

NON-INVESTMENT INSURANCE: PRODUCT GOVERNANCE, PREMIUM FINANCE, GENERAL INSURANCE AUTO-RENEWAL AND HOME AND MOTOR INSURANCE PRICING INSTRUMENT 2021

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138C (Evidential provisions); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 October 2021, except for Part 2 of Annex A, Part 2 of Annex C, Part 2 of Annex D and Annex F which comes into force on 1 January 2022.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

| (1) | (2) |
|--|---------|
| Glossary of definitions | Annex A |
| Senior Management Arrangements, Systems and Controls sourcebook (SYSC) | Annex B |
| General Provisions (GEN) | Annex C |
| Insurance: Conduct of Business sourcebook (ICOBS) | Annex D |
| Product Intervention and Product Governance sourcebook (PROD) | Annex E |
| Supervision manual (SUP) | Annex F |

Notes

- E. In this instrument, the notes shown as “Note:”, “**Note:**” or “*Editor’s note:*” are intended for the convenience of the reader but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-Renewal and Home and Motor Insurance Pricing Instrument 2021.

By order of the Board
27 May 2021

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force 1 October 2021

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

additional product an *optional additional product* or *mandatory additional product*.

Gibraltar-based firm has the same meaning as in the *Gibraltar Order*.

mandatory additional product a good, service or right of any description, whether or not financial in nature, that a customer is required to obtain in connection with or alongside a *non-investment insurance contract*.

non-investment insurance product an insurance product sold or underwritten as individual *non-investment insurance contracts*.

[Note: *PROD* 1.4.2G indicates that an insurance product may be read as being a reference to the product for distribution to *customers* generally and is not intended to refer to each individual contract of insurance being sold or underwritten (unless the context indicates otherwise).]

optional additional product (in *ICOBS* and *PROD* 4) a good, service or right of any description, whether or not financial in nature, that a *customer* may obtain (or not, as the case may be) at their election in connection with, or alongside, a *non-investment insurance contract*. This includes *retail premium finance*.

retail premium finance a credit agreement (whether a *regulated credit agreement* or not) entered into with a view to its use, by a *customer* who is a *consumer*, to finance all or part of the *premium* for a *non-investment insurance contract*, excluding a credit agreement where the total price to the *customer* (including any *APR*, interest, repayments, fees and charges) does not result in the *customer* paying any amount in addition to the price of the *policy*.

legacy non-investment insurance product (in *PROD*) a *non-investment insurance product*:

- (1) that was *manufactured* prior to, but not significantly adapted on or after, 1 October 2018; and

- (2) is either:
 - (a) still being marketed or is available to be *distributed to customers* (including in the form of a renewal of an existing *policy*); or
 - (b) not still being marketed or distributed but there are *policies* under the product that remain in force.

Amend the following definitions as shown.

- | | |
|-------------------|---|
| <i>APR</i> | <ul style="list-style-type: none"> (1) ... (2) ... (3) (in <i>CONC</i> for all other <i>credit agreements</i>, <u><i>retail premium finance</i></u>, <i>ICOBS</i> 6A.5 and <i>PROD</i> 4) the <i>annual percentage rate of charge</i> for credit determined in accordance with the rules in <i>CONC</i> App1.2 and <i>CONC</i> 3.5.13R. |
| <i>customer</i> | <ul style="list-style-type: none"> (A) (B) in the <i>FCA Handbook</i>: <ul style="list-style-type: none"> (1) (except in relation to <i>SYSC</i> 19F.2, <i>ICOBS</i>, <u><i>retail premium finance</i></u>, a <i>credit-related regulated activity</i>, <i>regulated claims management activity</i>, <i>MCOB</i> 3A, an <i>MCD credit agreement</i>, <i>CASS</i> 5, <i>PRIN</i> in relation to <i>MiFID</i> or <i>equivalent third country business</i>, <i>DISP</i> 1.1.10-BR, <i>PROD</i> 1.4 and <i>PROD</i> 4)... ... (3) (in relation to <i>SYSC</i> 19F.2, <i>ICOBS</i>, <u><i>retail premium finance</i></u>, <i>DISP</i> 1.1.10-BR, <i>PROD</i> 1.4 and <i>PROD</i> 4) a <i>person</i> who is a <i>policyholder</i>, or a prospective <i>policyholder</i>, excluding a <i>policyholder</i> or prospective <i>policyholder</i> who does not make the arrangements preparatory to the conclusion of the <i>contract of insurance</i>. ... |
| <i>distribute</i> | <ul style="list-style-type: none"> (1) |

- (2) (in relation to ICOBS 1, *PROD 1.4* and *PROD 4*) advising on or proposing a *contract of insurance* to a *customer*.

