

## FSA consults on improving protection for with-profits

Story by: Donia O'Loughlin | Magazine: [FTAdviser](#) | Published Thursday , February 24, 2011

The Financial Services Authority (FSA) has launched a consultation on improving protection for with-profits policyholders.

The FSA claimed that its 2010 review of the way firms met the requirements for the fair treatment of with-profits policyholders identified a number of concerns about the way in which firms were operating their with-profits funds and treating their policyholders.

The proposals issued on Thursday are based on the findings from that review and aim to improve protection for with-profits policyholders, said the City regulator.

The FSA has suggested strengthening the requirement for boards and governing bodies to obtain independent advice on the management of funds by enhancing the role of the with-profits committee and the with-profits actuary.

It has recommended that all firms have a plan to distribute any excess surplus fairly to policyholders, particularly where a firm experiences a significant fall in the amount of new business it is writing.

The regulator has proposed to strengthen the requirement for any new business backed by the with-profits fund to deliver value to all with-profits policyholders so that writing new business has no adverse effect on their interests.

Other key proposals the FSA has identified are to improve the ways in which firms identify and manage conflicts of interest affecting with-profits policyholders and emphasise how with-profits policyholders in mutually-owned funds should expect to be treated, specifically around distributions of excess surplus.

It has also suggested restricting the circumstances under which firms can impose a market value reduction and improve the reattributions process.

Sheila Nicoll, director of conduct policy at the FSA, said: "The proposals focus on addressing practical issues where policyholders are not always getting the fair treatment that they deserve.

"Policyholders expect to receive a fair return on their investments and that is what we want firms to be able to deliver for them. The purpose of these proposed changes is to ensure that with-profits policyholders are able to feel more confident that firms will conduct themselves appropriately now and in the future.

"This is not the end of our work on with-profits. We will publish further proposals before the end of 2011 to improve firms' communications with policyholders and we will continue to supervise the sector in an intensive way."

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