

LIFE ASSURANCE ■ WITH PROFITS SURVEY

With profits update: endowments and bonds

Much maligned by the national press, with profits investments soldier on despite criticism. **Geordie Clarke** looks at the latest round of results

It seems not a week goes by these days when the term 'with profits' is absent from the national press. With millions of policyholders and billions invested in them – some estimate as much as £400bn sit in with profits funds – the market remains a significant feature of UK financial services even though many major providers closed their funds to new client business years ago.

Eventually, all the closed with profits funds will wind down until all of the policies have matured, as is already happening with many 10 and 15 year endowments. And while many insurers, such as Prudential and LV=, will continue to be active in this area for years to come, it is an incontrovertible fact that the new client business side of this market is a shadow of its former self. Based on figures from 2007 reported by the Centre for Risk and Insurance Studies and the Nottingham University Business School, the amount of new client business flowing into with profits funds was worth 3.7% of the wider UK insurance market's £185bn in premiums compared with 42.6% in 1986.

Because with profits reached their peak of popularity in the 1990s and hundreds of thousands of policies were written, we are now entering an era when hundreds of thousands of policies are beginning to mature. It is no surprise, then, that the question on everyone's mind always seems to relate to how much lower this year's payouts are compared to the year before or even 10 years ago.

Much of this focus is on what the tabloid press has branded 'zombie funds', those funds that are closed to new client business and have been bought up by consolidators. But some providers continue to embrace the with profits model, for better or worse, and likely none is more prominent than Prudential and its £61bn fund, which is still open to new client business for its with profits bonds.

In a survey of 100 IFAs, Prudential found

that 30% had intended to recommend a with profits investment, 63% of which preferred bonds. Andy Brown, director of investment funds at Prudential, says that with profits is a market in which advisers and investors still have a faith. Yet a question mark hangs over Prudential's domestic business, and in particular its with profits fund, given that it appears determined to purchase the Asian insurer AIA even if it means selling off its UK business.

While Pru uses positive research to back up its faith in its with profits business, the results that follow in this article show that reduced payouts are the status quo for this market.

Lower risk options compared

Once again, this survey is an update to the main *MM* survey that was published in the April 2010 issue, but includes fresh figures from all of the major providers and the latest results harvested from Form 59 of the FSA returns, which are published at the beginning of March and were therefore not available in time for the February deadline for the April survey, for firms that are closed to new client business (or those that simply refused to participate). In addition, this survey also includes updated figures on with profits bonds.

Quite often, this survey has found that with profit endowments have performed well against lower risk investment funds and deposit accounts, often proving that they are the better bet given that they also include a life insurance element. However, this time around the waters have become muddier.

Table 1 shows the comparative performance of the best, worst and average with profits endowment returns for 10, 15, 20 and 25 year policies alongside other investment sectors. In recent years, the average with profits endowment proved tough to beat for the average UK All Companies, UK Tracker and Balanced

Managed funds, but now that the economy has emerged from the recession it appears that the tables have turned.

The Table shows that the average 10 year endowment with an annual growth rate (AGR) of 1.7% is soundly beaten by the average returns for all three investment funds. In fact, given that the UK Equity Trackers returned 5%, the Balanced Managed returned 4.9% and the UK All Companies returned 4.5%, the result is not even close.

It is a much closer race for 15 year endowments, but in the end the investment funds prevail. With an AGR of 3.6%, the average for the endowments still lags behind Balanced Managed and UK All Companies funds, both at 4.6%, as well as the UK Equity Trackers, at 4.4%. Even after 20 years the endowments disappoint, the AGR of 5.5% for the average policy being beaten by the 5.9% growth for Balanced Managed funds, 6.1% for UK Equity Trackers and 6.2% for UK All Companies funds.

It is only when the average for long term 25 year endowments is measured that with profits stand a fighting chance against the investment funds in the Table. With an AGR of 7%, they perform slightly better than the average Balanced Managed funds, which returned 5.9% in 25 years, but just fail to outperform the 7.1% returned by UK All Companies funds. In keeping with previous surveys, the best return for 25 year with profits fund in the Table, at £77,669, falls well short of the best UK All Companies fund, which grew to £109,090 in the same time period on a £50 pm regular savings.

Latest results

Table 2 shows the actual maturity and surrender values and annual growth rates as at 1 May 2010 for with profits endowments taken out by a male aged 30 next birthday and paying a monthly premium of £50 over 10, 15, 20 and 25 years. Where a company

declined to participate, its results have been taken from Form 59 (denoted by F59 in the Table) of the FSA annual return for 2009 that was filed in March this year.

When the FSA changed its rules so that providers with £100m or more in funds under management were required to complete Form 59a and 59b of the annual return using *Money Management's* own criteria of £50 pm, the result was that more providers than ever before were included in our surveys. However, now that four years have passed since this watershed event, the number of 10 year policies still in force is beginning to dwindle and nowhere is this more evident than in this survey.

In the July 2009 survey of with profits endowments, 44 providers reported maturity values for 10 year policies. In this survey, that number has dropped to 37. As closed funds run down their books and pay out remaining policyholders, the number of 10 year policies in the market is expected to drop further, although some companies are still selling them to new clients, most notably the small mutual insurers like **Sheffield Mutual**.

In addition, a number of providers have fallen off this survey entirely. **Red Rose** and **National Friendly** declined to participate, the latter saying that its with profits business contributes a very small amount of business to the firm compared to its ventures in health and welfare products. **Ecclesiastical** could not participate because of time constraints. Unfortunately, it was not possible to glean any information from these firms' FSA returns because their books are less than £100m, meaning that they do not need to submit Form 59a and 59b in their filings.

In the case of funds managed by Phoenix Group, the consolidator of closed life insurers, the results in the Table have been taken from the April 2010 survey because the company said that its figures "had not changed materially" since the previous survey was published. Therefore, the figures for **Phoenix Assurance**, **Royal Life**, **Scottish Mutual**, **Scottish Provident**, **Sentinel Life**, **Sun Alliance & London** and **Swiss Life** are the same as in the April issue.

Things are not looking good for 10 year policies. The average maturity value for all participants in the Table is £6,548, AGR 1.7%, during the investment term, and a payout that is only £548 more than the total contributions made by the policyholder. Even worse, eight providers recorded a loss in 10 years, the worst of which being **Pearl**, paying just £5,209 at the end of the term, AGR -2.8%.

Last year Pearl paid £5,365, showing a pattern of poor performance that is likely a result of the burden of meeting its guarantees and its heavy investment in fixed

Table 1 : Comparative perf as at 1 May 2010 for with profits endowments, £50 pm

| | | Best | | Average | | Worst | |
|----------|----------------------------|----------|----------|----------|----------|----------|----------|
| | | M/V £ | AGR % | M/V £ | AGR % | M/V £ | AGR % |
| 10 years | Balanced managed | 10,250 | 10.3 | 7,693 | 4.9 | 6,355 | 1.1 |
| | UK eq trackers | 9,751 | 9.4 | 7,748 | 5.0 | 7,144 | 3.4 |
| | UK all companies | 11,575 | 12.6 | 7,552 | 4.5 | 4,947 | 4.5 |
| | 90 day deposit a/c | – | – | 6,666 | 2.1 | – | – |
| | Instant access a/c | – | – | 6,364 | 1.2 | – | – |
| | With profits | 11,085 | 11.8 | 6,548 | 1.7 | 5,209 | 4.5 |
| 15 years | Balanced managed | 17,770 | 8.5 | 12,864 | 4.6 | 9,774 | 1.1 |
| | UK eq trackers | 13,360 | 5.1 | 12,662 | 4.4 | 11,300 | 3.0 |
| | UK all companies | 23,785 | 12.0 | 12,880 | 4.6 | 7,493 | -2.5 |
| | 90 day deposit a/c | – | – | 10,893 | 2.5 | – | – |
| | Instant access a/c | – | – | 10,020 | 1.4 | – | – |
| | With profits | 24,857 | 12.5 | 11,938 | 3.7 | 8,578 | -0.6 |
| 20 years | Balanced managed | 29,934 | 8.4 | 22,404 | 5.9 | 17,426 | 3.6 |
| | UK eq trackers* | 23,803 | 6.4 | 22,973 | 6.1 | 22,173 | 5.8 |
| | UK all companies | 54,649 | 13.4 | 23,346 | 6.2 | 11,831 | -0.1 |
| | 90 day deposit a/c | – | – | 16,303 | 3.0 | – | – |
| | Instant access a/c | – | – | 14,338 | 1.7 | – | – |
| | With profits | 50,267 | 12.7 | 21,372 | 5.4 | 14,962 | 2.1 |
| 25 years | Balanced managed** | 33,702 | 5.9 | 33,702 | 5.9 | 33,702 | 5.9 |
| | UK all companies | 109,090 | 13.6 | 39,972 | 7.1 | 17,351 | 1.1 |
| | 90 day deposit a/c | – | – | 24,567 | 3.7 | – | – |
| | Instant access a/c | – | – | 20,506 | 2.4 | – | – |
| | With profits (1) | 77,669 | 11.4 | 39,314 | 7.0 | 23,410 | 3.4 |
| | With profits (Phoenix) (2) | 184,303 | 16.8 | | | | |

Notes: Results after all charges. Trackers and all companies funds based on offer to bid, income reinvested, after tax is deducted. Building society accounts net of basic rate tax. Source: Fund and account data, Morningstar; with profits data Money Management. Total gross investment: £6,000, £9,000, £12,000 and £15,000 respectively. *Only three funds reported in the category. **Only one fund reported in the category. (1) Highest with profits result does not include the maturity value for Phoenix Assurance listed on its own line. (2) Phoenix Assurance results with surplus assets distribution.

income assets. However, a shrewd investor who was aware of **Sheffield Mutual** a decade ago would be receiving a payout of £11,085, AGR 11.8%, all of which is tax free. This is, however, something of an anomaly in the Table, as **Healthy Investment**, with a maturity value of £8,543 (AGR 6.9%), was the only other provider that managed to record a payout that was more than £8,000.

