

Testing for clarity

Based on research conducted for the **Association of British Insurers** in retirement planning and provision

Prepared for:

Research Conference, Financial Services Research

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Date: 14th October 2010

What we're going to talk about...



1

How the Association of British Insurers evaluated complex regulations for clarity

ABI

2

Key lessons about comms and consumer awareness

NB. Focus of this presentation is on the research conducted for the ABI, but also draws on experiences from other primary research Optimisa Research have conducted in financial services



How the Association of British Insurers evaluated complex regulations for clarity

Background

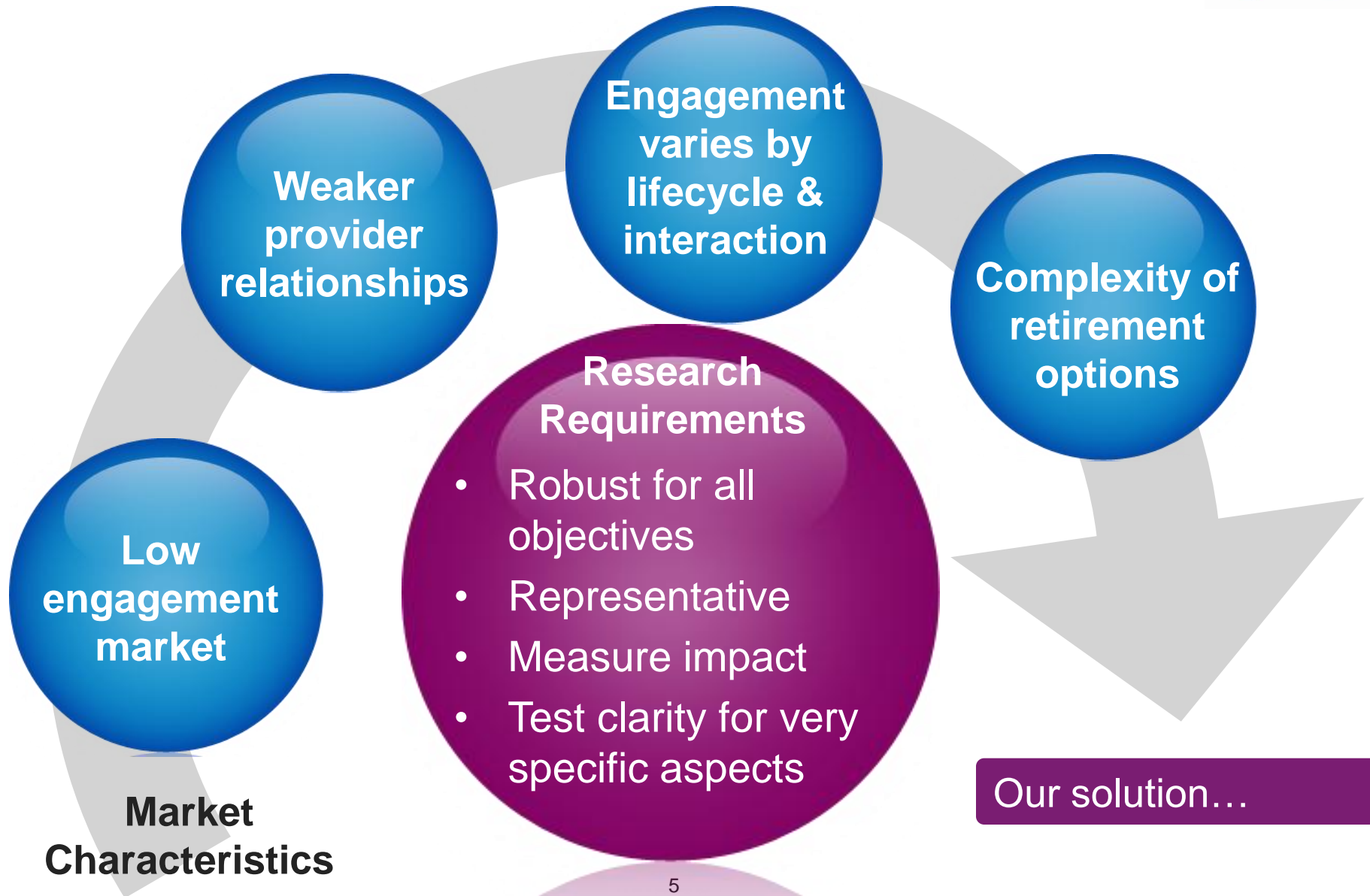


“ *...many pension firms must make improvements to their Open Market Option (OMO) literature* **FSA, July 2008¹**

- Purchasing an annuity is **one of the biggest financial decisions** – it is critical individuals understand their options (and right to shop around)
 - **ABI launched guidelines in 2008** for pre-retirement OMO wake up packs
 - Guidelines designed to **help providers meet TCF** standards/ deadline
- ABI wanted to assess firms OMO wake up packs in terms of **clarity, understanding and impact on retirement planning**
 - **Robust research** reported to the industry, consumer bodies, HMT and the FSA

¹Results of the FSA's thematic work on Open Market Options under maturing personal pension and stakeholder pension schemes, FSA, July 2008

