

Vista - By Zurich International Life

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"Vista" is not just Microsoft's latest Windows software system. Vista is also Zurich International Life's market-leading offshore savings and pension plan. Vista has been a market leader in this sector for many years. This article, part of a series of monthly product analyses using LifeBase OnLine, takes a detailed look at Vista to see just why it is as successful as it is.

Company

Zurich International Life (ZIL) is undoubtedly the most "international" company in the offshore life industry. ZIL was one of the earliest entrants to the industry, establishing operations on the Isle of Man, as Eagle Star (International Life), over 20 years ago before becoming part of the Zurich Financial Services group.

ZIL's business model is quite unique, with a heavy focus on the Middle East and Far East, including a strong Hong Kong presence. In The Middle East alone, Zurich has licensed operations in Abu Dhabi, Bahrain, Sharjah and Dubai, and it likewise holds full authorisation in Hong Kong, Singapore, Sweden and Switzerland.

ZIL is a market leading offshore insurer in terms of regular premium business. "Vista" is a unit-linked regular premium plan - widely regarded as a definitive product in its sector - marketed by ZIL as a savings vehicle for financial planning purposes such as savings, retirement, and education fees. Individual "Vista" is accompanied by "Corporate Vista" and "Magnus" for group pensions solutions.

Funds

ZIL's range of funds is one of the widest in its sector, with well in excess of 100 funds available to Vista.

Vista's investment proposition comprises a number of different fund ranges:

- Low risk funds
- Managed funds
- Mirror funds.

The Low Risk funds comprise money market funds, Guaranteed Accumulation (effectively deposit administration) funds and the Dynamic Growth fund (an 80% capital-protected equity/cash fund). Annual management charges are 0.5% for Guaranteed Accumulation, 0.75% for money market, and 1.8% for Dynamic Growth.

The Managed funds comprise two sets of 5 risk-graded funds, one set being managed by Threadneedle, the other by Blackrock Merrill Lynch, both to consistent mandates. The range consists of Defensive, Cautious, Blue Chip, Performance and Adventurous funds. Funds are available in £, \$ and € and have a management charge of 1.5% pa.

ZIL offer an Automatic Investment Strategy (effectively lifestyling) depending upon the number of years to maturity, where the profile of Managed funds is gradually switched from higher risk funds to lower risk funds as the plan gradually nears maturity.

The Mirror funds form a range of approximately 100 external funds from selected investment managers, including:

- Aberdeen
- ABN AMRO
- Allianz
- Baring
- Fidelity
- First State
- HSBC
- JF
- JP Morgan
- Blackrock Merrill Lynch
- Morgan Stanley
- Templeton
- Threadneedle
- UBS

Using the fund performance tools in LifeBase, we can see that past performance in \$ over 5 years (to 1 April 2007) includes high performing funds such as:

TABLE 1 - 5-YEAR PERFORMANCE: TOP VISTA FUNDS

Fund Manager	Fund	Performance
Baring	Eastern Europe	+417.6%
HSBC	Indian Equity	+407.8%
Morgan Stanley	European Property	+314.2%
Threadneedle	European Smaller Cos	+311.3%
Threadneedle	Latin American Growth	+256.0%
HSBC	Chinese Equity	+252.1%
JF	Asean	+215.9%

Benefits

Vista has the most comprehensive range of optional risk rider benefits of any product in its sector, as Table 2 shows.

TABLE 2

Product	Basic Death Benefit	Additional Life Cover	Critical Illness	Waiver of Premium	Permanent & Total Disability	Hospitalisation Benefit	Dismemberment Benefit	Spouse's Income Benefit
Zurich International Vista	100% of unit value.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
American International Assurance Capital Saver	101% of unit value. The amount is reduced by any allocation bonus if death occurs during the first 2 years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friends Provident International Premier/Premier Ultra	101% of surrender value.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Generali International Vision	100% of unit value.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Royal Skandia Managed Savings Account	101% of unit value.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Design and Charges

Like many offshore savings plans, Vista has an initial unit charging structure, where premiums during the initial period (18 months) are allocated to initial units which carry an additional annual charge (4% pa). All units, including initial units, have no bid/offer spread.

The % of premium allocated to units increases with premium size, though Gold, Silver and Bronze bonuses which kick in at monthly premiums of \$750, \$1,250 and \$2,000 respectively. Taking the example of a 15-year plan, the allocation increases from a standard 100% to 107.5%, 122.5% and 137.5% of premium for Bronze, Silver and Gold respectively.

Vista's design is relatively clean, transparent, and less complicated than some other products in its peer group. A summary of the charges is outlined in Table 3 below.

TABLE 3 - VISTA CHARGES

Allocation Rates	<p>Year 1 (\$ premium pm)</p> <p>\$300-\$749 = 100%</p> <p>\$750-\$1,249 = 100% + (0.5% x term)</p> <p>\$1,250-\$1,999 = 100% + (1.5% x term)</p> <p>\$2,000 plus = 100% + (2.5% x term)</p> <p>Year 2 onwards = 100%</p> <p>The initial contribution period is 18 months.</p>
Bid/Offer Spread	Nil
Initial Unit/Establishment Charges	4% pa deducted monthly. The charge is deducted for the lower of the premium term or 25 years.
Annual Mgmt Chg % pa	0.75% pa of unit value.
External/Underlying Fund Charges	0.5% - 2.5%.
Policy Fee	\$7.50 pm.
Loyalty Bonus	N/A
Surrender Penalties	Nil value during the first 18 months.
Paid-up Penalties	The plan cannot be made paid-up during the first 18 months. Thereafter it can be made paid-up for a period of up to 3 years without penalty. If the paid-up period extends beyond 3 years the surrender penalty applies.

Fund switching is free (unlimited).

Using LifeBase's projections suite, it is possible to see how these charges compare against other products when it comes to projected maturity values. Table 4 shows the results for one example - a 15-year savings plan with a premium of £300 pm.

TABLE 4 - PROJECTIONS

Company	Product	Underlying Charge (% p.a.)	Year 15 Value
Skandia Ireland	European Savings/Pension Account - Exp 30/06/07 (Special Offer)	1.5	£75,946
Friends Provident Intl (Branch)	Guernsey International Pension Plan	-	£75,767
Zurich Intl	Vista (III) (Internal Fund Investments)	0	£71,448
Royal Skandia	Managed Pension Account (ROW)	1.5	£71,192
Skandia Ireland	European Pension Account	1.5	£71,192
Royal Skandia	Managed Pension Account (HK Far East Sth America)	1.5	£69,119
Friends Provident Intl	Premier Ultra (ROW)	1.5	£68,890
Friends Provident Intl	Premier	1.5	£67,673
Hansard Europe	Retirement Programme	1.5	£67,350
Zurich Intl	Vista (III) (Mirror Fund Investments)	1.5	£67,331
Hansard Intl	Universal Retirement Programme	1.5	£67,271

As can be seen, Vista is a competitive product, particularly when linked to its own Managed fund range.

A more detailed analysis indicates that Vista *surrender* values are also very competitive in relation to its peer group.

Summary

Vista has been a market-leading savings/pension plan for many years. LifeBase's objective analysis of the product, including:

- The wide range of good-performing funds
- Clean, transparent design
- Competitive charges and features
- The widest range of optional risk rider benefits
- Excellent multi-currency flexibility

all provide a clear rationale for Vista's success.

Actuaries Boal & Co launched the product comparison software LifeBase Offshore in 1997. It provides analysis of offshore life products and has been used extensively by life companies. LifeBase OnLine brings LifeBase to professional IFAs. For further details, please register at www.lifebase.co.uk