

## **Improvements to e-Suitability - paragraph library version 1.1.37 26.11.2010**

We are pleased to announce further enhancements to e-Suitability which include significant improvements to the content. These changes have been made in response to user feedback.

The most significant changes are:

A new paragraph library release which incorporates the following changes:

- Assets under management information updated for providers
- New product - Decreasing Term Assurance
- New plan clusters for Multi Cover product recommendations
- Improvement to selection of guaranteed or reviewable premiums for Multi Cover product
- User customisable content extended to include “budget driven or need driven” content
- User customisable content extended in closing section of report
- User customisable content extended for mortgage recommendations
- Improved support for interest only residential mortgage recommendations
- Improved text to explain Finametrica risk profiling choices for joint recommendation cases
- Improved text to explain agreed Finametrica risk profiling portfolio assumptions
- Improved text to explain reason for investment amount for pensions
- New product providers
  - Margetts Fund Management
- Amended product providers
  - AEGON Scottish Equitable rebranded as AEGON UK and AEGON International
  - AIG Wealth Management rebranded as Alico Wealth Management
- Removal of product providers
  - Hartford Life - ceased accepting new business
  - Keydata - no longer trading
- Investment and Pensions products list now varies according to the selected sub need
- Bug fix - “insert percentage” maximum field length extended from 2 digits to 3 digits
- Bug fix - MetLife available for selection as a product provider again
- Minor layout correction

### **Assets under management information updated for providers**

Wherever possible, e-Suitability includes values for assets under management in the text describing the product provider because it can be a significant indicator of a provider’s expertise and commitment to its investment offering. We are pleased to announce a complete revision of these figures as used in e-Suitability. An example of affected text follows:

## REASONS FOR RECOMMENDING AVIVA AS A PRODUCT PROVIDER

- Aviva is an influential provider of financial products and services.
- It is the world's sixth-largest insurance group and the biggest in the UK
- It is one of the largest listed insurance companies in the world with assets under management of £222 billion as at 30.6.2009. Source: [www.aviva.com](http://www.aviva.com).
- It offers a leading range of products of the type that suit your needs.
- Aviva has a good record for meeting valid claims for payment..
- The premium for the selected product is amongst the most competitive in the market place.
- The financial strength of Aviva is rated by AKG Actuaries & Consultants Ltd, specialists in this field, as “excellent”. This rating is a highly positive indicator of the company’s ability to meet its future obligations under its protection policies.

## New product - Decreasing Term Assurance

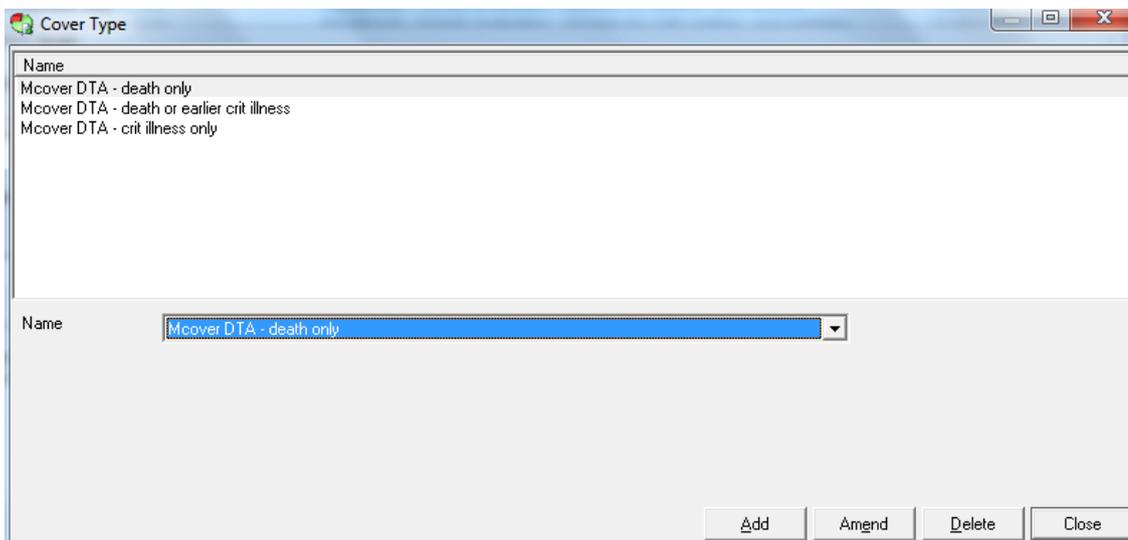
We are pleased to Decreasing Term Assurance as a new product in e-Suitability. This new product is available for selection for the following needs:

