



AXA's Response to Thoresen Review: *"Call for Evidence"* (published in March 2007)

Introduction

AXA is the 2nd largest insurance group in the world with operations in over 50 countries and with 50 million clients. In the UK, the AXA Group is a major player in the life & pensions, general insurance, and healthcare sectors.

AXA recognises that improvements in financial capability can yield benefits for a range of stakeholders, and has been actively engaged in the developing thinking around how this could be achieved. Specifically, the 'AXA Avenue' study identified the positive impact on consumers of receiving financial advice.

We are very pleased that the Government has decided to set up this independent Review to research and design a national approach to generic financial advice. We believe there is a solution within reach that would give many more people access to meaningful financial advice.

Scope, approach, objectives

The FSA's Baseline Survey has demonstrated the nation's poor levels of financial capability across a number of dimensions, in particular the capability of 'planning ahead' (where nearly half of people appear to be making insufficient effort) and 'choosing financial products'. We agree that help needs to be provided particularly to those who are most vulnerable to the consequences of poor financial decisions, and equally agree with the Government's aspiration that all adults should have access to high-quality generic financial advice. The wide coverage of people is necessary based on the evidence of the Baseline Survey which showed that poor 'planning ahead' capability is largely independent of income.

The approach to generic financial advice needs to equip people to take the right decisions at the right time. This will entail encouraging some people not to do certain things, such as excessive borrowing. And it will entail persuading other people to do other things, such as budgeting skilfully or buying savings and protection products wisely.

We believe that an opportunity will be missed if the thinking is constrained by the characteristics of the current regulatory environment or by a desire to find the lowest cost solution. In designing the generic advice service we think that the Review should focus, in the first instance, on what will be good outcomes for customers.

In conclusion, we think it important that the Review sets out clearly its objectives from a generic advice service – covering the breadth of the advice to be provided, and the desired outcomes – so that success can be measured against them.

Overall observations

We fully support the principle of personal responsibility but recognise that people will need help with the various decisions they have to make. Without such help, people will not fully engage with their financial affairs nor make effective decisions.

We believe a key insight for the Review is that the biggest difference is made where people receive trusted advice, whereas the provision of information typically has a very limited impact. The way that people behave in practice needs to be contrasted with what an economically rational person might do. The provision of information might give a person some of the data they need in order to be able to take personal responsibility: it does not however provide them with the means by which they can fulfil that responsibility. We do not think that perfect information is the answer to imperfect human behaviour – we believe that the answer lies in the provision of trusted advice.

Fundamentally, improvements are dependent on changing people's deep-rooted attitudes and behaviours towards saving for the future – they need to be aware of the need to plan. We think that the Review needs to be guided by the public awareness campaigns that have been most successful in changing attitudes and behaviours (for example the wearing of seat belts, healthy eating and anti-smoking campaigns).

Success factors

We believe that for generic advice to be successful:

- the advice needs to be personal, relevant, and specific
- having used the service, there should be straightforward next steps for people to take so that meaningful action results
- an element of persuasion must be a fundamental component: without this type of motivation the impact of generic advice will be limited
- a significant element of face-to-face advice will be required: we accept that the telephone and the internet have a role to play and are cheaper delivery mechanisms but we question their effectiveness in practice
- it needs to incorporate the advice that people will need on the introduction of Personal Accounts in 2012
- it is important that the adviser follows-up with people that have used the service, and that there is ongoing reinforcement
- clear protocols need to be in place that assure the quality of the advice given
- a sustained hard-hitting national awareness campaign is a prerequisite for success. Awareness is a fundamental first step, and the generic advice service is the call to action: it cannot be assumed that the presence of a generic advice service will ensure people will use it
- a new brand is required that is not so directly associated with crisis intervention

We see it as essential that any generic advice service is rigorously tested and piloted before being rolled out on a national basis.

We think that it is imperative that there is central co-ordination of the many and varied generic advice initiatives currently planned or underway. For example, we believe that the workplace can be an effective delivery channel for financial capability initiatives – it is therefore important that the FSA's ambitious plans in this area (reaching 4 million employees over the next 5 years) are incorporated within the Review's thinking.

