

UK Insurance Regulation: Winners & Losers

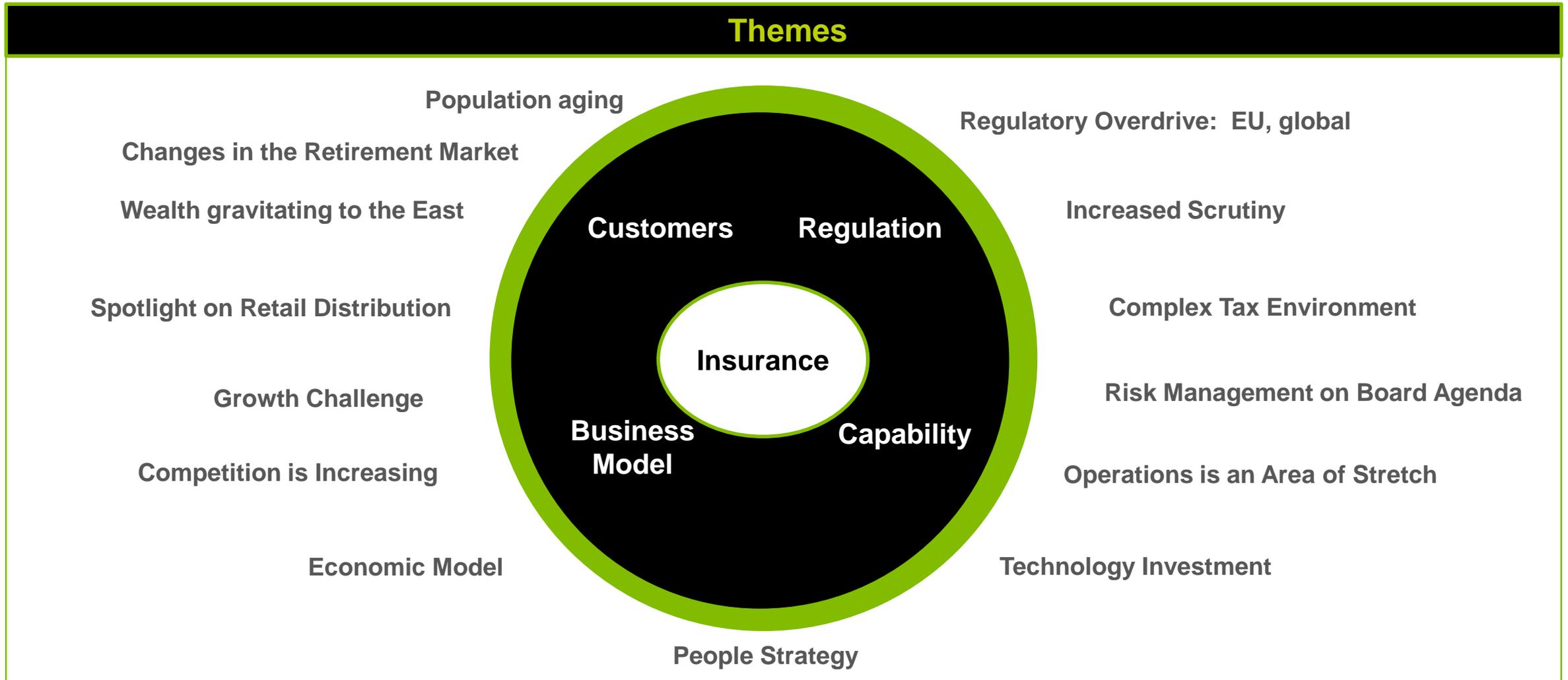
What can we learn

Deloitte.

Andrew Power, Deloitte Great Britain



Context: the sector is experiencing major change



EXISTING REGULATION

- **Treating Customers Fairly**
- **Retail Distribution Review (RDR)**
- **Auto-enrolment**
- **Solvency II**

FUTURE REGULATION

- **Competition enquiries**
- **Advice Review**
- **European Directives; MiFid 2, PRIPS IMD**

RDR: UK case study

Core themes in RDR

Status of Advice

Distinction 'independent' and 'restricted advice', independents must offer the full range of products from a range of providers in their target markets

Adviser charging

Removing commission and introducing the concept of adviser charges, explicitly agreed between the adviser and end customer

Standards of professionalism

Raising the minimum qualification standards for advisers to QCF 4 (equivalent to the first year of a University course)

Platforms

Transparency of charges and efficiency of delivering wealth management services; platform fees needed to be separate from advice or product charges