For the most part, 15 year policies performed much better, but just barely. Only one provider, **Colonial Life**, reported a loss over the investment term. With a maturity value of £8,578, the policy failed to return the investment made after 15 years and provided an AGR of -0.6%. While the average return for 15 year policies, at £11,938 (AGR 3.7%) is better than for 10 year policies, this category is still seeing a significant decline that places its investment value under question. A year ago, the average AGR for 15 year policies was 4%. In the August 2006 *Money Management* with profits survey, prior to the market downturn and subsequent recession, it was 5.3%.

Overall, at least eight providers recorded growth of less than 1% after 15 years, accounting for nearly 20% of the companies in the survey. Poor performers include various closed funds like **Sun Alliance & London**, at £9,316 (AGR 0.5%), as well as a policy from **Scottish Widows**, one of the few major providers that still accepts new client business, at £9,522 (AGR 0.7%).

When policies are written for 20 or more years, the returns that they produce at maturity begin to look much more attractive, even when measured against the status quo of dwindling results. Providers like **Healthy Investment**, **Kingston Unity** and **Sheffield Mutual**, all recorded growth rates in the double digits, coming to 10.2%, 11.8% and 12.2% respectively. These are all very small providers – for example, Kingston Unity currently has a total of 1,869 with profits regular premium endowment policies on its books. However, these results stand out among other providers, where the average maturity value is £21,372, for an AGR of 5.4%, down from £25,788 and 7.1% four years ago.

Indeed, a look through the Table shows that the majority of providers found it difficult to produce a return of 5% or more. No fewer than 33 providers produced an AGR of less than 5%, the worst offender being **Britannia Life** at 2.1%, for a maturity value of £14,962. An investor would have been much better off in the 90 day deposit account featured in Table 1, which would have grown to £16,303 for an AGR of 3% during the investment term.

In August 2006, before the onset of the most recent recession, before the credit crisis took hold and before commercial property took its dive in 2007, the average payout for a 25 year with profits endowment policy was £49,518, good for an AGR of 8.5%.

Table 2 : With profits endowment policies, actual results as at 1 May 2010, premium £50 pm

