FSA®

Financial Services Authority

Insurance Sector Briefing:

The regulation of closed with-profits funds

September 2004

Contents

Foreword

The closure of with-profits funds to new business has received much attention in recent months. Although closing to new business is not a new phenomenon, the number of funds closing and the size of the policyholder funds involved have both risen since 2000. In many cases these closures were a direct reaction to the sustained bear market in which began in early 2000. Although there have been no new closures so far in 2004, we cannot rule out further closures in years to come, particularly as with-profits firms adjust their business strategies to take account of the sharp fall in demand for the product and as some respond to the realities of their financial strength in the current economic environment.

Much has been written on the subject of closed funds. Concerns have been raised that policyholders in closed funds are trapped in an impossible position, with future benefits and payouts severely constrained by very conservative investment strategies. Market commentators also argue that this is compounded by the fact that policyholders who would like to leave the fund will be hit by excessively (or even fairly) large surrender penalties. There is also a perception that the FSA, as regulator of the sector, is unable to protect such policyholders.

It is undoubtedly right to put the spotlight on closed funds. However, it is clear that the position of policyholders in closed funds is much more complicated than first appears, making it extremely difficult, and in some respects misleading, to generalise. It may be perfectly rational for one type of policyholder in a closed fund to surrender his or her policy, and for another to continue to hold a policy to maturity. It is therefore essential that policyholders consider such decisions very carefully and take advice where necessary.

The purpose of this briefing is to set out some general considerations relating to closed funds and to explore some of the complexities and myths surrounding them. It therefore provides important background, including on how the FSA is discharging its regulatory responsibilities for this sector, to the decisions that individual policyholders in closed funds are having to take. The briefing also explains the FSA's stance towards the sale and restructuring of closed books of life business. Although to date there has been more talk about such sales than transactions, there are signs of this beginning to change. Our approach will have to keep pace with developments in this area of activity to ensure that policyholders remain protected. We are confident that we can do this in a way that does not inhibit developments in the market, particularly where such transactions offer benefits to existing policyholders.

David Strachan – Insurance Sector Leader

1. Overview

1.1 The issue of closed with-profits funds has been the subject of much attention of late from the media, political community, consumers and consumer groups, with many raising questions over the way in which policyholders in closed funds are treated.

1.2 Our high level principles for businesses require regulated firms to treat their customers fairly and pay due regard to customers' interests. Consumers across the financial services industry should expect to be treated fairly. This expectation is no different for policyholders in closed with-profits funds, despite the complex issues that may arise when a fund closes to new business.

1.3. This *Sector Briefing* focuses on how we currently regulate closed with-profits funds and, subject to any remaining consultation, forthcoming changes to the regime; it is not our intention to propose new rules here. The document also includes a chapter exploring some of the challenges for the industry in relation to closed with-profits funds and the regulatory implications of these challenges. The issues surrounding closed with-profits funds are a real area of focus for us and we hope that the senior management of with-profits firms, firms advising on with-profits policies, trade associations and market commentators find this a useful source of reference material. Consumers too may find some sections of interest.

Size of the market

1.4. In recent years there has been a significant increase in the number of with-profits funds that have closed to new business. 66 out of 110 with-profits funds are now closed. These 66 funds have £191bn of assets under management, which represents around a fifth of the long-term insurance savings market.

Definition of closed funds

1.5. It is not always clear what is meant by a fund being closed. Typically this term is used when a with-profits fund is no longer issuing new policies to customers. However, closed funds are likely to continue accepting further premiums on existing policies. For the purposes of this *Sector Briefing* the term 'closed fund' refers specifically to the with-profits business within a long-term life fund. Firms may, however, also write non-profit and/or unit-linked business, within the with-profits fund. And this may carry on even when the with-profits part of the fund has in fact closed. Other variants mean that it is not always apparent whether a with-profits fund has closed. To help provide greater clarity, we are consulting on a new definition of closure in CP04/14: Treating with-profits policyholders fairly. When

1 There is of course substantial amount of other business in closed funds and there are other issues involved that are not covered in this paper.

a fund reaches this point it will in future be required to notify policyholders of its closure and provide them with certain information. This is covered in more detail in Chapter 4.

Reasons for closure

1.6. Funds close to new business for many reasons. It is important to be clear that they do not necessarily close because they are financially weak; though of course that can be one reason why some do close. Indeed, a fund that closes because of financial weakness is likely to bring about an improvement in its financial position by doing so, by reducing the strain on the fund that would have been present from the associated costs had it continued to write new business. Other reasons for closure may include: changes in business strategy; moves away from capital intensive lines such as with-profits; viability of the fund in terms of size going forward; and changes in the economic and regulatory environment.

Performance of closed funds

1.7 Closed funds are often anecdotally associated with poor performance, but this is a misleading generalisation. Data from the FSA's annual maturity payout survey shows that while some closed funds have performed poorly, others perform well – in some cases even outperforming some of their open counterparts. Set against this though, the findings of the survey reflect the impact of the sustained bear market. Past performance is, of course, no guide to future performance and so it is important for policyholders and their advisers to look carefully at the individual circumstances of the policyholder, and the position of the fund, before making a decision on whether to stay in or leave a closed fund.

Current regulation of closed funds

Ongoing supervision

1.8. Closed funds can take many years to run-off. During that period, the fund will be subject to the same regulatory regime that applies to open funds. Key considerations for us include the continued fair treatment of policyholders and the financial security of the fund. Closed funds do, however, present a different range of regulatory issues to open funds. These are covered in more detail in Chapter 2.

Governance

1.9 A common theme that runs through all of the issues that arise in connection with closed funds (as for all firms we regulate) is the basic requirement for sound governance. Senior management responsibility is critical to this, and is something to which we pay particularly close attention. Where appropriate, if a closed fund – or an open one – has been mismanaged, available regulatory responses include enforcement action against the senior management of the firm.

Forthcoming changes in regulatory requirements

1.10 As part of our programme to ensure that firms treat their customers fairly, we have undertaken a review of the with-profits sector, and good progress is being made in delivering a modernised regulatory regime for with-profits business. One critical component of the reform programme – new requirements that will help ensure with-profits policyholders (i.e. in open and closed funds) are treated fairly – is still being finalised. In addition to the proposals that apply to all with-profits business, CP04/14: Treating with-profits policyholders fairly contains a number of requirements solely for closed funds.

Policyholder notification and run-off plans

1.11 The notification to policyholders should include, amongst other things, the reasons for closure, any proposed changes to the investment strategy, how the closure may affect policyholders; and options open to them and any cost implications.

1.12 We have also proposed that firms be required to submit a detailed run-off plan to us, describing the firm's strategy for managing the run-off of the fund and any associated risks. This must be submitted to us as soon as possible or, at the very latest, within three months of closure. The run-off plan must set out how the firm intends to ensure that there is a full and fair distribution of the closed fund and any inherited estate. These will be submitted to us on a private basis but key elements will be disclosed in firms' PPFM. (Principles and Practices of Financial Management).

