



Financial Services Authority

2007 Survey of the Persistency of Life and Pensions policies

November 2007

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1 Introduction

- 1.1 Persistency is an important area to the FSA for a number of reasons and we are pleased to present our annual survey of trends in industry persistency.
- 1.2 Although there are some significant issues in interpreting the data that has been provided, we regard persistency as one of a number of measures of the quality of sales. It is therefore something that we expect all firms to collect data on and monitor closely – both product providers for their own single tie representatives and also by independent advisers and cross market advisers for the sales that they undertake.
- 1.3 As part of our TCF (Treating Customers Fairly) agenda, our work across firms in the next few months will include a review of the Management Information (MI) that they collect and disseminate across the business in the widest sense to demonstrate that they are treating their customers fairly. This review will include MI on persistency – which we would expect to cover items such as surrenders, transfers to other providers and also contracts that are made paid up.
- 1.4 Our interest in persistency is not confined to the TCF customer aspects. For product providers it is equally important for the prudent financial management of the firm for management to be aware of the risks that they are undertaking, and lapses are often a significant risk. Our Individual Capital Assessment regime considers this in more detail. Also the PS06/14 changes to Pillar 1 reserving requirements made lapses for some products an area requiring greater attention.
- 1.5 The improvements in persistency rates this year for some classes of business are consistent with other information that we have seen and perhaps reflects the greater concern for lapses that firms have shown in recent years, particularly since the Savings & Pensions Industry Leaders' Summit at Gleneagles in September 2006 and our announcement of the Retail Distribution Review. (High and/or rising levels of lapses are a potential concern, possibly indicating problems in the quality of advice).

- 1.6 It is important to remember, however, that there is still a large number of consumers who ceased to pay their premium into their regular premium contracts within the first four years. Regular premium contracts are primarily designed as medium to long term savings vehicles and part of our financial capability work is designed to raise consumers' awareness of the consequences of taking on longer term policies but ceasing to pay into them at an early stage.

2 Background

- 2.1 Since 1995, regulated firms have been required to submit returns each year giving information about the persistency of their life assurance and pensions business. Persistency is calculated as the proportion of investors who continue to pay regular premiums to their life and pensions policies, or who do not surrender their single premium policy.
- 2.2 This report contains a summary of results and a commentary on the 2007 persistency survey. We gathered data on policies written from 2002 to 2005.
- 2.3 In this report, we include a summary of overall persistency in the first four years of a policy for the individual product categories. The data is further split by method of sale and whether it is regular or single premium.
- 2.4 We expect that the results from this survey will:
 - help consumers, advisers and industry commentators make informed judgments about trends in persistency over time; and
 - help firms measure their experience against the averages in the market.
- 2.5 The data shows, in most areas, similar levels of persistency to those reported in recent years. However, for personal pensions, persistency continues to fall. Reasons for the falling persistency might include:
 - continued negative publicity, which has caused consumers to lose confidence;
 - lack of confidence in equity-based products owing to volatile share prices; and
 - anticipating the changes arising from the Pensions Act (now in place).

Thus, overall the experience for 2005 appears to indicate that persistency levels are stabilising, apart from pensions, albeit at lower levels than has historically been the case.

2.6 This report is unlikely to be relevant to most individual consumers

Scope

2.7 Returns are limited to a period of four years from the start of the policy, and we have analysed the data by premium frequency (single or regular), by sales channel and by different product category. These categories are:

- endowment assurances;
- whole of life assurances;
- other life business, including all regulated life policies not falling into the two previous categories;
- personal pensions, including both individual and group personal pensions; and
- other pensions, including FSAVCs and transfer plans.

2.8 We have not collected data for non-regulated temporary assurances, occupational pension schemes or for personal pensions arising from opting out of the state second pension SERPS/S2P (where there would be problems over definitions and the timing of payments).

2.9 Until summer 2005 Life assurance and pensions policies were sold through a number of different channels, including:

- representatives of the life assurance company or friendly society;
- independent financial advisers (IFAs); and
- responses to direct offer advertisements.

2.10 We have retained the existing sales channel categorisation as outlined in SUP 16.8.24 but adapted them as a result of the depolarisation changes during 2005 as follows:

- representatives (now single tie representatives);
- independent intermediaries plus cross market advisers post depolarisation;
- direct offer promotions (unaltered); and
- otherwise (also unaltered).

We expected insurance firms to report business written in the years 2002 to the middle of 2005 under the current sales channel categories. For business written later in 2005, we expected that firms would allocate their new business into the above categories as follows:

- all single tie business into the representatives (single tie representative) category;

- all IFA, multi-tie and whole of market business into the Independent intermediaries plus cross market advisers category:
- all non advised (non-intermediated); and
- otherwise.

The only difference from past segmentation of channels was the inclusion of any `multi-tie` channels business (which only occurred from mid-2005) to be in the same category as Independent intermediaries.