| | Maturity value after: | | | | | | | | | | | | | | Surrender value on 25 year policy after: | | | | | | | | | |
|---------------------------------|-----------------------|----------|---------|----------|---------|----------|---------|----------|---------|----------|---------|----------|---------|----------|--|----------|---------|----------|---------|----------|---------|----------|---------|----------|
| | 10 yrs | | 15 yrs | | 20 yrs | | 25 yrs | | 5 yrs | | 10 yrs | | 15 yrs | | 20 yrs | | 5 yrs | | 10 yrs | | 15 yrs | | 20 yrs | |
| | MV £ | AGR % | MV £ | AGR % | MV £ | AGR % | MV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % | SV £ | AGR % |
| 1 Abbey National Life (F59) | - | - | 8,975 | 0.0 | - | - | - | - | - | - | - | - | 9,051 | 0.1 | - | - | - | - | - | - | - | - | - | - |
| 2 Australia Mutual Prov (F59) | - | - | - | - | 18,630 | 4.2 | 30,540 | 5.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,058 | 2.2 | - |
| 3 Axa Equity & Law (F59) | - | - | 12,089 | 3.8 | 20,654 | 5.1 | 32,459 | 5.7 | - | - | - | - | 10,519 | 2.0 | 19,203 | 4.5 | - | - | - | - | - | - | - | - |
| 4 Britannia Life | - | - | - | - | 14,962 | 2.1 | 25,905 | 4.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,267 |
| 5 Britannic Ass | 6,205 | 0.7 | 10,127 | 1.5 | 19,529 | 4.6 | 33,847 | 6.0 | - | - | 7,631 | 4.7 | 11,305 | 3.0 | 17,856 | 3.8 | - | - | - | - | - | - | - | - |
| 6 CGNU | 7,777 | 5.1 | 12,695 | 4.4 | 20,351 | 5.0 | 37,204 | 6.6 | - | - | 8,666 | 7.1 | 11,098 | 2.7 | 16,506 | 3.1 | - | - | - | - | - | - | - | - |
| 7 CIS | 5,780 | -0.7 | 10,446 | 1.9 | 18,215 | 4.0 | 31,868 | 5.6 | - | - | 5,810 | -0.6 | 9,665 | 0.9 | 17,872 | 3.8 | - | - | - | - | - | - | - | - |
| 8 Canada Life (F59) | - | - | 11,535 | 3.2 | 20,401 | 5.0 | 35,947 | 6.4 | - | - | - | - | 9,107 | 0.2 | 17,269 | 3.5 | - | - | - | - | - | - | - | - |
| 9 Children's Mutual § | 6,482 | 1.5 | 11,595 | 3.3 | 21,181 | 5.3 | 36,963 | 6.6 | 1,846 | -18.8 | 6,110 | 0.4 | 10,349 | 1.8 | 19,388 | 4.6 | - | - | - | - | - | - | - | - |
| 10 Clerical Medical | - | - | 10,534 | 2.1 | 18,686 | 4.2 | 31,434 | 5.5 | - | - | - | - | 10,019 | 1.4 | 17,425 | 3.6 | - | - | - | - | - | - | - | - |
| 11 Colonial Life (F59) | 5,405 | -2.1 | 8,578 | -0.6 | 15,914 | 2.7 | 26,291 | 4.2 | - | - | 4,604 | -5.4 | 7,632 | -2.2 | 14,450 | 1.8 | - | - | - | - | - | - | - | - |
| 12 Commercial Union | - | - | 12,657 | 4.4 | 18,913 | 4.3 | 32,911 | 5.8 | - | - | - | - | 8,557 | -0.7 | 17,018 | 3.4 | - | - | - | - | - | - | - | - |
| 13 Confederation Life (F59) | - | - | 14,618 | 6.2 | 24,966 | 6.8 | 44,682 | 7.8 | - | - | - | - | 22,080 | 11.1 | 30,645 | 8.6 | - | - | - | - | - | - | - | - |
| 14 Crusader | - | - | - | - | 15,508 | 2.5 | 23,410 | 3.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,321 |
| 15 Eagle Star (F59) | - | - | 10,937 | 2.5 | 17,425 | 3.6 | 28,098 | 4.7 | - | - | - | - | 10,299 | 1.8 | 16,038 | 2.8 | - | - | - | - | - | - | - | - |
| 16 Engage Mutual | 6,817 | 2.5 | 12,365 | 4.1 | 20,514 | 5.1 | 33,588 | 5.9 | 2,669 | -4.6 | 5,393 | -2.1 | 9,115 | 0.2 | 13,808 | 1.4 | - | - | - | - | - | - | - | - |
| 17 Equitable Life (F59) | 5,819 | -0.6 | 9,894 | 1.2 | 16,243 | 2.9 | 27,756 | 4.6 | - | - | 5,306 | -2.5 | 9,324 | 0.5 | 15,571 | 2.5 | - | - | - | - | - | - | - | - |
| 18 Foresters Friendly § | 6,427 | 1.4 | 14,575 | 6.1 | 25,543 | 7.0 | 48,155 | 8.3 | 2,815 | -2.5 | 5,689 | -1.1 | 14,174 | 5.8 | 25,358 | 6.9 | - | - | - | - | - | - | - | - |
| 19 Friends Provident | 6,116 | 0.4 | 10,519 | 2.0 | 17,856 | 3.8 | 29,966 | 5.1 | 2,345 | -9.6 | 4,602 | -5.4 | 8,834 | -0.2 | 16,805 | 3.2 | - | - | - | - | - | - | - | - |
| 20 Gresham Life (F59) | - | - | - | - | 21,379 | 5.4 | 36,913 | 6.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 19,811 |
| 21 Guardian | - | - | - | - | 25,069 | 6.8 | 43,814 | 7.7 | - | - | - | - | - | - | 24,187 | 6.5 | - | - | - | - | - | - | - | - |
| 22 Healthy Investment § | 8,543 | 6.9 | 19,539 | 9.7 | 37,029 | 10.2 | 64,106 | 10.2 | 2,384 | -9.0 | 6,788 | 2.4 | 15,198 | 6.6 | 32,279 | 9.0 | - | - | - | - | - | - | - | - |
| 23 Imperial Life of Canada | - | - | - | - | 16,984 | 3.3 | 29,575 | 5.0 | - | - | - | - | - | - | 15,441 | 2.4 | - | - | - | - | - | - | - | - |
| 24 Kingston Unity § | 7,925 | 5.4 | 21,639 | 10.9 | 44,728 | 11.8 | 77,669 | 11.4 | 1,851 | -18.7 | 6,229 | 0.7 | 15,092 | 6.6 | 36,005 | 10.0 | - | - | - | - | - | - | - | - |
| 25 Legal & General (F59) | 6,864 | 2.6 | 11,033 | 2.7 | 19,924 | 4.8 | 35,603 | 6.3 | 2,730 | -3.7 | 6,512 | 1.6 | 10,056 | 1.5 | 18,578 | 4.2 | - | - | - | - | - | - | - | - |
| 26 Life Assoc. of Scotland | - | - | - | - | 17,248 | 3.5 | 24,185 | 3.6 | - | - | - | - | - | - | 12,400 | 0.3 | - | - | - | - | - | - | - | - |
| 27 London & Manchester (F59) | - | - | 10,904 | 2.5 | 23,547 | 6.3 | 43,459 | 7.7 | - | - | - | - | 10,606 | 2.1 | 21,548 | 5.5 | - | - | - | - | - | - | - | - |
| 28 London Life | 5,236 | -2.7 | 9,422 | 0.6 | 15,847 | 2.7 | 27,397 | 4.5 | - | - | - | - | - | - | 8,241 | -1.2 | 14,554 | 1.9 | - | - | - | - | - | - |
| 29 LV- §* | 6,511 | 1.6 | 13,837 | 5.5 | 26,500 | 7.3 | 51,596 | 8.8 | 2,532 | -6.6 | 6,323 | 1.0 | 10,400 | 1.9 | 23,371 | 6.2 | - | - | - | - | - | - | - | - |
| 30 Manufacturers Life (F59) | - | - | - | - | - | - | 37,327 | 6.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 31 MGM Advantage | 6,009 | 0.0 | 10,449 | 2.0 | 18,642 | 4.2 | 32,254 | 5.6 | 1,831 | -19.2 | 5,556 | -1.5 | 9,150 | 0.2 | 18,188 | 4.0 | - | - | - | - | - | - | - | - |
| 32 National Employers Life | - | - | - | - | 50,267 | 12.7 | 77,879 | 11.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 33 National Mutual Life Ass Soc | - | - | - | - | 20,111 | 4.9 | 31,862 | 5.6 | - | - | - | - | - | - | 19,850 | 4.8 | - | - | - | - | - | - | - | - |
| 34 National Mutual (FP) | - | - | - | - | 29,540 | 8.3 | 45,995 | 8.0 | - | - | - | - | - | - | 28,114 | 7.8 | - | - | - | - | - | - | - | - |
| 35 National Provident Life | - | - | - | - | 15,097 | 2.2 | 23,808 | 3.5 | - | - | - | - | - | - | 13,886 | 1.4 | - | - | - | - | - | - | - | - |
| 36 NFU Mutual § | 6,000 | 0.0 | 10,393 | 1.9 | 19,747 | 4.7 | 36,187 | 6.4 | 3,000 | 0.0 | 6,000 | 0.0 | 9,765 | 1.1 | 19,122 | 4.4 | - | - | - | - | - | - | - | - |
| 37 Norwich Union | 6,317 | 1.0 | 11,379 | 3.0 | 16,797 | 3.2 | 29,324 | 5.0 | - | - | 5,237 | -2.7 | 9,879 | 1.2 | 16,212 | 2.9 | - | - | - | - | - | - | - | - |
| 38 Pearl | 5,209 | -2.8 | 9,572 | 0.8 | 16,583 | 3.1 | 28,780 | 4.8 | - | - | 5,092 | -3.3 | 8,867 | -0.2 | 16,101 | 2.8 | - | - | - | - | - | - | - | - |
| 39 Phoenix Assurance (1) | - | - | - | - | - | - | 184,303 | 16.8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 40 Provident Mutual (F59) | - | - | 11,318 | 3.0 | 18,258 | 4.0 | 29,812 | 5.1 | - | - | - | - | 9,784 | 1.1 | 17,612 | 3.7 | - | - | - | - | - | - | - | - |
| 41 Prudential | 6,886 | 2.7 | 11,904 | 3.6 | 21,657 | 5.5 | 37,009 | 6.6 | 2,363 | -9.3 | 6,728 | 2.3 | 11,051 | 2.7 | 20,766 | 5.2 | - | - | - | - | - | - | - | - |
| 42 Refuge | 6,529 | 1.7 | 10,949 | 2.6 | 18,350 | 4.0 | 31,281 | 5.4 | - | - | 4,480 | -5.9 | 9,348 | 0.5 | 17,009 | 3.3 | - | - | - | - | - | - | - | - |
| 43 Reliance Mutual | - | - | 14,106 | 5.7 | 26,859 | 7.4 | 69,475 | 10.7 | - | - | - | - | 13,488 | 5.2 | 26,449 | 7.3 | - | - | - | - | - | - | - | - |
| 44 Royal Life (1) | 5,800 | -0.7 | 9,623 | 0.9 | 17,122 | 3.4 | 32,513 | 5.7 | - | - | 6,291 | 0.9 | 8,305 | -1.1 | 16,388 | 3.0 | - | - | - | - | - | - | - | - |
| 45 Royal Liver (F59) | 5,888 | -0.4 | 11,136 | 2.8 | 18,000 | 3.9 | 26,694 | 4.3 | - | - | 4,606 | -5.3 | 7,952 | -1.7 | 14,605 | 1.9 | - | - | - | - | - | - | - | - |
| 46 Royal London | 6,406 | 1.3 | 11,389 | 3.1 | 19,896 | 4.8 | 34,526 | 6.1 | - | - | 5,238 | -2.7 | 9,316 | 0.5 | 17,996 | 3.9 | - | - | - | - | - | - | - | - |
| 47 Scottish Amicable | 6,969 | 2.9 | 12,773 | 4.5 | 22,455 | 5.9 | 39,015 | 6.9 | 2,040 | -15.0 | 5,729 | -0.9 | 11,919 | 3.6 | 21,020 | 5.3 | - | - | - | - | - | - | - | - |
| 48 Scottish Equitable | - | - | - | - | 22,608 | 5.9 | 38,308 | 6.8 | - | - | 6,099 | 0.3 | 10,857 | 2.4 | 20,683 | 5.1 | - | - | - | - | - | - | - | - |
| 49 Scottish Friendly §* | 6,499 | 1.6 | 12,138 | 3.9 | 22,329 | 5.8 | 38,251 | 6.8 | 1,723 | -21.5 | 6,027 | 0.1 | 9,980 | 1.4 | 21,011 | 5.3 | - | - | - | - | - | - | - | - |
| 50 Scottish Life §* | 6,396 | 1.3 | 10,160 | 1.6 | 17,570 | 3.6 | 30,224 | 5.2 | - | - | 6,393 | 1.3 | 9,461 | 0.7 | 16,885 | 3.3 | - | - | - | - | - | - | - | - |
| 51 Scottish Mutual (1) | - | - | 10,321 | 1.8 | 19,720 | 4.7 | 31,424 | 5.5 | - | - | - | - | 9,382 | 0.5 | 17,983 | 3.9 | - | - | - | - | - | - | - | - |
| 52 Scottish Provident (1) | - | - | 11,855 | 3.6 | 19,304 | 4.5 | 32,038 | 5.6 | - | - | - | - | 10,516 | 2.0 | 16,859 | 3.3 | - | - | - | - | - | - | - | - |
| 53 Scottish Widows § | 5,788 | -0.7 | 9,522 | 0.7 | 16,232 | 2.9 | 27,436 | 4.5 | 2,518 | -6.9 | 5,479 | -1.8 | 9,275 | 0.4 | 16,170 | 2.9 | - | - | - | - | - | - | - | - |
| 54 Sentinel Life (1) | - | - | - | - | - | - | 44,922 | 7.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 55 Sheffield Mutual §* | 11,085 | 11.8 | 24,857 | 12.5 | 46,903 | 12.2 | 76,421 | 11.3 | 2,700 | -4.1 | 5,960 | -0.1 | 16,392 | 7.6 | 37,696 | 10.3 | - | - | - | - | - | - | - | - |
| 56 Shepherds Friendly §* | 7,265 | 3.8 | 12,830 | 4.6 | 21,436 | 5.5 | 33,221 | 5.8 | 2,078 | -14.3 | 6,930 | 2.8 | 12,327 | 4.1 | 20,525 | 5.1 | - | - | - | - | - | - | - | - |
| 57 Standard Life | 6,114 | 0.4 | 10,591 | 2.1 | 17,672 | 3.7 | 29,166 | 4.9 | - | - | 6,159 | 0.5 | 10,277 | 1.7 | 17,486 | 3.6 | - | - | - | - | - | - | - | - |
| 58 Sun Alliance & London (1) | 5,680 | -1.1 | 9,316 | 0.5 | 15,354 | 2.4 | 26,320 | 4.2 | - | - | - | - | 7,887 | -1.8 | 15,087 | 2.2 | - | - | - | - | - | - | - | - |
| 59 Sun Life Fin of Canada (F59) | 5,716 | -1.0 | 10,063 | 1.5 | 17,955 | 3.8 | 29,155 | 4.9 | - | - | 4,491 | -5.9 | 8,990 | 0.0 | 15,988 | 2.8 | - | - | - | - | - | - | - | - |
| 60 Swiss Life (1) | 6,858 | 2.6 | 13,189 | 4.9 | 20,580 | 5.1 | 39,171 | 7.0 | - | - | 6,352 | 1.1 | 16,005 | 7.3 | 29,310 | 8.2 | - | - | - | - | - | - | - | - |
| 61 Teachers Provident § | 6,478 | 1.5 | 11,840 | 3.5 | 19,845 | 4.8 | 33,983 | 6.0 | 2,697 | -4.2 | 6,478 | 1.5 | 11,292 | 2.9 | 19,470 | 4.6 | - | - | - | - | - | - | - | - |
| 62 UK Provident (F59) | - | - | - | - | - | - | 28,110 | 4.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 63 United Friendly (F59) | - | - | 10,072 | 1.5 | 17,027 | 3.4 | 30,236 | 5.2 | - | - | - | - | 9,296 | 0.4 | 16,803 | 3.2 | - | - | - | - | - | - | - | - |
| 64 Wesleyan | 6,865 | 2.6 | 12,382 | 4.1 | 25,031 | 6.8 | 51,081 | 8.7 | - | - | 4,938 | -3.9 | 10,673 | 2.2 | 22,150 | 5.7 | - | | | | | | | |

