Product features advisers won't explain

For product and proposition teams at insurers, asset managers and platforms: five tests for any feature before launch, and what to do with features that advisers leave out of their recommendations.

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IN BRIEF

The problem

Features added to differentiate a product often go unexplained and unused, while every client still pays for them in the price.

Why it happens

A feature that takes a page to explain, or creates work after the sale, is a risk for the adviser who recommends it, so they recommend something simpler.

What to do

Test each feature with advisers before launch, and simplify, separate or remove the ones that fail.

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Why good features go unused

Product features usually start with a good reason: a guarantee answers a client's fear of loss, a flexible option answers a change in circumstances, and a loyalty bonus rewards staying. Each looks like a reason to choose the product.

Each also adds something to the adviser's work: another paragraph in the suitability report, another line in the illustration, another decision for the client to make, and often another task for the adviser's team after the sale. An adviser who can't explain a feature in a few sentences, or can't tell whether it suits this client, will usually recommend a simpler product, or recommend this one and say little about the feature.

The second outcome is worse for everyone. The client pays for a feature nobody explained to them. The firm carries the cost of a feature that wins no business. And under the Consumer Duty, a feature customers don't understand or use can weaken the product's fair value assessment.

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Five tests for a feature

1. Can an adviser explain it in two or three sentences? If not, it is likely to be shortened, left out or explained inconsistently. Write the two or three sentences yourself and test them on advisers who weren't involved in designing it.

2. Who is it for, and can the adviser tell? Treat each feature as having its own target market. If the adviser can't tell from a fact-find whether this client is one of the people the feature is for, it is likely to be recommended to the wrong clients, or to nobody.

3. What does it cost, and who pays? If every client pays for a feature only some will use, the others are subsidising it. That may be reasonable, but the fair value assessment should say so and show the numbers.

4. Can it be shown clearly? The illustration, the key information and the annual statement should each show what the feature does and what it costs. The Duty's consumer understanding outcome expects firms to check that communications are understood, testing them where appropriate.

5. What does it create after the sale? Some features need decisions or reviews years later: whether to exercise an option, when a guarantee applies, what happens on a change of circumstances. Each of those is work for the adviser's team, and a reason to avoid the product.

ILLUSTRATIVE EXAMPLE

One hypothetical feature through the five tests

Test	Question	Finding	Result
Explain	Two or three sentences?	Needs a worked example	Fail
Who for	Visible from a fact-find?	Yes, from the client's health details	Pass
Cost	Who pays for it?	Every client, used by a few	Fail
Show	Clear in the illustration?	Shown only in footnotes	Fail
After the sale	What work does it create?	An annual decision for the client	Fail

A hypothetical feature that passes one test and fails four. The likely outcome is that advisers recommend the product without it in mind, and clients pay for something few will use.

FROM EXPERIENCE

At Prudential Polska I designed key features of a new product suite, including the investment proposition, the policy illustrations and the bonus-setting methodology. Designing the illustrations alongside the features was a useful discipline, because a feature that can't be illustrated clearly is hard to sell.

Later, as principal adviser for over 400 clients in my own firm, I was on the other side of the table, deciding whether I could explain a product's feature to a client and defend the recommendation in writing.

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What to do with features that fail

Simplify it. Many features can lose a condition or an option without losing their purpose.

Make it optional. Offer it separately, with its own charge, to the clients it is for, so that other clients don't pay for it.

Close it to new business. If a feature fails most of the tests, removing it for new business may do more for sales than any marketing.

Support the adviser. Where the feature stays, give advisers the plain explanation, a worked example and an illustration that shows it, and ask them afterwards whether it worked.

Questions for the board

01 Which features of our products do advisers rarely mention in their recommendations, and do we know why?

02 Could an adviser explain each feature in two or three sentences, and have we tested that with advisers who didn't design it?

03 Who pays for each feature, who uses it, and does the fair value assessment show the difference?

04 Do our illustrations and statements show what each feature does and costs, and have customers understood them in testing?

05 What decisions or tasks does each feature create after the sale, and who carries that work?

06 Which features would we remove for new business if we were launching the product today?

Every feature has a cost in the adviser's process as well as in the price. Testing features with advisers before launch costs little, and it shows which features will help a recommendation and which will get in its way.

If this is on your table, a 30-minute conversation is usually enough to tell whether I can help.

Talk to Mark

mark@markwoodruff.co.uk · 07391 820971 · markwoodruff.co.uk

ABOUT THE AUTHOR

Mark Woodruff is a Chartered Actuary (FIA) and Chartered Financial Planner (FPFS). He spent 15 years pricing and building products at Aviva, Prudential, Partnership and St. James's Place, then more than seven years founding and running advice firms through to a substantial sale. Through Mark Woodruff Consultancy he works with financial services firms on product, pricing, distribution and governance.

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Published October 2026
Regulatory references correct at October 2026
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