- 2.11 Single premium products are regarded as ‘in force’ at the first, second, third or fourth anniversary of the start date of the policy if they have not been surrendered. For regular premium products, the policy is defined as ‘in force’ at an anniversary if the first premium due in the following policy year has been paid. Single premium endowments written for terms of less than five years are excluded because the presence of maturity dates would affect the results.
- 2.12 We have again collected data this year for mortgage endowment policies, group personal pensions policies and income drawdown policies. We also collected data for insurance Individual Savings Accounts ISAs which were introduced in 1999.
- 2.13 We have published the results since 2004 on our website in the other Publications: Persistency Survey section. A summary of results from the 2003 survey appeared in Occasional Paper Series 21 entitled ‘Stopping short: why do so many customers stop contributing to long-term saving policies?’¹ The 2002 survey, ‘Persistency of life and pensions policies – eighth survey’² was published as an Other Publication in November 2002.

Structure of this report

- In Chapter 3 we discuss the general reason why consumers let their policies lapse.
- In Chapter 4 we analyse the results of this year’s survey and consider the specific factors that may have caused this year’s observed trends.
- Annex A sets out the results of this year’s survey.

1 www.fsa.gov.uk/pubs/occpapers/OP21.pdf

2 www.fsa.gov.uk/pubs/other/persistency_8.pdf

3 Reasons why consumers let their policies lapse

- 3.1 This section discusses some of the factors that might drive persistency over time. The quality of the sales process is likely to be only one factor that affects whether consumers let their policies lapse.
- 3.2 Buying a regular premium life assurance or pension policy involves a long-term commitment by the investor. The charging structure of some policies means that stopping premiums early can result in financial loss to the investor.

Suitability and affordability

- 3.3 If investors buy policies on the basis of good advice, they would not normally be expected to give them up, unless unforeseeable changes in their personal circumstances meant they genuinely felt that they had no alternative. For example, they might need additional cash immediately. Investors are more likely to want to continue paying premiums to a policy that is affordable and transparently continues to meet the needs established at the start. Where investors have been sold a contract that turns out to cost more than they can afford, they may feel that they have no option but to cease or reduce the premiums.

Product performance

- 3.4 Product performance is another factor in understanding why people let their policies lapse, for instance some policyholders let their policies lapse because product performance was not as good as expected.
- 3.5 For some people, stopping contributions to a personal pension or mortgage endowment might be the right thing to do in the face of falling share prices, and the move to more flexible products will make it easier for them to do this. But it is important that consumers are fully aware of the risks when they take out a policy and that they are aware that the performance of equity-based products can only be judged over the long term.

Changes in personal circumstances

- 3.6 A policy may become unaffordable or unsuitable because of changes in an investor's circumstances that cannot be foreseen at the time of sale. For example, unexpected changes to an investor's income because of unemployment or divorce will affect whether they can afford regular premium products. A change in jobs can also affect persistency if, for example, someone moves to an employer offering an occupational pension scheme and so lets their personal pension lapse.
- 3.7 Moving house is likely to affect the persistency of endowment policies, while changes in family circumstances (divorce or having children) can affect the suitability of life policies designed for particular needs – or the affordability of regular premium policies more generally. For these reasons, we would not expect there to be 100% persistency on regular premium policies.
- 3.8 These factors are important in practice. In the research carried out for us, nearly one-third of those who let a policy lapse cited changes in their circumstances as the most important reason for discontinuing. Changing employment or income was the single most important factor.

Changes in product design

- 3.9 More regular premium contracts now have flexible terms (particularly for pension policies). This means that some investors, as long as they continue saving, will not suffer detriment from lapsing their policy and may actually gain by switching to a better value contract.
- 3.10 Product features significantly affect the costs associated with lapsing a product. For example, single premium policies are usually designed as investment vehicles, either over a fixed term or allowing the investor access to the money at almost any time.
- 3.11 With more flexible products, it is easier for consumers to take contribution breaks without a cost. Also, if the original contract does not have significant exit penalties, an investor may gain by switching to a better value contract. So, we would expect more flexible products to result in lower rates of persistency without necessarily causing detriment.

Sales channel

- 3.12 The results again showed, apart from personal pensions, that there was generally a higher frequency of lapses for policies sold by single tie representatives than those sold through independent intermediaries and by direct offer advertisements. Reasons for this may include:
 - independent intermediaries tend to advise those on higher incomes who may be more able to better afford the policies sold at the time and over time;

- policies selected from the whole of the market by an independent intermediary or by the investor (in the case of direct offer sales) have a better chance of meeting the needs of the investor – i.e there is a better match between product and investor;
- higher turnover of single tie representatives, with consequentially less encouragement to be loyal to the original life office or friendly society; and
- in the case of direct offer contracts, investors have chosen the terms of the contract for themselves (as opposed to being sold it).