- Protection – death only
- Protection – death or earlier critical illness
- Protection – critical illness only

The introduction of this new product has been made in response to user feedback. It will be appropriate to select “Decreasing Term Assurance” as the product rather than “Mortgage Protection Insurance” in instances where the recommendation is not directly associated with protection for mortgage backed lending.

## New plan clusters for Multi Cover product recommendations

Following creation of the new product, Decreasing Term Assurance, new cover components for Multi Cover product recommendations have been created to make it possible to select Decreasing Term Assurance as a plan component instead of Mortgage Protection Assurance if preferred. An example of the new cover type selections as they will appear follows:



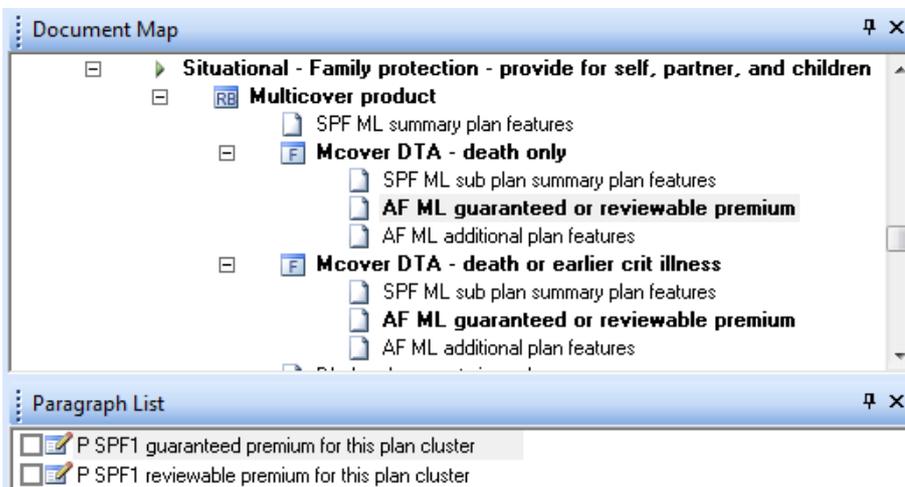
## Improvement to selection of guaranteed or reviewable premiums for Multi Cover product

All protections products supported by e-Suitability include the option to select guaranteed or reviewable premium.

Previously, in the case of Multi Cover product recommendations, the guaranteed premium selection was made at the same stage as when selecting the product and product provider.

Unfortunately, this made it impossible to easily document a case where one policy cluster incorporated a guaranteed premium while the premium for another plan cluster was reviewable.

Now, separate selections for guaranteed or reviewable costing are made for each plan cluster. An example of the document map and paragraph list showing how the selections are now made follows:



If “guaranteed premium for this plan cluster” is selected, the following text will be inserted immediately below the plan cluster summary table as shown below.

Part of the arranged cover may be summarised as follows:

Life assured	Jean
Cover type	Decreasing Term Assurance
When payable	Death
Term	25
Benefit paid as	A single lump sum
Benefit amount	£75,000

The cost of this cover component is guaranteed to remain constant for the life of the plan.

If “reviewable premium for this plan cluster” is selected, the following text will be inserted immediately below the plan cluster summary table as shown below.

Part of the arranged cover may be summarised as follows:

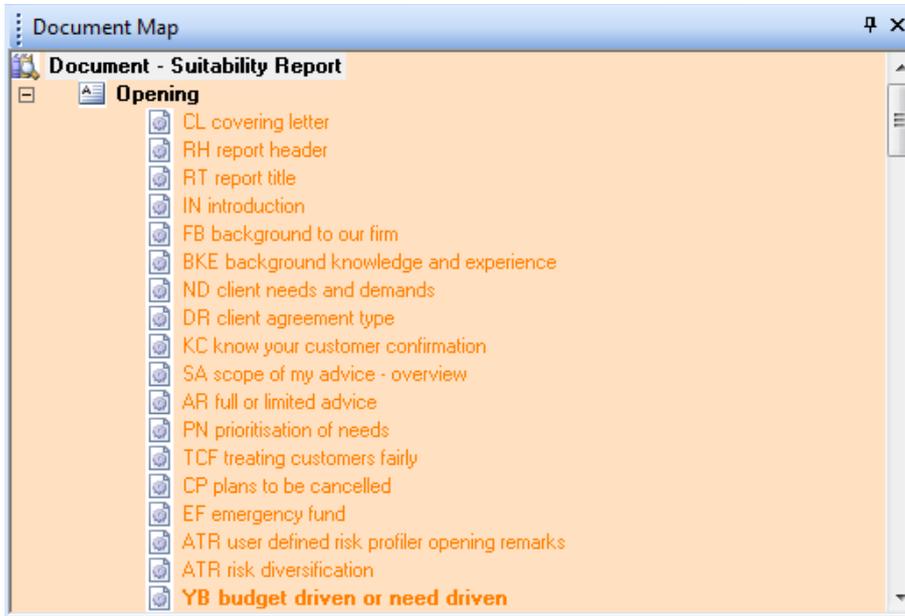
Life assured	Jean
Cover type	Decreasing Term Assurance
When payable	On death or earlier diagnosis of a listed critical illness
Term	25
Benefit paid as	A single lump sum
Benefit amount	£75,000

The cost of this cover component is reviewable from time to time.

## User customisable content extended to include “budget driven or need driven” selections

In response to user feedback, we have now extended the reach of user configurable text to allow you to create your own selectable statements to document budgetary constraints.

Now, the “budget driven or need driven” section in the opening region of e-Suitability reports has been opened to allow creation of user defined selectable paragraphs and deletion of any system generated paragraphs as shown below.



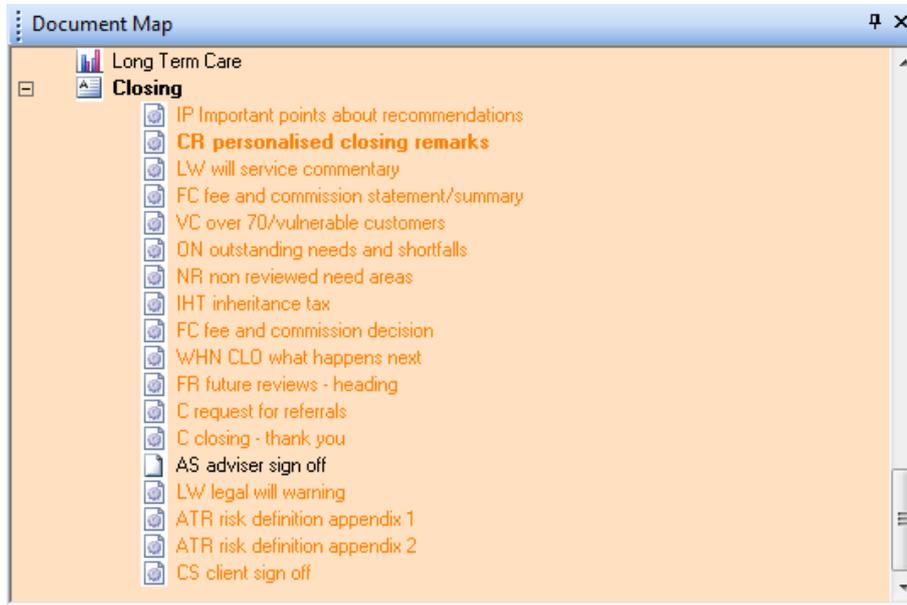
If you are not already aware of how to use this valuable feature of e-Suitability, please refer to the user guides available for download at:

<http://www.bluegrove.co.uk/TechnicalServices/Support.html>

## User customisable content extended in closing section of report

In response to user feedback, we have now extended the reach of user configurable text to allow you to create your own selectable closing statements to each suitability report.

Now, the section, “closing – thank you”, has been opened to allow creation of user defined selectable paragraphs and deletion of any system generated paragraphs as shown below.



## User customisable content extended for mortgage recommendations

We have now extended the reach of user configurable text to allow you to create your own selectable statements to each suitability report in the following areas for mortgage recommendations:

- YMR primary client concern
- YMR secondary client concern
- YMR advice limitations

Now, it will be possible to add your own customised selectable text in these areas to more exactly reflect your firm’s advice style for mortgages.