We believe that a new organisation, ultimately responsible to the Treasury, needs to be established that will be responsible for all generic financial advice initiatives. It should have the responsibility for co-ordinating the various activities in order to ensure that overall objectives are being met.

Boundary between generic advice and regulated advice

We do not think that the current distinction between generic advice and regulated advice is helpful. The behavioural outcomes that this produces do not appear to serve anyone's interests well – regulated advisers tend to become overly cautious, or retreat, in order to avoid risks around breaching the rules; and many consumers become disenfranchised since there isn't anyone to help them.

We believe that the regulatory framework needs to be such that it supports an approach where generic advisers can be persuasive in ensuring people take meaningful action. Otherwise, we think the service will be restricted to providing hand-offs to other entities or organisations, which we believe will deliver sub-optimal outcomes.

We envisage that the generic advice service will incorporate a basic financial health-check. We think that this can be designed such that it delivers consistent outcomes from person to person which means that the quality of advice, and any recommendations, can be more easily assured.

We are in the process of working up more detailed proposals on this particular aspect which we would like to share with the Review team in due course.

Funding

We do not believe that generic advice provides a commercial opportunity in itself. However, we do recognise that improvements in financial capability are in the best long-term interests of the industry, and therefore agree that some sort of public-private funding arrangement is appropriate. We would expect any funding arrangement to broadly reflect the relative benefits that would be delivered.

Specific Questions

Our thoughts on the specific questions raised in the Call for Evidence are attached. We would, of course, be very happy to discuss any of these aspects in more detail with the Review team.

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For further information, please contact:

Ian Costain
Head of Industry Affairs
AXA Life
Tel: 0117 989 5020

Deborah Briers
Industry Affairs Manager
AXA Life
Tel: 0117 989 3782

STRATEGIC ISSUES

A. What is happening today, how and to whom?

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

There are a number of services (many voluntary or state-sponsored) that provide *information* only. Others do provide advice but this is typically on non-regulated financial matters such as help with crisis intervention in debt-related issues, or on specific product areas as is the case with The Pensions Advisory Service (IPAS).

AXA is not aware, however, of any organisations that provide wide-ranging generic financial advice (as defined by the Taskforce) on a national scale. We believe this is for 2 reasons:

1. As highlighted by the Resolution Foundation, it is difficult to make a commercial case for delivering such as service through the private sector; and
2. The FSA's regulations regarding the giving of financial advice, do not currently permit generic financial advisers to recommend a specific product type to an individual. This is a significant barrier to making any generic recommendations meaningful.

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

No specific response

AS3. What do you believe is the most appropriate way of describing "generic financial advice" provision?

The fundamental role of generic financial advice is to deliver purposeful guidance and advice to individuals, which they see as valuable. To facilitate this, we believe it should contain the following elements:

- Be sufficiently personalised and specific to be meaningful to the recipient;
- Not be subject to the regulatory constraints of the current advice regime;
- Be sufficiently persuasive to encourage appropriate action as a result; and
- Be wide-ranging enough to deal with all of the fundamental tenets of financial planning (but not the specialist services most applicable to more complex cases).

On that basis, we don't believe the label of 'generic financial advice' properly portrays the real value of such advice, and we would like to see some creative treatment put to developing a more appealing tag. However, that can only be done once the overall objectives for the service have been established and agreed.

AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?

Feedback from AXA's New Zealand operation on the 'Sorted' website indicates that although it is viewed very positively, covering a wide range of personal finance issues, it has only had a limited impact on people changing their attitudes and behaviour towards financial planning. We are not surprised by this result, as web-based tools can only achieve so much in a media-rich world.

Also, as with the UK, a consumer-spending culture has developed in New Zealand (with the average New Zealander spending well in excess of his/her income), which is a major barrier to people seeing the need to reduce debt and plan for more secure financial futures.

AS5. What academic and other research, UK or international, should the review be aware of that would be relevant to generic financial advice provision?

We regard the FSA's Baseline Survey as an important piece of research, highlighting the need for improving the nation's financial capability especially around the area of planning ahead which was a low competence for many - largely irrespective of income level. Future surveys will be important in showing what progress is being made over time.

