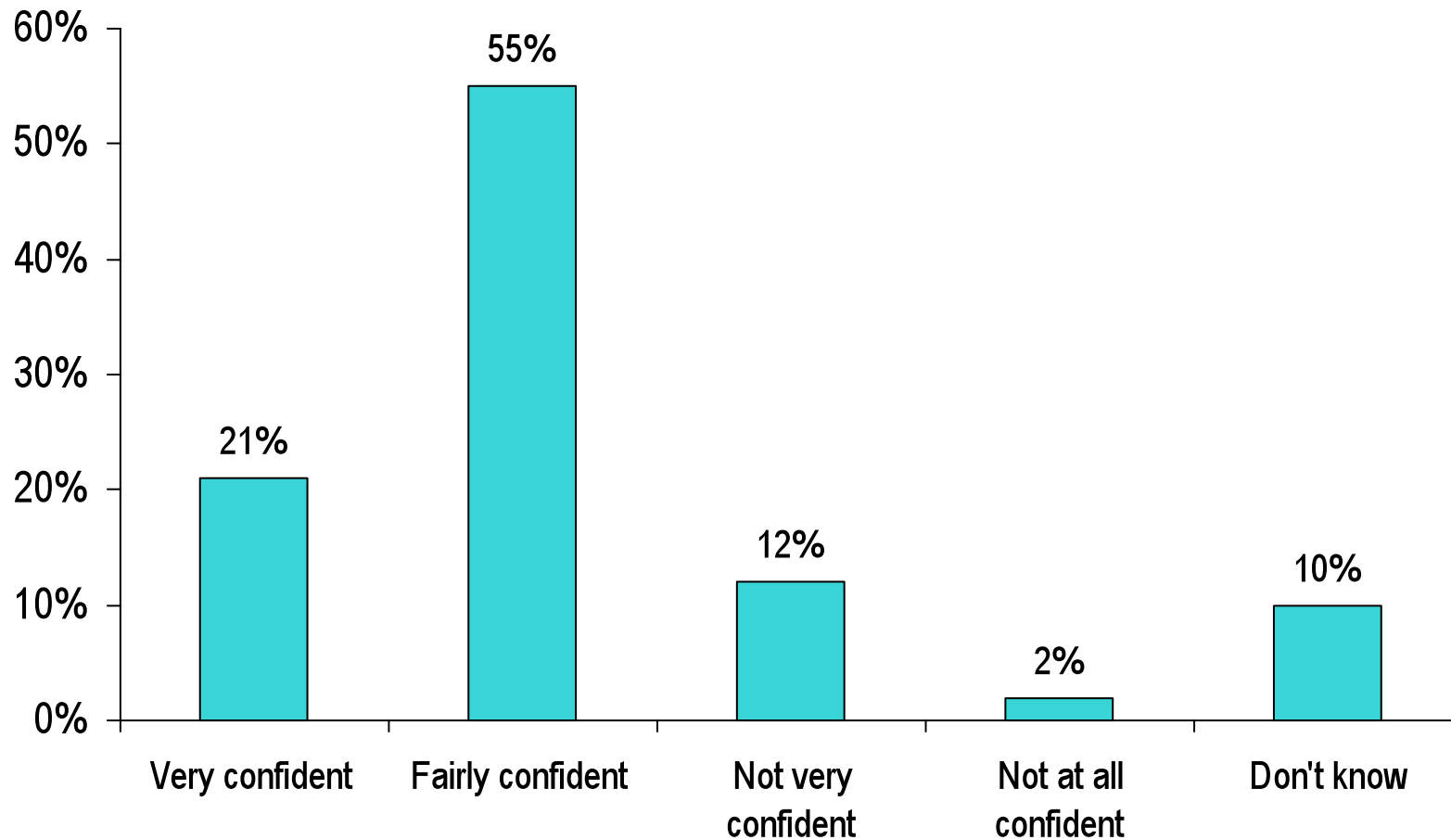
"She's got experience."

"She seems feisty and has a good track record. She is prepared to stand up to people."

"I agree with her ethics."

"She won't take any prisoners."

Confidence in Policyholder Advocate



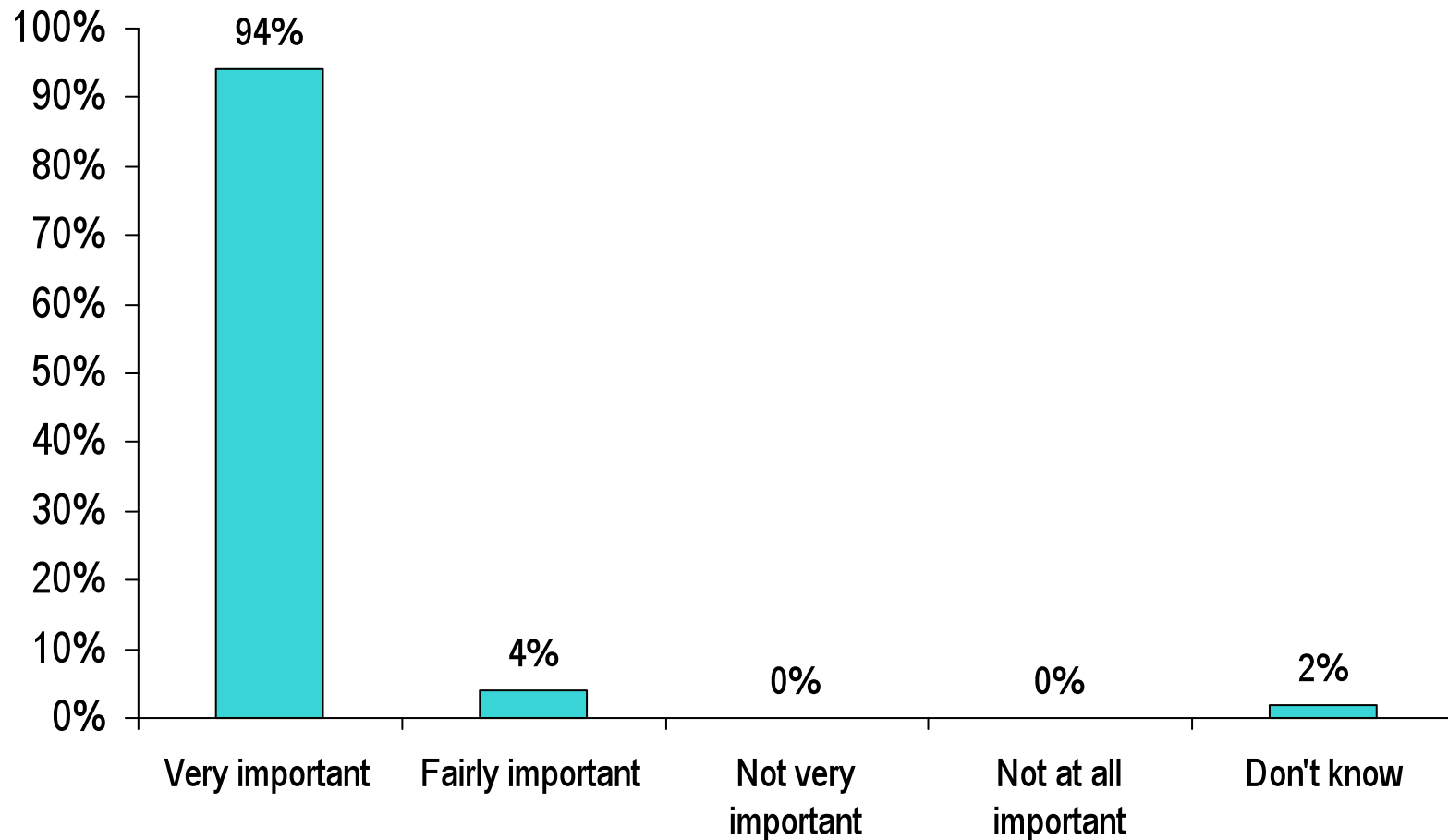
Q: After today, how confident are you that your interests will be well looked after by Clare Spottiswoode, the Policyholder Advocate? (Prompted, pre-coded)