The background economic environment

- 3.13 In addition to personal circumstances, persistency may be affected by the overall economic environment. So, where economic growth and employment levels are high, fewer policyholders will be under the kind of financial pressure that would cause them to lapse their policy.
- 3.14 Whereas if economic conditions are difficult and unemployment is increasing, more policyholders will be under financial pressure, and savings and protection policies may be lapsed or surrendered to obtain cash or to reduce financial outgoings.

4 Commentary on the 2007 survey

- 4.1 Economic growth remained above its long run average trend rate in 2006 with solid gains in consumer spending being complemented by strengthening business investment and faster export growth, aided by the recovery in demand from the Euro area. While the growth in personal unsecured borrowing slowed during 2006, a re-acceleration of house price inflation provided scope for a renewed surge in secured borrowing, pushing personal-debt levels as a proportion of income to a record high. Interest rates were raised by 25 basis points in August and November 2006 and again in January 2007 to 5.25%, reflecting persistent above-target inflation. This may have an adverse effect on persistency going forward should more households struggle to repay their debts.
- 4.2 For regular premium policies, the results show a continuation in lower levels of persistency at longer terms. However, the persistency for personal pensions continues to fall, thus the four year persistency of IFA personal pensions is down from 45.9% to 42.3%.
- 4.3 Another cause is the sustained rise in recent years in the proportion of group personal pension business, which for IFAs is 81.0% for the second year in a row. As this is linked to a particular employment, many policies will lapse when this changes and so it is not unexpected that this has consistently lower persistency. For policies which began in 2002, the rates for persistency after four years sold through IFAs are 44.1% for individual policies but 40% for group policies. Although wider than last year, this gap is narrower than in earlier years as a result of the more rapid decline in individual persistency.
- 4.4 For most policy types, the persistency for business from IFAs is better than that for company representatives, except in the case of personal pensions. It is noticeable that the IFA persistency has been falling more rapidly. Partially, this can be explained by the higher proportion of policies written for groups of employees. However, there has been a significant fall in the persistency of group personal pensions. The four-year figure has fallen from 55.1% for

policies written in 1996 to 40% for policies written in 2002. This suggests other factors such as high levels of change in employment.

- 4.5 The persistency for stakeholder pensions does seem to be comparable to personal pensions. However, this has to be treated with care because of the experience of one major provider, which sells to building and construction workers. Historically, this industry tends to have a high turnover caused by the nature of its work.
- 4.6 For single premium life policies the persistency rates generally show small falls. However, for pensions, the persistency rates are generally the lowest reported, so that only 82.3% of IFA channel policies are in force after four years compared with over 94.6% for policies which started in 1993.