Most banks exited providing advice to the mass market; now reconsidering

Number of advisers fell by c. 20%

Surge in interest from providers in offering non- F2F channels

Winners have been Hargreaves & SJP

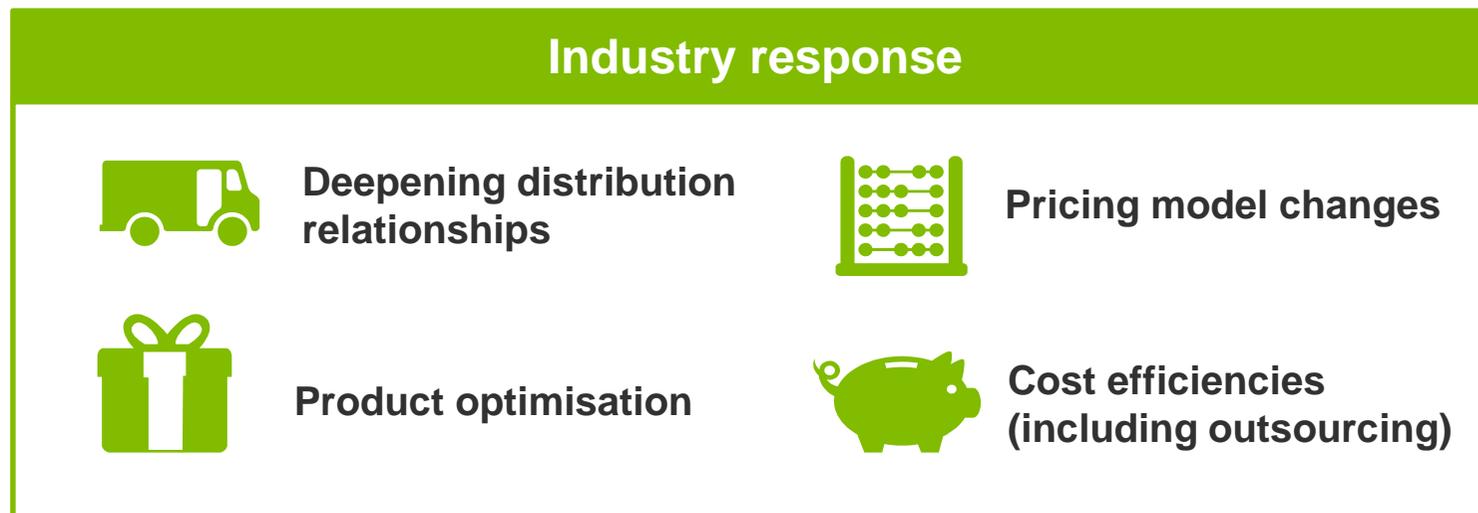
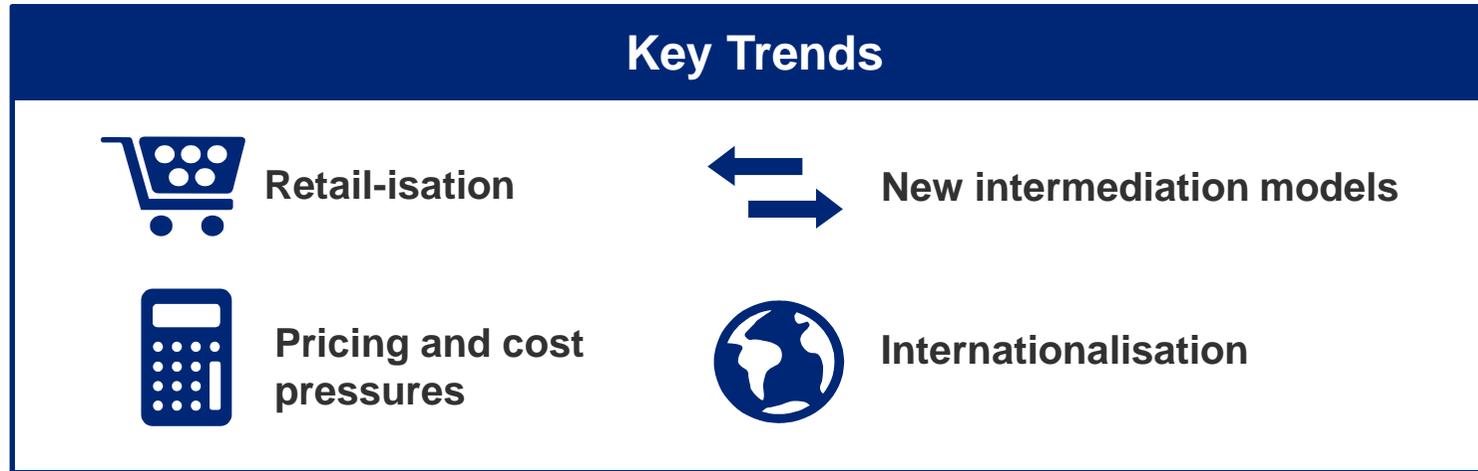
Investment platforms are becoming central to the investment offering