Base: All respondents (52)

Clear priorities for the OPA's role

- Policyholders are emphatic in their priorities for the OPA
 - Securing largest possible payout
 - Ensuring well-protected policyholders
 - Continued fund strength is also important, but less so than the other aspects
- In addition, in discussion there was a suggestion that the OPA should also lobby to tighten FSA regulations on future Inherited Estates

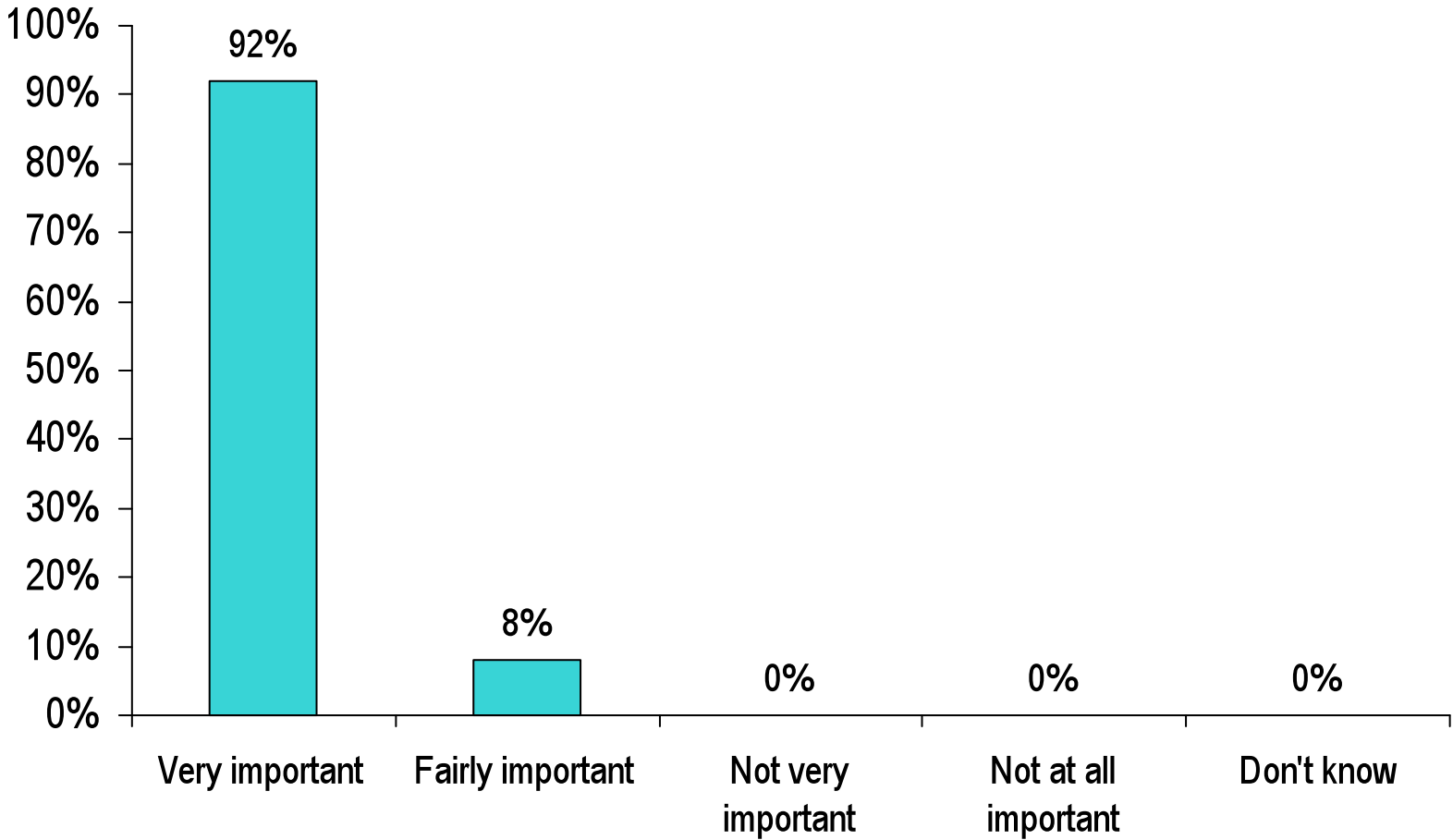
Priorities for OPA: Negotiate largest payout