...

remuneration

...

- (3) (in *SYSC 19F.2*, *PROD 4*, *ICOBS* and, in relation to a *life policy*, in *COBS 6.1ZA*) any commission, *fee*, charge or other payment, including an economic benefit of any kind or any other financial or non-financial advantage or incentive offered or given in respect of *insurance distribution activities*.

[Note: article 2(1)(9) of the *IDD*]

...

Part 2: Comes into force 1 January 2022

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

affinity/partnership scheme

where a *firm* forms a scheme with another business (usually a brand whose main business is not insurance) to *distribute home insurance* or *motor insurance* products to *consumers* under the partner's brand name. Examples of partners include *banks*, *building societies*, trade associations, charities, membership organisations and franchise networks.

channel

(in *ICOBS 6B* and *SUP 16.28*) the distribution method through which the *customer* purchases a *policy*. Examples of *channels* include:

- (a) direct sales where the *customer* and *insurer* communicate directly without a third party's involvement. This would include (as separate *channels*) sales:
 - (i) by telephone;
 - (ii) via the internet;
 - (iii) through a branch;
- (b) sales through a specific price comparison website;
- (c) sales through a specific *insurance intermediary*; and
- (d) sales via a specific *affinity/partnership scheme*.

| | |
|--------------------------------------|---|
| <i>close matched product</i> | a <i>home insurance</i> or <i>motor insurance</i> product which provides a <i>customer</i> with core cover and benefits which are broadly equivalent to the core cover and benefits enjoyed by the <i>customer</i> under their existing <i>policy</i> . |
| <i>closed book</i> | (in <i>ICOBS 6B</i> and <i>SUP 16.28</i>) an individual <i>home insurance</i> or <i>motor insurance</i> product which meets the following criteria: <ul style="list-style-type: none"> (a) its <i>policies</i> may be <i>renewed</i> by existing <i>customers</i>, and (b) either: <ul style="list-style-type: none"> (i) its <i>policies</i> are not available for purchase by other <i>customers</i>; or (ii) (where the product has been on sale for 5 or more years) the <i>firm</i> has not sold, or does not expect to sell, on an annualised basis, more than 7.5% of active <i>policies</i> under the product to <i>new business customers</i>; or (iii) (where the product has been on sale for less than 5 years) the <i>firm</i> has not sold, or does not expect to sell, on an annualised basis, more than 15% of active <i>policies</i> under the product to <i>new business customers</i>. <p>A <i>home insurance</i> or <i>motor insurance</i> product is not in a <i>closed book</i> if the <i>firm</i> sells or expects to sell at least 10,000 <i>policies</i> on an annualised basis to <i>new business customers</i>.</p> |
| <i>equivalent new business price</i> | the price a <i>firm</i> would offer to a <i>customer</i> to purchase a particular <i>policy</i> if the <i>customer</i> were a <i>new business customer</i> . |
| <i>gross incurred claims ratio</i> | the proportion of the premiums (gross of <i>reinsurance</i>) earned, that is paid out as claims (gross of <i>reinsurance</i>). |
| <i>gross price</i> | (in <i>ICOBS 6B</i> and <i>SUP 16.28</i>), the total <i>premium</i> charged to a <i>consumer</i> (excluding insurance premium tax). |
| <i>gross-rated business</i> | business where the <i>premium</i> paid by the <i>consumer</i> is set by the <i>insurer</i> or <i>managing agent</i> . |
| <i>home insurance</i> | (in <i>ICOBS 6B</i> and <i>SUP 16.28</i>) a <i>contract of insurance</i> that provides insurance against loss of or damage to, or cover against the risks of incurring loss of or damage to, any of the following: <ul style="list-style-type: none"> (a) the structure of domestic properties; (b) the contents of domestic properties; (c) liabilities to third parties where: |