These areas of the mortgage suitability reports are particularly useful in underscoring the client needs and demands expressed in the opening section of the suitability report.

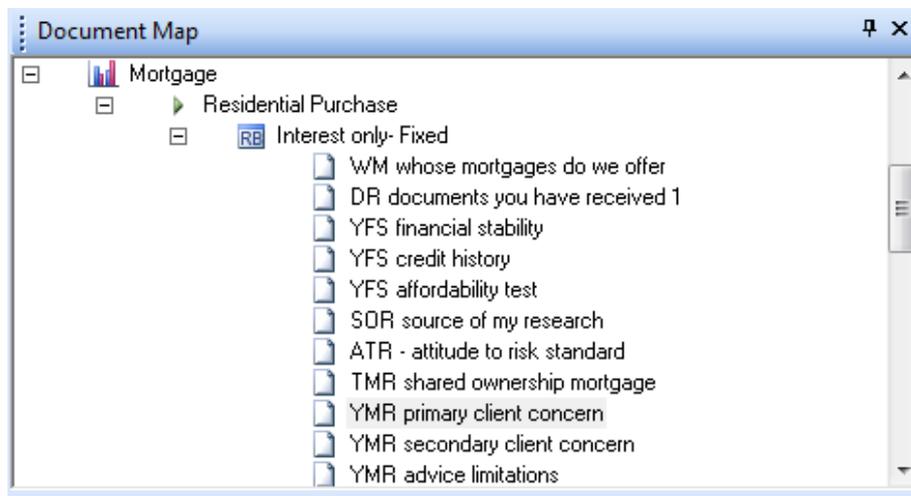
## Improved support for interest only residential mortgage recommendations

In response to user feedback we have made further improvements to e-Suitability support for mortgage recommendations for interest only residential mortgage cases where the client has insisted upon not discussing or arranging a plan to repay the capital.

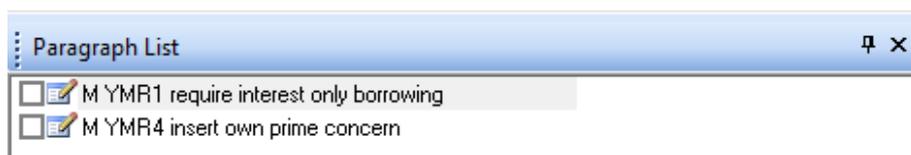
Special care should be taken for cases of this type especially in view of the FSA’s recent request that financial advisers pay special attention to the mortgage affordability. Financial advisers are now required to be satisfied that a mortgage will be serviceable regardless of the financial underwriting requirements of the lender. Nonetheless, circumstances may arise where it is good advice to recommend an interest only mortgage without a clear plan to repay the capital.

Previously, e-Suitability included little support for selectable paragraphs to detail the reasons for this type of recommendation.

Now, for residential interest only mortgages, we have introduced additional system generated paragraphs to reduce the risk of important elements of the advice being overlooked. The location of the new text in the document map is shown below.



The selectable statements of primary concern for interest only mortgage recommendations are now:



Selecting, “require interest only borrowing” will cause the following text to be inserted:

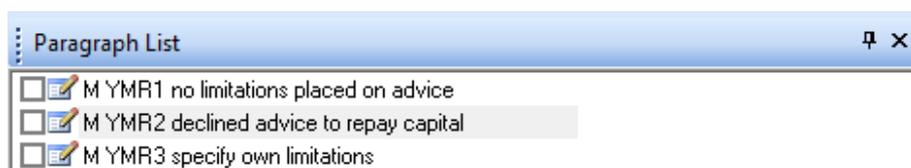
Your prime concern is to arrange a mortgage on interest only terms to reduce to a minimum your regular monthly mortgage payments while seeking the best available terms in relation to set up fees, interest charges and redemption penalties. In expressing this as your main concern, you accept as your responsibility the need to make separate arrangements to repay the mortgage.

Selecting, “insert own prime concern” will cause the following text to be inserted:

Your prime concern in choosing a mortgage is to insert own text.

The selectable statements of secondary concern for interest only mortgage recommendations have not changed.

