

The 2016 Life, Pensions and Long Term Savings Professionalism Commitment

A common framework for
professional standards across
the sector

Our vision

Build a confident, trusted profession.

Deliver consistently high standards of conduct and competence which help create better outcomes for customers.

Provide career paths that attract and retain talented people.

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The Chartered Insurance Institute (CII) Professionalism in practice

As the premier professional body for the insurance and financial planning professions, the CII promotes higher standards of integrity, technical competence and business capability.

With over 120,000 members in more than 150 countries, the CII is the world's largest professional body dedicated to these sectors.

Success in CII qualifications is universally recognised as evidence of knowledge and understanding. Membership of the CII signals a desire to develop broad professional capability and subscribe to the standards associated with professional status.

The CII works with businesses to develop bespoke, company-wide solutions that ensure competitive advantage by enhancing employees' technical and professional competence.

Individually, CII's members are able to drive their personal development and maintain their professional standing through an unrivalled range of learning services and by adhering to the CII's Code of Ethics.

www.cii.co.uk



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IN PEOPLE** | Gold

The CII is committed to delivering a first-class service and, to this end, we welcome feedback on any aspect of your relationship with our organisation.

Please forward any views you may have on the service you receive, whether they are positive or otherwise.

We take all such comments seriously, answer them individually, and use them to help ensure that we continually improve the service we provide.

If you have any queries regarding the information in this brochure please write to:

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2 Foreword



The Life, Pensions and Long Term Savings sector has undergone significant change over recent years. Companies have merged, well known brands have disappeared and many providers have repositioned themselves as asset managers or moved into distribution. There have also been a number of specialists entering the market particularly those concentrating on the retirement sector and many companies have outsourced elements of their customer service. Having managed all this change successfully we believe that the sector remains well placed to play a fundamental role in helping customers secure their financial future.

The coming years will see important public interest issues rise in prominence; in addition to socio-economic factors such as the ageing population and the associated need for long term care, conduct risk and most notably pensions are already major areas of focus. The recently introduced pension freedoms in particular are likely to create huge opportunities for the sector to develop lasting customer relationships focused on retirement and in later life.

We believe that meeting these challenges will be fundamental to capitalising on the potential opportunities whilst mitigating the further risk of customer apathy and distrust. The sector is at a cross roads. Improving its reputation as a profession is essential for long term, sustainable public confidence, as customers enter longer retirements and have greater need for guidance and support.

Providers are a vital point-of-contact for millions of customers and businesses seeking to address their financial needs. Customers want to connect with providers but our research shows they feel disengaged and confused about how to do this.

Against this background we formed a steering group of senior leaders from across the sector to hear their vision for the profession. In addition they helped shape this initiative and oversee the creation of a set of high level principles and standards that companies could publicly commit to; a framework of professionalism that represents best practice and provides a consistent approach to achieving good customer outcomes.

Signatories to this commitment are sending a message of reassurance to a variety of stakeholders, including customers, talented young people considering their career options, existing staff who want to further develop their careers in this sector, plus the regulator and the media.

A handwritten signature in black ink that reads "Robert Fletcher". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert Fletcher ACII, DipPFS
President, Chartered Insurance Institute

The new pensions environment 3

Greater freedom and choice

In April 2015, pension savers experienced a radical change in the options available to them as the Government's pension freedoms came into force. It saw changes for people accessing Defined Contribution pension earnings; giving increased flexibility in the options available to them when taking their pension benefits. These changes also saw the creation of Pension Wise, a free and impartial government service, providing information and guidance to individuals nearing retirement.

As revolutionary as these reforms have been, the next few years will likely see further radical changes; including to pensions tax relief and the introduction of an option allowing customers to sell their annuities. Meanwhile, at the time of writing, the Government is consulting on reforms to both regulated financial advice and unregulated money guidance.

Customer needs and expectations

For many customers, pension reforms have ushered in a whole new approach to the way they think about retirement – something the sector will need to address.

Gone is the set-piece approach around a fixed retirement date and the provision of detailed information on what customers have saved and how they should purchase an annuity.

With the new freedoms comes a fresh range of choices for customers. Not just what they can do with their accumulated savings, but also when they can access them.

The decision process has to now accommodate this wide range of options, customer decision-making preferences and life stage triggers, rather than simply initiating the issuance of a standardised annuity quotation and a supporting information pack.

Consumer research findings

Independent research commissioned by the CII in the autumn of 2015 showed that customers are increasingly thinking differently about their retirement needs, particularly their requirements and expectations around information and support.

The research highlights a clear demand for earlier engagement with the decision making process and the desire by customers to take advantage of a combination of the new options open to them. This points strongly to the need for early support that guides customers through these complex and potentially life changing decisions.