- (i) the liabilities arise out of injuries sustained within the boundary of a domestic property; and
- (ii) the cover is provided in relation to either the structure or contents of a domestic property.

| | |
|------------------------------|---|
| <i>motor insurance</i> | (in <i>ICOBS 6B</i> and <i>SUP 16.28</i>) a <i>contract of insurance</i> within the <i>motor vehicle liability</i> or <i>land vehicle</i> class, where the <i>contract of insurance</i> was purchased by a <i>consumer</i> . |
| <i>net-rated business</i> | business where the <i>premium</i> paid by the <i>consumer</i> is set by an <i>insurance intermediary</i> . |
| <i>net-rated price</i> | (in <i>ICOBS 6B</i> and <i>SUP 16.28</i>) for <i>net-rated business</i> , the price set by an <i>insurer</i> or <i>managing agent</i> which includes the risk price and the <i>insurer's</i> or <i>managing agent's</i> profit margin. |
| <i>new business customer</i> | a prospective <i>customer</i> for a <i>policy</i> where the <i>policy</i> being taken out is not a <i>renewal</i> . |
| | For the purposes of this definition, <i>renewal</i> has the same meaning as in <i>ICOBS 6B</i> . |
| <i>renewal price</i> | the <i>premium</i> offered by a <i>firm</i> to <i>renew</i> a <i>home insurance</i> or <i>motor insurance policy</i> . This includes where more than one <i>policy</i> is sold together as part of a package. |
| <i>tenure</i> | the number of years a <i>customer</i> has held their <i>policy</i> , including any <i>renewal</i> . |
| | For the purposes of this definition, <i>renewal</i> has the same meaning as in <i>ICOBS 6B</i> . |

Amend the following definitions as shown.

| | |
|------------|--|
| <i>APR</i> | (1) ... |
| | (2) ... |
| | (3) (in <i>CONC</i> for all other <i>credit agreements</i> , <i>retail premium finance</i> , <i>ICOBS 6A.5</i> , <i>ICOBS 6B</i> , and <i>PROD 4</i> and <i>SUP 16.28</i>) the <i>annual percentage rate of charge</i> for credit determined in accordance with the rules in <i>CONC App 1.2</i> and <i>CONC 3.5.13R</i> . |

- distribute*
- (1) ...
- ...
- (2) (in relation to *ICOBS 1*, *ICOBS 6B*, *PROD 1.4* and *PROD 4*) advising on or proposing a *contract of insurance* to a *customer*.
- renewal*
- (1) (except in *ICOBS 6B*, *SUP 16.28* and *SUP 16 Annex 49BG*) carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.
- (2) (in *ICOBS 6B*, *SUP 16.28* and *SUP 16 Annex 49BG*) the entry by a *customer* into a *general insurance contract* which:
- (a) is of the same product type as that *customer's* existing *general insurance contract*;
- (b) is obtained from the same *firm* (including an *insurer*, *insurance intermediary* or *managing agent*) as that *customer's* existing *general insurance contract*; and
- (c) will take effect following the termination or expiry of the *customer's* existing *policy*.

Annex B**Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

19F Remuneration and performance management

...

19F.2 IDD remuneration incentives

...

Retail premium finance

19F.2.3 **R** The requirement in SYSC 19F.2.2R applies to remuneration an insurance distributor receives in relation to retail premium finance.

19F.2.4 **G** ICOBS 6A.5 includes further guidance on remuneration in relation to retail premium finance.

Annex C

Amendments to the General Provisions sourcebook (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Part 1: Comes into force 1 October 2021

2 **Interpreting the Handbook**

...

2.2 **Interpreting the Handbook**

...

Guidance applying while a firm has temporary permission

...

2.2.35A G A *TP firm* should refer to the provisions listed below, which identify the *rules* and *guidance* in their sourcebooks that came into force after *IP completion day* and in respect of which special provision has been made to apply them to *TP firms*.

...

and *COBS* 22.6.1R,

ICOBS 1, Annex 1, Part 1, Who? (paragraph 7)

~~*ICOBS* 1, Annex 1, Part 2, What? (paragraph 5) [deleted]~~

...