Various research projects, undertaken by the Resolution Foundation, demonstrate the benefits of a generic financial advice service as well as estimate some of the costs and options for developing such a service. AXA supports the analyses and general conclusions of these reports although we do recognise a need for face-to-face interventions rather than purely a telephone service, for many segments of the population.

There are also a number of studies based on Behavioural Economics which help to explain some of the irrational behaviour of human beings when it comes to finances.

Finally, we would also recommend that the Review team considers commissioning further research, perhaps from a behavioural perspective, so that the messaging and promotional elements of a national service could be designed to lead to high levels of action as a result.

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

No one organisation, nor one sector, could alone deliver the kind of service required. We believe that a new organisation, ultimately responsible to the Treasury, needs to be established. It should have the responsibility for co-ordinating the various generic financial advice activities in order to ensure that overall objectives are being met.

B. What should the scope of a national approach to generic financial advice be?

BS1. Who should generic advice aim to serve including a view on segmentation?

We believe that a national system providing generic financial advice should be available to the whole population, although it should be specifically targeted at the mass market (socio-economic groups C1, C2 and D), and especially those who currently do not have access to financial advice.

Although we believe this group would have the most to benefit from such a service (as generally they have less resources to cover a lack of financial planning), we recognise that the poor competence of 'planning ahead' was a general theme within the FSA's Baseline Survey and not confined to certain socio-economic groups.

BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?

The 'better off' should not be excluded, as explained above, but to improve the targeting, all promotional and awareness messages should be aimed at the mass market. Also, dependent on the structure of the service, questions and issues deemed beyond the scope of the service (e.g. complex tax matters) should be referred to a suitable specialist.

BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?

As discussed above, AXA's view is that the service should be available to the whole UK adult population, but the promotional messages should be designed with a broad group of users in mind. In our opinion, it is important not to exclusively target the most vulnerable groups or this could have the adverse effect of alienating them from the service (as it would have connotations of financial difficulty, for example).

We also recognise that a face-to-face facility may be more effective to some of the most vulnerable groups in the population.

BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?

The service will need to cover all manner of subjects linked to finance – from what certain terms mean, to answering specific product-related questions, to helping an individual to prepare a financial action plan, etc.

A few example subjects relevant to the target group include the following:

- Basic budgeting;
- Debt counselling;
- Operating a bank account effectively;
- Protecting one's assets (mortgage protection, buildings and household contents insurance)
- Protecting one's self (travel insurance, income protection, life assurance);
- Short-term savings;
- Longer-term savings (the various options, including the need for pensions planning);
- Protecting one's health (private medical insurance) and
- Choosing and using private sector financial advisers.

Exclusions would include any aspects of more complex financial planning, such as inheritance tax issues, corporate tax issues, etc.

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

The present distinctions between “generic” and “regulated” advice are not helpful and produce behavioural outcomes that serve no interests well. Regulated firms, and others, are cautious to avoid the risk of rule breach. As they do so, many consumers become disenfranchised since no one will help them. The solution to a boundary problem such as this is common in public policy and is hard to resolve, but the issue cannot be avoided if good progress on a national generic financial advice service is to be made.

We envisage that the generic advice service will incorporate a basic financial health-check. We think this can be designed such that it delivers consistent outcomes from person to person which means that the quality of advice, and any recommendations, can be more easily assured.

Additionally, clear protocols need to be put in place to assure the quality of the advice given.

BS6. What organisations and services should or could be expected to refer people to generic financial advice?

We see the need for a major, ongoing, hard-hitting awareness campaign that would be one of the main catalysts in getting people to recognise their need for financial planning and to contact the service.

Additionally, we would expect that other existing organisations – voluntary and commercial – would also refer people to the service if it were appropriate.

BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?

As noted above, we do not believe thinking should be constrained solely to a referral service.

However, referrals will need to be made in complex cases, and these should be to qualified financial advisers.

For generic financial advice to be effective, most people will need to take some action on their finances, following receipt of the advice. We do recognise that, where the recommendation requires the purchase of a financial product (e.g. a protection policy or some savings), then this will need to be sourced from a commercial provider.

BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?

We believe the Financial Services Skills Council has made a good start in this area – it has developed industry-wide performance standards and skill sets for those giving generic financial advice. Once the generic advice service has been more fully defined, these standards could be reviewed and adapted as necessary.

Even with such agreed standards, there will still be a need for clear protocols to be established to assure the quality of the advice.

BS9. What are the legal implications of giving generic financial advice?

To be effective, the system needs to be seen as impartial and underpinned by trust.

We need to recognise that the service is about giving broad, generic financial advice to equip people to take greater personal responsibility for their own finances. This points to a different and lighter-touch legal perspective than that of the current regulated advice regime. Indeed, where financial products are to be recommended, these would need to be simplified ones where the risks of customer detriment are reduced.

The generic financial advisers within the system would need to trust that they won't be personally liable for mistakes a customer makes in not disclosing all of their personal circumstances or in following up on the recommended course of action. Thus, some form of 'safe harbour' from a regulator or from the Financial Ombudsman Service would be required for advisers.

Any short-comings in the adviser's work should be dealt with through a performance management and/or disciplinary process.

BS10. How would the creation of a new generic financial advice service materially affect advice providers?

Overall, we believe a new generic financial advice service would be moderately positive for the financial services industry, including existing advisers.

We see the positive impacts as:

- Greater consumer awareness and ‘education’ would make people more likely to seek solutions to their needs by buying financial products;
- Advisers would benefit from referrals from the service;
- Referrals from the generic advice service could then receive a more streamlined full advice service, making it more cost-effective
- As the value of the service is appreciated, and peoples’ engagement with the financial services industry becomes more satisfying, people will re-gain confidence and trust in the industry in dealing with their more complex financial needs.

One negative impact, though, would be the fact there is likely to be some substitution of advice.

C. Cost and funding

CS1. To what extent should generic financial advice be free at the point of delivery?

We think this question requires some specific research, perhaps from a behavioural perspective to ensure the most appropriate conclusion is reached.

It is important that the service is generally available to all UK adults, and affordability must not be a barrier – particularly for the most vulnerable. However, if the service is free, some people may not see it as being so valuable and thus not use it, or may be less likely to follow-through on any recommendations. Saying that, even a modest cost may put off a number of people at the first hurdle! Therefore, our initial – and tentative – conclusion is that the service should be free to ensure the widest possible access, and promotional messages should be used to reinforce the value of it.

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

No. A report prepared by the Resolution Foundation shows that the operation could not be run as a viable, self-funding organisation.

We do think that a radical re-engineering of the current regulated advice regime could deliver significant consumer benefits (but we recognise this would be outside of the scope of this Review).

CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?

We regard the report ‘*A National Dividend: The economic impact of financial advice*’ produced by the Resolution Foundation as the most reliable estimate of the likely benefits to individuals and society. Although a number of the assumptions are, out of necessity, subjective, they provide a good framework as to the likely scale of economic benefits.

The report highlights the following benefits to their target group of individuals:

- A potential average increase in personal wealth of around £60,000 by the time they reach 60;
- An increase in annual retirement income of up to £1,500; and
- A reduction of up to two-thirds in the number of people experiencing financial stress.

The report also highlights significant savings in public expenditure over coming decades, including:

- Within 10 years of delivering the advice, annual savings in Pension Credit could be as much as £50 - £100 million;
- By 2055, these savings could rise to £200 - £400 million a year; and
- In the latter half of the century, annual savings could be as high as £400 - £800 million.

Source of above statistics: Resolution Foundation report '*A National Dividend: The economic impact of financial advice*'

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

Ideally, the costs should be shared proportionately between the various stakeholders (including Government) based on the benefit they will each receive. It will, however, be a significant challenge to forecast the emerging benefits with any degree of accuracy. Clearly, a consistent approach to the estimations should be used.

CS5. How can the "generic" element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the "fact find"?