The selectable statements of advice limitations for interest only mortgage recommendations are now:



The new selectable statement is, “declined advice to repay capital” which if selected will cause the following text to be inserted:

You have declined to receive my advice on what steps and options are available for you take to arrange for repayment of the capital amount to be borrowed under this mortgage. Your reason for declining my advice is:

- insert reason.

### Improved text to explain Finametrica risk profiling choices for joint recommendation cases

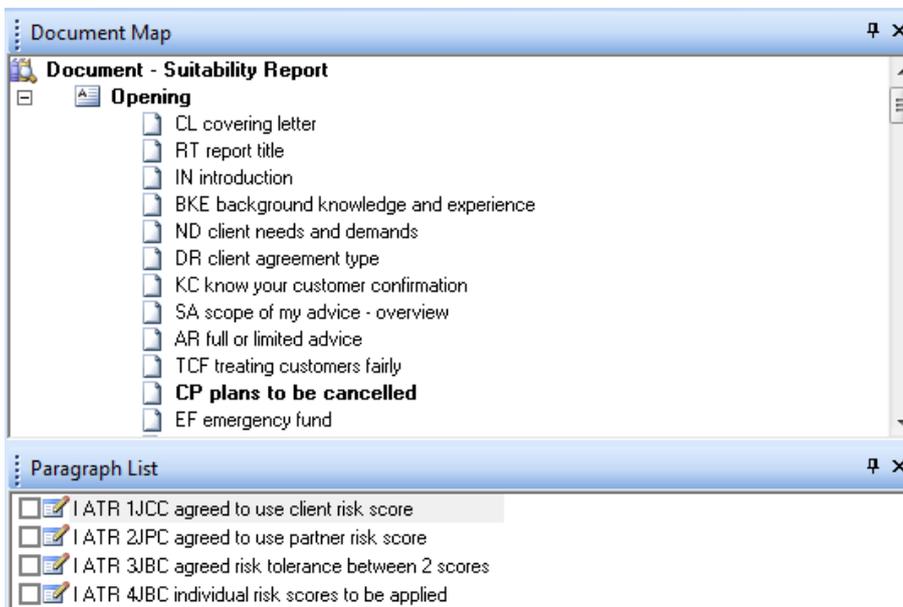
Risk profiling technologies from a number of different sources are supported in e-Suitability. If you use this method of risk assessment, it is highly advisable to separately test client and partner for all joint recommendation cases. The Finametrica profiler result is expressed as a score ranging from zero to 100 and support is already included to separately document these scores for all joint recommendation cases.

Where the Finametrica scores differ between partners, it is appropriate that the suitability report documents how the differing scores are resolved for the purposes of investment advice.

Previously, the resolution was handled by offering three selectable paragraphs to document whether the client or partner score or indeed a compromise of the two would be used for the purposes of assessing whether the recommended investment is within recommendable limits. However, the choices do not provide for the situation where a single risk attitude can be negotiated.

Now, for all joint recommendation Finametrica cases, an additional selectable paragraph is available to explain the situation where the client and partner wish to invest in the sole names by respecting their separate risk profile results.

The document map and selectable paragraphs for this situation are shown below.



Selecting “individual risk scores to be applied” will cause the following text to be inserted:

You have requested that your individual Finametrica scores should be used as a means of assessing whether emotional discomfort is likely to arise from your investment decisions. This will make it possible for you to reach differing conclusions about the constituent investment risk you find acceptable for your individually held investments.

Adjustment have been made to the automated text to document how well the recommended investment matches the risk profile score so as retain a logical framework that apply well to joint and sole recommendation cases. Unfortunately, the flexibility of the core software does not yet extend to flawless handling of the automated text where a jointly owned investment has been recommended as shown below.

#### **HOW WELL DOES THIS INVESTMENT FIT WITHIN THE RISK LIMITS IMPLIED BY YOUR FINAMETRICA RISK PROFILING ANALYSIS**

The proportion of investment funds which are subject to pronounced swings in value is broadly equal to the agreed comfort limit implied by your Finametrica questionnaire results because:

- You have chosen to accept a level of investment risk which our analysis suggests is unlikely to cause Jean & John any emotional discomfort.

In this instance the expression, “Jean and John” may be altered to “your” by selecting the former text with the mouse pointer and amending it manually. A field entry box will appear at the bottom left portion of the screen from where the amendment may be made as shown below.