Challenges & considerations



What we did...



**1,606 'Unprompted'
telephone interviews**

Recruited,
read pack in
full

**503 'Prompted'
telephone interviews**

- **Representative** 'snapshot'
- **Robust** assessment of awareness, engagement, reasons not reading, key messages, comfort with retirement options and understanding of the OMO

- **Re-creating recent experience**, reliable, yet more **accurate** assessment of pack detail
- Pre/ post reading measure impact
- **Depth of questioning** – Perception vs. testing understanding, source of knowledge

Two staged quantitative approach, involving 14 pension providers
(over 80% of the market)

Levels of participant engagement...



General learnings researching lower engagement markets such as Life, Pensions or Long Term Savings



- How representative will the sample be if some won't take part because...
 - ❓ They might not know **their provider**
 - ❓ Poor **product comprehension**
 - ❓ **Low recall** of comms
 - ❓ **Limited contact** with provider, adviser led
 - ❓ Dissatisfied with **product performance**
 - ❓ ...consider **product lifecycle** or recency of **interaction**



Quant still suitable, consideration required depending on study type
→ qualitative methods (standard and innovative)





Key lessons about comms and consumer awareness

Reactions and key findings



ABI: pre-retirement 'wake-up' packs largely unread

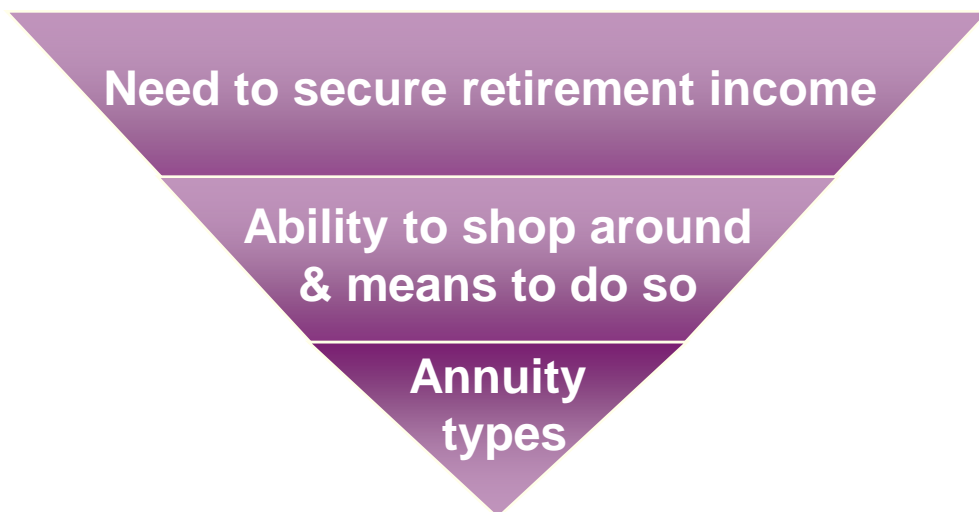
**'WAKE-UP PACKS' INCREASE
PRE-RETIREMENT
AWARENESS**