AXA witnessed some direct experience of 'generic advice' being a significant proportion of full regulated advice in its AXA Avenue study in 2006. (We have provided a summary of this work in an appendix to this paper.) The IFA giving the (regulated) advice in this study reported back that much of her time was spent on giving fairly practical 'generic' advice e.g. around basic budgeting and the need to manage household debt effectively, before she could look to improve other, regulated areas of their personal finances. Indeed, such generic guidance was at the heart of the significant improvements made to the participants' financial positions.

In this study, the cost of the advice was simply calculated as the fees the IFA would have charged the participants if they were fee-paying customers. In terms of quantifying the benefits, the IFA measured the participants' net worth at the start and the close of the study, and then calculated whether there had been a net gain. (As highlighted in the appendix, all participants who received the IFA's advice made net gains – far in excess of what the IFA's fees would have been, and for some people to quite significant levels.)

However, measuring net worth in a meaningful and consistent way will be a challenge to a new generic financial advice service, so specific guidelines and assumptions would need to be set and then applied consistently for all customers.

D. How can potential users be engaged?

DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?

In our opinion, this is one of the biggest and most decisive elements facing the Thoresen Review. Little will be achieved unless the service can attract people (by highlighting their need for it) and getting them to use it. (The next most significant challenge is to get people to take meaningful action as a result of having used the service.)

Getting people properly engaged in the service will require cultural change. To instigate that level of change, we believe that a sizeable, ongoing, hard-hitting awareness campaign is a pre-requisite. Suitable themes may need to work on the 'fear factor' of what the consequences will be if people don't take some action to manage their finances better e.g. if they have no pension, they may have to be working

for the rest of their life; if they continue to take on more debt, they may ultimately lose their home and possessions – as well as the respect of family and friends, etc.

Clear, hard-hitting messages are appropriate in this context, where people can see a clear link between their current behaviour and the ultimate outcome it will lead to. We saw how effective demonstrating these links can be in our AXA Avenue study when we gave the participants one week's Basic State Pension to survive on, and found that some of the participants had spent it within a day!

Also, from AXA's experience of direct marketing our products to the mass market (through AXA Sun Life Direct), we know that many people in this group respond better to the stimulus of immediate and tangible gifts. Thus, there is still a role for meaningful incentives to encourage behavioural change from some.

Finally, due to the size and significance of getting this part of the proposition right, we would recommend that some Behavioural Finance research is undertaken in this area – to assess what would work best with the target group.

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

We would point to other Government campaigns with strong, memorable messages including those around:

- Drink-driving
- AIDS
- Eating '5 A Day'
- Seat belts.

We believe these have been successful due to their clear demonstration of the direct consequences of a person's day-to-day behaviour.

DS3. What would an attractive brand for a generic financial advice service look like?

The brand would, ideally, portray the following values:

- Trust (but the service cannot 'guarantee' a specific outcome of any recommended course of action)
- Impartiality
- Knowledge
- Helpfulness

We believe it would also have to be aspirational to some extent – to encourage use. In no way should it be largely associated with crisis-management.

DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?

A multi-media, multi-message approach is likely to work best to respond to the many differing needs across the population. With the broad mass market being the target audience, it would be really instrumental to have some key financial commentators from the media on board to give some positive messages about how the service can help their readers/listeners/viewers.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

We see the need for some face-to-face interventions as being necessary for some segments of the population, as this builds more trust and enables further explanation of the issues to be given. It is also more persuasive in encouraging direct action from the recommendation.

There are many delivery channels for face-to-face interventions from the workplace to other sites where people go on a day-to-day basis (e.g. supermarkets). However, we do not think a person's home is optimal in this context. Going to an external venue requires more personal commitment from the individual (which is positive in encouraging the necessary follow-up actions), and it allows them to concentrate more readily on the fact-finding process and the advice being given.

DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?

If successfully implemented and promoted, a generic financial advice service could – over time – change attitudes and behaviours towards people taking more personal responsibility for their finances and managing them more effectively than currently. This is, however, a tough challenge. To be successful, in the first stages, the Government must be clear about what its objectives are, and the impact these could have on the economy and tax revenues. Then, an appropriate service and promotional messages can be built to support those objectives. Whatever the objectives and the operating model of the service, a few fundamental things must be incorporated:

- A hard-hitting awareness campaign around the need to manage one's finances;
- A simple 'call to action' to use the service;
- An element of persuasion in encouraging people to undertake the recommended courses of action; and
- Some strong cultural messages about the need for people to take a greater level of personal responsibility for their finances and thereby their lifestyle.

