# INHERITED ESTATES

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# Inherited Estates

Inherited estate is defined as:

“an amount representing the fair market value of the with-profits assets less the realistic value of liabilities of a with-profit fund.”

# Inherited Estates

- Inherited Estate can arise from a range of sources, including:
  - Money retained in the fund to enable ‘smoothing’ of returns,
  - The impact of long-term compound growth.
  - In the case of proprietary companies, shareholder contributions;

# Issues with Inherited Estate

- Uses of inherited estate.
  - Fines for future mis-selling of with profits?
- Re-attributions.
- Governance.
- Distribution
- Insurance and Savings: what role?
  - Decline of with profits

# Uses of Inherited Estate

- Inherited Estate is an important source of regulatory and working capital for many with-profits funds.
- This is accepted by the FSA….
- …but some consumer groups are concerned about fairness to policyholders.

# Reattributions

- An agreement between an insurer and its with-profits policyholders.
- The insurer offers policyholders a payment to give up their interest in possible future distributions of the inherited estate.
- Governed by FSA rules and overseen by the Courts.

# Governance

- Excess surplus.
- Run-off of closed with-profits funds.

# Conclusion

- Inherited estate remains an important source of capital for life offices.
- Insurers likely to come under increasing pressure from regulators and consumers to manage their with-profits funds, including inherited estate, more transparently.
- Are with-profits funds still viable in modern conditions?