Q: How important is it to you that Clare Spottiswoode, the Policyholder Advocate negotiates the largest possible payout for policyholders? (Prompted, pre-coded)

Base: All respondents (51)

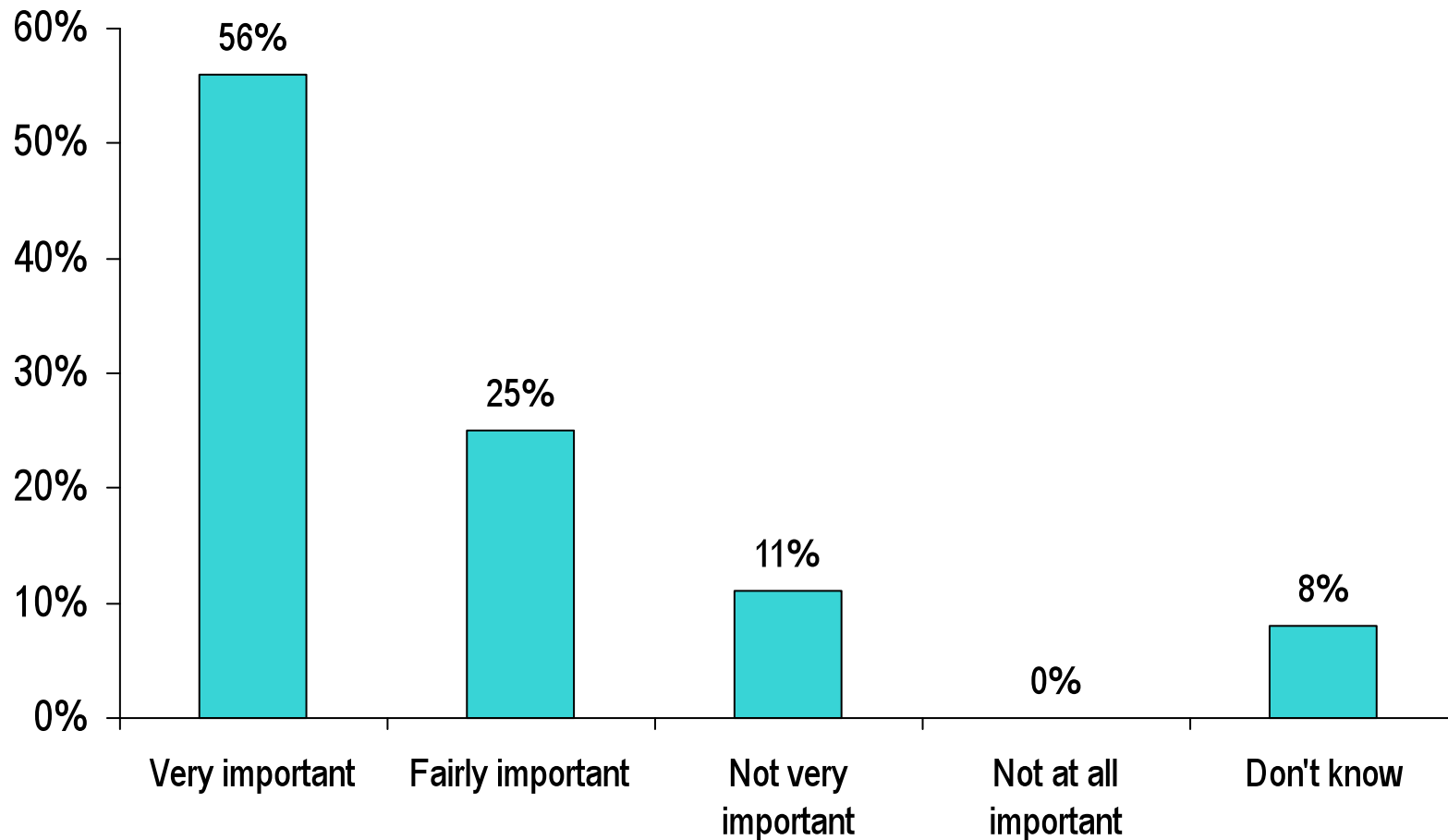
Priorities for OPA: Protect policyholders



Q: How important is it to you that Clare Spottiswoode, the Policyholder Advocate ensures that policyholders are as well protected after the reorganisation as they were before it? (Prompted, pre-coded)

Base: All respondents (52)

Priorities for OPA: Ensure fund strength



Q: How important is it to you that Clare Spottiswoode, the Policyholder Advocate ensures that your policy remains as strong after the reorganisation as it was before it? (Prompted, pre-coded)