E. What should the governance arrangements look like?

ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?

AXA believes that a new national, independent body is required – with ultimate accountability to HM Treasury.

ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?

We believe the most important measures will be around customers' actions rather than throughput or other process-focussed measures.

However, there will still be a need for a wide range of management information and reporting measures so any process barriers can be highlighted early on. The Taskforce may find some of the metrics AXA collects on its advice and information-only services useful in assessing what these would cover.

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

Clearly, where synergies exist, they should be utilised positively (e.g. in existing services referring some groups of their customers on to the generic advice service and vice-versa), and unhelpful duplications should be removed, where possible.

ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?

No specific response for this question.

OPERATIONAL ISSUES

A. What is happening today, how and to whom?

AO1. What advice service are you or your organisation responsible for delivering (this need not be generic financial advice)?

AO2. How is your advice delivered (e.g. face-to-face, web-based or telephone)?

AO3. What is the legal, organisational and governance structure of your service?

AO4. How is your service funded?

AO5. How did you identify your customer and their needs?

AXA has 2 areas of either advice or information-only provision to our customers which may give valuable insights to the Thoresen Review. These are:

- The AXA Workplace Distribution Team that provides both information and full, regulated advice to employees of our corporate pensions schemes; and
- Various AXA Customer Communication Centres provide information only (no advice) by the telephone to our customers.

As these areas are very different by nature, we have provided discrete insights from each in response to the various questions proposed below.

AXA Workplace Distribution Team

This team comprises 11 regulated individuals, providing information or full advice through a combination of face-to-face delivery mechanisms (e.g. group presentations, one-to-one meetings where required) and over the telephone to members and potential members of our corporate pensions schemes. As regulated advisers, the team are able to advise across a broad spectrum of financial issues.

AXA Customer Communication Centres

AXA operates a number of telephone-based call centres that answer customer queries through the provision of information only.

We also operate a tied agency sales force of fully-regulated advisers. However, we felt this channel would provide few insights for the sort of generic financial advice service the Taskforce is considering, and thus have not included specific information about it in this submission.

B. What should the scope of national approach to generic financial advice be?

BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?

No specific response for this question

BO2. How many people use your service per annum? What sorts of questions do they ask?

It is not possible to estimate how many interactions our Workplace Distribution Team undertakes in a year, but to provide some scale, the Staff Financial Solutions subset of the team (2 advisers and 3 support staff) deal with over 1,000 employees in a year across a wide range of financial planning matters.

BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?

No specific response to this question

BO4. If you operate some form of “triage” or “sifting” of calls, what criteria do you use?

No specific response

BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?

In a tiny minority of cases, the AXA Workplace Distribution Team may refer a customer on to an IFA via IFA Promotions (IFAP).

BO6. What management information do you capture?

The AXA Workplace Distribution Team has 3 main areas of management information (MI):

- Sales and profit per product line
- ‘Advice activity’ e.g. the number of enquiries handled, the number of fact-finds completed, etc.
- Quality measures including: persistency; policies not taken up; complaints; fact-find acceptance rates; execution-only business.

The AXA Customer Communication Centres measure a whole range of MI – much of which is very specific to their call centre operation. Examples include:

- Customer Response Time – 80% of calls should be answered in 20 secs.
- Abandonment Rate – less than 5% of calls abandoned before answered.
- No. of calls presented versus number forecast.
- Average Handling Time – comprises of talk time with the customer and wrap time after the customer has rung off.
- Call Quality – soft skills measured every other month.
- Technical Accuracy – 4 calls monitored every other month.
- Schedule Adherence – Customer Service Representatives being on the phone when they should be.
- Voices of Dissatisfaction – when customers mention something they are dissatisfied about although it is a non-reportable event.
- Complaints – Reportable complaints
- Retention rates (where applicable)
- Number of referrals to technical support – how many times a representative phones the technical team for help.
- Monthly technical tests – The representatives are tested on their product/regulatory knowledge. This forms part of on-going accreditation.

BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer feedback, complaints handling etc.)?

In terms of our policy:

Over the last 14 years, AXA has set out clear guidelines for all of its representatives in terms of what information, and separately, what advice, can be given to customers. This policy is set by a specific Governance Forum, and exists to ensure appropriate and consistent standards of advice is given to customers in different advice scenarios (e.g. investments, retirement planning, etc.)

In terms of supervision:

Within the AXA Workplace Distribution Team, the regulated individuals have an annual knowledge test as a minimum, with further tests if regulations change or new products are launched. Additionally, a percentage of their F2F interviews and telephone calls are observed/monitored to assess their knowledge as well as their customer-handling skills.

Also, any advice given will have supporting documentation, which will also be checked.

Furthermore, every adviser is assigned a suitably skilled and knowledgeable supervisor who is responsible for overseeing the quality of their work, identifying any training needs and ensuring these are met.

Within the AXA Customer Communication Centres, the Customer Service representatives have coaching and call assessments every other month by a Call Quality Coaching Team. They mainly measure their 'soft skills'. On the month in between (and also every other month), each representative has 4 calls monitored by a Technical Support Team monitoring the technical accuracy of any information given.

BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?

Although AXA has Professional Indemnity insurance, our approach to ensuring that only appropriate advice is given, and by those regulated to give it, has led to a very low level of complaints, and so we would cover any incidences of inappropriate advice directly from our own funds.

BO9. What level and type of training do you offer for your staff (e.g. costs, duration, suppliers, accreditation, etc.)?

This varies hugely depending on whether the staff are giving regulated advice or providing information only to customers.

Our regulated advisers (within the AXA Workplace Distribution Team) are taken through extensive initial training which covers:

- Generic knowledge
- AXA products and their application
- Process and procedural requirements, including our best advice guidelines
- Selling skills.

Their knowledge is formally tested and sales skills formally assessed, before they undergo a programme of on-the-job training. Once they have demonstrated their ability to meet AXA standards, and have met the FSA qualification requirements, they will be assessed and signed off as a competent adviser.

From this point, they have to maintain their level of competence, including keeping their knowledge up to date through a programme of continuous professional development. There is a formal programme to measure this on a quarter by quarter basis.

In terms of the training for the AXA Customer Communication Centre staff, this will take them to a point where they are competent to provide the necessary level of technical information (not advice). Their induction programme would cover all of the following aspects:

- General Induction – 2 days – Covers: Product knowledge, Compliance, Fraud, Complaint handling, Market awareness, Performance Management, Data protection and Anti-money laundering.

- Product Knowledge – 2 days (can vary per product)
- Process training – 3-4 days depending on process
- Communication Skills – 2 days
- Retention training (if appropriate) – ½ day
- Call Standards training – 1.5 hours (covers what the representatives will be measured on)
- Buddying – 1 – 2 days depending on the subject matter

All product training has accreditation at the end of it.

All Customer Service representatives are required to pass a final assessment (based on a role-play) at the end of all training programmes.

BO10. What are the payment arrangements for your advisers (e.g. payment levels, sponsorship, pro bono etc.)?

A significant proportion of the remuneration package of our sales-related roles is salary – to encourage the right sort of behaviours. Also, the bonus element will be partially based on meeting various AXA-endorsed behaviours rather than purely target-related.

In terms of the AXA Customer Communication Centre staff, their remuneration package will be largely aligned with the salaries and benefits of the rest of our administrative staff.

BO11. Who are your advisers (background, length of service etc.)?

These vary so widely, it would be difficult to give you a meaningful break-down. However, the advisers within our Workplace Distribution Team have an average industry experience of in excess of 5 years.

BO12. How do you ensure that you work effectively with other relevant organisations?

Not applicable to our services.

ABOUT AXA AVENUE

AXA's unique financial study took place in a 'virtual street' in Brighton from November 2005. Its goal was to discover if access to professional financial advice and increased knowledge about financial planning could improve a person's overall well-being (financial and health-related).