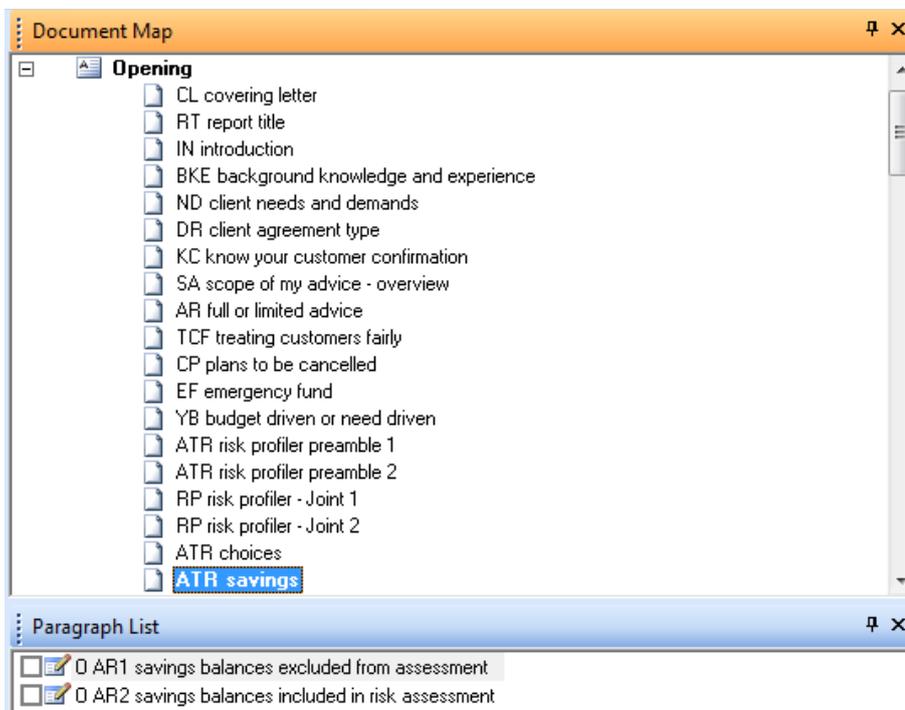
#### **Improved text to explain agreed Finametrica risk profiling portfolio assumptions**

When the Finametrica risk profiler has been selected, a number of preamble paragraphs to describe this risk profiling tool are included in the opening stages of the suitability report. These describe the risk profiling in conceptual terms. Finametrica adopts an overarching approach to risk assessment which requires that all existing investments should be included in the assessment.

Previously, a body of text was inserted to qualify that savings accounts would not be counted in the client’s portfolio for risk assessment purposes.

Now, an additional selectable paragraph has been included to make it possible for the opposite advice stance to be adopted. We have also now extended the reach of user customisable paragraphs to include the report area labelled “ATR savings” to enable you to delete one of the selections if your advice style always assumes one of the two stances.

The location of the new selection in the document map is shown below.



Selecting, “savings balances excluded from assessment” will cause the following text to be inserted:

For the purposes of this report and our discussions, your savings account balances have been excluded from the assessment of the appropriate proportion to be invested in assets which are subject to large swings in value. In effect, this means the investment now recommended is less likely to cause you emotional discomfort.

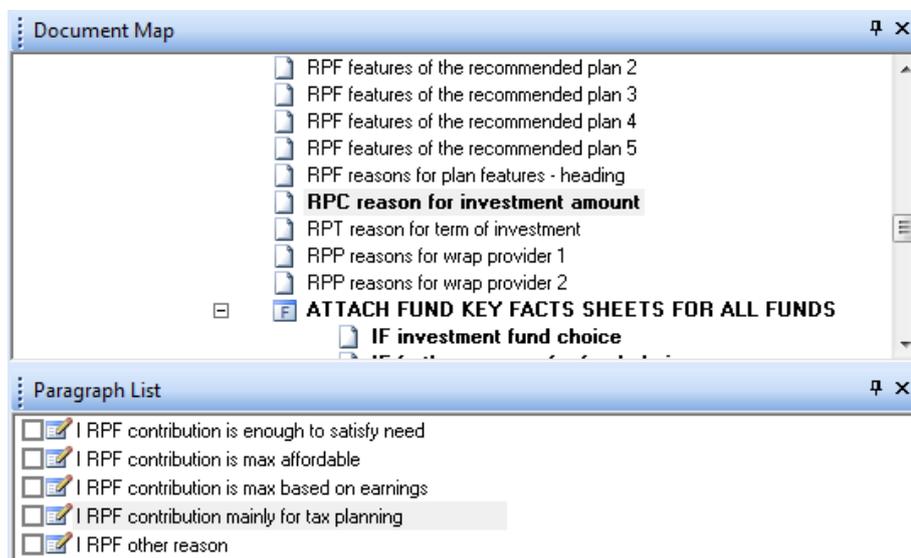
Selecting, “savings balances included in risk assessment” will cause the following text to be inserted:

With your agreement, I have included the value of your savings account balances as a constituent part of your overall investment portfolio for risk assessment purposes. In effect, this means there will be greater scope to include in my recommendation invested assets with higher potential for gains and losses than would otherwise be possible while respecting your desire to avoid emotional discomfort arising from your investment decisions.

## Improved text to explain reason for investment amount for pensions

A selection of text to explain the reason for the amount invested in a personal pension plan is already supported in e-Suitability. We have now added to the selection list to cater for situations where tax planning is the main reason for the pension investment. For example, this may be the case where higher rate income tax relief is now available and the client anticipates retiring shortly as a basic rate tax payer.

The location of the selection point in the document map is shown below.



The newly introduced selection is, “contribution mainly for tax planning”. If this item is selected, the following text is inserted:

### REASONS FOR RECOMMENDING THE INCLUDED PLAN FEATURES

The commitments agreed under this plan are set at the above-mentioned levels because:

- You aim to exploit tax planning opportunities available from pension linked investments. Relief from income tax will be available on this investment at a rate of **insert percentage** which is likely to lead to a significant reduction in overall taxation.

## New Product Provider

We are pleased to announce inclusion of Margetts Fund Management as a product provider. An example of the recommendation text for this provider follows:

### REASONS FOR RECOMMENDING MARGETTS FUND MANAGEMENT AS A PRODUCT PROVIDER

- Margetts Fund Management Ltd is a relatively small fund management house which offers a high level of service to its clients.
- Founded in 1843, Margetts now offers a range of risk rated investment funds, a range of third party investment funds and fund administration services to financial advice practices and institutional investors.
- The service facilities of Margetts make it simple and straightforward each year to authorise that your ISA allowance is funded by transferring units from other Margetts investments rather than transferring money to selling assets.
- It offers a product of the type that suits your needs.

## Amended product providers

AEGON Scottish Equitable has recently been rebranded as AEGON UK and AIG Wealth Management as Alico Wealth Management. e-Suitability has now been updated accordingly.

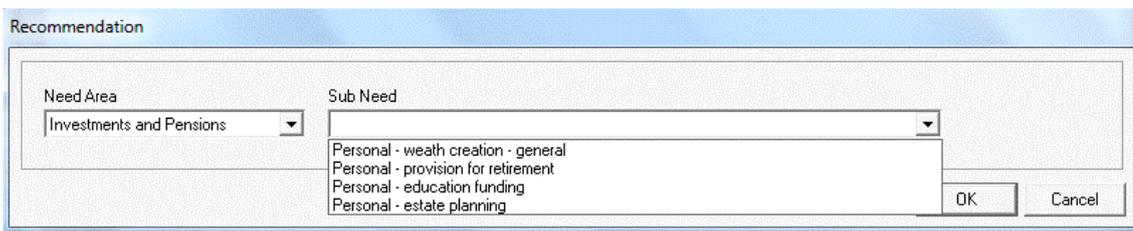
## Removal of product providers

Hartford Life is no longer accepting new business applications and Keydata is being liquidated. These product providers have now been removed from the list of providers.

## Investment and Pensions products list now varies according to sub need

We are pleased to announce an improvement in the way in which products are listed for selection in e-Suitability. Previously, products listed as available for selection would vary according to the “Need Area” selected at the initial recommendation screen as shown below. This meant that the list of products for selection was unnecessarily long and sometimes confusing.

Now, for the need area, “Investments and Pensions”, the product list varies according to the sub need selected as shown below. Products will, in future, only be listed if they match both the identified need and sub need.