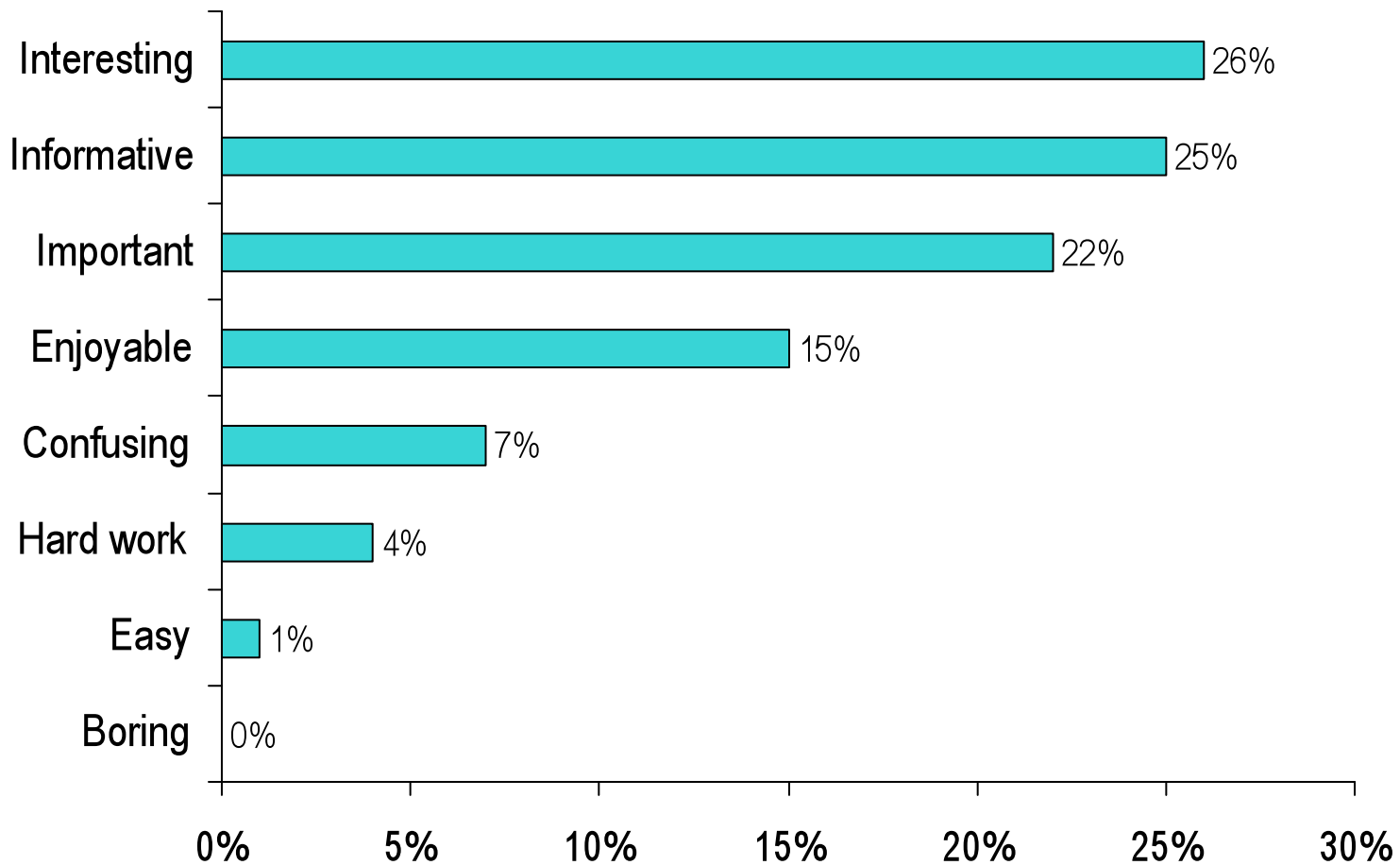
Base: All respondents (53)

Challenges for OPA

- Participants recognise that a key challenge for Clare is that policyholders may not vote because they do not understand or engage with the issues
- If enough policyholders don't vote, the proposal will not go ahead despite the wishes of those who do
- Thus, continued communication and consultation efforts are clearly required

Impact of the Forum

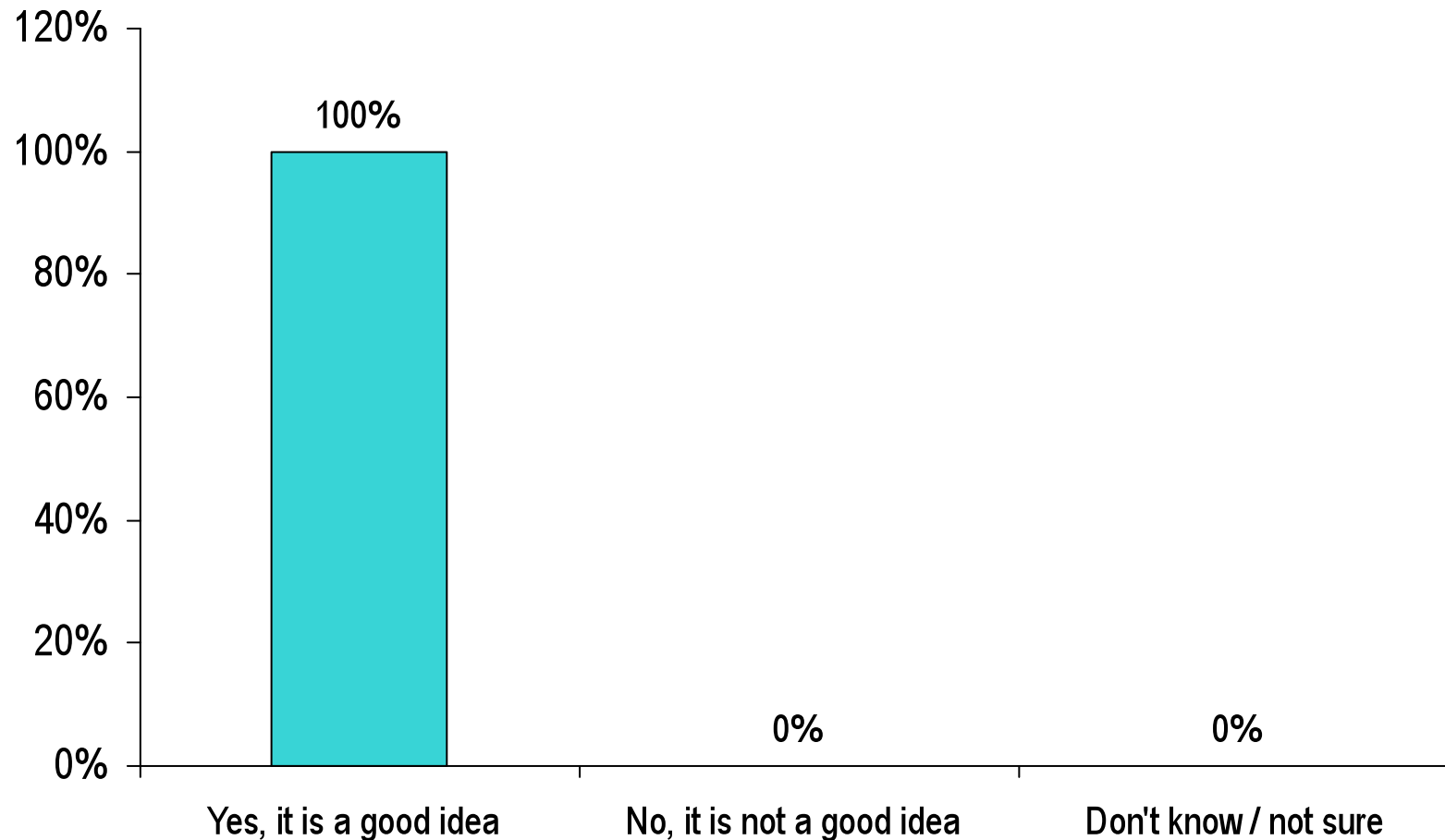
Describing the Forum



Q: How would you describe the Forum you have just taken part in? Please press enter to all that apply as we read them out (Prompted, pre-coded)

