



**AVIVA reattribution consultation
Summary of 'Roadshow' results prepared for**

Office of the Policyholder Advocate

by Paul Middleton

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1. Overview

Client

Office of the Policyholder Advocate

Project Title

Reattribution consultation- roadshow analysis

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2. Introduction

AVIVA is reviewing the reattribution of the inherited estate of two of its with-profits funds.

Under FSA rules one condition of the new (2005) regulations for reattribution is the appointment of an Independent Policyholder Advocate to represent policyholders. Clare Spottiswoode was nominated and approved for this role.

Although no decision has yet been taken a reattribution would affect about 1.1 million policyholders (about 1.4 million policies).

YouGov plc was commissioned to aid the Policyholder Advocate with a quantitative consultation exercise. This exercise took the form of an online questionnaire, with a link direct from the Policyholder Advocate's website- www.policyholderadvocate.org.

A separate questionnaire (an edited version of the online questionnaire) was administered to policyholders ringing the Policyholder Advocate's helpline.

Additionally, in February 2007 Opinion Leader Research were commissioned to facilitate Aviva with-profits policyholder 'roadshows' in five UK cities- Belfast, Birmingham, Cardiff, Edinburgh, and London. At these events presentations by members of the Policyholder Advocate team (Clare Spottiswoode, Kate Anastasi, and Jonathan Haslam) presented details of the proposed reattribution. Policyholders present were asked to vote on several questions using handheld devices.

The overall objective of the consultation exercise was to:-

“Identify key issues for policyholders and gauge initial reaction to any outline scheme that is offered to them.”

3. Summary of Research Findings

i. Structure of the roadshows

- Welcome and introduction (Clare Spottiswoode)
- Programme Outline (Jonathan Haslam)
 - Understanding of with-profits policies, smoothing, asset share
 - Norwich Union 'general' product holdings, have 90/10 fund?
 - Recollection was generally higher among those holding the policy for less time than longer standing policyholders.
- General introduction to Norwich Union and with-profits policies (Kate Anastasi)
 - Introduction to Norwich Union
 - Introduction to with-profits policies, including:-
 - ♣ Inherited estate
 - ♣ Orphan assets
 - ♣ Inherited estate
 - ♣ Distributions
 - ♣ Reattribution
 - **Then voting on:-**
 - ♣ What looked for in policy/ made respondent pick that one?
 - ♣ Respondent attitude to risk
- “Everything you wanted to know about reattribution” (Clare Spottiswoode)
 - Reattribution
 - What it means for policyholders and shareholders
 - Some choices for policyholders
 - Explanation of Policyholder Advocate’s job
 - **Then voting on:-**
 - ♣ Importance of being given a choice about whether to accept payment and giving up rights
 - ♣ Preference for who should receive more
 - ♣ Should policyholders whose bonuses were poor in recent years and whose policies have matured receive a payment?
 - ♣ Should mortgage endowment policyholders be treated differently?
 - Roadshow attendee questions
 - **Then voting on:-**
 - ♣ Description of evening’s event

ii. Age profile of attendees

In all five locations the greatest proportion of attendees were aged 61 to 70, as follows:-

- Belfast 35% aged 61 to 70
- Birmingham 46%
- Cardiff 51%
- Edinburgh 38%
- London 33%

In all locations the majority of attendees were aged 51 to 70. In none of the locations were over 10% aged under 40.

iii. Understanding of policies

Most attendees do not know a great deal about **with-profits policies**. Only in London did more than one-in-ten claim to know “a great deal” about them (14%). In all five locations the most common response was to claim “a little bit” of knowledge. In Belfast and Cardiff the majority claimed this. This suggests that there is considerable potential to inform policyholders to a greater extent. In all locations nearly one-in-five claimed to know “hardly anything” about with-profits policies.

Similarly only a small minority of attendees (between one-in-six to one-in-four) claimed to understand “a lot” about the term, **smoothing**. Again, London attendees claimed slightly greater levels of knowledge, perhaps a reflection of the type of work attendees are or were involved in. In Belfast fully half of the 55 attendees who voted claimed to know “nothing” about smoothing. In Birmingham, Edinburgh and London slightly greater numbers claimed to know “a little bit” than “nothing” (Cardiff was equally split). In Edinburgh only attendees were asked about **asset share**- 53% of the 93 voting claimed to know “nothing” about it, 42% “a little”, and 5% claimed to know “a lot.”

iv. Norwich Union Policies held

By far the most commonly held Norwich Union investments were **lump sum investments**. In London 50% claimed to hold one (81 votes), compared with 59% in Belfast (34 votes), 69% in Birmingham (91 votes), 62% in Cardiff (56 votes), and 58% in Edinburgh (56 votes). In all locations **mortgage endowments** were the second most commonly held products (ranging from 31% in Belfast to 19% in Birmingham and Edinburgh). All three other product types mentioned (**pension plans, regular savings into a savings policy, and pension payments received**) were mentioned by fewer than one-in-five attendees.