Read the full research report online at www.cii.co.uk/39711

The CII also engaged with consumers through a series of focus groups. The aim was to better understand the perception of the industry and to gain more insight into how firms might improve customer engagement through a more consistent and formalised approach to staff development.

There was a general feeling of disconnection, with a particular dissatisfaction towards the 'impersonal call centre' approach. Customers certainly expect staff to be professionally qualified and there was an appetite to deal with companies that invest specifically in up-skilling front line staff. Feedback indicates that a lack of consistency across the sector is a factor in undermining customer confidence.

It is clear that a key driver of customers' trust is contact with professional staff who demonstrate that they know what they are talking about and are able to deliver consistently high levels of customer service. Professionalism is not, however, restricted to demonstrating knowledge. Ethical practice and a commitment to continuing professional development need to be core parts of an organisation's culture.

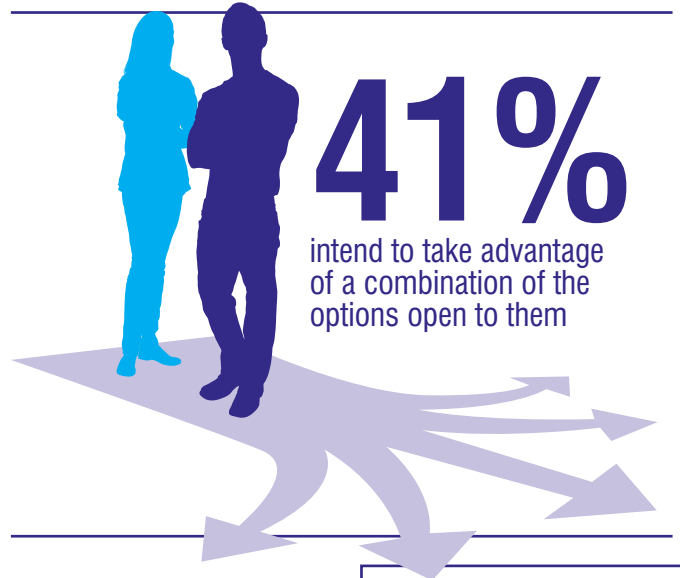
56%

of pre-retired customers expect to make a decision on their pensions savings at least 10 months before they retire



41%

intend to take advantage of a combination of the options open to them



In engineering, there are very clear standards, across all firms. So everyone knows where they stand. Why isn't it the same for pensions?

Consistency of experience is essential. When I call, sometimes it's great, sometimes it's a real struggle. It isn't like that with proper professionals.

Ethics are non-negotiable. If you don't care about ethics, you shouldn't work for this type of company.

It's not just empathy and listening we need, it's also taking decisions. That needs ability and confidence.



4 The new pensions environment continued

Implications for providers

Providers are faced with a challenge in meeting the new demands of customers under freedom and choice. It's clear that they will need to respond to these changing customer demands, tailoring information and guidance to better reflect customers' specific needs and circumstances. Providing it in a way that is supportive of customers own decision making style and acknowledges where they are in their process – what is helpful for one customer may not be helpful for another.

To underpin these changes, all employees who work with customers, whether providing information, guidance or advice, will need the skills and knowledge to:

- Understand and empathise with customers faced with the challenges of making these choices;
- Identify where customers are in their decision making process, and their appetite to understand and engage with the choices they face; and
- Offer the information, guidance or advice customers personally need at that point to enable them to move forward towards making and exercising good choices.

Putting customer needs first

CII research indicates that the ideal support structure for customers nearing retirement should provide an easy way to access information, to the required level of detail, when needed. It would also be delivered consistently across the sector, something that customers insist is currently lacking in the current environment.

As there is not a single trigger or even a common window within which customers start considering their options, it will be critical that information and support services are communicated early and made available to as wide an audience as possible. It will be important not to limit communications to a restricted time window or traditional pre-retirement age brackets.

Without the framework of the default annuity, it is important that customers can chose to be the architect of their own decision making process, 'self-directing' their fact finding journey, with the option to access information on demand.

Ensuring customers understand the capability of Pension Wise to help them with their own personal decision, rather just offering generic guidance, is an important piece of this jigsaw.