Base: All respondents (53)

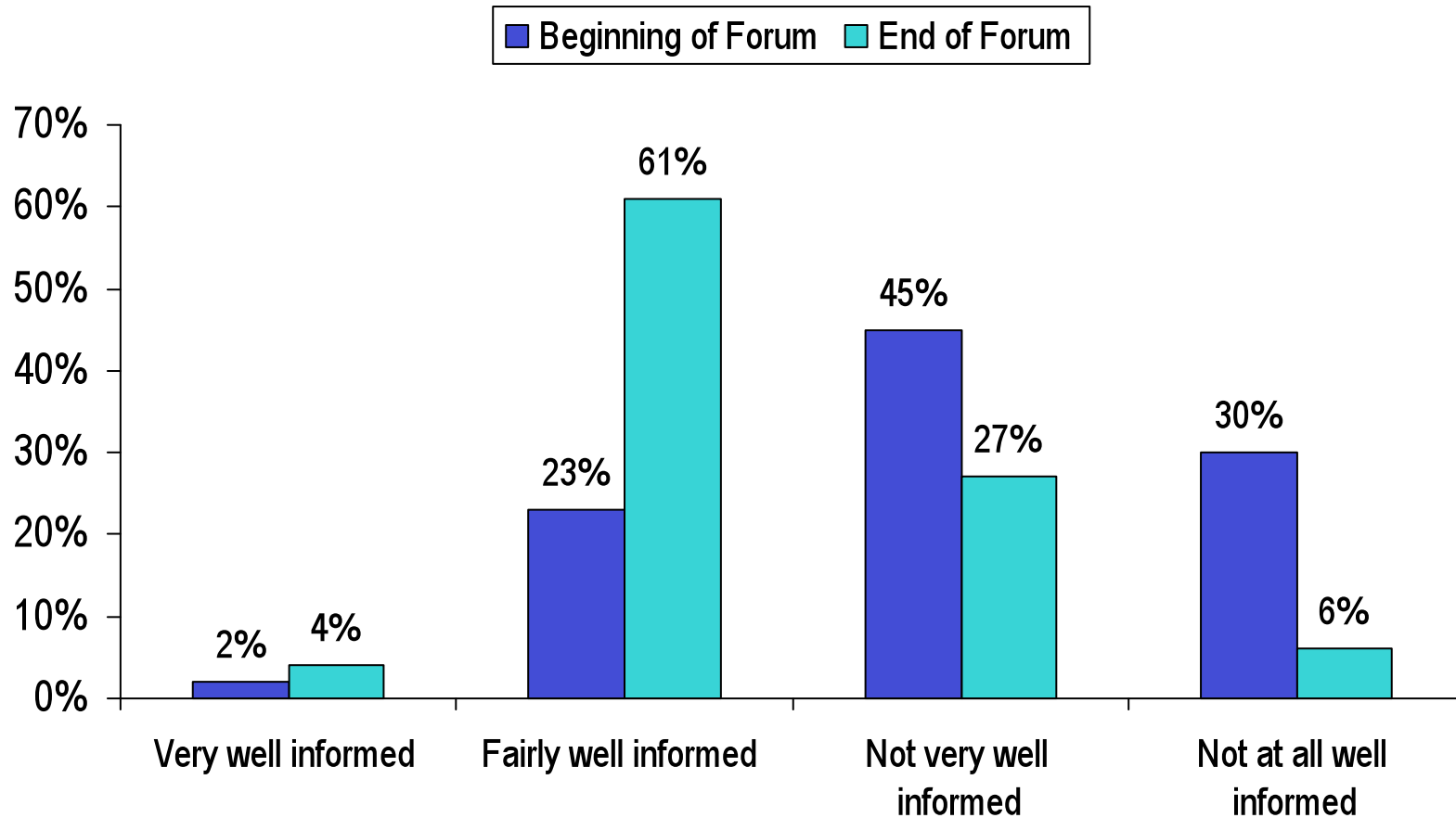
A Forum is a good way of involving the public



Q: Do you think that a Forum like today's event is a good way of involving the public in important issues or not? (Prompted, pre-coded)

Base: All respondents (53)