PROD 1.4.-1AR

Part 2: Comes into force 1 January 2022

2 **Interpreting the Handbook**

...

2.2 **Interpreting the Handbook**

...

Guidance applying while a firm has temporary permission

...

- 2.2.35A G A *TP firm* should refer to the provisions listed below, which identify the *rules* and *guidance* in their sourcebooks that came into force after *IP completion day* and in respect of which special provision has been made to apply them to *TP firms*.

...

PROD 1.4.-1AR

SUP 16.28.7R

Annex D

Amendments to the Insurance: Conduct of Business Sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force 1 October 2021

1 Application

...

1 Annex Application (see ICOBS 1.1.2R)

1

| Part 1: Who? | | | |
|---|---|------------|---|
| Modifications to the general application rule according to type of firm | | | |
| ... | | | |
| 6 | ... | | |
| ... | | | |
| <u>7</u> | <u>Gibraltar-based firms and TP firms</u> | | |
| <u>7.1</u> | <u>R</u> | <u>(1)</u> | <u>In addition to the general application rule in ICOBS 1.1.1R, the provisions in (2) also apply to:</u> |
| | | | <u>(a) TP firms and Gibraltar-based firms which carry on business from an establishment in the United Kingdom; or</u> |
| | | | <u>(b) (i) TP firms and Gibraltar-based firms that provide services from an establishment outside the United Kingdom; or</u> |
| | | | <u>(ii) firms operating from an establishment overseas; and</u> |
| | | | <u>with a customer in the United Kingdom.</u> |
| | | <u>(2)</u> | <u>The provisions specified for the purposes of (1) are:</u> |
| | | | <u>(a) ICOBS 6.1.7-AG, ICOBS 6.5.1AG and ICOBS 6A.4 (Travel insurance and medical conditions) (except for TP firms or Gibraltar-based firms in (1)(b)(i) where the state of the risk is an EEA State or</u> |

| | | | | |
|--|--|--|-----|---|
| | | | | Gibraltar, and to the extent that the <i>EEA State</i> in question or Gibraltar imposes measures of like effect); and |
| | | | (b) | <u>ICOB 6A.5 (Retail premium finance: disclosure and remuneration).</u> |

| Part 2: What? | | | | |
|---|---|-----|-----|--|
| Modifications to the general application rule according to type of firm | | | | |
| ... | | | | |
| 5 | | | | Travel insurance contracts |
| 5.1 | R | | | In addition to the general application rule in <i>ICOB 1.1.1R</i> , the provisions in <i>ICOB 6.1.7 AG</i> , <i>ICOB 6.5.1AG</i> and <i>ICOB 6A.4</i> also apply to: |
| | | (1) | | <i>TP firms</i> and Gibraltar-based firms which carry on business from an establishment in the <i>United Kingdom</i> ; or |
| | | (2) | (a) | <i>TP firms</i> and Gibraltar-based firms that provide services from an establishment outside the <i>United Kingdom</i> , (other than where the <i>state of the risk</i> is an <i>EEA State</i> or Gibraltar, and to the extent that the <i>EEA State</i> in question or Gibraltar imposes measures of like effect); and |
| | | | (b) | <i>firms</i> operating from an establishment overseas; and |
| | | | | with a <i>customer</i> in the <i>United Kingdom</i> . <u>[deleted]</u> |
| 5.2 | G | | | Unless the contrary intention appears, a reference to Gibraltar-based firm in paragraph 5.1 above has the same meaning as in the <i>Gibraltar Order</i> . <u>[deleted]</u> |

6A Product specific rules

...

6A.2 Optional additional products

Restriction on marketing or providing an optional product for which a fee is payable

6A.2.1 R (1) ...

...

- (7) An optional additional product is a good, service or right of any description, whether or not financial in nature, that a *customer* may

~~obtain (or not, as the case may be) at his or her election in connection with, or alongside, a *non-investment insurance contract*. [deleted]~~

...

...