Annex A Results of the 2007 Survey

Regular premium persistency									
Policy Type	Year	Company Representatives				Independent Financial Advisers			
		After 1 year	After 2 years	After 3 years	After 4 years	After 1 year	After 2 years	After 3 years	After 4 years
Endowment	1993	91.7%	86.0%	80.9%	76.7%	94.4%	90.8%	87.0%	83.8%
	1994	91.8%	86.6%	81.5%	76.9%	94.6%	91.2%	87.3%	83.6%
	1995	92.2%	87.0%	81.6%	76.4%	94.8%	90.7%	86.3%	81.9%
	1996	93.3%	87.6%	82.1%	76.8%	95.1%	90.5%	85.6%	81.2%
	1997	93.1%	87.1%	81.2%	74.4%	95.8%	91.5%	87.1%	81.9%
	1998	92.4%	86.0%	78.4%	69.3%	95.5%	90.6%	84.9%	78.4%
	1999	91.8%	83.8%	74.7%	64.3%	95.4%	89.1%	81.7%	72.9%
	2000	91.9%	83.8%	75.3%	65.7%	94.3%	87.5%	81.2%	71.2%
	2001	91.1%	81.4%	78.2%	67.6%	94.9%	90.2%	81.7%	74.9%
	2002	94.8%	89.6%	82.5%	76.0%	95.5%	87.9%	81.2%	75.2%
	2003	95.7%	88.0%	80.6%		94.2%	87.1%	80.8%	
	2004	92.0%	87.1%			95.4%	90.1%		
	2005	92.0%				95.4%			
Whole Life	1993	85.0%	75.0%	66.7%	60.2%	92.4%	87.2%	81.2%	76.8%
	1994	86.0%	76.6%	69.7%	62.4%	93.2%	87.3%	81.7%	76.4%
	1995	87.9%	79.1%	71.1%	64.3%	93.8%	88.5%	82.6%	77.1%
	1996	89.3%	80.1%	71.7%	65.1%	94.9%	89.3%	83.6%	78.1%
	1997	89.4%	79.8%	72.2%	65.1%	94.7%	89.6%	84.1%	79.3%
	1998	89.6%	80.5%	71.8%	64.0%	95.3%	90.2%	85.0%	79.4%
	1999	89.8%	80.0%	70.4%	63.0%	94.8%	89.9%	84.4%	80.9%
	2000	89.0%	77.5%	70.8%	59.2%	94.1%	88.4%	85.3%	76.0%
	2001	89.7%	83.3%	75.1%	67.7%	93.1%	91.9%	82.2%	78.8%
	2002	94.1%	88.1%	79.7%	77.4%	96.1%	89.7%	85.7%	81.3%
	2003	94.4%	88.2%	83.5%		94.7%	89.0%	86.2%	
	2004	93.9%	89.3%			94.8%	89.6%		
	2005	94.1%				94.5%			
Other Life	1993	85.5%	74.2%	65.1%	57.3%	91.5%	83.8%	75.1%	67.9%
	1994	87.1%	76.7%	67.7%	59.8%	92.5%	86.0%	78.4%	72.8%
	1995	88.3%	78.1%	68.1%	59.0%	92.2%	84.6%	78.1%	71.7%
	1996	89.8%	79.9%	70.1%	61.5%	93.4%	86.9%	79.4%	72.0%
	1997	89.8%	79.1%	68.6%	58.8%	94.0%	86.9%	79.0%	71.6%
	1998	89.4%	78.4%	66.3%	55.2%	93.7%	86.5%	78.5%	69.2%
	1999	88.8%	76.3%	62.0%	50.6%	94.0%	86.4%	76.1%	66.0%
	2000	86.5%	71.1%	55.9%	46.0%	93.5%	83.9%	71.7%	65.3%
	2001	85.9%	70.8%	56.9%	48.2%	92.8%	82.5%	74.6%	64.6%
	2002	86.3%	73.8%	60.8%	50.0%	87.5%	80.5%	72.7%	65.3%
	2003	87.0%	73.3%	56.9%		91.9%	84.5%	76.1%	
	2004	85.8%	69.4%			92.7%	82.6%		
	2005	84.1%				91.2%			

Personal Pensions	1993	84.1%	72.3%	63.6%	56.7%	91.5%	83.3%	76.6%	70.5%
	1994	83.7%	72.6%	64.2%	57.1%	90.9%	81.2%	73.6%	66.9%
	1995	85.4%	74.7%	65.4%	57.8%	90.2%	80.6%	72.1%	64.7%
	1996	86.4%	74.6%	65.1%	57.2%	89.8%	79.8%	69.8%	62.3%
	1997	85.6%	73.7%	64.0%	57.2%	90.2%	78.5%	69.3%	60.7%
	1998	85.2%	73.6%	64.1%	56.8%	88.3%	75.8%	64.7%	53.9%
	1999	84.7%	71.8%	62.3%	53.0%	87.2%	72.3%	59.5%	51.3%
	2000	84.7%	73.4%	63.6%	57.3%	83.8%	68.1%	56.0%	48.0%
	2001	84.5%	69.8%	60.2%	50.8%	83.8%	68.6%	56.6%	45.9%
	2002	81.8%	68.8%	52.4%	45.3%	83.6%	66.8%	51.4%	42.3%
	2003	84.3%	67.4%	56.4%		81.1%	64.0%	52.4%	
	2004	82.9%	70.3%			79.4%	64.7%		
	2005	83.0%				81.8%			

Direct Offer Advertisements

Policy Type	Year	Direct Offer Advertisements			
		After 1 year	After 2 years	After 3 years	After 4 years
Endowment	1993	94.2%	89.5%	85.5%	82.4%
	1994	93.9%	89.5%	85.6%	82.3%
	1995	95.0%	91.0%	87.3%	83.0%
	1996	95.5%	91.6%	87.2%	83.7%
	1997	95.4%	91.3%	87.4%	82.4%
	1998	95.4%	91.7%	87.2%	83.1%
	1999	94.8%	90.3%	86.1%	80.8%
	2000	94.2%	89.7%	84.9%	80.7%
	2001	93.4%	88.5%	83.8%	77.7%
	2002	91.3%	85.3%	79.7%	74.1%
	2003	87.9%	80.3%	73.5%	
	2004	92.1%	84.0%		
2005	92.9%				
Whole Life	1993	89.8%	86.0%	83.7%	81.7%
	1994	89.7%	85.4%	82.6%	80.4%
	1995	91.1%	87.2%	84.4%	82.1%
	1996	91.2%	87.1%	84.4%	81.9%
	1997	91.1%	86.8%	83.7%	81.2%
	1998	90.8%	86.4%	83.4%	80.9%
	1999	91.3%	86.9%	83.5%	80.5%
	2000	90.5%	85.6%	82.2%	77.6%
	2001	90.5%	85.8%	80.9%	77.9%
	2002	90.3%	84.4%	81.1%	79.9%
	2003	88.7%	83.6%	81.3%	
	2004	87.5%	83.8%		
2005	87.1%				