Knowledge of how NU runs its with-profits policies post Forum



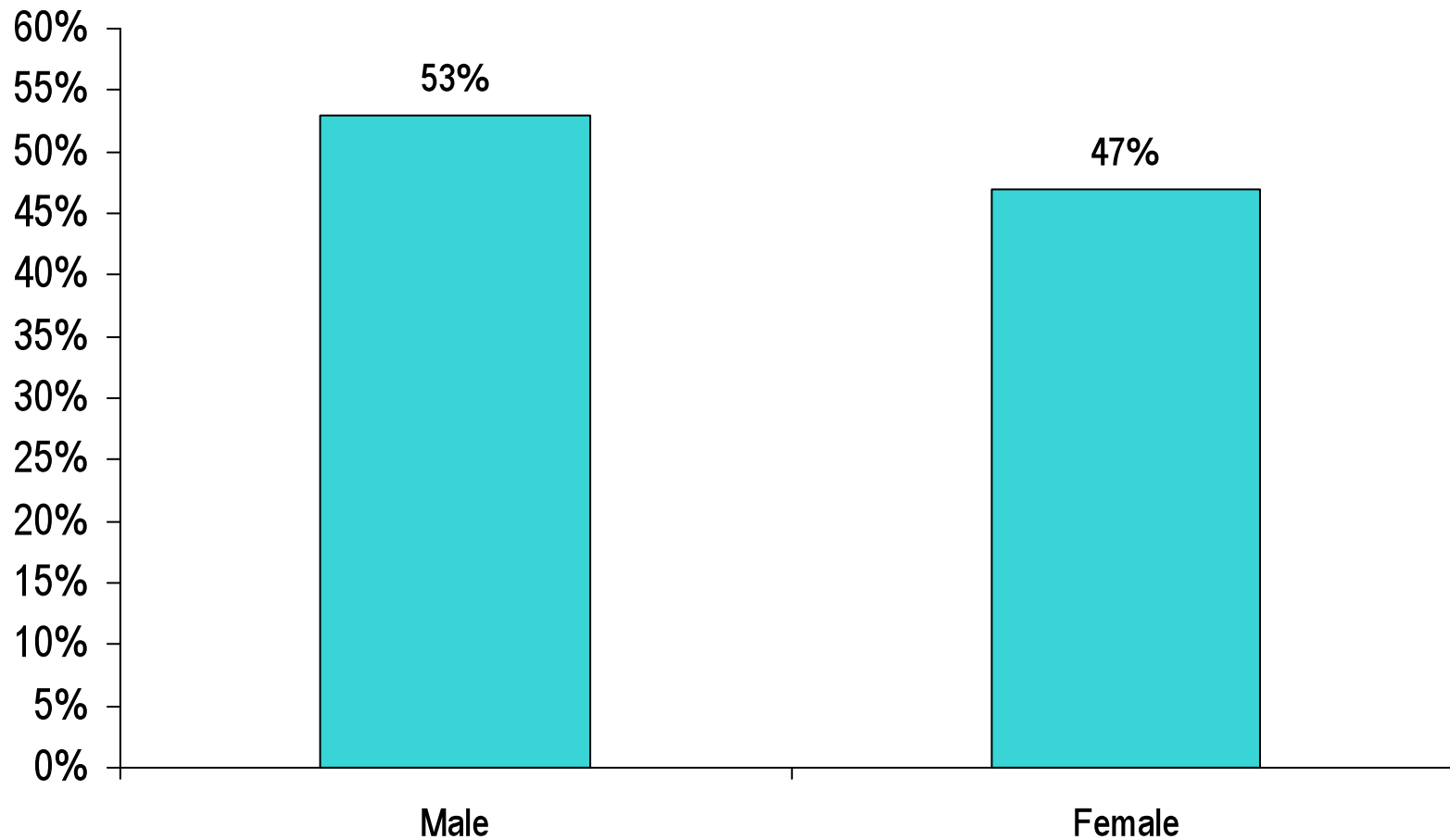
Q: How well informed do you feel about the way Norwich Union runs its with-profits policies? (Prompted, pre-coded)

Base: All respondents (52)

Appendix: Composition of Forum

Please treat the following data with caution - discussion showed that people were confused about the length of time they had had policy, the length of time left to run, and whether or not they were in fact a shareholder

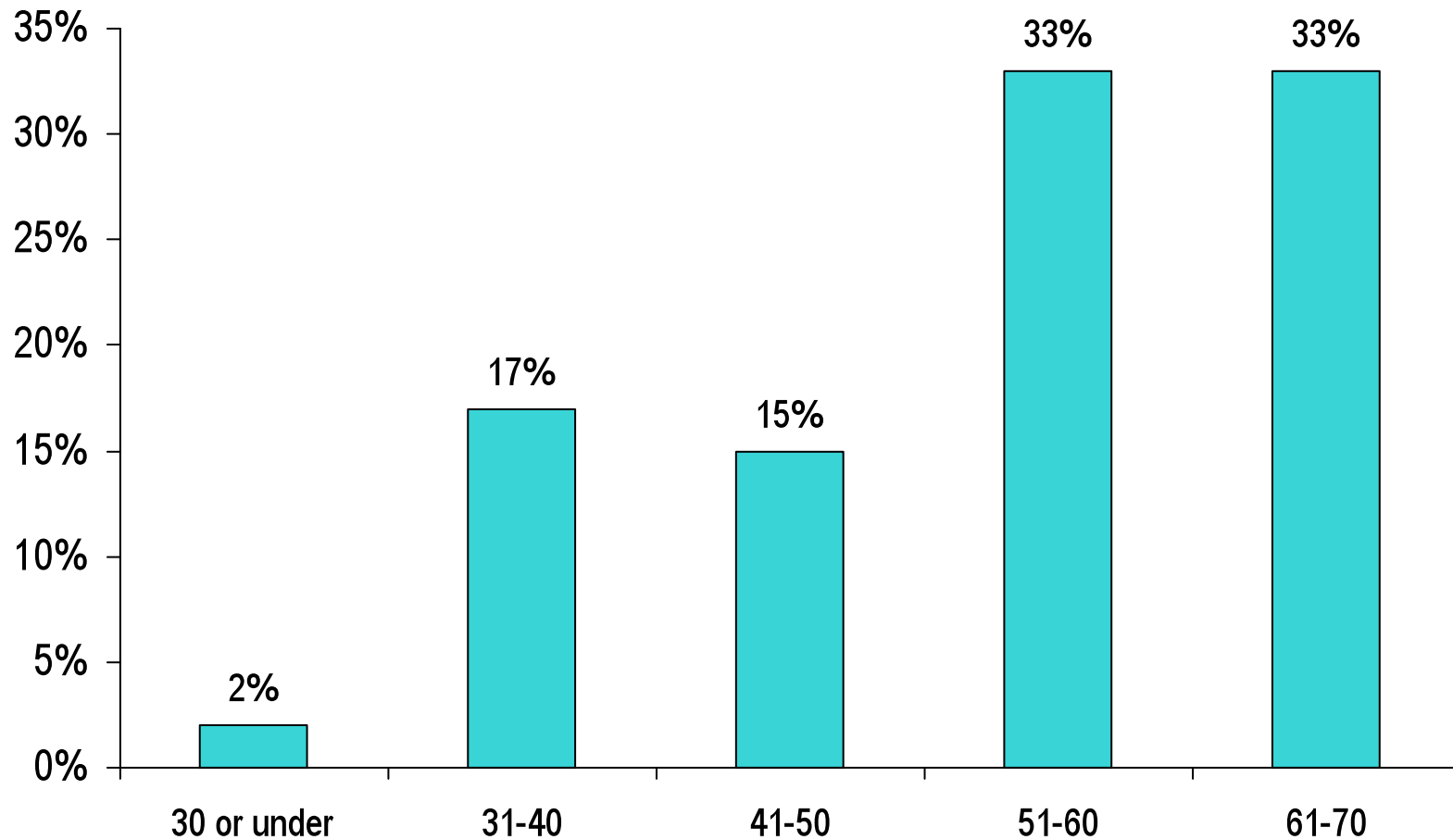
Gender



Q: Are you male or female? (Prompted, pre-coded)