Expenses charged

1.13 Charges made to a closed with-profits fund raise potential fairness issues. The principles surrounding the fairness of charges are broadly similar for both open and closed with-profits funds. Funds should only bear the costs incurred in their operation and it is the responsibility of senior management to set charges at a reasonable level. Inevitably though, differences arise in connection with operating costs. Charges made to a with-profits fund should fall once a fund closes to new business. Set against this though, there may be some additional costs involved in the closure itself. These issues are discussed in more detail in Chapter 3.

Principles and Practices of Financial Management (PPFM)

1.14 The introduction of published PPFMs in April 2004 has increased transparency in with-profits for both open and closed with-profits funds and reflect the firms' governance arrangements for the fund. We have also proposed that firms be required to produce a consumer-friendly version of the PPFM. The purpose of this document is to provide policyholders with more information to help them make informed decisions about their with-profits investments. We have proposed that these be sent to all existing policyholders and given to potential policyholders at the point of sale.

1.15 In addition to the introduction of PPFM and our proposals on consumer-friendly versions there is a range of other components of our reform package that seek to increase transparency in the with-profits sector. These are set out in more detail in Chapter 3.

Challenges for the industry

Treating customers fairly and management actions

1.16 FSA Principle 6 requires firms to treat customers fairly and have due regard to customers' interests. For both open and closed funds, fairness issues may arise when a firm decides to rely on contractual discretion to take management actions in response to changes in circumstances. Management actions are sometimes necessary and whether they are fair will depend on the circumstances in which the firm finds itself and the range of responses open to it. Fairness issues may be particularly acute for closed funds if the range of responses open to them is limited.

Sale or restructuring of closed funds

1.17 The sale or restructuring of whole books of closed with-profit business raises difficult issues around fairness to policyholders. The decision to sell is clearly a commercial one and to date there have been relatively few transactions, although there are recent signs that this may be changing. The FSA has a distinct role here in that any company wishing to buy and hence become a controller of an authorised firm must be approved against criteria set out in the Financial and Services Market Act 2000 (FSMA). Other regulatory considerations including, of course, the continued fair treatment of policyholders are discussed further in Chapter 5.

Dispelling some myths

1.18 Undoubtedly, there is a clear need for greater consumer understanding of the with-profits sector (and in particular closed funds), the delivery of which will only be achieved through a sustained effort from a range of stakeholders working in partnership. The current lack of understanding has, however, allowed a number of myths to emerge, which we seek to dispel at the end of this document.

2. Background and facts about closed funds

2.1 The growing number of closed funds has attracted increased attention of late – from the media and the political community and from consumers and consumer groups. Commentators have begun to raise questions about the position of consumers who have policies in these funds. Our high level principles for businesses require regulated firms to treat their customers fairly.[2] As such, consumers across the financial services industry expect fair treatment and this is no different for policyholders in closed funds.

2.2 The with-profits sector is complex and the issues that arise when these funds close are equally so. Some of the issues that arise in relation to closed funds do not have easy solutions. In the first instance firms' senior management have to strike the right balance of interests between different groups of policyholders and, where the firm has a proprietary structure, between policyholders and shareholders. This must be done within the constraints of the regulatory framework and be consistent with how the fund has been managed and what the firm has communicated to its policyholders. Policyholders too may have to confront some hard choices, for example should they cash in their policy incurring a surrender penalty or MVR[3] and potentially lose guarantees and options, or keep the policy to maturity.

2.3 This *Sector Briefing* explains how we currently regulate firms with closed with-profits funds and, subject to any remaining consultation, our forthcoming changes to the regime.[4] It does not contain or propose any new rules on closed funds. It includes a chapter exploring some of the challenges for the industry in relation to closed funds and the regulatory implications of these challenges. At the outset though, and as background to bring some of the issues discussed into context, we provide some detail on the size of the market and different types of closed funds, identify some of the reasons why funds close and provide some comparisons of performance with open funds.

2.4 The issues surrounding closed with-profits funds are a real area of focus for us and we expect this document to be of interest to a range of readers including the senior management of with-profits firms themselves, firms advising on with-profits policies, market commentators, trade associations and consumer bodies. Consumers too may find some sections of interest.

2 Principle 6: a firm must pay due regard to the interests of its customers and treat them fairly.

3 MVR stands for 'market value reduction' also known a 'market value adjuster' (MVA). This is a reduction in the value of a with-profits life insurance policy or pension arrangement which might apply when a policyholder cashes it in or transfer it to another provider before the end of its original term.

4 Proposals on *Treating with-profits policyholders fairly* are contained in CP 04/14. Proposals for the wider reform programme for with-profits business (including the introduction of PPFM) are contained in the Feedback Statement on the With-profits Review (May 2002) Changes to the Appointed Actuary regime are contained in PS 167 (June 2003).