Single premium persistency									
		Company Representatives				Independent Financial Advisers			
Policy Type	Year	After 1 year	After 2 years	After 3 years	After 4 years	After 1 year	After 2 years	After 3 years	After 4 years
All Other Life (incl. Whole Life)	1993	96.7%	90.4%	85.0%	79.5%	97.7%	93.2%	88.2%	83.6%
	1994	96.7%	92.6%	87.7%	82.9%	97.5%	93.4%	88.7%	83.0%
	1995	98.1%	95.2%	91.7%	88.0%	98.5%	96.1%	93.3%	89.8%
	1996	98.3%	95.3%	91.8%	88.2%	99.1%	97.4%	95.0%	92.2%
	1997	98.2%	95.1%	91.7%	88.2%	99.2%	97.6%	95.4%	91.2%
	1998	98.3%	95.5%	91.8%	87.6%	99.0%	97.2%	94.2%	92.0%
	1999	98.7%	95.6%	91.4%	87.8%	99.2%	97.3%	95.3%	92.7%
	2000	98.5%	95.2%	91.7%	86.5%	98.8%	97.6%	94.8%	92.2%
	2001	98.6%	95.6%	91.7%	84.1%	99.0%	97.7%	94.4%	88.5%
	2002	98.4%	95.5%	90.2%	84.1%	98.9%	96.2%	90.2%	84.2%
	2003	98.4%	95.3%	90.7%		97.8%	95.5%	91.7%	
	2004	98.4%	94.2%			98.6%	96.2%		
	2005	97.9%				97.9%			
Pensions (incl. Other Pensions)	1993	99.5%	99.0%	98.2%	97.1%	99.0%	97.7%	96.3%	94.6%
	1994	99.3%	98.7%	97.5%	96.1%	98.7%	97.1%	95.0%	92.6%
	1995	99.2%	98.2%	96.7%	94.2%	98.3%	96.5%	94.1%	91.9%
	1996	99.2%	98.0%	95.9%	94.1%	98.2%	96.2%	94.4%	91.4%
	1997	99.0%	96.6%	94.9%	93.0%	98.4%	96.1%	93.1%	90.7%
	1998	98.7%	97.1%	95.3%	92.1%	98.2%	96.1%	93.7%	91.8%
	1999	97.9%	96.2%	93.1%	89.2%	98.0%	96.1%	93.8%	90.6%
	2000	98.1%	96.0%	93.2%	91.5%	98.1%	95.9%	91.5%	88.7%
	2001	98.3%	96.2%	93.5%	91.0%	98.0%	95.0%	91.8%	87.6%
	2002	97.7%	96.0%	94.0%	89.7%	96.7%	94.0%	91.5%	82.3%
	2003	98.0%	96.1%	91.6%		96.9%	94.7%	91.0%	
	2004	98.2%	95.1%			97.0%	93.9%		
	2005	98.2%				97.6%			

Notes

- 1 Insufficient policies were reported in other categories to show meaningful results. In particular this applies to endowment policies.
- 2 The last figures in each column show the figures supplied by firms this year. Some of the other information in the tables has changed from that shown last year owing to firms revising their figures.

Policies lapsing in each year

	Regular Premium	Single Premium
Policies started in 1998		
Lapse 0-12	9.6%	1.3%
Lapse 12-24	8.2%	2.1%
Lapse 24-36	8.4%	3.3%
Lapse 36-48	7.1%	2.7%
In force at 48	66.7%	90.6%
Policies started in 1999		
Lapse 0-12	9.8%	1.1%
Lapse 12-24	9.5%	2.3%
Lapse 24-36	8.5%	2.8%
Lapse 36-48	8.0%	3.2%
In force at 48	64.2%	90.6%
Policies started in 2000		
Lapse 0-12	11.6%	1.3%
Lapse 12-24	9.9%	2.2%
Lapse 24-36	8.3%	3.3%
Lapse 36-48	8.1%	3.8%
In force at 48	62.1%	89.4%
Policies started in 2001		
Lapse 0-12	12.2%	1.3%
Lapse 12-24	9.7%	2.3%
Lapse 24-36	10.3%	3.5%
Lapse 36-48	7.7%	5.9%
In Force at 48	60.1%	87.0%
Policies started in 2002		
Lapse 0-12	11.5%	1.7%
Lapse 12-24	10.8%	3.0%
Lapse 24-36	9.6%	6.1%
Lapse 36-48	6.7%	5.3%
In Force at 48	61.4%	83.9%
Policies started in 2003		
Lapse 0-12	12.6%	2.5%
Lapse 12-24	11.0%	2.5%
Lapse 24-36	8.1%	4.0%
In Force at 36	68.3%	91.0%
Policies started in 2004		
Lapse 0-12	13.0%	1.9%
Lapse 12-24	10.3%	3.4%
In Force at 24	76.7%	94.7%
Policies started in 2005		
Lapse 0-12	12.7%	2.4%
In force at 12	87.3%	97.6%

