



tisa

Leading on Investments and Savings

**TISA Response to
Implementing information
prompts in the annuity market:
consultation**

About TISA

TISA is a unique, consumer focused membership organisation. Our aim is to improve the financial wellbeing of UK consumers by aligning the interests of people, the financial services industry and the UK economy. We achieve this by delivering innovative, evidence based proposals to government, policy makers and regulators.

TISA's growing membership comprises over 160 firms involved in the supply and distribution of savings and investment products and services. These members represent all sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, FinTech, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

Current themes of TISA policy work include:

- Brexit: developing proposals for government that will enable the savings and investments sector to prosper on a global scale
- Digitalisation: a digital identity for consumers of financial services, innovation, standards and data responsibilities
- ISA's: LISA, simplification of the regime
- Retirement saving: the Auto Enrolment review, self-employed and pension tax relief
- Housing: the use of property to supplement retirement income
- Guidance: developing a framework and services to make guidance more widely available
- Education: supporting the education of young people to make them aware of the impact of finance on their life.

TISA also provides support on a range of operational and technical issues targeted at improving infrastructure and processes, standards of good practice and the interpretation and implementation of new rules and regulations. TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve industry effectiveness by reducing cost and risk and to enhance customer outcomes. This work currently includes: MiFID II, CASS, the UK Fund Settlement initiative and Payments Strategy Forum. TISA Exchange (TeX) is providing a model for transfers and re-registrations.

Summary

TISA welcomes the opportunity to provide a response to assist the Financial Conduct Authority in implementing information prompts in the annuity market.

We support the principle of providing consumers with additional relevant market information immediately prior to retirement, providing the opportunity for them to make informed and suitable choices regarding their potential annuity product and provider.

Whilst the intention is to provide a guaranteed open market quote, it is important for the consumer to be aware that this may not represent the actual available annuity p.a. due to underwriting considerations and the unknown expiry date of market leading annuity rates. If unaware, there is a risk that comparison quotes have an adverse effect, leading to negative consumer outcomes and potential disengagement with the process.

Consultation questions and response

Question 1

Do you agree with our proposal to require firms to disclose this content?

Yes, this provides more context to the provider's own annuity quote.

Question 2

Do you agree with our proposal to require firms to use a prescribed format?

Yes, where quotes are calculated and displayed on a 'like for like' basis, this simplifies the comparison exercise.

As the comparison is based on market rates at a point in time, they may not be available when the consumer shops around. This may have a detrimental effect to the consumer where annuity rates are increasing, as they may take a lower rate quote aligned to the comparison, unaware that it has been superseded. Conversely, where rates are decreasing, they may shop around unable to find a quote that matches the comparison, which could result in them potentially taking an alternative course of action, not necessarily in their best interests. Appropriate wording should accompany the quote to make this clear

Question 3

Do you agree with our approach to dealing with special cases (enhanced PCLS entitlement and consumers who are entitled to a GAR or will be able to access a GAR in future)? Are there any additional categories of consumer who should also be warned when they see this comparison of annuity quotes?

Yes, it is important that the benefit of these enhanced benefits and the potential loss is clearly communicated to the consumer.

Question 4

Do you agree with our approach of requiring each firm to provide the proposed information prompt on the basis of a comparison of guaranteed quotes available to the consumer, using the underwriting information that was used by the firm?

Where an open market quote has been produced using less underwriting detail than what would normally be required, this cannot be considered as a guaranteed quote. Enhanced quotes involving underwriting require a consumer risk warning that if they produce more medical evidence, they could get an even better rate. We do need to reflect the fact that some customers will only answer so much about their medical history and we mustn't as an industry insist they do, or we choke off their access to the annuity market.

Question 5

Do you agree that the information prompt should be provided before a consumer makes a decision to proceed to purchase an annuity?

Yes, this should help minimise consumers exercising cancellation rights and potentially paying for establishment charges incurred.

The period during which the cooling off completes may also mean the consumer misses out on market leading rates which expire.

Question 6

Do you agree that this requirement should apply in the same way to non-written and online communications?

Yes, this requirement should apply to all forms of communication, however a shorter communication should be considered for verbal communications, to ensure the consumer remains engaged throughout the conversation.