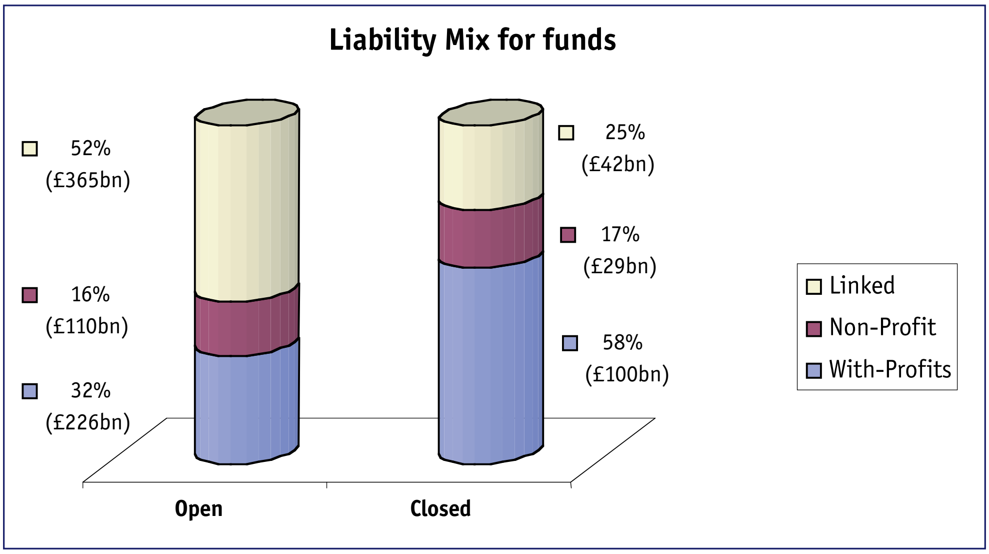
Size of the market

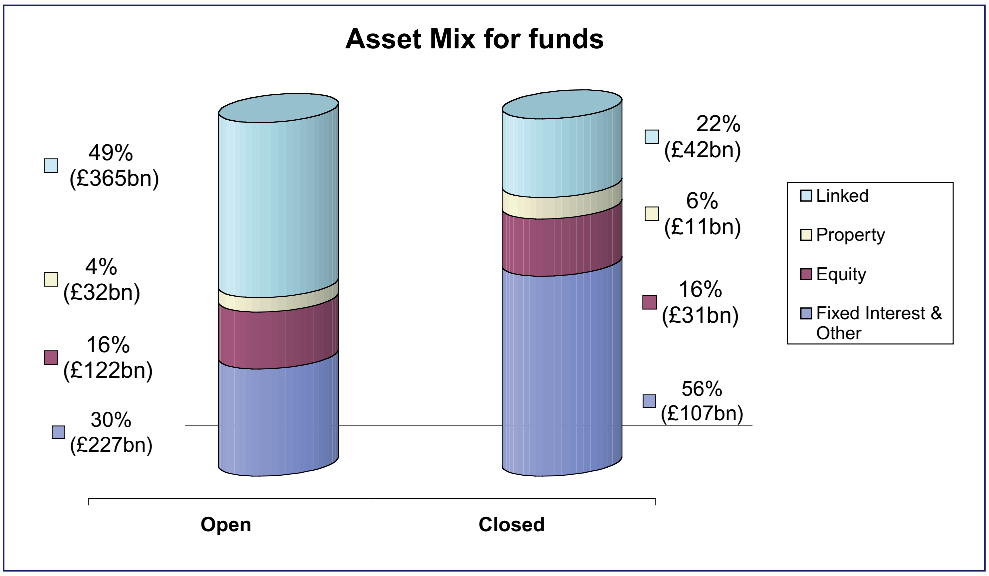
2.5 The number of with-profits funds that are closed to new business has increased over recent years. Out of 110 with-profits funds, 66 are now closed to new business.

2.6 Analysis of the annual public regulatory returns for year-end December 2003 shows that in terms of closed funds' assets under management, these 66 funds have £191bn invested in equities, fixed and managed or pooled investments, cash and property. To give a sense of scale, assets invested in the entire long-term insurance sector equate to £940bn. Around a fifth of the entire market is therefore invested in closed with-profits funds.

2.7 *Figure 1* below illustrates the breakdown of assets and liabilities in closed funds compared with open funds, as of 31 December 2003. This includes unit linked and non-profit as well as with-profits business.

Figure 1: closed funds, assets and liabilities mix





(Source: Regulatory returns, year end December 2003)

2.8 There has already been some consolidation in the industry, a trend that may continue over the coming period if firms continue to seek market-based solutions to address concerns over closed funds. This is discussed in more detail in Chapter 5.

Types of closed fund

2.9 When we talk about closed funds, we usually mean with-profits funds that are no longer issuing new policies to new customers. However, closed funds are likely to continue accepting further premiums on existing policies. Even if a fund closes firms must continue to honour the terms of the policies in force at the time of closure. The only new customers of these funds tend to be, for example, new staff of employers who have set up group occupational pension schemes. Insurance firms also continue to service the existing business in closed funds, for example by accepting further premiums on regular and recurrent single premium business. They also have to honour any terms under existing contracts to provide follow up policies; typically these require firms to convert personal pensions contracts into annuities, but there are other examples.

2.10 The term 'closed fund' tends to be used to refer specifically to the with-profits business that is carried on in a fund. However, firms may also conduct non-profit and/or unit-linked business, which is separate from the with-profits business in all practical senses, but is written within the with-profits fund. Even where the with-profits part of the fund has closed, the non-profit and/or unit linked business may have continued. Firms may also decide to close one with-profits fund but continue to write other with-profits business in a separate with-profits fund – this can happen as part of an insurance business transfer scheme under Part VII of the FSMA[5]. Similarly, another firm in the same group as the firm with the closed fund may continue to write new business into an open fund. As such, it may not always be immediately apparent to a policyholder whether a with-profits fund has closed.

2.11 To help reduce the ambiguity surrounding this in relation to the application of our rules, we are proposing a definition of a fund that is closing, as one that is "ceasing to effect new contracts of insurance in a with-profits fund". As set out in CP04/14, a firm will be taken to have ceased to effect new contracts of insurance in a with-profits fund:

i) when any decision by the governing body to cease to effect new contracts of insurance takes effect; or

ii) where no such decision is made, when the firm is no longer:

a) actively seeking to effect new contracts of insurance in that fund; or

b) effecting new contracts of insurance in that fund, except by increment.[6]

5 An insurance business transfer scheme is (a) a scheme, defined under section 105 of the Act, which is in summary: a scheme to transfer the whole or part of the business of an insurer (other than a friendly society) to another body; (b) a similar scheme to transfer the whole or part of the business carried on by one or more members of the Society or former underwriting members that meets the conditions of article 4 of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001 (SI 2001/3626).

6 COB 6.12.97R. This proposed rule has the following accompanying guidance: "A firm should contact the FSA to discuss whether it has, or should be taken to have, ceased to effect new contracts of insurance, for the purposes of COB 6.12.96R if: (1) COB 6.12.97R (2) may apply; it is no longer effecting a material volume of new with profit policies in a particular with-profit fund, other than by reinsurance; it is effecting only new reinsurance business in a particular with-profits fund; or it cedes by way of reinsurance most of the new with-profits policies it continues to effect." (COB 6. 12.99G)

Reasons for closure

2.12 It is important to be clear that with-profits funds do not necessarily close because they are financially weak. Indeed, it is clear that the financial strength of some closed funds might have been significantly worse had they remained open. That said, financial weakness can be the deciding factor for some funds, as has been evident in some recent closures. But there is a range of other reasons why with-profits funds close to new business.

2.13 For example, a firm may decide to close a fund because it is no longer feasible to write new business profitably, thereby taking a strategic decision to concentrate on other less capital-intensive new business. Another potential reason for closure is that the fund may simply be too small to be viable going forward. Similarly, a fund may close to allow a firm to demutualise or to pursue the distribution or re-attribution of an inherited estate. Changes in the economic environment may also influence the decision to close, for example increased competition or sustained falls in assets prices leading to financial weakness. We recognise, too, that the changes in regulation that we are making to address the shortcomings of the regime we inherited may be a contributory factor to the decision to close.

Performance of closed funds

2.14 Closed funds have often been characterised in the media as synonymous with poor performance. However, while some closed funds have undoubtedly performed poorly, there are a number of funds closed to new business that outperform their open counterparts and probably outperform the results that they would themselves have achieved, had they remained open. Set against this though, the performance of some closed funds clearly reflects the impact of a sustained bear market. And past performance is, of course, no guide to the future performance of the fund.

2.15 Every year we carry out a private survey of maturity payouts and surrender values for with-profit policies. Our latest survey examines the payouts at March 2004 for the 46 with-profits funds operated by the 37 so-called "realistic reporters"[7]. Collectively, these funds account for 98% of total with-profits liabilities in the UK. For the purpose of analysing payouts we have divided these into quartiles, i.e. where the top 25% fall into the first quartile and the bottom 25% are in the fourth quartile.

