

Eleanor Linton
With Profits Review
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

29 January 2002

Dear Eleanor

**With-Profits Review: Issues Paper 2
Regulatory Reporting**

I am responding on behalf of the Consumer Panel to the questions raised in Issues Paper 2.

Q1 Are there other current sources of information, besides those listed in paragraphs 4 to 8, that you feel are useful regarding the financial condition of companies with with-profits life insurance business?

No. The Panel does not have any additional sources of information to add to the list.

Q2 Do you agree with the description in paragraphs 9 to 25 of the issues arising over the financial information on with-profits funds currently provided?

Yes.

Q3 Are there any other issues besides those mentioned in paragraphs 9 to 25?

No. We have not identified any other issues.

Q4 What features, besides those listed in paragraphs 21 and 23, do you think would be desirable in a summary of financial information?

The Panel believes that consumers would find it useful to have some information on levels of terminal bonus paid by with-profits funds (as they can represent a significant proportion of the total return).

Q5 Would you find it useful to have the regulatory returns available on the FSA website?

Yes.

Q6 Would you favour moving away from the current practice to one or more of the options in paragraph 26?

Yes.

Q7 If so, which options would you favour and why?

The Panel favours Option C - the introduction of a new form of summary financial information. As the Issues Paper itself admits, Option A is unlikely to offer a solution in the short term. Option B would undoubtedly represent an improvement on the current regime, but we believe that Option C represents the best way of improving understanding of the with-profits business. We agree with the statement in the Paper that an insurer's ability to meet expected full discretionary benefits requires some disclosure of the company's realistic assessment of current policyholder liabilities and Option C provides for this.

Q8 Would you find the information in Annexes B and C useful in analysing the financial condition of companies and their with-profits funds? If not, what information would you find useful?

Yes. We believe that consumers would find the information in Annexes B and C very useful in analysing the financial condition of companies and their with-profits funds.

Q9 Should summary information, such as that in Annex B and C, be audited?

Yes; we believe that the summary information should be audited.

Q10 What would be the difficulties with providing the information in Annexes B and C?

We will leave it to the industry to identify any difficulties they would have in the provision of such information.

Q11 How could greater standardisation of asset share methodologies be developed, to achieve consistency and comparability between insurers?

The Panel does not have the technical expertise necessary to make a suggestion as to how greater standardisation of asset share methodologies could be developed. However, we would like to stress how important it is that greater standardisation in this area is achieved so that analysts and commentators can make meaningful comparisons in a consistent way.

Q12 Should there be a 'de minimis' limit where the information in Annexes B and C does not need to be provided, either by size of fund or active writing of new with-profits business?

No. From the consumer perspective, there is no reason for a 'de minimis' limit.

Q13 Are there other options, besides those described in this paper?

The Panel does not have any alternative options to put forward for improving the disclosure regime applicable to with-profits funds. However, we are strong advocates of including a measure of the financial strength of companies in the FSA's Comparative Tables and believe that this would compliment the introduction of a new form of summary financial information on with-profits funds.

Yours sincerely,



Colin Brown
Chairman

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Christine Farnish

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