Base: All respondents (49)

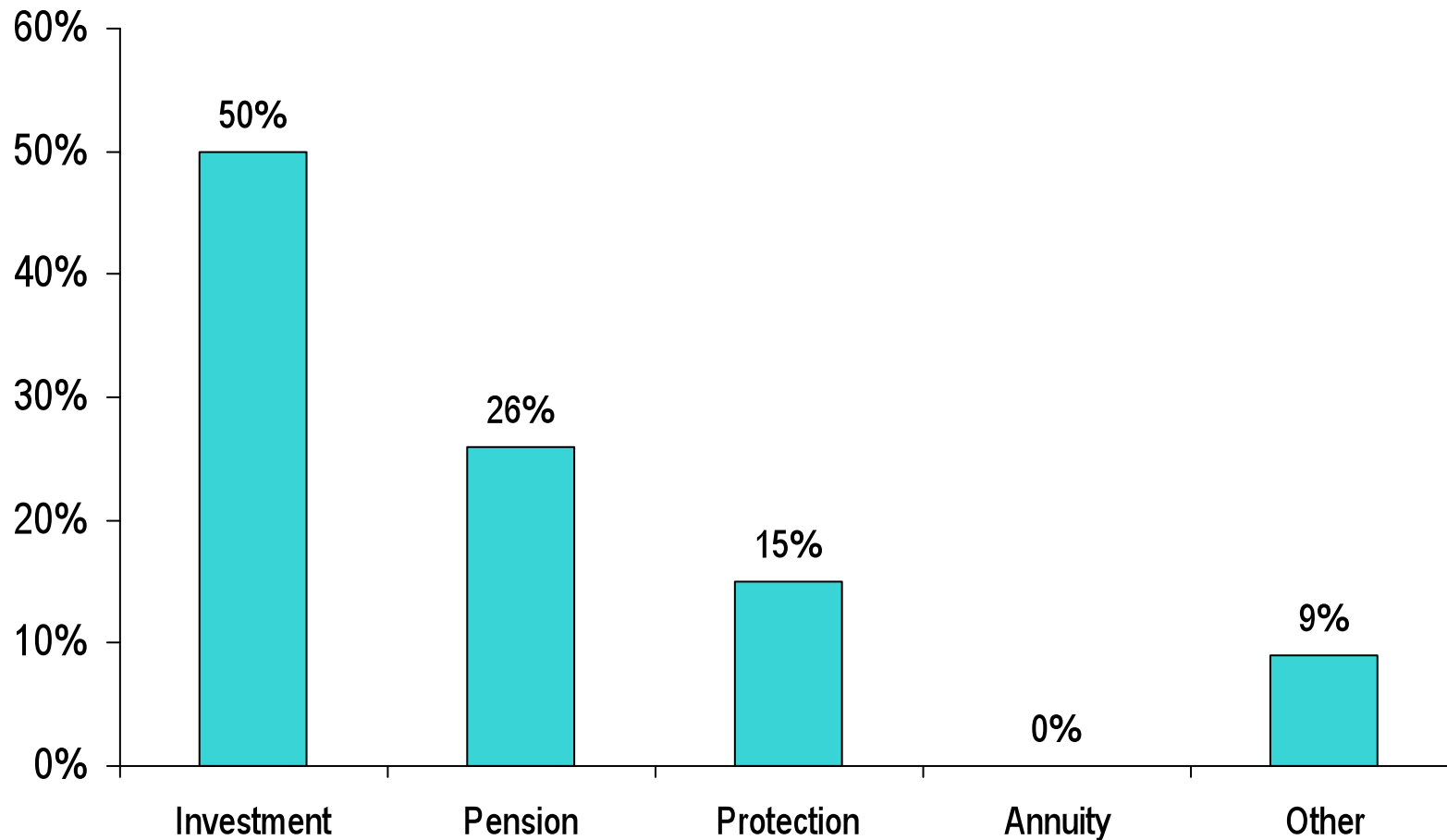
Age



Q: How old are you? (Prompted, pre-coded)

Base: All respondents (48)