2.16 In order to compare the relative performance of closed funds with open ones, we have looked at the number of times that closed funds feature in the top and bottom quartiles for the sampled policies. In figure 2 below, we have divided the results into three groups, determined by how long the fund has been closed, and compared the results with those for open funds.

7 These are firms with with-profits funds with liabilities in excess of £500m which will be required to prepare annual returns on a realistic basis when our new prudential rules come into force at the end of 2004.

Figure 2: relative performance of open and closed funds

	Open	Closed (up to 1 year ago)	Closed (between 1 and 5 years ago)	Closed (over 5 years ago)
No. of funds	**22**	**12**	**5**	**7**
% in 1st quartile	33	12	16	25
% in 4th quartile	15	38	35	46

(Source: FSA annual with-profits payout survey)

2.17 The data from the survey show that while some closed funds have made lower payouts than open ones, there are others that have performed well. At first sight, it would appear that the position gets more extreme over time, but there is not enough data available to make this a reliable conclusion. On the one hand, funds may close because they are weak, and this will limit their investment freedom which will, in turn, affect their investment performance. On the other hand, some funds close from a position of strength, for example as part of a demutualisation process. In such cases investment freedom can be maintained and surplus assets will be allocated to policyholders as the remaining business is run-off and any estate distributed. But to the extent the poor performance argument stands up, the evidence suggests that poor performance is a reason for closure, not a result of it.

2.18 As such, there are grounds to support the view that being in a closed fund is not necessarily detrimental from a policyholder's perspective as not all closed funds produce poor payouts. Nevertheless, it is essential that policyholders are aware of the likely implications of closure in terms of, for example, investment strategy, ability to smooth, surrenders (including MVRs) and variations in charges deducted. This underlines why advisers need to look carefully at the individual circumstances of policyholders and the position of the particular fund before advising their clients to stay in or leave a closed fund. Any changes in a firm's approach as a result of closure must be set out clearly in the firm's publicly available Principles and Practices of Financial Management (PPFM). The requirement for with-profits firms to publish a PPFM is discussed in more detail in the next chapter.

3. The regulation of closed funds

FSA expectations

3.1 The commercial decision on whether a fund should close to new business is properly the decision for the board and senior management of the firm involved. Prior to the decision being taken, the FSA expects the firm's senior management to have taken appropriate advice on the implications for policyholders and to notify us of their plans in compliance with the requirements in the Supervision manual.

3.2 The appropriate time to notify the FSA depends on the circumstances of the fund concerned. This must, however, be within 28 days of the decision to close.[8] Generally speaking though, the higher the impact of the fund (in terms of, for example, numbers of policyholders, types of policies, and value of with-profits liabilities) the earlier we expect to be told. Firms should also be prepared to tell us what issues they have taken into account before making the decision to close the fund.

Ongoing supervision

3.3 Closed funds may take many years to run-off. In terms of ongoing supervision, key considerations for us include whether policyholders continue to be treated fairly and the financial security of the fund. Implicit in this is an ongoing regulatory interest in ensuring that the fund continues to be operated in a sound and prudent manner.

3.4 Although the rules are the same for open funds, the action we may take might be quite different for a closed fund. The rest of this chapter sets out some of the more common issues. The exact way an issue is handled will depend on the particular circumstances of the case and the risk profile of the firm concerned.

Reason for closure

3.5 As described in the previous chapter there are many reasons why funds close. Understanding the rationale, and how a firm's management plans to operate the fund after closure, is critical to effective supervision. As such, we now require all firms to provide a detailed plan for the run-off of the fund, which should include the firm's own assessment of the benefits and risks to policyholders. The plan should also reflect appropriate advice including from the firm's actuarial advisers.

3.6 If the fund has been closed because of a structural re-organisation that is subject to court approval, such as on demutualisation, the fund is likely to be subject to specific court-sanctioned arrangements concerning its future management.

8 SUP 2.5.1R and SUP 2.5.2G

3.7 The resources that we devote to the supervision of a closed fund will depend on its risk profile and the risks posed to our statutory objectives. This is exactly the same basis that we use to allocate supervision resource across the whole population of regulated firms. Because we target our resources in this way, lower impact firms will not be subject to the same degree of focus. This does not mean, however, that lower standards of management are acceptable.

Governance

3.8 A common theme that runs through all of the issues that arise in connection with closed funds is the basic requirement for sound governance. Senior management responsibility is critical to this, and as such is something to which we pay particularly close attention. We have recently issued additional guidance on governance arrangements for with-profits business.[9]

3.9 Where we have reason to believe that senior management responsibility is not being exercised properly, for example, in relation to the interests of policyholders, we take appropriate regulatory action. The nature of this intervention will vary according to the issue, the size of the fund and the actual or potential detriment to policyholders. Regulatory tools available to us range from restrictions on the permissions of the firm through to disciplinary action against individuals involved themselves.[10]

Management skills and experience

3.10 Closure of a fund often sees changes in the personnel responsible for running the fund for various reasons. Our rules require that the management team running the firm (and so the fund) have the appropriate collective and individual skills and experience.

Outsourcing investment management

3.11 We have no objections to the investment management of a fund being outsourced. However, we expect firms to have service level agreements in place to monitor the performance of any outsource partner, including investment performance. This can be a solution to the problem of attracting skilled fund managers to work on a closed fund. The basic principle that the firm remains wholly responsible for the fund does, of course, still apply.

3.12 Where outsourcing is to another company in the same group we need to be satisfied that the basis of charging for the service is fair to policyholders in the closed fund as well as to policyholders of the other funds. Firms are also expected to show us that they have adequate arrangements to deal with a scenario whereby the outsourced service can no longer be provided for any reason.

9 Conduct of Business Sourcebook, rule 6.11.4G: Governance arrangements for with-profits business.

10 We recognise however, the limited sanction that a restriction on permission provides for closed funds.

Systems & Controls

3.13 The importance of robust systems and controls is a point that we emphasise in relation to all financial services business. In a closed fund there are, however, particular issues. For example, firms should be able to demonstrate that they have documentation on what can often be old processes or systems. They should also be able to demonstrate that they are able to continue to support what may be out of date systems or have a strategy in place to migrate to new platforms. Firms must also ensure that their control framework is robust and that there are clear reporting lines and separation of duties. Where appropriate, funds should have separate control functions in place, such as risk, compliance and internal audit, to ensure processes are adhered to and monitored.

Policyholders – means of communication

Principles & Practices of Financial Management (PPFM)

3.14 It is widely recognised that management's exercise of discretion in with-profits funds has often been less than transparent. To address this, our With-profits Review, which began in 2001, recommended a comprehensive package of reforms to provide greater clarity on the operation of with-profits funds. Consultation on some aspects of our reform programme is still under way; these issues are discussed in more detail in the next chapter. However, one particular proposal from the With-profits Review that has already been implemented was the introduction in April 2004 of a requirement for all firms undertaking with-profits business to produce a PPFM document. These publicly available documents capture the way in which a firm has used, and expects to use, its discretion in running its with-profits business, and must cover areas such as amounts payable under a with-profits policy; investment strategy; business risk; and charges and expenses.

