

TR19/3: Review of fair treatment of with-profits policyholders



Dan Diggins joins our Life & Financial Services team as the Head of Regulated Roles.

Reflecting on a recent significant regulatory release, he shares his thoughts on the FCA's Thematic Review 19/3.

The FCA's Thematic Review into With-Profits was published on 25 April 2019. It identified areas of good practice and areas requiring improvement with an expectation that firms work to improve customer outcomes. The table below outlines some areas of focus, key findings, potential activity for insurers and how Hymans Robertson can support you.

| | Governance | Investment strategy | Capital Management – estate distribution & fund resolution | Capital Management – allocation of risk & reward between stakeholders |
|--------------------|--|--|---|--|
| Key findings | <ul style="list-style-type: none"> Independent review of governance arrangements FCA to perform a review of With-Profits Advisory Arrangements | <ul style="list-style-type: none"> Highlighted good practice of monitoring investment performance and review of fund management fees | <ul style="list-style-type: none"> Run-off plans not regularly reviewed and not actively implemented in day-to-day management of funds Scenario analysis focussed on solvency rather than fair distribution Formal assessment of excess surplus not consistently carried out | <ul style="list-style-type: none"> Over-reliance on past practice without considering customer outcomes Controls over costs Fairness of cost allocation Adequacy of Management Information |
| Activity for firms | <ul style="list-style-type: none"> Review effectiveness of WP processes Review resourcing requirements Review adequacy of documentation for WPC Review timing of WPC relative to Board | <ul style="list-style-type: none"> Review appropriateness of investments Benchmark SAA, FMCs etc Review oversight effectiveness of investment | <ul style="list-style-type: none"> Review use of run-off plans Refresh run-off plans Inclusion of fund-level risk appetites Include impact on distribution in scenario analysis Review implementation of PPFM and consistency with fund management | <ul style="list-style-type: none"> Ongoing review of appropriateness of past practice and implications for policyholders Review effectiveness of cost controls Review cost allocations Review of fund level MI, risk appetites, management actions etc |
| How we can help | <ul style="list-style-type: none"> Review of effectiveness of With-Profits governance Outsourced WP Actuary Independent Member of With-Profits Committee | <ul style="list-style-type: none"> Benchmarking SAA and review of SAA process Benchmarking/ review of investment governance Benchmarking investment costs | <ul style="list-style-type: none"> Review/ refresh/ refine run-off plans Develop longer-term view of distribution in scenario analysis Review of practical implementation of PPFM Provide advice on sunset clauses Provide advice on creditor schemes and benefit conversion | <ul style="list-style-type: none"> Review/challenge areas of past practice Review cost allocations and controls Support development of MI such as design and communication of fund-level risk reporting |

"We expect with-profits operators to use this review to improve how they work, and in turn to improve outcomes for customers." para 1.7 TR19/3 - FCA

Hymans Robertson has a wealth of risk and capital experience, particularly in management of With-Profits business with a focus on customer outcomes. Our consultants would be delighted to support you. If you would like more information, please [get in touch](#).

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