The screenshot shows a dialog box titled "Recommendation". It contains two dropdown menus: "Need Area" and "Sub Need". The "Need Area" dropdown is set to "Investments and Pensions". The "Sub Need" dropdown is open, showing a list of options: "Personal - weath creation - general", "Personal - provision for retirement", "Personal - education funding", and "Personal - estate planning". There are "OK" and "Cancel" buttons at the bottom right of the dialog box.

If the sub need, “Personal - wealth creation – general” is selected, the following list of products is available for selection at the “Add Contract” stage:

- New - Cash ISA
- New - Stocks and Shares ISA
- New - Unit Trust or OEIC
- New - Investment Trust
- New - Investment Bond - onshore
- New - Investment Bond - offshore
- New - Friendly Society Plan
- Structured Product income
- Structured Product growth
- Structured Product kick out income
- Structured Product kick out growth
- Transfer - Cash ISA
- Transfer - Stocks and Shares ISA
- Transfer – Unit Trust or OEIC
- Transfer - Investment Trust
- Transfer – Investment Bond - onshore
- Transfer - Investment Bond - offshore

If the sub need, “Personal - provision for retirement” is selected, the following list of products is available for selection at the “Add Contract” stage:

- New - Stakeholder Pension
- New - Non-stakeholder Pension
- New - Self-invested Pension
- Transfer - Stakeholder Pension
- Transfer - Non-stakeholder Pension
- Transfer - Self-invested Pension

If the sub need, “Personal – education funding” is selected, the following list of products is available for selection at the “Add Contract” stage:

- New - Cash ISA
- New - Stocks and Shares ISA
- New - Unit Trust or OEIC
- New - Investment Trust
- New - Investment Bond - onshore
- New - Investment Bond - offshore
- New - Friendly Society Plan
- Structured Product income
- Structured Product growth
- Structured Product kick out income
- Structured Product kick out growth
- Transfer - Cash ISA
- Transfer - Stocks and Shares ISA
- Transfer – Unit Trust or OEIC
- Transfer - Investment Trust
- Transfer – Investment Bond - onshore
- Transfer - Investment Bond - offshore

If the sub need, “Personal – estate planning” is selected, the following list of products is available for selection at the “Add Contract” stage:

- New - Investment Bond - onshore
- New - Investment Bond - offshore
- Transfer – Investment Bond - onshore
- Transfer - Investment Bond - offshore

### **Bug fix - “insert percentage” maximum field length extended from 2 digits to 3 digits**

The “insert percentage” field is used in a variety of contexts in e-Suitability reports and its purpose is to provide a point for entry of percentage information within the report documents. Currently, the field permits entry of values of up to 2 digits in length or 99%. It has recently been pointed out that this presents difficulties where a value of 100% is required, for example when documenting an lifetime annuity which provides a widows or dependants pension of 100% of the value of the pension at outset. This limitation has now been lifted by allowing the field to accept entries of up to 3 digits in length.

An example of a completed field entry follows.

#### **SUMMARY FEATURES OF THE RECOMMENDED PLAN**

Owner	Jean
Provider	Aviva
Policy type	Lifetime Annuity - not investment linked
Purchase amount	£75,000.00
Tax free cash to be paid to you	£25,000.00
Source of investment	Transferred from another provider

and there is provision for a dependant’s pension of 100%.

### **Bug fix - MetLife available for selection as a product provider again**

It has recently been reported that MetLife has become unavailable for selection as a product provider. This has now been corrected.

## Minor layout corrections

The paragraph library has been reviewed and a number of small layout corrections have been made. In this connection, we are grateful for continued user feedback on any flaws found in the content, the correction of which will take precedence over all other development work.

## New paragraph library

If you have already updated the software, select the “Data Update” option from the drop down menu which is accessible immediately after launching Report Writer.



Then follow the onscreen instructions.

## What's next on the development list

Development Item	Planned release date
Discretionary Fund Manager recommendations	12.2010
Third way pension annuities	02.2011
Purchase life annuities	02.2011
With Profits annuities	02.2011
National Savings products	04.2011
Occupational pension transfers	06.2011
Maximum investment plans	08.2011
Group personal pension schemes – advice via employer	to be announced
Group protection schemes	to be announced
Improved support for automated inclusion of text to present client “needs and demands”	to be announced
Unsecured pension review reports	to be announced
Offshore and non-regulated collective investment funds	to be announced
Fund switches within same product reports	to be announced
Support for “non product” recommendations	to be announced