3.15 The requirement to produce a PPFM was driven by a desire to see greater transparency and better governance arrangements in the with-profits sector.[11] With-profits funds that are closed to new business must operate according to their published PPFM and report to policyholders on their compliance with it. Any fundamental changes to the PPFM as a result of closure should be discussed with us before they are made.

Keeping policyholders informed

3.16 There are currently no specific rules on how policyholders should be kept informed of how the fund is going to be managed on and after closure. In the next chapter we set out details of proposed new requirements in this area. However, where a large fund is being considered for closure we expect to be told how the firm intends to communicate the news to policyholders. Information for policyholders should be conveyed in plain language and should communicate the key issues. It should cover, for example, factors that the policyholders should consider before they make any decisions about what to do with their policy, and where they can go for further information.

11 A secondary aim was for the PPFM to be used by market analysts, IFAs and sophisticated investors to help them understand how a particular fund is run and decide whether to invest in it.

Customer service

3.17 The standard of service to customers is again an issue for both open and closed funds. Firms must ensure that in meeting the Threshold Conditions for authorisation and our Principles for businesses they have adequate resources to carry on their business. Servicing their customers' needs is a key element of this. Where we find evidence of control failings in customer facing areas, such as complaints handling, we may, where appropriate, take regulatory or enforcement action against those firms.

Closed fund management

Financial strength

3.18 As discussed in the previous chapter, closure does not necessarily diminish a fund's financial strength, and in comparison both with their open peers and the alternative of having themselves remained open, some have performed well. Nevertheless, plans for the future financial management of a closed fund are typically scrutinised closely, and in some cases require third party verification (e.g. by use of the firm's external auditors or by way a of a skilled person review under FSMA, s.166) of the viability of such plans.

3.19 Where closed funds are part of a group that has other closed or open funds in it, there are also potentially issues of cross subsidy between funds. These might arise where the funds have common management teams or where there are intra-group agreements between funds. In such cases, we pay particularly close attention to the impact on each group of policyholders, and the payments made to other companies in the group to ensure they are fair and reasonable.

(Groups only) Support from/to other parts of a group

3.20 Where closed funds exist within groups that also have open funds, some form of support might be provided, say by reinsurance, from the open fund. While this may in some situations be beneficial to policyholders in the closed fund, we will consider the actual or potential impact on returns to policyholders of the open fund, and intervene as necessary.

How firms exercise discretion over investment strategy

3.21 Many with-profits contracts allow firms a degree of discretion over investment strategy. When a fund closes to new business it is likely that the investment strategy will change. For example, as a fund moves towards maturity it will tend to move into fixed income assets to match its liabilities. If a fund has closed because it is financially weak, then it may also invest in lower risk assets to protect the position of the fund and its policyholders.

3.22 Any change in investment strategy is evaluated the same way as other potential management actions - in order to determine, amongst other things, whether, in the actual circumstances in which it finds itself, the firm is properly meeting its regulatory obligations. These include the obligation to treat customers fairly and have due regard to their interests. As with all management actions, we will want to see the rationale for and the result of those actions communicated to policyholders and other stakeholders in a clear and fair way.

With-profits bonuses

3.23 Bonuses are an area where firms are likely to have a degree of discretion and issues of fairness to policyholders are particularly likely to arise. For example, there may be a tension between the financial security of the fund (which would point to retaining the maximum amount of capital within the fund for as long as possible) and the need to distribute the inherited estate (if any) to all policyholders fairly over the run-off period, including by avoiding an unjustified windfall to the last policyholders in the fund at the expense of policyholders that left earlier. Consequently, we expect to have detailed discussions on this issue with the firm at an early stage of a fund's run-off. The major risks from a regulatory perspective are in the recently closed high impact funds. Here, we expect to see as a minimum a Financial Condition Report for the fund and, where the issue is particularly acute, any relevant external consultancy reports on the management of the fund.

3.24 Some with-profits funds that are closed to new business have sizeable estates (in proportion to the whole fund). The estate comprises of assets that are surplus to the assets required to meet the firm's obligations to policyholders in full as they fall due. As the fund runs-off, the use and possible distribution of the estate is likely to become an increasingly relevant issue.

The impact of expenses charged

3.25 As closed funds have a declining amount of money invested in them, any fixed costs will over time have an increasingly adverse impact on policyholders' returns. We keep the management expenses of running a closed fund under close review and expect the firm's senior management to do the same. Major initiatives such as the proposed development of a new IT system for fund administration need to be discussed with us if the cost is to be met from the fund. Our interest will increase the more potential there is for the cost to affect the amount of money available for distribution to with-profits policies, or to reduce the financial security for policyholders.

Liability valuations

3.26 We also expect firms to show us that they have an appropriate model in place to forecast the level of their remaining liabilities to policyholders as accurately as possible. We are likely to discuss the methodology used, including the key assumptions made and the parameters used in the model as this may have implications for the future capital requirements of the firm.

4. Forthcoming changes in regulatory requirements

4.1 The previous chapter outlined how closed funds are currently supervised, emphasising the central importance of senior management responsibility.

4.2 To address increasing concerns about the complexity and opacity of with-profits business and lack of consumer understanding of the risks involved, we announced in 2001 a review of with-profits business. The findings of this review pointed up the key changes that were required to deliver a modernised regulatory regime for with-profits business.[12]

4.3 The steps we are taking as a result of these findings form part of our programme of work to ensure that firms treat their customers fairly. The FSA is making good progress in delivering the reform package for the with-profits sector, with some recommendations now already in place – for example, the requirement for firms to produce a PPFM (as described in the previous chapter). Others are due to be implemented by the end of 2004, such as the replacement of the Appointed Actuary regime. One critical component of the reform programme is, however, still to be finalised. These are our proposals for new requirements that will help ensure with-profits policyholders are treated fairly. This chapter explores the aspects of this latest set of proposals that relate to closed funds, as well as other relevant reforms that impact on with-profits funds that have closed to new business.

CP04/14 – Treating with-profits policyholders fairly

4.4 Our proposals for new regulatory requirements that will help ensure with-profits policyholders are treated fairly apply to all with-profit funds, be they open or closed and are set out in our consultation paper CP04/14, *Treating with-profits policyholders fairly*.[13] In addition to the proposals that apply to all with-profits business, there are a number of requirements solely for closed funds.

4.5 Details of our proposals are described below. Subject to the results of the consultation (the closing date for which is 15 November 2004), the proposed requirements in CP04/14 are expected to come into force in mid-2005.

Notification to policyholders on fund closure

4.6 One of our particular concerns in relation to closed funds is the considerable inconsistency over information that policyholders currently receive from their product provider when a fund closes to new business. To address this, we are proposing that firms be required to inform both us and their with-profits policyholders within 28 days of closing a fund.