Table 3 : Endowment maturity values compared: 2006 - 2010

| | 10 years | | | | 15 years | | | | 20 years | | | | 25 years | | | |
|-------------------------|----------|--------|---------|-------|----------|--------|---------|-------|----------|--------|---------|-------|----------|--------|---------|-------|
| | 2006 MV | | 2010 MV | | 2006 MV | | 2010 MV | | 2006 MV | | 2010 MV | | 2006 MV | | 2010 MV | |
| | £ | £ | £ | % | £ | £ | £ | % | £ | £ | £ | % | £ | £ | £ | % |
| 1 Axa Eq & Law | - | - | - | - | 13,207 | 12,089 | -1,118 | -8.5 | 24,035 | 20,654 | -3,381 | -14.1 | 40,676 | 32,459 | -8,217 | -20.2 |
| 2 Britannia | - | - | - | - | - | - | - | - | 19,944 | 14,962 | -4,982 | -25.0 | 34,636 | 25,905 | -8,731 | -25.2 |
| 3 Britannic Ass | 6,355 | 6,205 | -150 | -2.4 | 12,683 | 10,127 | -2,556 | -20.2 | 23,071 | 19,529 | -3,542 | -15.4 | 50,982 | 33,847 | -17,135 | -33.6 |
| 4 Canada Life | - | - | - | - | 14,114 | 11,535 | -2,579 | -18.3 | 26,290 | 20,401 | -5,889 | -22.4 | 48,312 | 35,947 | -12,365 | -25.6 |
| 5 CGNU | 6,972 | 7,777 | 805 | 11.5 | 12,546 | 12,695 | 149 | 1.2 | 25,325 | 20,351 | -4,974 | -19.6 | 51,815 | 37,204 | -14,611 | -28.2 |
| 6 CIS | 6,302 | 5,780 | -522 | -8.3 | 12,594 | 10,446 | -2,148 | -17.1 | 23,658 | 18,215 | -5,443 | -23.0 | 47,229 | 31,868 | -15,361 | -32.5 |
| 7 Children's Mutual § | 6,740 | 6,482 | -258 | -3.8 | 14,064 | 11,595 | -2,469 | -17.6 | 26,079 | 21,181 | -4,898 | -18.8 | 56,737 | 36,963 | -19,774 | -34.9 |
| 8 Clerical Medical | - | - | - | - | 12,995 | 10,534 | -2,461 | -18.9 | 23,249 | 18,686 | -4,563 | -19.6 | 46,327 | 31,434 | -14,893 | -32.1 |
| 9 Colonial | 5,528 | 5,405 | -123 | -2.2 | 10,434 | 8,578 | -1,856 | -17.8 | 17,843 | 15,914 | -1,929 | -10.8 | 31,864 | 26,291 | -5,573 | -17.5 |
| 10 Commercial Union | - | - | - | - | 12,072 | 12,657 | 585 | 4.8 | 21,849 | 18,913 | -2,936 | -13.4 | 50,489 | 32,911 | -17,578 | -34.8 |
| 11 Crusader | - | - | - | - | - | - | - | - | 19,432 | 15,508 | -3,924 | -20.2 | 31,032 | 23,410 | -7,622 | -24.6 |
| 12 Eagle Star | - | - | - | - | 12,344 | 10,937 | -1,407 | -11.4 | 20,378 | 17,425 | -2,953 | -14.5 | 34,848 | 28,098 | -6,750 | -19.4 |
| 14 Equitable Life | 6,103 | 5,819 | -284 | -4.7 | 11,242 | 9,894 | -1,348 | -12.0 | 20,335 | 16,243 | -4,092 | -20.1 | 40,594 | 27,756 | -12,838 | -31.6 |
| 15 Friends Provident | 6,192 | 6,116 | -76 | -1.2 | 12,650 | 10,519 | -2,131 | -16.8 | 22,461 | 17,856 | -4,605 | -20.5 | 38,843 | 29,966 | -8,877 | -22.9 |
| 16 Guardian | - | - | - | - | - | - | - | - | 30,399 | 25,069 | -5,330 | -17.5 | 57,152 | 43,814 | -13,338 | -23.3 |
| 17 Healthy Investment § | 9,705 | 8,543 | -1,162 | -12.0 | 21,948 | 19,539 | -2,409 | -11.0 | 41,871 | 37,029 | -4,842 | -11.6 | 68,048 | 64,106 | -3,942 | -5.8 |
| 18 Legal & General § | - | - | - | - | 13,016 | 11,033 | -1,983 | -15.2 | 25,362 | 19,924 | -5,438 | -21.4 | 45,914 | 35,603 | -10,311 | -22.5 |
| 19 LV= § | 7,592 | 6,511 | -1,081 | -14.2 | 16,623 | 13,837 | -2,786 | -16.8 | 34,752 | 26,500 | -8,252 | -23.7 | 72,624 | 51,596 | -21,028 | -29.0 |
| 20 London & Manchester | - | - | - | - | 12,740 | 10,904 | -1,836 | -14.4 | 30,165 | 23,547 | -6,618 | -21.9 | 59,586 | 43,459 | -16,127 | -27.1 |
| 21 London Life | 5,901 | 5,236 | -665 | -11.3 | 12,601 | 9,422 | -3,179 | -25.2 | 23,796 | 15,847 | -7,949 | -33.4 | 43,269 | 27,397 | -15,872 | -36.7 |
| 22 MGM Advantage | 7,517 | 6,009 | -1,508 | -20.1 | 13,398 | 10,449 | -2,949 | -22.0 | 25,418 | 18,642 | -6,776 | -26.7 | 45,500 | 32,254 | -13,246 | -29.1 |
| 23 NFU Mutual § | 6,469 | 6,000 | -469 | -7.2 | 13,934 | 10,393 | -3,541 | -25.4 | 25,853 | 19,747 | -6,106 | -23.6 | 52,113 | 36,187 | -15,926 | -30.6 |
| 24 National Mutual | - | - | - | - | - | - | - | - | 24,239 | 20,111 | -4,128 | -17.0 | 43,555 | 31,862 | -11,693 | -26.8 |
| 25 National Provident | - | - | - | - | - | - | - | - | 18,274 | 15,097 | -3,177 | -17.4 | 28,874 | 23,808 | -5,066 | -17.5 |
| 26 Norwich Union | 7,001 | 6,317 | -684 | -9.8 | 13,478 | 11,379 | -2,099 | -15.6 | 23,878 | 16,797 | -7,081 | -29.7 | 46,653 | 29,324 | -17,329 | -37.1 |
| 27 Pearl | 6,109 | 5,209 | -900 | -14.7 | 12,321 | 9,572 | -2,749 | -22.3 | 21,748 | 16,583 | -5,165 | -23.7 | 41,290 | 28,780 | -12,510 | -30.3 |
| 28 Prudential | 6,961 | 6,886 | -75 | -1.1 | 14,267 | 11,904 | -2,363 | -16.6 | 26,292 | 21,657 | -4,635 | -17.6 | 50,498 | 37,009 | -13,489 | -26.7 |
| 29 Refuge | 6,764 | 6,529 | -235 | -3.5 | 13,274 | 10,949 | -2,325 | -17.5 | 23,469 | 18,350 | -5,119 | -21.8 | 43,669 | 31,281 | -12,388 | -28.4 |
| 31 Reliance | - | - | - | - | 16,186 | 14,106 | -2,080 | -12.9 | 41,057 | 26,859 | -14,198 | -34.6 | 109,554 | 69,475 | -40,079 | -36.6 |
| 32 Royal Life | 5,794 | 5,800 | 6 | 0.1 | 11,256 | 9,623 | -1,633 | -14.5 | 23,219 | 17,122 | -6,097 | -26.3 | 46,410 | 32,513 | -13,897 | -29.9 |
| 33 Royal Liver | 6,595 | 5,888 | -707 | -10.7 | 12,790 | 11,136 | -1,654 | -12.9 | 23,464 | 18,000 | -5,464 | -23.3 | 41,230 | 26,694 | -14,536 | -35.3 |
| 34 Royal London | 6,740 | 6,406 | -334 | -5.0 | 13,622 | 11,389 | -2,233 | -16.4 | 26,858 | 19,896 | -6,962 | -25.9 | 54,996 | 34,526 | -20,470 | -37.2 |
| 35 Scottish Amicable | 7,625 | 6,969 | -656 | -8.6 | 14,493 | 12,773 | -1,720 | -11.9 | 26,950 | 22,455 | -4,495 | -16.7 | 47,252 | 39,015 | -8,237 | -17.4 |
| 36 Scottish Equitable | - | - | - | - | - | - | - | - | 27,206 | 22,608 | -4,598 | -16.9 | 54,042 | 38,308 | -15,734 | -29.1 |
| 37 Scot Friendly § | 6,673 | 6,499 | -174 | -2.6 | 13,953 | 12,138 | -1,815 | -13.0 | 26,095 | 22,329 | -3,766 | -14.4 | 46,492 | 38,251 | -8,241 | -17.7 |
| 38 Scottish Life § | 6,371 | 6,396 | 25 | 0.4 | 12,482 | 10,160 | -2,322 | -18.6 | 23,696 | 17,570 | -6,126 | -25.9 | 47,104 | 30,224 | -16,880 | -35.8 |
| 39 Scottish Mutual | - | - | - | - | 11,784 | 10,321 | -1,463 | -12.4 | 23,010 | 19,720 | -3,290 | -14.3 | 43,032 | 31,424 | -11,608 | -27.0 |
| 40 Scottish Provident | - | - | - | - | 12,135 | 11,855 | -280 | -2.3 | 22,973 | 19,304 | -3,669 | -16.0 | 41,512 | 32,038 | -9,474 | -22.8 |
| 41 Scottish Widows | - | - | - | - | 11,675 | 9,522 | -2,153 | -18.4 | 21,452 | 16,232 | -5,220 | -24.3 | 42,106 | 27,436 | -14,670 | -34.8 |
| 42 Sheffield Mutual | 13,287 | 11,085 | -2,202 | -16.6 | 25,583 | 24,857 | -726 | -2.8 | 48,328 | 46,903 | -1,425 | -2.9 | 73,519 | 76,421 | 2,902 | 3.9 |
| 43 Standard Life | 6,627 | 6,114 | -513 | -7.7 | 12,267 | 10,591 | -1,676 | -13.7 | 21,618 | 17,672 | -3,946 | -18.3 | 41,806 | 29,166 | -12,640 | -30.2 |
| 45 Sun Life of Canada | 6,337 | 5,716 | -621 | -9.8 | 12,433 | 10,063 | -2,370 | -19.1 | 22,597 | 17,955 | -4,642 | -20.5 | 42,170 | 29,155 | -13,015 | -30.9 |
| 46 Teachers Prov * | 6,847 | 6,478 | -369 | -5.4 | 13,728 | 11,840 | -1,888 | -13.8 | - | - | - | - | - | - | - | - |
| 47 United Friendly | - | - | - | - | 11,842 | 10,072 | -1,770 | -14.9 | 23,449 | 17,027 | -6,422 | -27.4 | 44,362 | 30,236 | -14,126 | -31.8 |
| 48 Wesleyan | 7,046 | 6,865 | -181 | -2.6 | 15,037 | 12,382 | -2,655 | -17.7 | 32,129 | 25,031 | -7,098 | -22.1 | 70,117 | 51,081 | -19,036 | -27.1 |
| Best | 13,287 | 11,085 | 805 | 0.1 | 25,583 | 24,857 | 585 | 4.8 | 48,328 | 46,903 | -1,425 | -2.9 | 109,554 | 76,421 | 2,902 | 3.9 |
| Average | 6,969 | 6,483 | -486 | -6.4 | 13,585 | 11,636 | -1,970 | -14.8 | 25,536 | 20,396 | -5,185 | -20.4 | 48,837 | 35,602 | -13,462 | -27.3 |
| Worst | 5,528 | 5,209 | -2,202 | -20.1 | 10,434 | 8,578 | -3,541 | -25.4 | 17,843 | 14,962 | -14,198 | -34.6 | 28,874 | 23,410 | -40,079 | -37.2 |