Regular premium policies lapsing each year – by sales channel

	Company Representative	Independent Financial Advisers	Direct Offer
Policies started in 1998			
Lapse 0-12	10.1%	8.2%	7.5%
Lapse 12-24	8.8%	8.9%	4.5%
Lapse 24-36	9.1%	8.5%	4.6%
Lapse 36-48	9.0%	8.1%	3.5%
In force at 48	63.0%	66.3%	79.9%
Policies started in 1999			
Lapse 0-12	10.6%	8.5%	7.7%
Lapse 12-24	10.4%	10.4%	5.3%
Lapse 24-36	10.5%	9.6%	4.2%
Lapse 36-48	10.2%	7.7%	4.8%
In force at 48	58.3%	63.8%	78.0%
Policies started in 2000			
Lapse 0-12	12.1%	12.1%	8.7%
Lapse 12-24	11.7%	12.1%	4.8%
Lapse 24-36	11.4%	9.2%	4.8%
Lapse 36-48	8.7%	9.9%	3.5%
In Force at 48 Months	56.1%	56.7%	78.2%
Policies started in 2001			
Lapse 0-12	13.1%	13.4%	8.7%
Lapse 12-24	12.7%	10.1%	5.5%
Lapse 24 - 36	10.7%	12.7%	4.1%
Lapse 36 - 48	8.5%	9.0%	5.1%
In force at 48	55.0%	54.8%	76.3%
Policies started in 2002			
Lapse 0-12	12.3%	11.9%	9.9%
Lapse 12 - 24	10.0%	13.9%	6.4%
Lapse 24 - 36	13.2%	10.2%	5.7%
Lapse 36 - 48	7.6%	8.3%	3.5%
In force at 48 months	56.9%	55.7%	74.5%
Policies started in 2003			
Lapse 0 - 12	11.5%	14.0%	12.1%
Lapse 12 - 24	14.8%	11.2%	7.6%
Lapse 24 - 36	8.9%	10.7%	4.7%
In force at 36 months	64.8%	64.1%	75.6%

Policies started in 2004			
Lapse 0 - 12	11.7%	15.1%	10.7%
Lapse 12 - 24	11.2%	12.7%	6.2%
In force at 24 months	77.1%	72.2%	83.1%
Policies started in 2005			
Lapse 0 - 12	11.5%	14.4%	10.4%
In force at 12 months	88.5%	85.6%	89.6%

Notes

- 1 For single premium business, there is little difference between the persistency rates for the company representative and IFA sales channels that are responsible for the bulk of this business.
- 2 The mix of business written through each sales channel is different. A direct comparison between the persistency rates for each sales channel may therefore be inappropriate.

Mortgage endowment policies

Mortgage endowment persistency

	Company representatives	Independent Financial Advisers
Policies started in...	Factor	Factor
2004		
After 12 months	87.3%	88.8%
After 24 months	79.1%	74.8%
2003		
After 12 months	89.4%	90.8%
After 24 months	78.9%	75.7%
After 36 months	69.6%	61.6%
2002		
After 12 months	87.8%	90.4%
After 24 Months	75.0%	78.0%
After 36 months	59.9%	62.5%
After 48 months	53.4%	52.3%
2001		
After 12 months	88.6%	92.2%
After 24 months	70.0%	80.1%
After 36 months	58.5%	66.9%
After 48 months	43.7%	54.4%
2000		
After 12 months	91.4%	93.9%
After 24 months	79.4%	84.5%
After 36 months	65.5%	72.0%
After 48 months	51.8%	60.8%
1999		
After 12 months	91.6%	95.9%
After 24 months	81.9%	88.7%
After 36 months	70.1%	80.2%
After 48 months	56.8%	67.4%
1998		
After 24 months	85.7%	90.4%
After 36 months	75.7%	83.5%
After 48 months	65.3%	74.9%
1997		
After 36 months	80.4%	85.2%
After 48 months	71.4%	78.7%

Notes

- 1 We started collecting data on mortgage endowment policies for the first time in 2001. These figures are a sub-set of the total endowment persistency shown earlier.
- 2 Insufficient mortgage endowment policies were reported in 2005 to show meaningful results.

Stakeholder pensions

Stakeholder pensions were introduced on 6 April 2001. This table shows the persistency for policies which commenced since that date.