The experiment involved 20 households within a Brighton community. Half of them were given access to an IFA (Saran Allot-Davey, Female IFA of the Year in 2005) for 12 months while the other half were left to their own devices.

Throughout the year, the AXA Avenue participants who received Saran's advice tackled their debt problems, addressed their short or medium term savings concerns and maximised their pension contributions. In some of the households the end result was a major transformation to their lives.

Collectively, the ten households that received financial advice ended up some £50,000 better off, with similar increases in savings and encouraging levels of debt reduction. The households that were left to their own devices actually got poorer – they spent a quarter of their savings and the group saw a three per cent reduction in their net wealth.

The lessons learned from the AXA Avenue Study are important to the consultation on generic financial advice, and financial capability more generally. We held a breakfast discussion with some key policymakers on financial capability in January 2007 to debate some of the insights that emerged from the study. We have included a brief summary of these, below:

AXA Avenue Discussion Areas

Much of the discussion focused on generic advice – in particular, what it might look like in practice and how it could be delivered.

(i) Effectiveness of generic advice

The following areas were explored:

- how far you can get with generic advice (compared with regulated advice where a product recommendation is made)
- the extent to which the current regulatory regime is constraining
- the need for advice on the introduction of Personal Accounts in 2012

Saran's observations from her experience were:

- she has been surprised how much of the information required by the AXA Avenue participants was really quite generic – only a limited amount of the advice given was product-specific. However, there is sometimes a need to give regulated advice particularly where the customer needs to decide between alternatives, for example in relation to pensions
- for the most part with the AXA Avenue participants she was just providing them with information on how to help themselves – the information had to be both personal and relevant in relation to the individual, and persuasion remained important in ensuring that action was taken
- in respect of auto-enrolment people will need help in deciding whether it is right for them to opt-out

(ii) Delivery of generic advice

The areas explored were:

- the combination of knowledge, skills and confidence required from an adviser
- the effectiveness of a face-to-face service versus more remote services

- alternative channels for delivery, in particular potential utilisation of the workplace to engage employees

Saran's observations were:

- the deliverer of the advice does not need to be too technical – they just require practical, sensible skills. The adviser must give the customer a forum in which to think in depth about their personal circumstances. A multi-stage process is needed with nothing too difficult being attempted in the opening discussion
- the telephone can be perfectly adequate in doing a thorough job – however the telephone interview should not be done cold, that is to say a questionnaire should be sent out in advance to get the customer to pre-prepare a significant amount of information on their finances
- working in groups works well particularly for introductory sessions, though it cannot work where the customer needs to discuss confidential financial information. It is much better to see people in the workplace or at an office, rather than in their own home – at home they are much less focused as there are too many other distractions

(iii) Engaging with consumers

The following areas were explored:

- getting people to use the service
- achieving meaningful engagement
- ensuring that people remain committed once the adviser has left

Saran's observations were:

- effective advertising is essential as fundamental changes in peoples' attitudes and behaviours are required. The focus has to be on helping people achieve their financial goals and on the provision of a trusted service
- she finds that people tend to be trusting from about half-way through an initial hour long meeting. Trust is imperative as people are invariably looking for someone to advise them on the right thing to do
- ongoing engagement with customers is key in order to reinforce the continued appropriateness of their financial decisions

(iv) Paying for advice

The areas explored were:

- how we can encourage people to pay for advice (particularly when they feel they don't have any spare cash)
- how generic advice can be extended across all socio-economic groups

Saran's observations were:

- people need to be more certain about outcomes before they will be prepared to pay
- the form that advice takes does not need to change much in targeting the poorest as the principles of basic budgeting apply across the board. The challenge is how it will be paid for

Conclusion

The discussion identified some of the important questions that will need answering in order for generic advice to become a reality. And Saran's observations, from her hands-on involvement in the 'AXA Avenue' project, have given us some important clues as to what the answers might look like.

The discussion highlighted the various challenges that need to be addressed – however, above all, it did illustrate that there appears to be a solution within reach that would give many more people access to meaningful financial advice.