80% new flows, 67% into model portfolios

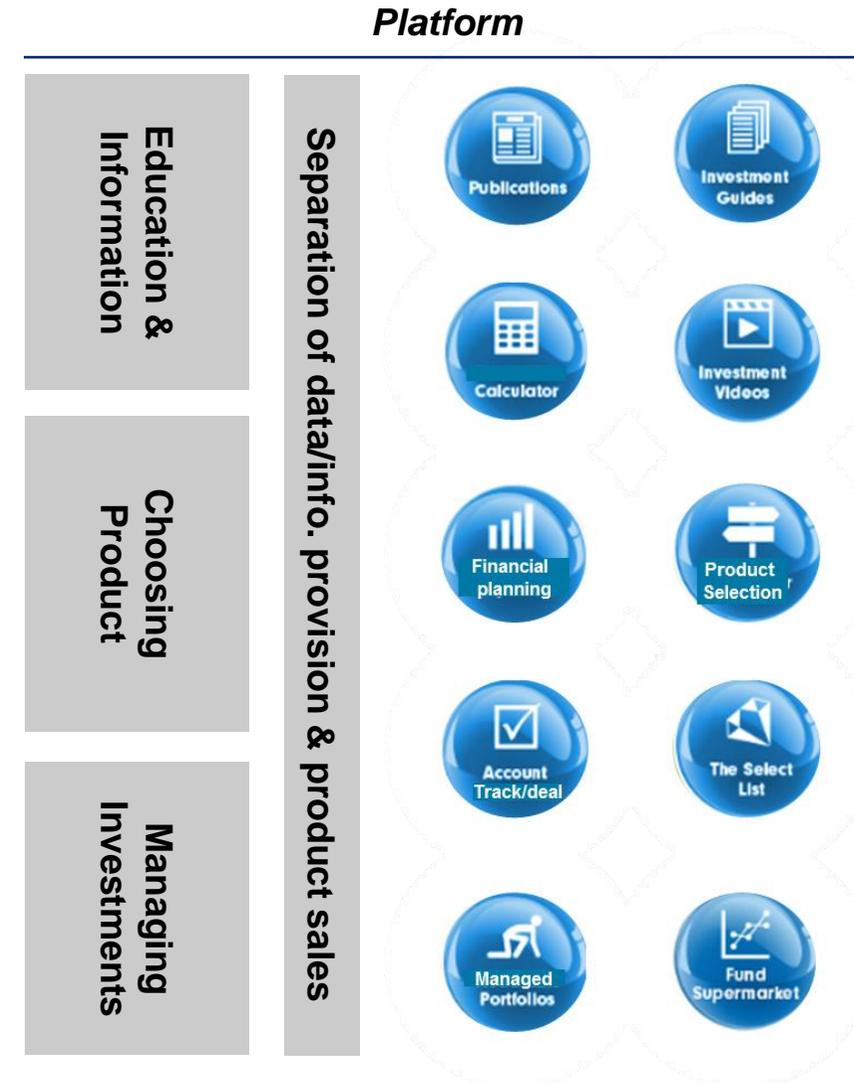