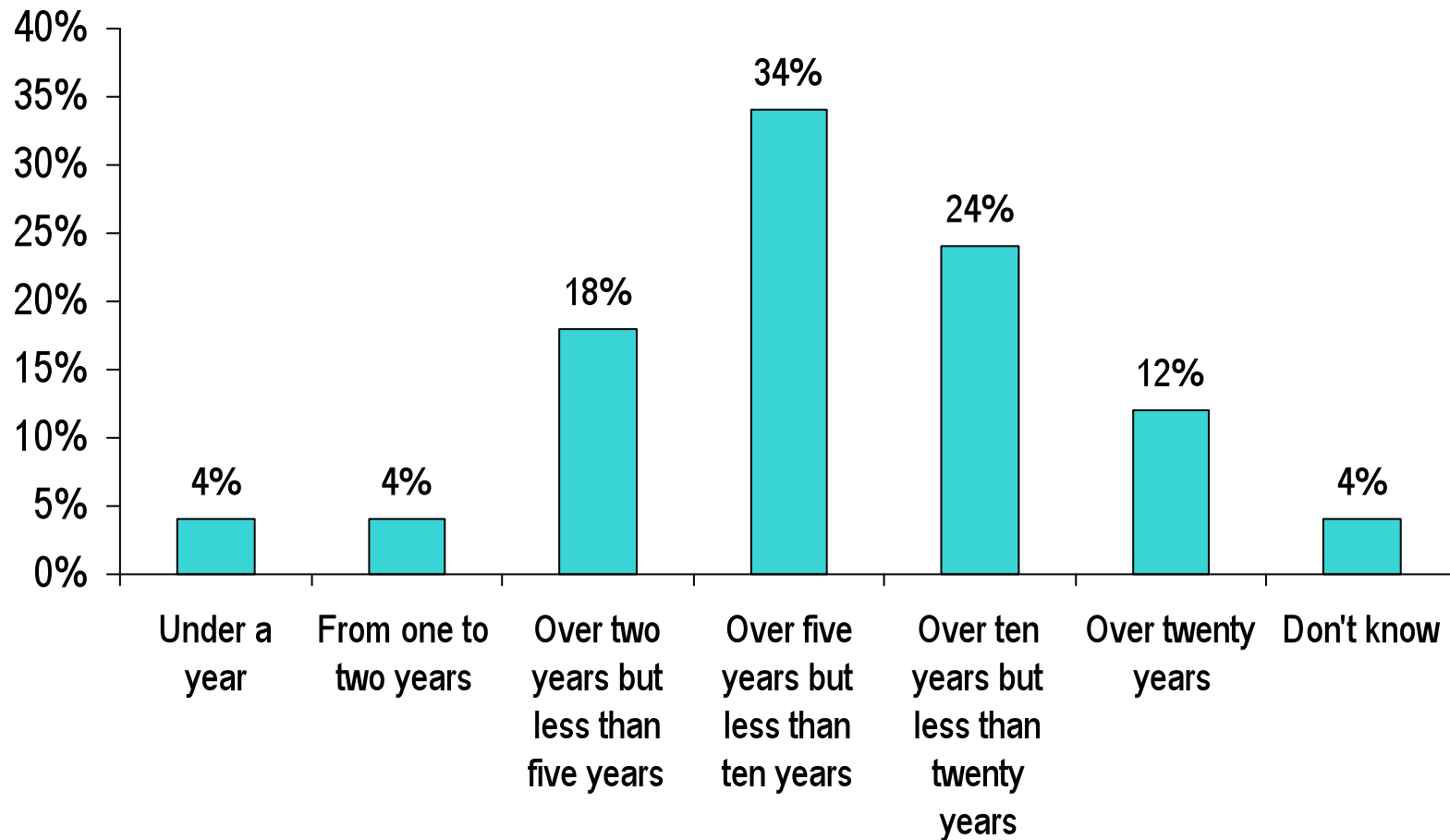
Type of policy



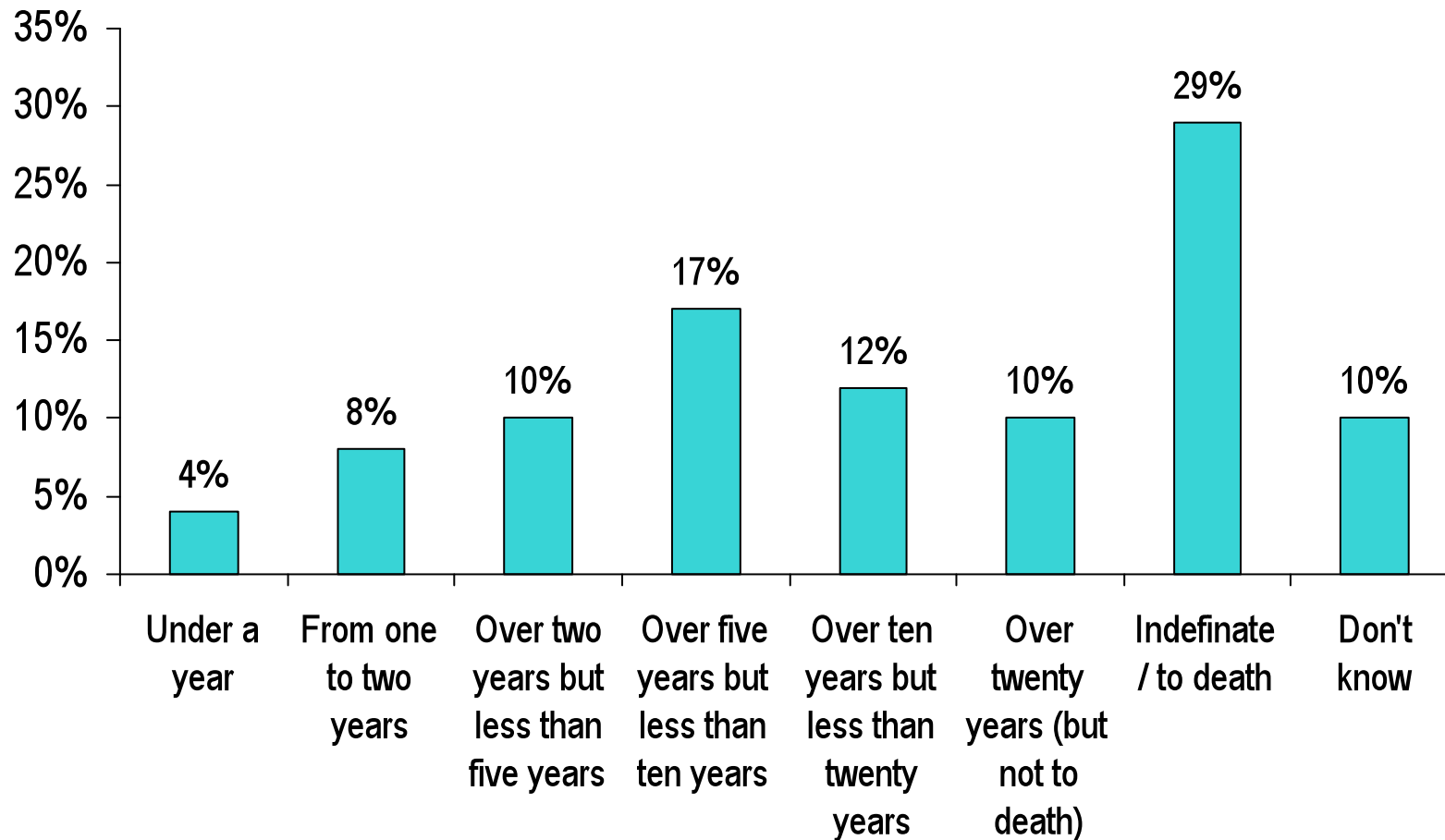
Q: Which product(s) do you currently hold with Norwich Union? (Prompted, pre-coded)

Base: All respondents (50)

How long they have had policy



Time until policy maturation



Q: How long does your policy have to run? (How long until it matures?) (Prompted, pre-coded)

Base: All respondents (52)

Shareholder in addition to policyholder