	2001 1-year personal pension Persistency factor	2001 2-year personal pension Persistency factor	2001 3-year personal pension Persistency factor	2001 4-year personal pension Persistency factor
Regular premium				
Company representatives	85.2%	74.0%	66.4%	60.2%
Independent Financial Advisers	88.0%	77.3%	66.4%	58.5%
Direct Offer Adverts	75.4%	57.8%	46.1%	38.0%
Other	81.2%	79.1%	58.5%	64.7%
Single premium				
Company representatives	98.6%	98.2%	95.9%	93.9%
Independent Financial Advisers	98.6%	96.1%	92.8%	88.2%
Direct Offer Adverts	99.4%	97.9%	95.2%	90.9%
Other	99.3%	95.9%	96.3%	95.6%

	2002 1-year personal pension Persistency factor	2002 2-year personal pension Persistency factor	2002 3-year personal pension Persistency factor	2002 4-year personal pension Persistency factor
Regular premium				
Company representatives	82.4%	72.1%	65.1%	62.3%
Independent Financial Advisers	89.1%	75.7%	66.7%	65.8%
Direct Offer Adverts	64.9%	56.1%	42.9%	31.6%
Other	92.0%	76.8%	70.2%	65.0%
Single premium				
Company representatives	98.8%	97.0%	94.5%	92.1%
Independent Financial Advisers	97.7%	96.2%	94.1%	90.6%
Direct Offer Adverts	96.9%	94.3%	91.9%	91.3%
Other	98.3%	97.7%	96.8%	94.7%

	2003 1-year personal pension Persistency factor	2003 2-year personal pension Persistency factor	2003 3-year personal pension Persistency factor
Regular premium			
Company representatives	82.4%	76.1%	74.3%
Independent Financial Advisers	86.3%	75.7%	73.1%
Direct Offer Adverts	63.1%	43.4%	41.5%
Other	84.6%	71.6%	68.6%
Single premium			
Company representatives	98.4%	96.2%	95.5%
Independent Financial Advisers	97.6%	94.8%	94.2%
Direct Offer Adverts	95.9%	90.8%	96.2%
Other	98.0%	97.2%	95.0%

	2004 1-year personal pension Persistency factor	2004 2-year personal pension Persistency factor
Regular premium		
Company representatives	83.5%	74.1%
Independent Financial Advisers	84.9%	73.9%
Direct Offer Adverts	58.8%	41.3%
Other	77.0%	68.7%
Single premium		
Company representatives	97.6%	95.6%
Independent Financial Advisers	97.7%	94.3%
Direct Offer Adverts	97.9%	96.0%
Other	97.0%	95.1%

	2005 1-year personal pension Persistency factor
Regular premium	
Company representatives	84.0%
Independent Financial Advisers	85.6%
Direct Offer Adverts	60.7%
Other	67.4%
Single premium	
Company representatives	98.4%
Independent Financial Advisers	96.6%
Direct Offer Adverts	92.9%
Other	96.4%

Note

Revised version 9 November 2007.

Group personal pensions

Comparison of group personal pension and individual pension persistency

Policies started in...	Company Representatives			Independent Financial Advisers		
	Group Persistency Factor	Individual Persistency Factor	% of Group Business	Group Persistency Factor	Individual Persistency Factor	% of Group Business
2005						
After 12 months	80.7%	84.1%	52%	81.1%	82.4%	81%
2004						
After 12 months	78.3%	85.6%	57%	79.0%	79.6%	81%
After 24 months	66.0%	72.6%	52%	63.3%	65.8%	82%
2003						
After 12 months	77.5%	79.3%	40%	79.3%	88.7%	80%
After 24 months	60.4%	63.1%	61%	63.1%	64.8%	85%
After 36 months	47.3%	60.5%	46%	50.6%	53.9%	81%
2002						
After 12 months	75.0%	87.0%	44%	81.1%	90.7%	73%
After 24 months	57.7%	68.8%	50%	63.5%	67.0%	76%
After 36 months	46.7%	59.6%	50%	49.2%	53.1%	77%
After 48 months	36.8%	49.6%	51%	40.0%	44.1%	78%
2001						
After 12 months	80.4%	87.1%	40%	83.1%	85.1%	66%
After 24 months	60.3%	76.6%	42%	67.5%	73.2%	81%
After 36 months	49.1%	70.3%	48%	53.8%	66.9%	79%
After 48 months	43.7%	54.3%	49%	44.5%	47.0%	79%
2000						
After 12 months	81.4%	85.3%	17%	81.8%	89.7%	74%
After 24 months	63.1%	75.2%	15%	65.1%	75.7%	72%
After 36 months	48.6%	66.9%	18%	52.9%	62.7%	69%
After 48 months	40.8%	61.2%	19%	43.1%	59.8%	71%
1999						
After 12 months	82.8%	85.0%	14%	85.4%	90.7%	66%
After 24 months	66.4%	72.7%	13%	69.0%	78.6%	66%
After 36 months	52.8%	63.6%	12%	55.3%	67.0%	64%
After 48 months	40.3%	54.8%	12%	46.0%	59.0%	59%
1998						
After 12 months	82.7%	85.5%	12%	86.0%	91.6%	59%
After 24 months	68.1%	74.3%	12%	72.3%	80.9%	60%
After 36 months	55.3%	65.1%	11%	59.8%	71.8%	59%
After 48 months	45.1%	58.1%	10%	48.1%	61.6%	57%
1997						
After 24 months	68.2%	74.3%	10%	75.8%	82.8%	62%
After 36 months	57.5%	64.7%	10%	66.5%	74.0%	62%
After 48 months	48.0%	58.2%	10%	56.9%	67.1%	63%