What the table shows: Maturity values for with profits endowments maturing in 1 May 2006 and 1 May 2010, along with the actual change in value listed in cash and as a percentage. Where a provider did not have maturity value for both 2006 and 2010, left blank. **Source and copyright:** Money Management.

Fast forward to today and that AGR has fallen by 1.5 percentage points to 7%, and the value has dropped by £10,204, for an average maturity value of £39,314.

In addition, if the result for **Phoenix Assurance** is removed (because its result is such an anomaly that it skews the figures), the average falls to £36,976 (AGR 6.6%). Pushing this further still, considering that **National Employers Life** is in a similar position as Phoenix, winding down its fund until all of the remaining policies mature, the average payout for 25 year policies comes to £36,305, with an AGR of 6.5%.

Such adjustments to the figures may not be considered fair by some, but this exercise illustrates the reality of with profits maturity values in the current market. And if that does not get the point across, the fact that at least

13 providers were unable to return more than 5% pa must surely raise questions when even the average Balanced Managed and UK All Companies funds easily turned a larger profit during the same period, although the latter would have had a much greater risk profile than that of the with profits policies.

Coming out at the bottom of the pile for a 25 year policy this time around is **Crusader**, which paid out £23,410, 3.4% AGR. This is £54,259 less than the maturity value for a **Kingston Unity** policy, which was £77,669. To put it another way, it was worth just 30% of the value of the Kingston maturity value and had a smaller AGR than the 10 year returns produced by **CGNU** (5.1%), **Kingston Unity** (5.4%), **Sheffield Mutual** (11.8%) and **Shepherds Friendly** (3.8%).

I surrender

Also shown in Table 2 are the actual surrender values of 25 year policies as at 1 May 2010. In the three months since the April 2010 survey of with profits endowments, little has changed for surrender values. In fact, average five, 10, 15 and 20 year surrender values have increased marginally. And compared to one year ago, both five and 10 year surrender values for 2010 are an increase on the £2,187 and £5,576 measured in July 2009, although the average 15 and 20 year surrender values for this year have fallen from £10,876 and £20,005 respectively.

While it is possible after 10 or 15 years to receive a surrender value that is worth as much as, or slightly more than, the total amount invested in the policy to that date,

Table 4 : Actual cash in values for £10,000 with profits bond investment as at 1 May 2010