So customers will require information and guidance at two key stages, with different requirements at each, as set out below.

| | Initial fact-finding stage | Engagement stage |
|--------------------------|---|---|
| Needs: | <p>Much earlier engagement by Government including a very simple 'Introduction to your pension options' highlighting the key principles to help frame their personal circumstances</p> <ul style="list-style-type: none">• Use simple graphics (e.g. flowcharts) to aid understanding of the process and eliminate need to take in irrelevant information | Relevant information, answers to specific questions |
| Expectations: | Ideally led from an impartial (official) source, in simple language, concise and focused on what's important | Qualified advice or guidance, relevance to personal situation |
| Desired benefits: | Being safeguarded from falling prey to non-impartial providers and/or overlooking better options through lack of knowledge | The ability to weigh the advantages and risks of different options |
| Desired outcomes: | To be 'armed with information' to look into the detail of their own personal situation AND approach less impartial organisations, e.g. providers. | Being able to make an informed decision; awareness of the key risks involved. |

If the sector can demonstrate what we summarise as the four C's of professionalism: competence, conduct, culture and, importantly, consistency, then it will have significantly addressed the concerns of customers, will boost public confidence and found parity with the financial planning profession.

Customers repeatedly state that a consistent approach to the standards of competency, conduct and culture is necessary if the sector is to meet the challenges associated with the new normal in retirement.

Improved professional standards, not just among those who directly serve customers, but at all levels in the sector are necessary if our vision is to be realised.

Customer facing staff and team leaders

As already discussed, frontline staff and their managers need the required level of knowledge and understanding to competently and confidently support consumers at every step of their decision making process.

Managers and senior technical roles

Professionalism needs be a core part of the organisational DNA, and not artificially restricted to customer-facing teams. In the face of such profound change, the most customer-centric firms will be those with the best people, well-placed through high standard of technical knowledge to adapt processes and systems and innovate products and services.

Leaders

In life and pensions companies, as in other large and complex organisations, the culture is set from the top. If we expect staff newly entered into the profession, or working in middle management positions, to take seriously issues of professional development and integrity, then the leadership needs to demonstrate that they share those commitments personally.



6 The employer steering group

It is against the backdrop of changing market dynamics and consumer research that the CII convened a steering group of sector leaders to help develop and champion a common framework of professional standards.

The steering group has been working to six specific objectives:

1. To develop and oversee the implementation of an agreed common framework of professional standards for the life, pensions and long term savings sector, operating in the public interest, to enhance public confidence and trust;
2. To ensure there is senior buy in from across the sector to support, endorse and promote these professional standards;
3. To ensure that the proposals embrace current and predicted future market challenges including Pension Freedoms and the Financial Market Advice Review;
4. To align with other market initiatives such as the ABI's Common Language Protocol;
5. To develop proposals consistent with the CII's charter to secure the public's confidence in professionals across the life, pensions and long term savings sector; and
6. To ensure the programme of activity is realistic, but challenging with regard to timeframe, relevance, cost, implementation and sector support.

Initial signatories to the 2016 commitment:

Chair, Robert Fletcher ACII, DipPFS
President, Chartered Insurance Institute

John McGuigan
Managing Director of Customer Operations, Standard Life

Stuart Paton-Evans
Retirement Propositions Director, Scottish Widows

Susan McInnes
Customer Service Director, Phoenix Group

Bob Chisholm
Director of Risk & Compliance, HCL

Matthew Cuhls
MD Life & Pensions, ReAssure (Admin Re)

Nick Turner
Sales & Agency Director, NFU Mutual

Rosie Harris
Chief Risk Officer, Life/Aviva

Steve Knight
Chief Operating Officer, LV= Life and Pensions

Phil Hine
UK Operations Director, Old Mutual Wealth

Standard Life

SCOTTISH WIDOWS

 **PHOENIX GROUP**

HCL


ReAssure

 **NFU Mutual**


AVIVA

LV=

 **OLDMUTUAL
WEALTH**

Developed in conjunction with the employer steering group, the '2016 Life, Pensions and Long Term Savings Professionalism Commitment', sets out high level principles and standards that firms can publicly commit to; a framework of professionalism that represents best practice and provides a consistent approach to achieving good customer outcomes.

It sets a requirement that firms should operate policies that embed outstanding standards of customer service and ethical conduct, underpin career development and support the development of knowledge, skills and expertise.

More information on the 2016 Commitment and its objectives and measures can be found online at www.cii.co.uk/2016-commitment

A message from employer supporters of the 2016 Commitment

Over the past year, we have listened carefully to feedback from all sources and analysed the challenges facing our sector. Our conclusion is that now is the time to act, publicly and with one voice.

We call upon our peers to join us in committing to a common framework for professional standards, and to implement these standards by the end of 2018.

Our employees rightly expect to be supported in the development of their careers; our customers expect to receive professional service; and as businesses we share in a desire for a positive reputation for our profession.

By placing a public focus on professionalism, and committing to shared and public standards we will realise our vision to:

- Build a confident, trusted profession.
- Deliver consistently high standards of conduct and competence which help create better outcomes for customers.
- Provide career paths that attract and retain talented people.

We believe our proposals are ambitious but realistic, and call on our peers and colleagues to ensure they are fully implemented.

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