**WAKE-UP PACK RESEARCH SHOWS GOOD
UNDERSTANDING, BUT MORE WORK NEEDED TO
IMPROVE RETIREMENT PLANNING ENGAGEMENT**

Understanding can be quite sobering



- Understanding is extremely mixed
- Comprehension tends to crystallise at three levels;



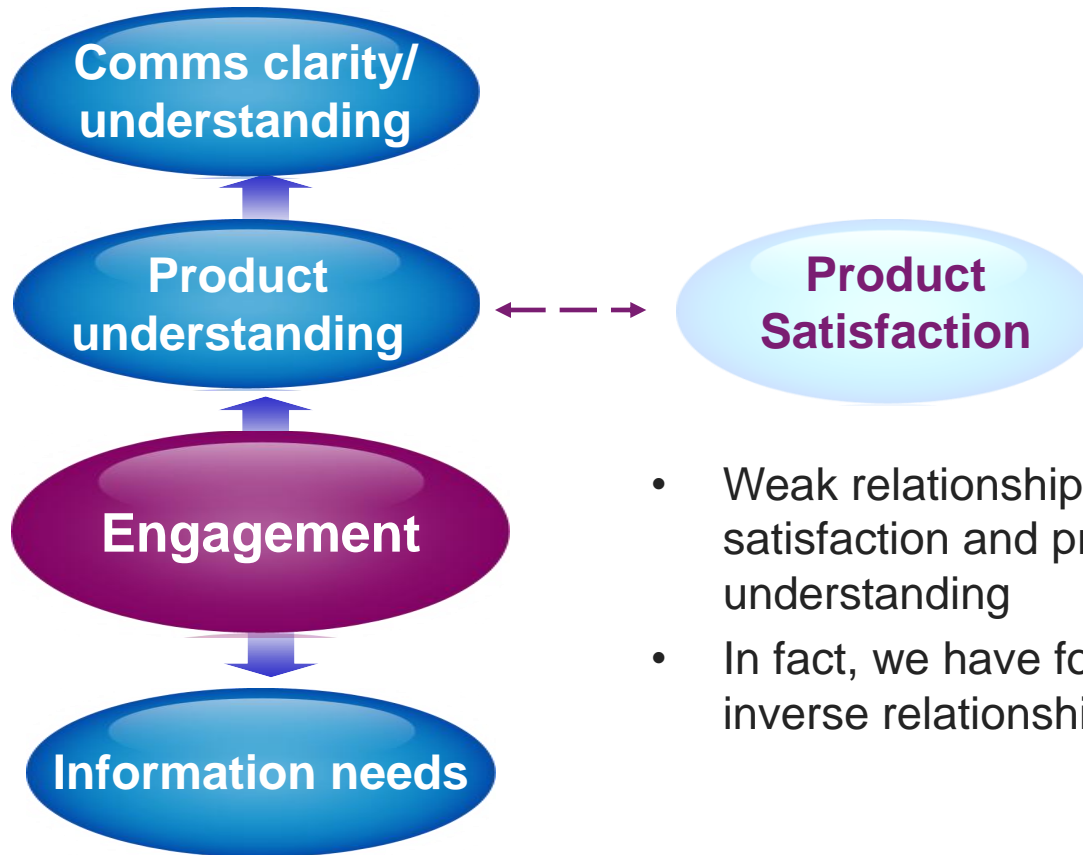
“ I thought an annuity was the same as a pension. I thought it was just continuing your pension, sort of thing

- Half had a ‘basic understanding’ of annuities, quarter ‘little or nothing’
- Knowledge of annuity types poor, particularly enhanced/ impaired

The Challenge

Least informed are less engaged with pack and less likely to seek advice, whilst awareness of free/ impartial sources of information is low

Why do we care about engagement...?