The majority of attendees in all five locations- Belfast and Birmingham (69% each), Edinburgh (67%), London (66%) and Cardiff (58%)- were not sure if they have a **90/10 fund**. In total 543 policyholders ‘voted’ on this question, with overall two-thirds (66%) “not sure” of this. Of those giving a response one way or the other, 15% answered “yes”- they did have a 90/10 fund, with 19% answering “no.” In London and Cardiff there were more yes than no votes, in the other three locations the reverse was observed.

v. What policyholders looked for in their main policies, and general attitudes towards risk

There was less consistency in the votes cast regarding what policyholders looked for in their policy, and their attitudes towards risk.

When asked to think back to what they looked for in their main policy the largest number of attendees mentioned that it was recommendation (e.g. by an IFA or bank) that made them pick that one. In Belfast, Birmingham, Edinburgh, and London a remarkably

consistent 41% to 43% (in total 206 votes) mentioned recommendation. Only in Cardiff was recommendation not the most picked factor (23%)- 41% of Cardiff attendees mentioning “low risk/ guarantees.” In Birmingham (30%) and Edinburgh (21%) “low risk/ guarantees” was the second most mentioned factor chosen, whilst in Belfast and London “potential high returns” was second (23% and 20% respectively). In all five locations only a very few attendees (3% to 8%) mentioned “the name or reputation of the organisation” as the top factor in choosing their main policy.

When asked about their attitudes towards risk attendees were overall fairly equally split, although this disguised significant variations by location. All attendees were asked the following question:-

“Which of the following best describes your attitude to the risk you are prepared to take with your long term investments?”

Overall the results were as follows:

- I want risk to remain the same throughout the lifetime of my policy (280 votes- 49%)
- I want the risk to gradually reduce as my policy nears maturity (261 votes- 45%)
- Don't know (36 votes- 6%)

In Edinburgh 74% of attendees voted for the former (“remain the same”) option, far ahead of the 19% who voted for the “gradual reduction” option. In Belfast 50% voted for the former, 38% the latter option. Elsewhere, the largest number voted for the “gradual reduction” option- 56% vs 38% in Cardiff, 54% vs 43% in London, and 49% vs 45% in Birmingham.

In Edinburgh only two additional questions were voted on regarding level of risk:- Firstly, ***“Which of the following best describes your attitude to the risk you are prepared to take with your long-term investments?”*** Exactly half (52 votes- 50%) voted for low risk throughout the lifetime of their policy, with just 11% voting for high risk. However, 33% voted that they wanted to reduce risk through the lifetime of their policy.

Edinburgh attendees were asked another question regarding risk and voted on their preference. Just over half (58%- 61 votes) stated that “the fund in which your money is invested avoids higher risk investments with likely lower returns.” A further 30% (31 votes) stated that “the fund in which your money is invested is still able to use higher risk investments with potentially higher returns.”

vi. Having a say in any reattribution of funds

In line with the views expressed in the online and telephone consultation, the vast majority of attendees in London and Belfast stated that it was “very important” that policyholders had a choice about whether to accept a payment and give up your rights (no votes were taken in the other three locations).

In all five locations between two-thirds to three-quarters of policyholders voted that “people whose policies have less time to run should get more because they have

invested money for longer.” In London and Cardiff 72% voted this way, falling to 63% in Belfast and Edinburgh. In Belfast, Birmingham, Cardiff and Edinburgh between one-in-four to one-in-five voted that “people whose policies have longer to run should get more because they are giving up a greater chance of future pay outs.” In Edinburgh one-in-four voted, “Don’t know.”

In all locations except Edinburgh attendees were asked an additional question about which policyholders should receive a payment.

“Should policyholders whose bonuses were poor in recent years and whose policies have matured receive a payment?”

In all four locations about two-thirds of attendees voted “no” to this question- a high of 71% in Birmingham, a low of 62% in London. Nevertheless a significant minority (ranging from 22% in Birmingham to 30% in Belfast) voted that such policyholders should receive a payment.

In Belfast, Birmingham and London the following question was also voted on:-

“Should mortgage endowment policyholders be treated differently to other with-profits policyholders?”

In all three locations the majority of attendees voted no- 75% in Birmingham, 66% in London, and 59% in Belfast. Again, a minority (29% in Belfast, 21% in London, and 20% in Birmingham) voted that mortgage endowment holders should be treated differently.