	1996						
After 36 months	54.7%	66.1%	8%	63.9%	74.7%	46%	
After 48 months	46.8%	58.2%	9%	55.1%	68.4%	46%	
	1995						
After 48 months	51.1%	59.2%	6%	58.6%	68.5%	39%	

Income drawdown persistency	Company Representative	Independent Financial Advisers
Policies started in 2005		
After 12 months	99.2%	92.6%
Policies started in 2004		
After 12 months	99.2%	91.8%
After 24 months	96.0%	87.5%
Policies started in 2003		
After 12 months	99.1%	89.0%
After 24 months	94.5%	87.4%
After 36 months	93.7%	83.7%
Policies started in 2002		
After 12 months	96.4%	97.7%
After 24 months	96.6%	88.1%
After 36 months	92.2%	87.0%
After 48 months	86.8%	82.4%
Policies started in 2001		
After 12 months	99.0%	98.5%
After 24 months	92.8%	96.1%
After 36 months	93.1%	93.4%
After 48 months	90.1%	88.3%
Policies started in 2000		
After 12 months	97.4%	98.8%
After 24 months	80.1%	97.3%
After 36 months	92.6%	94.7%
After 48 months	92.6%	91.0%
Policies started in 1999		
After 12 months	99.0%	98.5%
After 24 months	95.2%	97.4%
After 36 months	74.0%	94.9%
After 48 months	90.5%	91.9%
Policies started in 1998		
After 12 months	97.7%	97.6%
After 24 months	95.6%	96.2%
After 36 months	89.3%	94.8%
After 48 months	66.9%	91.3%
Policies started in 1997		
After 24 months	93.4%	96.1%
After 36 months	90.6%	94.1%
After 48 months	83.6%	90.5%

Policies started in 1996		
After 36 months	89.5%	94.6%
After 48 months	85.4%	89.9%
Policies started in 1995		
After 48 months	85.6%	92.8%

Note

The uneven pattern of persistency in some years is caused by changes in the firms' reporting data.

Insurance ISAs				
	Single premium business		Regular premium business	
	Company Representative	Direct Offer	Company Representative	Direct Offer
2005				
Persistency factor after 12 months	97.2%	97.0%	86.9%	91.6%
2004				
Persistency factor after 12 months	96.0%	96.5%	80.0%	85.7%
Persistency factor after 24 months	90.5%	92.0%	67.9%	77.1%
2003				
Persistency factor after 12 months	97.2%	96.8%	84.1%	85.9%
Persistency factor after 24 months	91.9%	89.5%	69.0%	60.7%
Persistency factor after 36 months	86.5%	84.0%	58.6%	42.8%
2002				
Persistency factor after 12 months	96.9%	98.4%	83.7%	89.0%
Persistency factor after 24 months	91.9%	93.2%	71.8%	76.2%
Persistency factor after 36 months	85.0%	86.6%	58.9%	53.1%
Persistency factor after 48 months	76.2%	79.6%	50.1%	39.6%
2001				
Persistency factor after 12 months	97.0%	97.4%	85.6%	88.3%
Persistency factor after 24 months	92.6%	93.5%	72.9%	78.0%
Persistency factor after 36 months	86.6%	87.5%	61.7%	69.7%
Persistency factor after 48 months	76.5%	79.6%	51.0%	53.3%
2000				
Persistency factor after 12 months	96.6%	97.8%	87.8%	84.1%
Persistency factor after 24 months	92.8%	95.4%	78.7%	75.0%
Persistency factor after 36 months	90.0%	92.5%	65.9%	67.9%
Persistency factor after 48 months	82.7%	86.4%	56.2%	60.1%
1999				
Persistency factor after 12 months	97.9%	96.7%	88.3%	84.6%
Persistency factor after 24 months	93.7%	94.7%	77.5%	75.1%
Persistency factor after 36 months	89.3%	89.9%	69.5%	62.7%
Persistency factor after 48 months	86.5%	85.2%	59.3%	52.7%

Note

Insufficient policies sold by Independent Financial Advisers were reported to show meaningful results.

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