12 The Feedback Statement on the With-Profits Review was published in May 2002.

13 Published in August 2004, this consultation paper sets out revised proposals on treating with-profits policyholders fairly, taking into account comments received following our earlier consultation on this topic in CP207 (December 2003).

4.7 We are proposing that information distributed to policyholders should explain the following:

- the reasons for closing to new business;
- any proposed changes to investment strategy for the fund;
- how closure may affect with-profits policyholders, including any reasonably foreseeable effects on their future bonus prospects;
- the options available to with-profits policyholders and the cost implications associated with the exercise of each of these options; and
- any other material factors that a policyholder may reasonably need to be aware of before deciding how to respond to this information.

4.8 If the firm is unable to provide this information (for example because it may need to finish preparing its run-off plan first), it should explain what is missing and provide an estimate of when it expects to be able to supply this.

Run-off plans

4.9 As a result of the different and/or additional risks that arise when a with-profits fund closes to new business, we propose to require firms to submit a run-off plan to us, describing the firm's strategy for managing the run-off of the fund and the risks associated with fund closure. This must be submitted to us as soon as possible or, at the very latest, within three months of closure. Run-off plans will contain detailed information of a confidential nature and will therefore be submitted to the FSA on a private basis, but we expect that some elements of the plan will be reflected in the firm's PPFM.

4.10. We are also proposing that the run-off plan must set out how the firm intends to ensure that there is a full and fair distribution of the closed fund and any inherited estate. It must be approved by the firm's governing body and should:

- identify and explain any material differences between the run-off plan and the PPFM;
- identify and explain any actual or potential changes to maturity or surrender payout target ranges (to be introduced as part of other proposals in CP 04/14) and smoothing policy;
- explain any changes to the investment strategy for the fund, for example any proposal to reduce equity and property holdings in favour of bonds as a consequence of closure;
- explain how the firm anticipates that capital will become available for distribution to policyholders;
- explain how the costs charged to the fund may change;
- set out any new deductions to be made from surrender payments, together with an explanation of how such new deductions are consistent with FSA Principle 6 (Customers' interests); and
- explain how any additional operational risks that might result from closure are to be addressed, e.g. firms may decide to outsource certain functions that were previously carried out in-house following the closure of a fund.

4.11 These run-off plans will contain financial information as well as descriptions of future strategy. We will use them to check how the firm proposes to manage the run-off; how it will cope with the additional risks presented by a declining asset portfolio; how it will distribute any inherited estate; and whether a solvent run-off will be achieved.

Expenses charged

4.12 As discussed in the previous chapter, the charges made to with-profits funds can be one area that leads to, or results in, potential fairness issues. In CP04/14 we are proposing that a firm must not charge costs to a with-profits fund unless, in the reasonable opinion of the firm's senior management, the firm has incurred (or will incur) those costs in the operation of the with-profits fund. This applies to both open and closed funds and includes a fair share of overheads.[14]

4.13 There is a further proposal in CP04/14 that applies only to closed funds. This is guidance that firms should find a way of bringing forward the expected future surplus on non-profit business in a closed with-profits fund so that it can be distributed to the with-profits policies that have supported the writing of that business. Our intention here is to prevent a firm using the capital in the with-profits fund to write non-profit business whose surplus is designed to emerge once the with-profits business has run-off entirely, at a point when only the shareholders can benefit.

4.14 Although the basic principles surrounding the fairness of charges are broadly similar for open and closed with-profits funds, inevitably one key difference arises in relation to operating costs. Other things being equal, we would expect investment management charges and transaction costs to fall, given the closer matching of assets and liabilities. Similarly, lower acquisition costs in respect of new business should reduce the level of charges.

4.15. However, the closure of a fund may actually entail additional costs. For example, redundancy payments to members of the sales force and one-off costs of operational changes to facilitate long-term efficiency costs savings. As the fund nears maturity, there may also be an issue of costs expressed as a percentage of assets as the number of policies over which to spread fixed costs reduces.[15] Further, if the closed with-profits fund represents a significant part (or the whole) of a firm's business, then the proportion of fixed overhead costs apportioned to it may need to rise if the size of the fund diminishes more quickly than the rate at which overheads can be scaled down.

4.16 It is therefore difficult to say conclusively whether the charges made to a closed fund should be lower or higher than those made to an open one, as this is likely to vary depending on the circumstances of each case.

14 In the case of mutuals the allocation of all expenses will have to be distributed across its with-profits fund(s), but firms should ensure that the application of these charges is fair

15 To mitigate these costs, firms may outsource key functions, such as fund management. They may also consider the sale or restructure the fund.

Surrenders (including MVRs)

4.17 We are also consulting on some rules on determining surrender values, which are intended to promote fair treatment for policyholders who, for whatever reason (including the implications of fund closure), choose to terminate their policies early. Firms would be required to limit any surrender deductions to those needed to avoid detriment to the interests of those policyholders who choose to remain in the fund. Any deductions described as market value reductions (MVRs) would be specifically limited to amounts necessary to protect the fund against the risk of policyholders leaving with more than their fair share of its assets.

Better disclosure and other relevant reforms

PPFMs

4.18 As noted in the previous chapter, the introduction of PPFMs has increased transparency in with-profits for both open and closed funds and should also strengthen their governance arrangements. In addition, we are also proposing that firms should produce a consumer-friendly version of their PPFM.[16] The purpose of this document is to provide policyholders with more information to help them make informed decisions about their with-profits investments. CFPPFMs should include the most important information from each of the areas in the full PPFM and be written in clear and plain language so that they can be easily understood by policyholders. We are proposing that these documents be provided to all existing with-profits policyholders and to potential policyholders at the point of sale. We will also be raising awareness of PPFMs and the forthcoming CFPPFMs amongst the IFA community to help ensure that advisers appreciate the importance of these documents, have access to them and understand their content when advising potential policyholders.

4.19 In addition to the introduction of PPFM and the consumer-friendly versions, there are a range of other components of our reform package, all of which seeks to increase transparency and improve information provided to consumers. All of the following are applicable to all with-profits funds, be they open or closed.