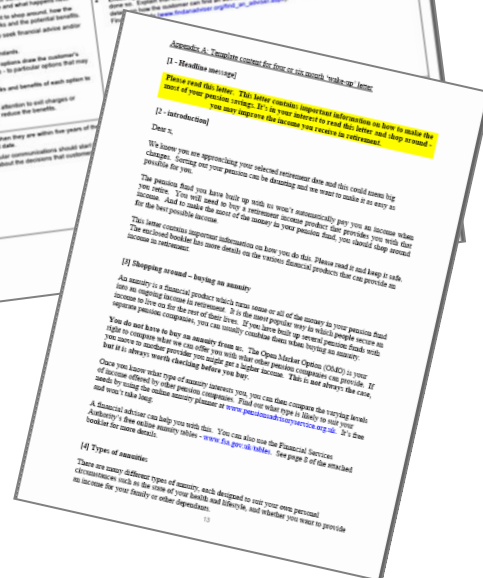
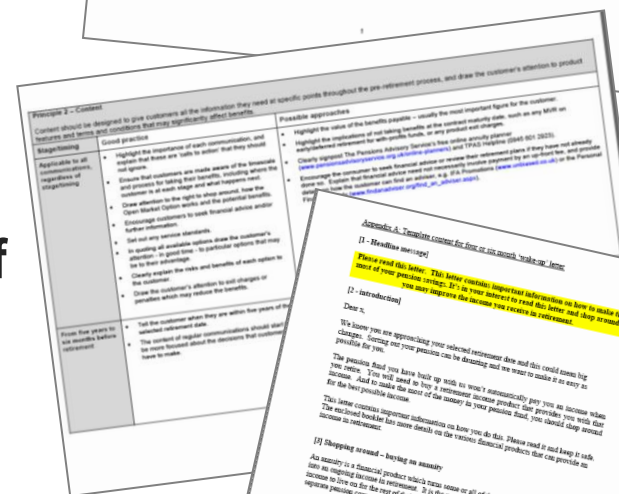
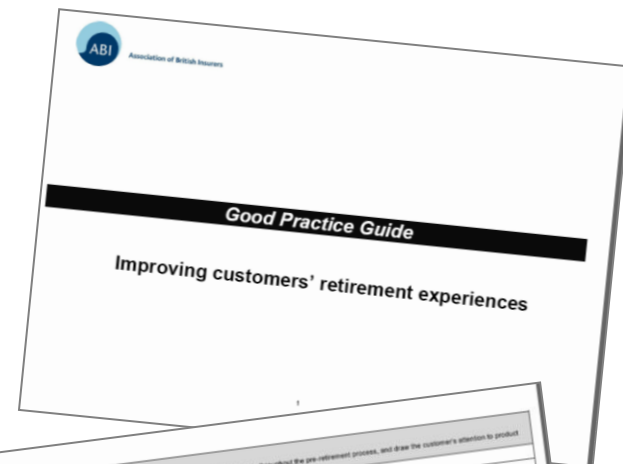


Strong relationships between engagement, product comprehension and policy related communications, but also drives information needs

New guidelines launched



- The ABI launched new guidance to help pension providers deliver further improvements, key enhancements;
 - ✓ Encouraged **earlier communications** to engage with retirement planning
 - ✓ **More tailored** to individuals circumstances
 - ✓ Clear prompts about the **importance of reading**
 - ✓ Greater emphasis on **importance and benefits of shopping around**
 - ✓ Prominent promotion of **TPAS online annuity planner**



Varying provider approaches...



- TCF embraced to varying degrees, we've seen contrasting approaches to communications by providers... currently a 'tick box' exercise for some;

Tick box
exercise

Clear, not
misleading

Engaging

- ...but, there will always be a proportion who fail to understand or engage with comms

"you can lead a horse to water...but you can't make it drink"



So...?



Who's
responsible...and to
what degree?

Regulators?

Providers?

Advisors?

Consumers?

... do **customers** have more of a role to play?



Any thoughts or questions...



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