| Value after: | 1 year | | | | 2 years | | | | 3 years | | | | 4 years | | | | 5 years | | | |
|--|---------------|-------------|---------------|-------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | Current value | AGR | Cash value | AGR | Current value | AGR | Cash value | AGR | Current value | AGR | Cash value | AGR | Current value | AGR | Cash value | AGR | Current value | AGR | Cash value | AGR |
| Company | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % |
| 1 Abbey National Life | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 Axa Sun Life (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 Britannic-With profits bond - Portfolio Inv Bond Series 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 CGNU § | 10,491 | 4.9 | 9,652 | -3.5 | 10,641 | 3.2 | 8,602 | -7.3 | 12,003 | 6.3 | 9,923 | -0.3 | 12,372 | 5.5 | 11,000 | 2.4 | 12,691 | 4.9 | 12,351 | 4.3 |
| 5 Children's Mutual | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 Clerical Medical | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 CIS § (1) | 10,162 | 1.6 | 11,314 | 13.1 | 10,365 | 1.8 | 9,433 | -2.9 | 10,691 | 2.3 | 9,030 | -3.3 | 11,039 | 2.5 | 9,878 | -0.3 | 11,398 | 2.7 | 11,439 | 2.7 |
| 8 Colonial Life (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 Eagle Star (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 Engage Mutual § | 12,157 | 21.6 | 11,428 | 14.3 | 9,211 | -4.0 | 8,750 | -6.5 | 9,594 | -1.4 | 9,115 | -3.0 | 11,371 | 3.3 | 9,249 | -1.9 | 11,769 | 3.3 | 10,370 | 0.7 |
| 11 Equitable Life (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12 Foresters Friendly Soc § (1) | 10,151 | 1.5 | 10,151 | 1.5 | 10,379 | 1.9 | 10,379 | 1.9 | 10,753 | 2.4 | 10,753 | 2.4 | 11,210 | 2.9 | 11,210 | 2.9 | 11,687 | 3.2 | 11,687 | 3.2 |
| 13 Friends Provident | - | - | - | - | - | - | - | - | 10,295 | 1.0 | 10,357 | 1.2 | 10,354 | 0.9 | 11,385 | 3.3 | <i>10,431</i> | <i>0.8</i> | 13,288 | 5.9 |
| 14 Healthy Investment § (1) | 10,286 | 2.9 | 9,846 | -1.5 | 10,604 | 3.0 | 9,992 | 0.0 | 11,037 | 3.3 | 10,227 | 0.8 | 11,506 | 3.6 | 10,816 | 2.0 | 11,995 | 3.7 | 11,636 | 3.1 |
| 15 L&G §* (F59) | - | - | - | - | 8,762 | -6.4 | 8,762 | -6.4 | 8,813 | -4.1 | 8,813 | -4.1 | - | - | - | - | 11,512 | 2.9 | 11,512 | 2.9 |
| 16 LV *§ - All-in-1 (bal no gtee) | 11,046 | 10.5 | 10,604 | 6.0 | 9,794 | -1.0 | 9,500 | -2.5 | 9,518 | -1.6 | 9,328 | -2.3 | 10,250 | 0.6 | 10,148 | 0.4 | - | - | - | - |
| - All-in-one (caut, no gtee) | 10,345 | 3.5 | 9,932 | -0.7 | 10,578 | 2.8 | 10,261 | 1.3 | 10,657 | 2.1 | 10,444 | 1.5 | 10,978 | 2.4 | 10,868 | 2.1 | - | - | - | - |
| - All-in-one (gth, no gtee) | 11,922 | 19.2 | 11,445 | 14.5 | 9,795 | -1.0 | 9,501 | -2.5 | 9,666 | -1.1 | 9,472 | -1.8 | 10,305 | 0.8 | 10,202 | 0.5 | - | - | - | - |
| - Growth | - | - | - | - | 10,414 | 2.0 | 9,024 | -5.0 | 10,550 | 1.8 | 9,788 | -0.7 | 10,692 | 1.7 | 11,105 | 2.7 | 10,834 | 1.6 | 12,632 | 4.8 |
| - Income | - | - | - | - | 10,460 | 2.3 | 8,466 | -8.0 | 10,785 | 2.6 | 9,133 | -3.0 | 11,141 | 2.7 | 10,523 | 1.3 | 11,497 | 2.8 | 11,962 | 3.6 |
| 17 London Life | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 MGM Advantage - IPBPF § | 11,218 | 12.2 | 11,218 | 12.2 | 9,832 | -0.8 | 9,832 | -0.8 | 9,621 | -1.3 | 9,621 | -1.3 | 10,174 | 0.4 | 10,174 | 0.4 | - | - | - | - |
| - IPBEF | 11,715 | 17.2 | 10,777 | 7.8 | 10,144 | 0.7 | 9,536 | -2.3 | 9,808 | -0.6 | 9,416 | -2.0 | 10,248 | 0.6 | 10,043 | 0.1 | - | - | - | - |
| - IPBEA | 11,444 | 14.4 | 10,528 | 5.3 | 10,029 | 0.1 | 9,428 | -2.9 | 9,814 | -0.6 | 9,422 | -2.0 | 10,378 | 0.9 | 10,170 | 0.4 | - | - | - | - |
| - CIB | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,510 | 2.9 | 11,510 | 2.9 |
| 19 NFU Mutual § | 10,165 | 1.7 | 10,251 | 2.5 | 10,404 | 2.0 | 10,330 | 1.6 | 10,674 | 2.2 | 10,674 | 2.2 | 10,938 | 2.3 | 10,938 | 2.3 | 11,236 | 2.4 | 11,236 | 2.4 |
| 20 Norwich Union/NULAP | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 21 NPI - unitised w/p bond | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 22 Pearl Assurance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 23 Pru-Prospects Opt Bonus §* | 10,222 | 2.2 | 9,814 | -1.9 | 10,517 | 2.6 | 9,373 | -3.2 | 10,977 | 3.2 | 9,501 | -1.7 | 11,456 | 3.5 | 10,431 | 1.1 | 12,246 | 4.1 | 12,246 | 4.1 |
| 24 Refuge | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 25 Royal Life (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 Royal Liver (F59) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 27 Royal London § | 10,252 | 2.5 | 9,637 | -3.6 | 10,546 | 2.7 | 9,517 | -2.4 | 10,863 | 2.8 | 10,537 | 1.8 | 11,188 | 2.8 | 10,965 | 2.3 | 11,524 | 2.9 | 12,676 | 4.9 |
| 28 Royal & Sun Alliance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 29 Scottish Equitable § | 11,571 | 15.7 | 10,902 | 9.0 | 10,612 | 3.0 | 10,122 | 0.6 | 10,870 | 2.8 | 10,468 | 1.5 | 11,705 | 4.0 | 11,488 | 3.5 | 13,560 | 6.3 | 13,434 | 6.1 |
| 30 Scottish Mutual | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 31 Scottish Wids - Inc §* (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Growth | 11,324 | 13.2 | 10,418 | 4.2 | 9,439 | -2.8 | 8,872 | -5.8 | 8,847 | -4.0 | 8,493 | -5.3 | 9,689 | -0.8 | 9,495 | -1.3 | 11,038 | 2.0 | 11,038 | 2.0 |
| 32 Sheff Mutual §* (1) | 10,558 | 5.6 | 9,555 | -4.5 | 10,815 | 4.0 | 10,033 | 0.2 | 11,210 | 3.9 | 10,660 | 2.2 | 11,708 | 4.0 | 11,412 | 3.4 | 12,223 | 4.1 | 12,738 | 5.0 |
| 33 Shephds Friend §* -- SIP - With profits bond plan | 10,201 | 2.0 | 9,787 | -2.1 | 10,507 | 2.5 | 10,187 | 0.9 | 10,823 | 2.7 | 10,601 | 2.0 | - | - | - | - | 10,950 | 2.3 | 11,040 | 2.5 |
| 34 Standard Life - Level §* - Stepped | 10,175 | 1.8 | 10,175 | 1.8 | 9,240 | -3.9 | 9,240 | -3.9 | 9,212 | -2.7 | 9,212 | -2.7 | 10,151 | 0.4 | 10,151 | 0.4 | 11,923 | 3.6 | 11,923 | 3.6 |
| - Old-style | 10,554 | 5.5 | 9,710 | -2.9 | 9,508 | -2.5 | 8,938 | -5.5 | 9,410 | -2.0 | 9,034 | -3.3 | 10,275 | 0.7 | 10,070 | 0.2 | 11,924 | 3.6 | 11,997 | 3.7 |
| 35 Teachers Provident § | 9,750 | -2.5 | 10,015 | 0.2 | 10,035 | 0.2 | 9,734 | -1.3 | 10,647 | 2.1 | 10,434 | 1.4 | 11,086 | 2.6 | 10,975 | 2.4 | 11,377 | 2.6 | 11,832 | 3.4 |
| 36 Wesleyan § | 10,647 | 6.5 | 10,221 | 2.2 | 10,451 | 2.2 | 10,137 | 0.7 | 10,743 | 2.4 | 10,528 | 1.7 | 11,681 | 4.0 | 11,564 | 3.7 | 13,559 | 6.3 | 13,559 | 6.3 |
| 37 Windsor Life § | 10,722 | 7.2 | 10,722 | 7.2 | 10,113 | 0.6 | 10,113 | 0.6 | 10,299 | 1.0 | 10,299 | 1.0 | - | - | - | - | - | - | - | - |
| Best with profits bond | 12,157 | 21.6 | 11,445 | 14.5 | 10,815 | 4.0 | 10,379 | 1.9 | 12,003 | 6.3 | 10,753 | 2.4 | 12,372 | 5.5 | 11,564 | 3.7 | 13,560 | 6.3 | 13,559 | 6.3 |
| Median with profits bond | 10,554 | 5.5 | 10,221 | 2.2 | 10,372 | 1.8 | 9,509 | -2.5 | 10,647 | 2.1 | 9,788 | -0.7 | 10,978 | 2.4 | 10,816 | 2.0 | 11,511 | 2.9 | 11,857 | 3.5 |
| Average with profits bond | 10,743 | 7.4 | 10,352 | 3.5 | 10,123 | 0.6 | 9,518 | -2.4 | 10,303 | 1.0 | 9,825 | -0.6 | 10,914 | 2.2 | 10,612 | 1.5 | 11,575 | 3.0 | 11,816 | 3.4 |
| Worst with profits bond | 9,750 | -2.5 | 9,555 | -4.5 | 8,762 | -6.4 | 8,466 | -8.0 | 8,813 | -4.1 | 8,493 | -5.3 | 9,689 | -0.8 | 9,249 | -1.9 | 9,192 | -1.7 | 9,192 | -1.7 |
| 90 day deposit account (4) | 10,056 | 0.6 | 10,045 | 0.4 | 10,278 | 1.4 | 10,223 | 1.1 | 10,681 | 2.2 | 10,545 | 1.8 | 11,028 | 2.5 | 10,822 | 2.0 | 11,361 | 2.6 | 11,089 | 2.1 |
| Average bal mgd life fund (5) | 12,684 | 26.8 | 12,282 | 22.8 | 10,336 | 1.7 | 9,982 | -0.1 | 10,116 | 0.4 | 9,749 | -0.8 | 10,894 | 2.2 | 10,454 | 1.1 | 13,559 | 6.3 | 12,936 | 5.3 |
| Average UK tracker fund (5) | 13,397 | 34.0 | 13,037 | 30.4 | 9,886 | -0.1 | 9,590 | -2.1 | 9,539 | -1.6 | 9,302 | -2.4 | 10,512 | 1.3 | 10,274 | 0.7 | 13,247 | 5.8 | 12,958 | 5.3 |

What the table shows: Actual cash in values as at 1 May 2010 for a £10,000 lump sum with profits bond taken out by a male at exact age 40, 41, 42, 43, 44, 45, 46, 47, 48 or 49 at outset, exact age 50 at encashment on 1 May 2010. Terminal bonus included where applicable. All exit charges, where applicable, have been taken into account. Benefit on death is full return of fund, or greater where applicable. Top quartile is shown in bold, bottom quartile in italics. (1) Conventional bond. (2) Based on Scottish Widows Flexible Investment Bond for years 7-10. (3) Based on Shepherd's Investment Plan for years 1-3, with profits bond plan for years 4-10. (4) Still offer bonds to new clients. (5) With profits bond data from closed life offices as provided on Form 59B of the annual FSA returns. Cash in value and current value given as surrender value on the forms. (4)Source: Morningstar, current value gross of savings tax, cash in value net of basic rate tax. (5) Source: Morningstar, net dividends reinvested. First figure in each year is bid to bid, second figure is offer to bid. **Source and copyright:** Money Management magazine.

the trend that appears in the Table shows that this is becoming less and less likely, depending on the provider. While the average investor would receive £6,128 after 10 years, 16 of the 35 insurers that provided a 10 year surrender value paid less than total investment to that point. Very few providers are listed as having five year surrender values for 25 year policies for the simple reason that

most with profits funds were closed to new client business more than five years ago.