- Policy Statement 04/16: Integrated Prudential Sourcebook for insurers contains our revised, more sophisticated capital and provisioning rules and guidance for insurers, which will come into force at the end of December 2004. For with-profits business this introduces the Enhanced Capital Requirement (ECR) for those with-profits funds with liabilities in excess of £500m and the Individual Capital Adequacy Standards (ICAS) which requires all life firms to self assess the amount of capital required for their business (both with-profits and non-profits);
- the requirement for with-profits firms to report to with-profits policyholders on whether they have complied with their PPFM obligations (from the end of 2004);

16 Proposals for consumer-friendly PPFMs are also contained in CP04/14.

- the requirement for the new with-profits actuary to report publicly on whether in his/her opinion the firm's report to policyholders can be viewed as having taken policyholders' interests into account in a reasonable and proportionate way (from the end of 2005 – one year after the new actuarial functions have been introduced);
- guidance on governance standards for with-profits business to underpin the new reporting requirements to policyholders. This includes the desirability of an element of independent judgement over the assessment of a firm's compliance with PPFM and how it has handled any conflicts of interest between different groups of policyholders and also shareholders, where applicable;
- work on enhanced disclosure at and post point of sale. This work includes the replacement of the Key Features document with Key Facts, which should improve clarity and transparency at the point of sale. We aim to publish the next CP on disclosure in the first half of 2005;
- greater transparency over the financial strength of with-profits firms with the introduction of realistic reporting; and
- new requirements for firms to disclose maturity payouts and surrender values for specimen policies, together with amounts of terminal bonuses and market value adjustments included in, or subtracted from, these payouts in place of the current requirement to disclose just the terminal bonus rates.[17]

17 CP202: *Insurance Regulatory Reporting; changes to the publicly available annual return for insurers* (September 2003). We have proposed that firms disclose this information as at 1 January each year and that this be included in the Valuation Report within the annual return. The new requirements are scheduled to come into force for financial year ends from 31 December 2005.

5. Challenges for the industry

5.1 The previous chapters have focused on how we supervise closed with-profits funds at present and the proposed forthcoming changes in regulatory requirements. This chapter takes a broader view in looking at some of the wider industry challenges in relation to closed funds, and in particular explores some of the implications for the fair treatment of customers.

5.2 As stated earlier being in a closed fund does not automatically mean that policyholders will be subject to unfair treatment or suffer any detriment. There are, however, a number of areas where fairness issues may be more acute for closed funds than open funds.

5.3 Another current challenge for the industry concerns the sale or restructuring of closed funds. The existing owners of a closed fund may have a number of reasons for contemplating a sale. Most obviously there will no longer be a close fit with the future business strategy. Or there will be a point in the life of a closed fund where it may no longer be economical or efficient to continue to run the fund as a separate entity. Alternatively, owners may wish to access capital which is currently invested in the with-profits fund. In such circumstances it might well be in the best interests of policyholders for the fund to be sold or transferred to another larger fund, or for the fund to be restructured in some way. Such sales can offer the prospect of a better alignment of the interests of the new owners and management of the fund with those of policyholders and/or increase policyholder choice. In the first instance such decisions are of a commercial nature but in many cases carry with them clear regulatory implications. Some of these are explored in this chapter.

5.4 In addition to these challenges, firms must engage with the issue of reputation. Undoubtedly, there is a clear need for greater consumer understanding of the with-profits sector, the delivery of which will only be achieved with the sustained effort of a range of stakeholders working in partnership, including the industry, regulators, IFAs, consumer bodies and consumers themselves. At the close of this chapter we identify some of the more common myths about closed funds that currently prevail and seek to dispel them, drawing on material included in the previous chapters.

Treating customers fairly and management actions[18]

5.5 We are required to assess whether firms are treating their customers "fairly". To be clear, we do not rely on technical, specialist interpretations of "fairness" that can be derived from the accounting, legal or actuarial worlds. Instead, we look at the ordinary English language meaning of what is fair. Our judgement on whether a firm is complying with this obligation, and the rules supplementing its application to with-profits business, will always therefore be a question of fact, based on the particular circumstances of the firm.

5.6 The introduction of a more sophisticated method for calculating how much capital firms need to hold with respect to their with-profit liabilities has highlighted the need for some life offices to hold additional reserves, including to cover the costs of guarantees. In many cases this has resulted in firms' reported financial strength being reduced. If a firm is unable to raise additional capital, it may have to consider reducing benefits to policyholders (or expected benefits as a result of reducing its Equity Backing Ratio). Reducing policyholder benefits can take a variety of forms, for example, cutting allocations or payouts, de-risking the fund by switching out of equities and property and into less volatile, fixed interest investments or charging policyholders explicitly for the guarantees given. Firms may also take management actions to ensure the financial strength of the fund in weakened capital markets. Management actions are not of themselves objectionable, but they do raise fairness issues which must be taken into account. This is not a position that is unique to closed funds. However, given that some closed funds are financially very weak, decisions on the fairness of management actions take on particular importance for them.

5.7 Essentially, this is a question of how capital shortfalls in life offices should be treated and how any resulting "burden" should be shared: between owners and policyholders of the business; between different classes of policyholders, such as GAR/non GAR[19]; and between different generations of policyholders.

5.8 Charging for guarantees and the use of capital, for example, is an acceptable part of the management of a with-profits fund, so long as firms meet their obligation to treat customers fairly in this area.

5.9 It is for firms to comply with the obligation to treat their customers fairly, but if there are reasons to believe that management actions are, or would be, unfair to policyholders we may intervene. In deciding whether a firm's management actions are fair we take into account two guiding principles. First, fairness must be assessed in the light of the particular circumstances of the firm in question, at the time when fairness is assessed. Second, other things being equal, fairness does not entitle policyholders to have benefits that the firm is practically incapable of delivering. It follows that significant changes in circumstances might justify a firm treating its policyholders differently than before, even if that entails delivering less than policyholders might have expected, given different

18 Management actions are actions that a firm's management might propose to take to manage the firm's insurance business and which may have implications for the fair treatment of customers. These may include, but are not limited to: changes in future bonus rates; reductions in surrender values; changes in asset disposition (taking into account the associated selling costs); and changes in the amount of charges deducted from asset shares for with-profits insurance contracts (PS 04/16 PRU 7.4.52 G).

19 Guaranteed Annuity Rate

circumstances or different choices. It also follows that we are less likely to object to a particular management action if a firm can satisfy us that there are no other management actions realistically available to it that are less problematic in fairness terms.

Sale and restructuring of funds

5.10 The sale or restructuring of whole books of closed business or the transfer of with-profits funds, often raises difficult issues around fairness to policyholders. Decisions of this sort are clearly commercial ones, and to date this area remains largely uncharted territory. Before discussing some of the issues surrounding the sale of closed funds it is worthwhile first setting out the FSA's role in any potential change in ownership.

Our role

5.11 We have different roles, depending on how the sale of a book of business is achieved. There may, for example be a transfer of business under Part VII of the FSMA that is subject to the approval of the Courts. If we have concerns, the FSA has the right to be heard on any relevant issue. Alternatively, the firm that effected the relevant business may be sold to a new controller. The FSMA requires that applicants must gain approval from us in order to become controllers of authorised firms. In order to gain approval, the new controller must demonstrate (a) that it is fit and proper to have the control over the authorised firm or person; and (b) that the interests of consumers would not be threatened by the change in control.[20] In deciding whether these approval requirements are met, we are required to have regard to our duty to ensure that firms meet and continue to meet the Threshold Conditions in respect of all their regulated activities.

Regulatory issues

5.12 Firms interested in divesting their with-profits business can sell their closed books, either to new or established players in the market. We are encouraged that the industry is actively exploring innovations in this area. It is important to be clear, however, that we cannot require closed funds to be sold.

