Susan Cooper, Banking, Lending and Distribution, and
Christopher Bentley, Reporting Policy
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

29 September 2017

Dear Susan and Christopher,

AFM Response to FCA consultation CP17/32, Quarterly Consultation 18

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:

    - comment on the proposals, and explore the consequences for our members.

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not for profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK and Ireland, collect annual premium income of £16.4 billion, and employ nearly 30,000 staff[1].

3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses[2].

4. In addition, the Bank of England and Financial Services Act 2016 now provides an additional Diversity clause for FiSMA, to require the PRA and FCA to take account of corporate diversity and the mutual business model in all aspects of their work[3].

[1] ICMIF, http://www.icmif.org/global-mutual-market-share-2013
[2] Financial Services Act 2012, section 138 K: http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted
[3] http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted

5. We are responding to the policy proposals in chapters 6 and 8.

6. In chapter 6, FCA proposed that firms may continue to issue personalised projections for PRIIPs alongside the Key Information Document. In the past, firms have provided projections within the Key Features Illustration or separately as part of the sales process, so the proposal suggests prospective policyholders might receive both a KID and KFI (or other format for housing a personalised projection). We would be concerned that this risks confusing the consumer, particularly where the illustrations appear very different both in form and quantum. Where part of the purpose of the KID is to streamline information and make it more consistent, the proposal opens a future risk of mis-purchase or accusation of mis-selling.

7. FCA proposes that a personalised projection might be available on request where a client has become accustomed to receiving them. This would imply firms will need to retain the format of the KFI, or similar, irrespective of whether they consider it necessary to provide information beyond the KID. In our view, this would require the retention of expensive systems being retained, and would risk confusing many potential investors, where the numbers produced are quite different. If a firm feels the standardised performance scenarios in the KID are of limited relevance, given the specifics of their product(s), the firm should opt to retain personalised projections; if the firm has decided this does not produce value it should not be compelled to retain the capacity to do so, out of intermediary or customer habit.

8. With regard to chapter 8, we recognise the value to FCA of collecting extra questions in FIN-A and accept the work for firms will be minimal, whilst the benefits of an effective trigger for review of report and accounts to supervisors could be significant in supporting work on consumer protection.

9. Having raised the problem of controller reporting for mutual insurers with FCA, we are grateful for the time taken to understand the issue and develop this solution, and we agree with the proposal.

10. We have responded to certain questions below, and would welcome the opportunity to discuss further the issues raised by our response.

Yours sincerely,

Chief Executive
Association of Financial Mutuals

Answers to specific questions in the consultation

6.1 Do you agree that, where it is clear clients either want or need to have a personal projection, firms should be able to provide personalised projections alongside the PRIIPs KID?

No- we feel the firm should be able to consider whether their products necessitate the provision of a personalised projections; where the firm does not it should not need to retain system capacity in case a client requests it.

6.2 Do you agree that, if provided, firms should prepare personalised projections in accordance with our rules in COBS 13 on projections or the MiFID future performance rules (as relevant)?

Yes- we agree, as long as they avoid confusing customers by two different formats of projection.

6.3 Or, alternatively, do you think that firms should be able to prepare personalised performance scenarios in line with the methodologies set out in the PRIIPs RTS?

No. We consider it more appropriate to ensure consistency of personalised projections for PRIIPs and non-PRIIPs.

8.1 Do you have any comments on our proposals to add questions to the form FIN-A and update its accompanying guidance notes?

We agree with the proposals

8.2 Do you have any comments on our proposals to remove controllers reporting (form REP002) from some mutual insurers?

We agree with the proposals

8.3 Do you have any comments on our cost benefit analysis?

We have no comments