It would seem reasonable that, after such a lengthy period, providers return at least the amount invested in the policy when surrendered, but in so many cases this is not the case. Small mutuals like **Kingston Unity**, **Sheffield Mutual** and **Healthy Investment** stand out as offering some of the best

surrender values in the Table, at least when surrendered after 10 or more years. Similarly, **Confederation Life**, a closed fund owned by Sun Life Financial of Canada, has exceptionally high surrender value that might seem unbelievable, but because these were taken from Form 59 of the FSA return, it is assumed that they are correct. In all likelihood, these are a result of the unique

| 6 years | | | | 7 years | | | | 8 years | | | | 9 years | | | | 10 years | | | | | | |
|---------------|-------|------------|-------|---------------|-------|------------|-------|---------------|-------|------------|-------|---------------|-------|------------|-------|---------------|-------|------------|-------|--------------------------------------|---------------------------|----|
| Current value | AGR % | Cash value | AGR % | Current value | AGR % | Cash value | AGR % | Current value | AGR % | Cash value | AGR % | Current value | AGR % | Cash value | AGR % | Current value | AGR % | Cash value | AGR % | | | |
| £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | £ | % | | | |
| - | - | - | - | - | - | - | - | 9,899 | - | 11,879 | - | 10,374 | - | 11,308 | - | 10,949 | 0.9 | 10,949 | 0.9 | Abbey National Life | 1 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,126 | 1.1 | 11,126 | 1.1 | Axa Sun Life (F59) | 2 | |
| - | - | - | - | - | - | - | - | 12,802 | 3.1 | 12,802 | - | - | - | - | - | - | - | - | - | Britannic-With profits bond | 3 | |
| - | - | - | - | - | - | - | - | - | - | - | - | 10,928 | 1.0 | 10,928 | 1.0 | 11,317 | 1.2 | 11,317 | 1.2 | - Portfolio Inv Bond Series 6 | 3 | |
| 13,411 | 5.0 | 13,351 | 4.9 | 14,747 | 5.7 | 14,691 | 5.6 | 14,080 | 4.4 | 13,766 | 4.1 | 14,213 | 4.0 | 12,212 | 2.2 | 14,779 | 4.0 | 14,779 | 4.0 | CGNU \$ | 4 | |
| - | - | - | - | 10,841 | 1.2 | 13,226 | 4.1 | 11,255 | 1.5 | 11,931 | 2.2 | 11,744 | 1.8 | 11,391 | 1.5 | 12,272 | 2.1 | 11,904 | 1.8 | Children's Mutual | 5 | |
| 11,198 | 1.9 | 11,198 | 1.9 | 11,533 | 2.1 | 11,533 | 2.1 | 11,511 | 1.8 | 11,511 | 1.8 | 11,484 | 1.5 | 11,484 | 1.5 | 12,431 | 2.2 | 10,939 | 0.9 | Clerical Medical | 6 | |
| 11,768 | 2.8 | 12,482 | 3.8 | 11,343 | 1.8 | 14,000 | 4.9 | 11,730 | 2.0 | 12,417 | 2.7 | 12,307 | 2.3 | 12,501 | 2.5 | 12,912 | 2.6 | 11,606 | 1.5 | CIS \$ (1) | 7 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,051 | 0.1 | 10,051 | 0.1 | Colonial Life (F59) | 8 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,123 | 1.9 | 12,123 | 1.9 | Eagle Star (F59) | 9 | |
| 12,004 | 3.1 | 11,171 | 1.9 | 10,817 | 1.1 | 10,817 | 1.1 | 11,375 | 1.6 | 10,806 | 1.0 | 12,058 | 2.1 | 9,043 | -1.1 | 12,143 | 2.0 | 12,143 | 2.0 | Engage Mutual \$ | 10 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,914 | -0.1 | 9,914 | -0.1 | Equitable Life (F59) | 11 | |
| 12,164 | 3.3 | 12,164 | 3.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Foresters Friendly Soc \$ (1) | 12 | |
| 10,538 | 0.9 | 13,815 | 5.5 | 10,649 | 0.9 | 13,780 | 4.7 | 10,988 | 1.2 | 13,141 | 3.5 | 11,052 | 1.1 | 12,110 | 2.1 | 11,584 | 1.5 | 11,584 | 1.5 | Friends Provident | 13 | |
| 12,465 | 3.7 | 12,465 | 3.7 | 12,428 | 3.2 | 12,428 | 3.2 | 12,926 | 3.3 | 12,926 | 3.3 | 14,393 | 4.1 | 14,393 | 4.1 | 15,357 | 4.4 | 15,357 | 4.4 | Healthy Investment \$ (1) | 14 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,104 | 1.9 | 12,104 | 1.9 | L&G \$* (F59) | 15 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | LV \$* - All-in-1 (bal no gtee) | 16 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - All-in-one (caut, no gtee) | 16 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - All-in-one (gth, no gtee) | 16 | |
| 11,081 | 1.7 | 13,587 | 5.2 | 11,331 | 1.8 | 13,802 | 4.7 | 11,749 | 2.0 | 12,046 | 2.4 | 12,301 | 2.3 | 11,619 | 1.7 | 13,060 | 2.7 | 13,011 | 2.7 | - Growth | 16 | |
| 11,984 | - | 12,881 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - Income | 16 | |
| - | - | - | - | - | - | - | - | - | - | - | - | 11,901 | 2.0 | 10,711 | 0.8 | 12,335 | 2.1 | 10,115 | 0.1 | London Life | 17 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | MGM Advantage - IPBPF \$ | 18 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - IPBEF | 18 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - IPBEA | 18 | |
| 13,069 | 4.6 | 13,069 | 4.6 | 14,343 | 5.3 | 14,343 | 5.3 | 12,968 | 3.3 | 12,968 | 3.3 | 12,779 | 2.8 | 12,779 | 2.8 | 13,128 | 2.8 | 13,128 | 2.8 | - CIB | 18 | |
| 11,514 | 2.4 | 12,090 | 3.2 | 11,830 | 2.4 | 13,249 | 4.1 | 11,877 | 2.2 | 13,019 | 3.4 | 12,454 | 2.5 | 12,855 | 2.8 | 13,062 | 2.7 | 13,062 | 2.7 | NFU Mutual \$ | 20 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,535 | 2.3 | 12,535 | 2.3 | Norwich Union/NULAP | 21 | |
| - | - | - | - | - | - | - | - | 11,354 | 1.6 | 10,445 | 0.5 | 11,917 | 2.0 | 9,891 | -0.1 | 12,503 | 2.3 | 9,877 | -0.1 | NPI - unitised w/p bond | 22 | |
| - | - | - | - | - | - | - | - | 10,793 | 1.0 | 10,793 | 1.0 | 11,126 | 1.2 | 11,126 | 1.2 | 11,543 | 1.4 | 11,543 | 1.4 | Pearl Assurance | 23 | |
| 13,448 | 5.1 | 13,448 | 5.1 | 14,883 | 5.8 | 14,883 | 5.8 | 15,544 | 5.7 | 15,544 | 5.7 | 14,403 | 4.1 | 14,403 | 4.1 | 14,346 | 3.7 | 14,346 | 3.7 | Pru-Prspects Opt Bonus \$* | 24 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,986 | 2.6 | 12,986 | 2.6 | Refuge | 25 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,453 | 1.4 | 11,453 | 1.4 | Royal Life (F59) | 26 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,390 | 0.4 | 10,390 | 0.4 | Royal Liver (F59) | 27 | |
| 11,869 | 2.9 | 14,243 | 6.1 | 11,387 | 1.9 | 14,243 | 5.2 | 11,780 | 2.1 | 12,663 | 3.0 | 12,325 | 2.3 | 12,325 | 2.3 | - | - | - | - | Royal London \$ | 28 | |
| - | - | - | - | 8,833 | -1.8 | 8,833 | -1.8 | 7,523 | -3.5 | 7,523 | -3.5 | 6,644 | -4.4 | 6,644 | -4.4 | 6,181 | -4.7 | 6,181 | -4.7 | Royal & Sun Alliance | 29 | |
| 14,237 | 6.1 | 14,237 | 6.1 | 15,706 | 6.7 | 15,706 | 6.7 | 13,388 | 3.7 | 13,388 | 3.7 | 12,818 | 2.8 | 12,818 | 2.8 | 12,917 | 2.6 | 12,917 | 2.6 | Scottish Equitable \$ | 30 | |
| - | - | - | - | - | - | - | - | 12,357 | 2.7 | 12,357 | 2.7 | 10,947 | 1.0 | 10,947 | 1.0 | 11,460 | 1.4 | 11,265 | 1.2 | Scottish Mutual | 31 | |
| - | - | - | - | - | - | - | - | 10,884 | 1.1 | 10,884 | 1.1 | 10,305 | 0.3 | 10,305 | 0.3 | 10,932 | 0.9 | 10,932 | 0.9 | Scottish Wids - Inc \$* (2) | 33 | |
| 12,423 | 3.7 | 12,423 | 3.7 | 14,238 | 5.2 | 14,238 | 5.2 | - | - | - | - | - | - | - | - | - | - | - | - | - Growth | 33 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Sheff Mutual \$* (1) | 34 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Shephds Friend \$* -- SIP | 35 |
| 11,466 | 2.3 | 12,716 | 4.1 | 11,618 | 2.2 | 14,056 | 5.0 | 11,656 | 1.9 | 13,514 | 3.8 | 11,969 | 2.0 | 12,670 | 2.7 | 12,529 | 2.3 | 12,632 | 2.4 | - With profits bond plan | 35 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Standard Life - Level \$* | 36 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - Stepped | 36 |
| 13,018 | 4.5 | 13,018 | 4.5 | 14,426 | 5.4 | 14,426 | 5.4 | 12,743 | 3.1 | 12,743 | 3.1 | 11,706 | 1.8 | 11,706 | 1.8 | - | - | - | - | - Old-style | 36 | |
| 11,706 | 2.7 | 13,111 | 4.6 | 12,033 | 2.7 | 14,199 | 5.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | Teachers Provident \$ | 37 |
| 15,175 | 7.2 | 15,174 | 7.2 | 16,503 | 7.4 | 16,503 | 7.4 | 14,907 | 5.1 | 14,907 | 5.1 | 14,920 | 4.5 | 14,920 | 4.5 | - | - | - | - | - | Wesleyan \$ | 38 |
| - | - | - | - | 15,110 | 6.1 | 15,110 | 6.1 | 14,602 | 4.8 | 14,602 | 4.8 | 15,413 | 4.9 | 15,413 | 4.9 | 14,363 | 3.7 | 14,363 | 3.7 | Windsor Life \$ | 39 | |
| 15,175 | 7.2 | 15,174 | 7.2 | 16,503 | 7.4 | 16,503 | 7.4 | 15,544 | 5.7 | 15,544 | 5.7 | 15,413 | 4.9 | 15,413 | 4.9 | 15,357 | 4.4 | 15,357 | 4.4 | Best with profits bond | | |
| 12,004 | 3.1 | 13,018 | 4.5 | 11,932 | 2.6 | 14,128 | 5.1 | 11,765 | 2.1 | 12,703 | 3.0 | 11,969 | 2.0 | 11,706 | 1.8 | 12,272 | 2.1 | 11,606 | 1.5 | Median with profits bond | | |
| 12,344 | 3.6 | 12,981 | 4.4 | 12,730 | 3.5 | 13,651 | 4.5 | 12,112 | 2.4 | 12,441 | 2.8 | 12,099 | 2.1 | 11,860 | 1.9 | 12,090 | 1.9 | 11,827 | 1.7 | Ave. with profits bond | | |
| 10,538 | 0.9 | 11,171 | 1.9 | 8,833 | -1.8 | 8,833 | -1.8 | 7,523 | -3.5 | 7,523 | -3.5 | 6,644 | -4.4 | 6,644 | -4.4 | 6,181 | -4.7 | 6,181 | -4.7 | Worst with profits bond | | |
| 11,723 | 2.7 | 11,378 | 2.2 | 12,004 | 2.6 | 11,603 | 2.1 | 12,318 | 2.6 | 11,854 | 2.1 | 12,711 | 2.7 | 12,169 | 2.2 | 13,290 | 2.9 | 12,632 | 2.4 | 90 day deposit account (4) | | |
| 14,457 | 6.3 | 13,803 | 5.5 | 16,869 | 7.8 | 16,028 | 7.0 | 14,162 | 4.4 | 13,416 | 3.7 | 13,122 | 3.1 | 12,450 | 2.5 | 12,751 | 2.5 | 12,123 | 1.9 | Average bal mgd life fund (5) | | |
| 14,345 | 6.2 | 14,041 | 5.8 | 17,044 | 7.9 | 16,579 | 7.5 | 13,346 | 3.7 | 13,006 | 3.3 | 12,146 | 2.2 | 11,903 | 2.0 | 11,724 | 1.6 | 11,457 | 1.4 | Average UK tracker fund (5) | | |