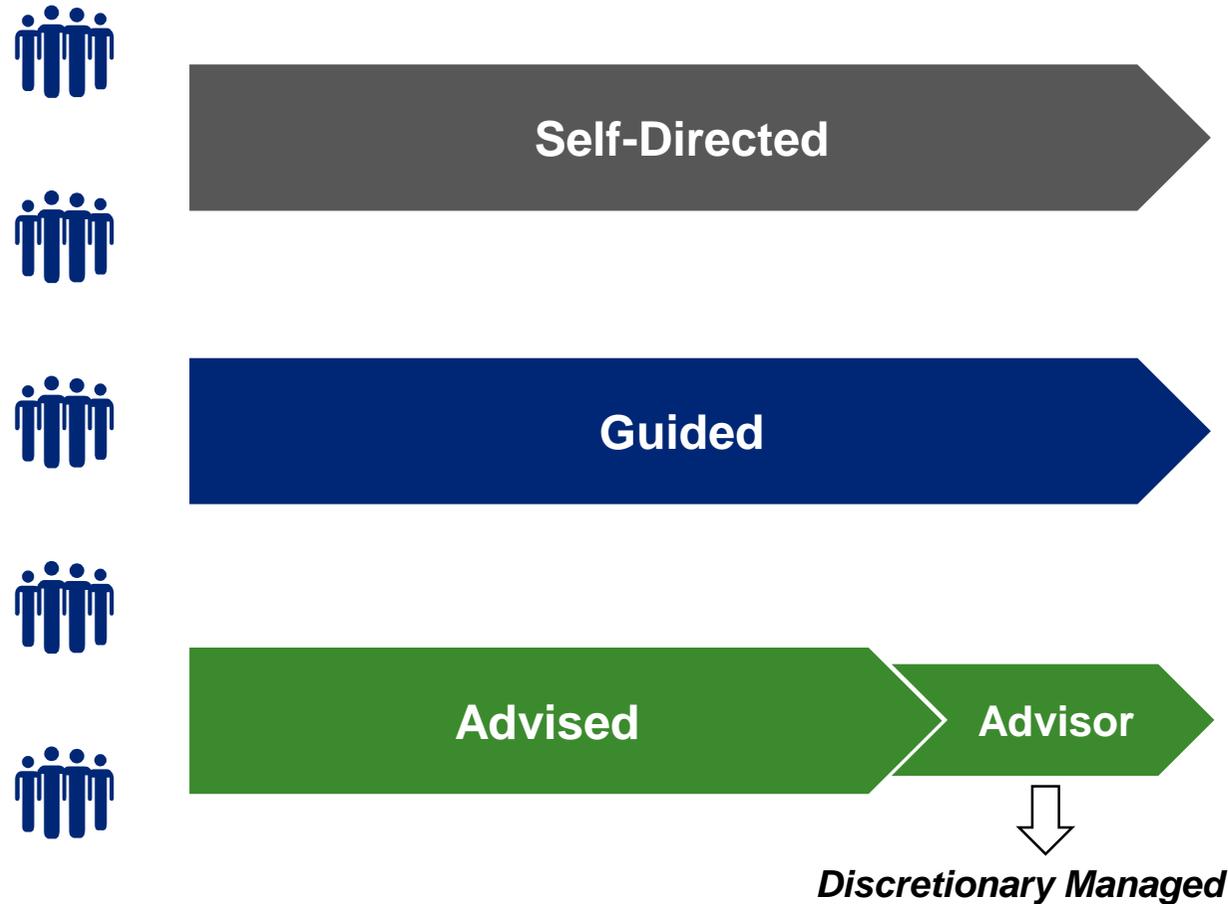
Advisory models restructuring to focus on client value added