5.13 Unitising funds (converting the policies from with-profits to unit linked vehicles, which would usually entail the loss of guarantees) is also considered by some market commentators as a potential solution to some of the issues that closed with-profits funds are facing. We have not yet had the opportunity to consider a "live" unitisation proposal, but we anticipate that a proposal of this kind would raise many of the same fairness issues as a sale.

5.14 The volume of commentary over the progress of sales of closed funds has increased of late and we have seen a number of sales/consolidation by Friendly Societies and the purchase of insurance companies by banks in the past. However, we have yet to see a large number of transactions in which proprietary companies divest their insurance interests to innovative consolidation vehicles.

20 Our rules and guidance governing the change of control process can be found in the Supervision manual.

5.15 In the past, the lack of transparency and clarity over risks carried in with-profits funds have probably proved a barrier to potential buyers, but the introduction of PPFMs and Individual Capital Adequacy Standards means that purchasers should be better equipped to quantify and price such risks more accurately in the future. This should help facilitate the consolidation and restructuring in the sector.

5.16 Areas of particular interest to us in this area include: capital engineering; structure of governance arrangements; quantification of mis-selling liabilities; appropriateness of investment strategies and the delivery of an appropriate return to both policyholders and shareholders. However, all this will be in the context of ensuring the continued fair treatment of existing policyholders.

Dispelling some myths

5.17 With-profits is a complex sector. A lack of consumer knowledge and understanding often provides fertile breeding ground for misconception and error. A particular difficulty is often that detailed issues are looked at in isolation, rather than in the wider context. To conclude this Sector Briefing, we seek to dispel some of the more common myths about closed with-profits funds.

Open funds good; closed funds bad.

5.18 One recurrent myth is that closed funds perform poorly, have the worst payouts and will continue to do so. In contrast, it is often perceived that only open funds perform well and so provide the best payouts. As illustrated in Chapter 1, data from our annual maturity payout survey tends to show that such generalisations may not hold true. Clearly, some closed funds do perform less well and reside at the bottom of the league tables. But this is not true of all closed funds.

Funds close only to new business because they are financially weak.

5.19 With-profits funds close for many different reasons, as explained in Chapter 1. While it is certainly true that some funds close because they are financially weak, it would be misleading to apply this driver across the board. Other reasons for closure might include any – or a combination – of the following: change in business strategy away from capital intensive lines such as with-profits; viability of the fund in terms of size going forward; and changes in the economic and regulatory environment. Even though a fund does not have sufficient financial strength to compete effectively in the current market place, it does not follow that closure of the fund would materially reduce returns to current policyholders. Indeed in some cases, closing the fund would help protect the interests of those policyholders.

Policyholders in closed funds should cash in their policies as soon as possible.

5.20 Consumers should not assume that, just because they have a policy in a closed fund, payouts and future bonuses will be poor. It is simply not possible to give generic advice on whether policyholders in closed funds should surrender their policies. This decision requires careful thought about the specific nature of the policy and any guarantees and options that could be lost on surrender. Another important factor will be how long the policy has to run. Policyholders need to think carefully about the likely proceeds from the policy if it is cashed in early. In addition to the cost of cashing in the policy, they also need to think about the cost of taking out a replacement investment and whether to restore any life insurance protection they will have lost. So, while for some cashing in the policy will be the right option; for others, it will not. If at all uncertain about their options, policyholders should take financial advice.

The problems surrounding closed funds could be solved by firms offering penalty free exits.

5.21 Some have argued that policyholders should be given the opportunity to switch out of a fund without penalty and into another similar fund when their fund closes, as opposed to taking a surrender value or continuing to maturity. Although this may seem an attractive option, it is not as straightforward as it might initially appear.

5.22 Generally, policyholders who cash in a policy or transfer their funds to another provider will get a value that broadly corresponds to the value of the premiums that they have paid and the returns that have been earned over the life of the policy, less expenses (in other words, the asset share). However, the amount paid on surrender or transfer may be reduced to take account of the costs to the fund of allowing the policyholder to leave. The main costs in such cases are those associated with disposing of the relevant assets and the un-recovered part of any expenses that would otherwise have been deducted from the value of the policy over time. If such costs are not charged to the policyholders who leave the fund, they would have to be met by the policyholders who stay behind, as we explain more fully above.

Closed funds are beyond the FSA's remit.

5.23 As emphasised throughout this document, closed funds are subject to exactly the same regulatory requirements as open funds. Indeed, proposed new requirements designed to help ensure with-profits policyholders are treated fairly include new rules specifically for closed funds relating to the provision of better information about the closure to policyholders and us. Where we have concerns we can make firms take actions to protect policyholders' interests. Similarly, if we felt that a fund had been mismanaged, we would be able to take regulatory or enforcement action – including against the firm's senior management if necessary – in the same way that we would against firms with open with-profits funds.

Annex - useful publications

Consultation Papers

CP04/14: *Treating with-profits policyholders fairly* (August 2004)

CP04/11: *A basic advice regime for the sale of stakeholder products* (June 2004)

CP207: *Treating with-profits policyholders fairly* (December 2003)

CP202: *Insurance regulatory reporting: changes to the publicly available annual return for insurers* (September 2003)

CP195: *Enhanced capital requirements and individual capital assessments for life insurers* (August 2003)

CP191: *Miscellaneous amendments to the Handbook (No.9)* (July 2003)

CP170: *Informing consumers: product disclosure at the point of sale* (February 2003)

CP167: *With-profits governance, the role of actuaries in life insurers, and certification of insurance returns* (January 2003)

CP144: *A new regulatory approach to insurance firms' use of financial engineering* (July 2002)

Issues Papers

Issues Paper 5: *Governance of with-profits funds and the future role of the appointed actuary* (March 2002)

Issues Paper 4: *Discretion and fairness in with-profits policies* (February 2002)

Issues Paper 3: *Disclosure to consumers* (January 2002)

Issues Paper 2: *Regulatory reporting* (November 2001)

Issues Paper 1: *Process for dealing with attribution of inherited estates* (October 2001)

Responses

PS04/16: *Integrated Prudential Sourcebook for insurers* (July 2004)

PS: *With-profits governance and the role of actuaries in life insurers* (June 2003)

PS: *A new regulatory approach to insurance firms' use of financial engineering – proposed changes to the regulatory returns for life insurers* (December 2002)

Feedback Statement on the with-profits review (May 2002)

Feedback Statement: Future role of actuaries in the governance of life insurers (May 2002)

Public Submissions to the with-profits review

Discussion papers

DP 20: *Issues for with-profits business arising from the Sandler Review* (February 2003)

DP 19: *Options for regulating the sale of "simplified investment products"* (January 2003)

With-profits Review: Open Meeting Discussion Paper (May 2001)

With-profits Review: Summary of open meeting (July 2001)

The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099
Website: http://www.fsa.gov.uk