bonus structure that was used by Canadian life offices for their UK business.

Signs of the times

Table 3 shows the maturity values of with profits endowments maturing in 2006 compared with those that matured in 2010. Comparing maturity values today with those from the past may not be considered valid by with profits providers, but it is still an interesting exercise to examine how much less the policyholders of today are receiving. In previous years the growth

levels that with profits policies achieved could still be considered attractive even after payouts had fallen, but in many cases this survey has shown that today's maturing policies are looking less and less like worthwhile investments.

In the span of just four years the average payout for with profits policies has fallen rather dramatically. Both 20 and 25 year policies maturing today are worth at least 20% on average less than those that matured in 2006, before the market downturn, while 10 and 15 year policies

have shed 7.4% and 13.7% respectively.

Among the most alarming drops came from **Reliance Mutual**, which saw the maturity value for its 25 year endowment fall by 36.6% – £40,079 – in just four years, to £69,475 from £109,554. It perhaps comes as no surprise that Reliance's 20 year policy also suffered an equally dramatic fall, shrinking by 34.6% in the same time period, to £26,859 from £41,057.

These figures are not all bad, however. Even though maturity values have fallen, it should be remembered that with profits

endowments maturity values are tax free, so while the headline AGR appears grim, there is no tax to be paid out of it. Taking the average 20 year maturity value of £21,371 as an example, if its 5.4% AGR were grossed up to assume that 20% basic rate tax had been deducted, it would have a headline rate of 6.75%, which is not too bad. Taking 25 year policies, the 7% AGR average would be the same as a taxable investment earning 8.75% pa. For higher rate taxpayers that same AGR would be equivalent to 11.6% pa before tax. Seen in this light, the returns from with profits, while slightly lower than others at first glance, do not look so bad.

Held in bond

Table 4 shows the current values and cash in values for with profits bonds based on a single £10,000 premium as at 1 May 2010 for a male aged 40 through 49 at outset and exact age 50 at cash in. The current value shows the actual value of the policy if the funds are left invested, while the cash in value shows the amount that would be paid on encashment after any exit charges, terminal bonus additions or market value reductions are applied to the investment, if applicable.

In a similar fashion to the endowments featured in this survey, the number of bonds in force continues to dwindle as the number of providers that have products open to new client business shrinks and the closed funds see their policies begin to mature. In addition, **Ecclesiastical** and **Red Rose** declined to provide data for this survey and, because their asset book is less than £100m, a Form 59 was not available in the company FSA return.

Of the 39 providers listed in the Table, 20 said that a market value reduction (MVR) was applied to their with profits bonds in one form or another, although not all firms applied them to all policies in all circumstances. Whereas for endowments the policyholder can wait for the maturity date to receive the full payout, on bonds there is no maturity date, meaning that an MVR could be levied at any time.

MVRs are becoming increasingly prevalent among unitised with profits bonds as a result of difficult market conditions, whereas for conventional with profits bond many providers do not apply any MVR. For example, **Foresters Friendly**, **Friends Provident**, **Sheffield Mutual** and **Wesleyan** stand out as firms that do not apply an MVR.

That said, many providers may only charge an MVR for a certain number of years at the beginning of a policy, while others will offer dates upon which the plan can be encashed without penalty. In the case of **Aegon Scottish Equitable**, no MVR is applied upon death or within one month of the 10 year anniversary for bonds

invested between 1 November 1996 and 15 January 2001.

Aviva introduced MVRs on its unitised with profits policies in October 2008 after “sustained declines in the global markets”. However, it reduced the level of MVR rates since that time as markets improved, the most recent of which was 5 May 2010.

MVRs vary among providers and can be as low as 1%, as is the case of some **Scottish Widows** bonds if transferred prior to 3 March 2000, while they can also climb to 20% or more. In the case of **Scottish Mutual** bonds, now owned and managed by Phoenix Group, the MVR can be as much as 22.3%, although this is dependent upon the date of purchase. In addition, the MVR free date had to be chosen by the policyholder at outset. While the specific date was up to the investor, the firm said that few chose something other than the 10th anniversary.

Given the wide range of MVRs being levied, the only way to gauge the state of the market is to compare the cash in value of the bonds in the survey because these figures are supplied by providers after the reduction has been applied. The top performer in the Table comes from **Healthy Investment’s** conventional with profits bond, returning £15,357 (AGR 4.4%) after 10 years, followed closely by **CGNU** at £14,779 (AGR 4%). Neither had an MVR applied at 10 years.

For with profits bonds, the current value tends to be higher than the cash in value in the earlier years (with the occasional exception) because of the effect of charges and the incidence of early surrender penalties that are often applicable during the first five years. Once this has fallen away, the cash in value slowly rises until it is equal to, or greater than, the current value.

Looking at **Wesleyan**, the cash in value is lower than the current value for the first four years, then in the fifth year the two figures equalise (£13,559, AGR 6.3%).

However, if a policyholder could not wait for year 10, a penalty could be significant. Again, for **CGNU** the cash in value at nine years is £12,212, but current value of the bond was £14,213 before the MVR was applied, meaning that the policy was hit by a 14% reduction that lopped £2,001 off the value of the bond. The effect that this had was that the AGR nearly halved, dropping to 2.2% from 4%.

Overall, the best bond performance comes from the likes of **CGNU**, **Prudential**, **Scottish Equitable**, **Wesleyan**, and even closed life insurer **Windsor Life**. **Scottish Equitable** shows strong performance across all years, a feat that few other providers have managed. Its bonds taken out between 2000 and 2009 are all in the top quartile. Its best performance (not including year one) comes in the seventh year, being valued at £15,706, AGR 6.7%. Again, excluding the first

anniversary for all providers, the best AGR in the Table comes from **Wesleyan’s** seventh year bond, with a cash in value of £16,503 and an AGR of 7.4%. No MVR is applied to either of these bonds.

As for poor performers, the number of providers unable to return the £10,000 investment is much lower in this survey than one year ago. At that time, 92% of bonds (35 out of 38 in the survey) did not return the initial investment after one year, no doubt as a result of the market downturn and the onset of recession. This year, only seven out of 20 bonds could not return the initial investment after one year.

For policies in force for more than one year, things have also improved. After nine years, only three in this survey fail to return the initial investment, so too after 10 years. The worst offender in the survey for failing to return investors’ capital is **Royal & Sun Alliance**. After eight years, its bond is worth £8,833 (AGR -1.8%), but it is even worse for 10 year bonds, where the cash in value is a paltry £6,181, meaning that the fund lost 4.7% every year for 10 years. Policyholders can take solace in knowing that no MVR was applied on top of that.

Much of the mediocre performance that with profits bonds have experienced is not out of line with prevailing market conditions, however. When compared to other lower risk investment option, such as UK tracker funds and the average **Balanced Managed** fund. After 10 years, the average bond returned 1.7%. This is not much, but this is not far off the average tracker fund, at 1.9%, and the average balanced managed fund, at 1.4%.

Silver lining

It is a fact that payouts from with profits policies have been falling steadily in recent years as a result of a variety of factors, such as volatile markets, low interest rates and the burden of meeting high guarantees. Nevertheless, tax free endowment policies can still generate a good return, particularly if the headline growth rate is grossed up to compare against that of a taxable investment.

Even though so many funds have closed to new client business and the press loves to hate with profits, these products are still a major part of the investment landscape in the UK and will likely remain so for a long time to come. Endowments may slowly die off until only tiddler friendly societies are writing new client business, but bonds appear likely to soldier on in one form or another. Andy Brown at **Prudential** says that, while the concept of with profits being the “one and done” investment option is long over, he believes that these products are now being seen as one component of the lower risk strategy in a client’s portfolio.