Heavy application of technology & process standardisation

Industry impact of existing regulation



Increasingly customers will be self-directed or guided via a platform



Regulation will continue to be a massive driver

Product Governance & Distribution

- More launching of “non-complex” products
- Decreasing breadth of providers used and increasing use of digital channels
- Restructuring of distributor relationships

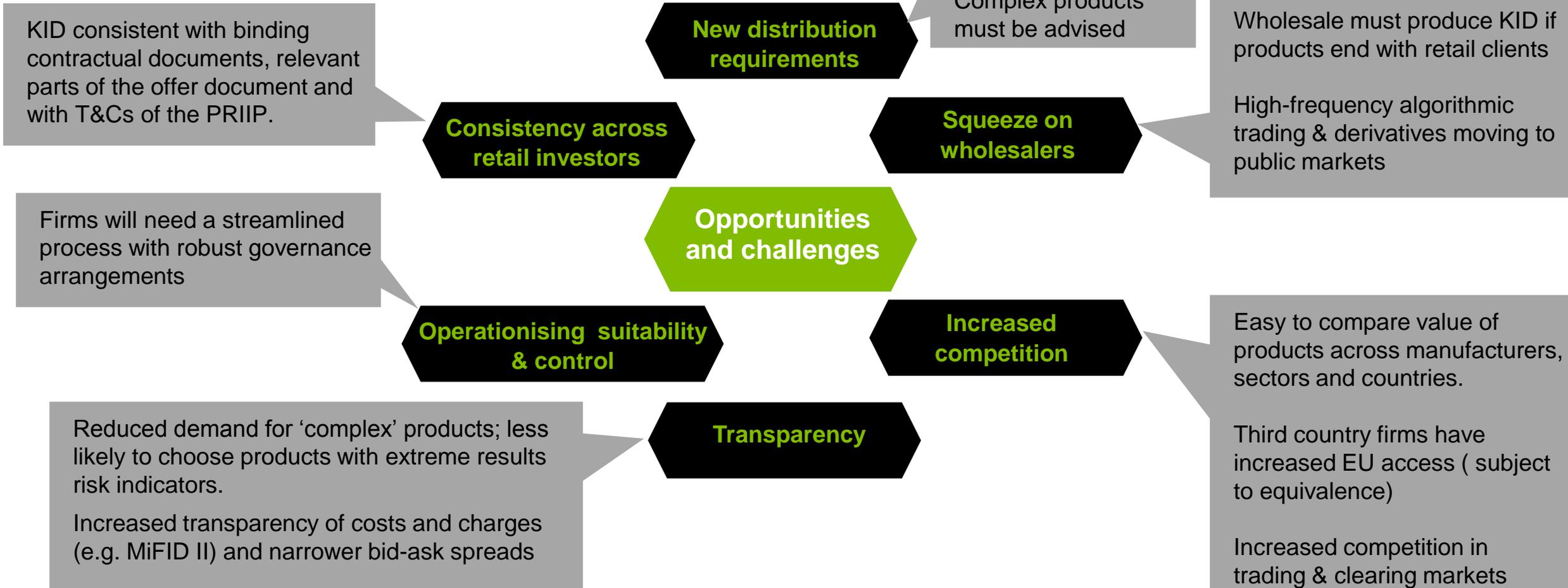
Transparent and competitive offerings

- FCA’s competition review will increase scrutiny of costs on higher margin products and services
- MiFID II and PRIIPS will increase transparency and comparability across products, which may increase competition
- FAMR will help close advice gap, although regulator still will “nanny” customers

Best execution & dealing commission

- Need to improve best execution monitoring for non-equities markets
- Challenge of management and consolidation of up-to-date information for disclosure and reporting purposes
- Determination of value of research and how to pay for it

Opportunities and challenges under future regulation



Digital disruption threatens

Connect



Allow investors to connect their accounts together, and connect with their peers and the right advisors

Account Aggregation:

- Money Strands
- My Prosperity
- Mint
- Yodlee – Money Center

Social:

- Peers
- Social Picks
- Affluence
- Family Bhive
- CAPS – Motley Fool
- People & Picks
- Tiger 21
- Institute for Private Investors
- Stock Twits
- Family Office Exchange

Client/Advisor Matching:

- Garrett Planning Network
- My Financial Advice
- Financial Planning Association
- NerdWallet

Advise



Leverage digital interfaces and analytics to deliver tailored advice and enhanced experiences

Financial Planning:

(with Digital Store Front)

- Wealth Front
- Personal Capital
- Plan & Act
- Hello Wallet
- LearnVest

Portfolio Allocation:

(Algorithms-based)

- My GDP
- NestEgg Wealth
- FlatFee Portfolios
- Folio Investing
- Future Advisor
- Market Riders
- Hedgeable
- Financial Guard
- LikeFollo
- Portfolio Monkey
- Betterment
- Jernstep

Invest



Provide investors access to non-traditional, institutional-like investment strategies and opportunities

Non-Traditional Investment Strategies:

- Collective2
- Covestor
- Currensee
- Motif
- eToro

Alternative Products:

- Prosper
- Seed Ups
- Seedrs
- Lending Club
- Crowdfunders
- Prodigy Network
- Fundrise
- Funders Club
- Crowdcube
- Collaperty
- CircleUp
- Realty Mogul
- Daric

Develop winning characteristics and capabilities in response to regulation

D2C

- **Strong consumer brand name**
- **Bank of existing customers to mine**
- **Set of easy to understand, modular propositions**
- **Cost efficient infrastructure**
- **Superior marketing talent**
- **Long term view to building a consumer franchise**

INTERMEDIARY

- **Strong intermediary brand name & presence**
- **Targeting successful advisers**
- **Segmented adviser services**
- **End to end integration of value chain (technology enablement)**
- **“Outsource” investments**
- **Modular configuration of offering**



**BANKING &
INSURANCE**

FORUM 2016