

Steve Kyle – Director, Just Retirement

Thank you Mr Chairman for that introduction, Minister, Ladies & Gentlemen.

The panel have been asked whether “pensioners are getting a good deal?” I would posit that some people are getting a good deal, some getting an OK deal, but for some people it’s unclear, if they are even getting a “fair” deal.

Slide 1 – Just Retirement

Firstly if I may, a few things about Just Retirement.

We are a new insurance company, only 4.5 yrs old, and in that time we have become the UK’s 5th largest annuity provider, number one enhanced provider, number one equity release drawdown provider and achieved the highest Treating Customers Fairly (TCF) score in the ABI’s Customer Impact survey.

Consumer issues and treatment has always been at the heart of our vision and we have taken forward a number of initiatives in these areas:

1. Encouraging a safer equity release market; and
2. Campaign for Better Annuities

In relation to the “Open Market Option”

Slide 2 – “A lot has been done but there is a lot more to do”

We welcome the leadership given by HMT and DWP in establishing the OMO Review and setting up the OMO working group.

We welcome the ABI bringing together industry to look at wake up letters and improving time of transfer funds.

We welcome the FSA’s strong stance on TCF and issuing CEO letters. We are also encouraged by the commitment given by the IFA community in supporting The Better Annuities campaign. But the fact is, there is a lot more to be done. And we need to look at some facts.

Slide 3 – FACT – Consumers lose by not accessing the OMO

283,000 contracts in 2008 did not use the OMO and they missed out. You will see that best standard rate is 25% higher than the lowest standard rate. You will also see the enhanced rate pensions are 37% - 77% higher.

Nearly 30-40% of annuitants could be eligible for enhanced pensions. This is not a narrow segment.

Slide 4 – FACT – The majority miss out

The majority are missing out, with less than 40% of contracts taking out OMO. Today we are expecting this quarter’s latest figures, hopefully this will be improved. But I would suggest that an average of less than 50% should be seen as a failure.

Slide 5 – FACT – Main losers are smaller funds, unhealthy and less wealthy

Let me point out that 96% of funds are below £100k and 80% are below £50k. We can see some pensioners are getting a “good deal”, but the less wealthy, less healthy and financially unaware may be missing out – this is not good for consumers.

Slide 6 – What can we do?

1. Education, education, education is key – we need to look at ways to raise awareness earlier. Our recent research has shown 75% of people do not understand annuities, but they do want a “guaranteed income” for life, or an annuity by any other name!
2. People need help to shop around, easier and complete comparison sites would help. The media could also help, for instance, in annuity tables it would be helpful to show enhanced. People should understand that they could be 30-40% better off just by answering 3-4 health / lifestyle questions.
3. Better communication. Our research shows a short, concise communication does raise awareness. The work we have carried out shows with the right letter which includes something consumers understand, like “you will be better off by X pounds”, they do want to shop around. Indeed, we found for just £5 per month extra they would be motivated to look for a deal. They just didn’t know they could get more.

My conclusion is, it’s good for some, OK for others, but it is clear for the less healthy / wealthy and less financially aware we need to work together to improve the lot of this vulnerable segment.

Thank you.