

Dimensions Preference Account - By Canada Life International

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(Originally published in "International Advisor" December 2007. Reproduced with the kind permission of International Advisor.)

The Dimensions Preference Account (DPA) is an all-new pooled fund portfolio bond from Canada Life International, one of the leading offshore PPB providers. This article, the latest in a series of monthly LifeBase product analyses, examines this important new product to see what it brings to the market.

Company

Canada Life International is celebrating its 20th year in the offshore life industry, having commenced operations in the Isle of Man in 1987. The company, part of the Great-West Life group, is widely recognised as a leading single premium product provider, being very much focused (at least to date) on the UK market.

Canada Life International's existing single premium products are Delta (an investment bond) and Premiere (a PPB, in either pooled fund or highly personalised versions). The Dimensions Preference Account, the first of a new family of Dimensions products, sits alongside the existing, successful CLI products.

DPA - Funds

DPA is a pooled fund private portfolio bond (PPB) aimed exclusively at the UK IFA market (and available also in the Channel Islands and Isle of Man). Key competitors in this UK-centric world therefore are AXA (IoM), Royal Skandia, CMI, AEGON Scottish Equitable International, Friends Provident International, Prudential International and Scottish Provident International.

DPA is Canada Life's "new generation" PPB product, or at least the first in a series of such products. DPA is distinguished by the extent of the fund rebates it provides. The 1,400-fund range has favourably discounted charges, with typical reduced initial charges of 0% - 0.5%. Annual fund charges too are substantially rebated, typically down to a net 0.75% - 1.0% pa.

The charge rebates are paid back to policyholders by default via the DPA cash account. Alternatively, with investor agreement, the rebates can be shared 25:75, 50:50 or 75:25 with the IFA or 100% to the financial adviser or fund adviser. Rebates are an increasingly important development of the PPB product sector, as seen in previous articles in this series. Canada Life now join AXA, Scottish Equitable, Scottish Provident, CMI and Norwich Union in enabling policyholders to tap into ongoing fund rebates. The DPA facility to split rebates between the investor and IFA is however unique.

In order to channel rebates to policyholders, Canada Life have decided to link to fund platforms. Dimensions Preference Account is the first of the platform products, and it will be joined shortly by other platform funds. For now, DPA links only to onshore funds. Offshore funds will be added as the additional platforms come in.

The range of asset managers provided in the initial 1,400-fund range is both comprehensive and diverse. All leading managers are represented, including:

- Aberdeen
- Baring
- Blackrock Merrill Lynch
- Credit Suisse
- F&C
- Fidelity
- Gartmore
- Henderson
- HSBC
- INVESCO Perpetual
- Investec
- JP Morgan
- Jupiter
- L&G
- M&G
- Mellon
- New Star
- Schroder
- Threadneedle
- UBS.

Example rebate terms are as follows:

Initial Charge

Fund	Normal Fund Charge	Rebated Charge
Aberdeen Property	4.25%	0.25%
INVESCO Perpetual High Income	5.0%	0.00%
Investec Cautious Managed	4.5%	0.5%
New Star Tactical	5.0%	0%
Gartmore High Yield Corporate Bond	3.5%	0%

Annual Charge

Fund	Normal Fund Charge	Rebated Charge
Aberdeen Property	1.5%	1.0%
INVESCO Perpetual High Income	1.5%	1.0%
Investec Cautious Managed	1.25%	0.75%
New Star Tactical	1.5%	1.0%
Gartmore High Yield Corporate Bond	1.0%	0.75%

DPA - Design

Dimensions Preference Account is offered in a choice of four fully-transparent charging structures, each of which is explicitly commission-driven. Two of the structures are mirrored from the existing Premiere Account; the other two - one with an ongoing annual management charge (unusually for CLI), one with enhanced initial % allocations - are completely new.

The four charging structures are summarised in Table 1. All of the designs have a minimum premium of £50,000 and incorporate a £14.30 dealing charge.

The DPA is available in £, \$ and €. Death benefit is 100% of surrender value plus £100.

Service

Canada Life International enjoy a consistently good reputation for customer service. Moreover, their reputation is backed up by a no quibbles Service Charter which offers compensation in the event that pre-published service standards (eg policy issue, withdrawals, death claims, commission payments) are not met.

DPA will also be offered as Dimensions Preference Discounted Trust Account, a discounted gift trust variant. DPA, like Canada Life's existing bond range, is not offered in capital redemption form.

The Canada Life web-site also provides IFAs with *Investment Analyser*, a fund performance and portfolio rebalancing charting tool.

Summary

The Dimensions Preference Account is the first in a new family of PPB products from Canada Life International, some of which use wrap platforms to deliver fund rebates to policyholders and/or advisers. The product's main attributes can be summarised thus:

- Concentration on the needs of UK customers and IFAs
- Transparent design
- A choice of 4 standard charging structures, offering flexibility to cater for different customer profiles and commission needs
- Low charges, generally fee-based
- Extensive annual fund charge rebates are credited back to the portfolio, or paid to the IFA

	Option A - initial (like Premiere I)	Option B - 5 year (like Premiere II)	Option C1 (Initial)	Option C2 (Funded)	Option D - Enhanced
Investible Percentage	X% less commission Where X depends on premium size as follows: <£100k : 98.2% £100-249k; : 98.6% £250k + : 99.0%	100%	100% less commission	100%	Depends on premium size as follows: <£100k : 103% £100-249k; : 103.5% £250k + : 104%
Establishment Charge	None	5-year charge, dependent on commission % and premium size. Typical 1.6% pa	None	5-year charge, dependent on commission % and premium size. Typical 1% pa	5-year charge, dependent on commission %, allocation % and premium size. Typical 2.19% pa
Management Fee	None	None	The charge varies with premium, as follows: £50k-£99k = 0.65% pa £100k-£149k = 0.60% pa £150k-£249k = 0.40% pa £250k-£499k = 0.25% pa £500k-£999k = 0.20% pa £1m + = 0.15% pa		None
Administration Fee	£75 pq	£75 pq	None	None	£75 pq
Surrender Penalties	None	Outstanding Establishment Charge	None	None	Outstanding Establishment Charge
Dealing Charges	£14.30 per sale or purchase				
Other charges	Underlying investment charges (net of rebates)				