6A.2.5 G *Firms are reminded that retail premium finance is an optional additional product for the purposes of ICOBS 6A.2.1R.*

For “optional additional product”, substitute “*optional additional product*” in the following provisions. Where the term is used in the plural, maintain the pluralised form in the substituted italicised term. The new text is not shown as underlined and the deleted text is not shown as struck through.

| | |
|-------------|-----------------|
| 6A.2.1R(1) | one instance |
| 6A.2.1R(2) | one instance |
| 6A.2.1R(3) | two instances |
| 6A.2.1R(5) | one instance |
| 6A.2.1R(8) | one instance |
| 6A.2.1R(9) | one instance |
| 6A.2.1R(10) | three instances |
| 6A.3.5G | one instance |

Insert the following new section, ICOBS 6A.5, after ICOBS 6A.4 (Travel insurance and medical conditions). The text is not underlined.

6A.5 Retail premium finance: disclosure and remuneration

Other requirements in the Handbook

6A.5.1 G This section does not affect the application of other requirements in the *FCA Handbook* applying to *firms* in relation to a *regulated credit agreement*.

Pre-contract information

6A.5.2 R In good time before the conclusion of a *policy* including on any *renewal*, a *firm* offering *retail premium finance* in relation to that *policy* must give the *customer*:

(1) price information about:

- (a) the total cost of the *policy* if purchased without *retail premium finance*;
 - (b) the total cost of the *policy* with *retail premium finance* including costs of, or associated with, the *retail premium finance*; and
 - (c) any difference in the costs in (a) and (b),
- alongside each other;
- (2) a description that the use of *retail premium finance* arrangements will be more expensive for the *customer* compared to paying for the *policy* upfront;
 - (3) details of any difference between the duration of the *policy* and that of the *retail premium finance*; and
 - (4) where the price information is presented on any basis other than annually, an explanation alongside that information of any difference between the total price to be paid by the *customer* when buying with or without *retail premium finance*.

6A.5.3 R The information in *ICOBS* 6A.5.2R must be communicated:

- (1) in a way that is accessible and which draws the *consumer's* attention to it as key information; and
- (2) in accordance with *ICOBS* 4.1A.

Active election

6A.5.4 G For the purposes of *ICOBS* 6A.2.1R, providing the *customer* with the choice between paying monthly or annually will not be sufficient to show the *customer* has made an active election to obtain the *retail premium finance*.

Premium finance related remuneration

6A.5.5 R A *firm* must not propose or arrange the use of any particular *retail premium finance* where that would be inconsistent with the *firm's* obligations in the *FCA Handbook*, including the *customer's best interest rule*, *SYSC* 19F.2 or *CONC*.

6A.5.6 G (1) *Firms* are reminded of their obligations elsewhere in the *FCA Handbook* including:

- (a) *Principles* 1 and 6 to act with integrity and treat customers fairly;
- (b) *Principle* 8 to manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another

client. This principle extends to the *remuneration* a *firm* receives including soliciting or accepting inducements where this would conflict with a *firm's* duties to its *customers*;

- (c) conflicts of interest requirements in SYSC 3.3 (for *insurers*) or SYSC 10 (for *insurance intermediaries*);
 - (d) the *customer's best interests rule*, and SYSC 19F.2 to ensure remuneration arrangements do not conflict with their duty to comply with the *customer's best interests rule*.
- (2) An inducement is a benefit offered to a *firm*, or any *person* acting on its behalf, with a view to that *firm*, or that *person*, adopting a particular course of action. This can include, but is not limited to, cash, cash equivalents, commission, goods, hospitality or training programmes.

- 6A.5.7 G (1) *Firms* should consider, at inception and then on a regular basis, their arrangements with providers or distributors of *retail premium finance* and whether they could give an incentive to act in a way that is inconsistent with the *customer's best interests rule* or otherwise could risk breaching any of the provisions referred to in ICOBS 6A.5.6G above. For example, a *firm's remuneration* arrangements should not provide an incentive to offer *retail premium finance* having greater costs to the *customer* (including a higher *APR*) where another *retail premium finance* arrangement, better aligned with the *customer's* interests, is available to the *firm* in the market.
- (2) For the purposes of (1) a *firm* would be considering its arrangements with providers or distributors of *retail premium finance* on a regular basis where these arrangements are assessed as part of the *firm's* compliance with *PROD 4.2.35AR* (for a *manufacturer*) or *PROD 4.3.6AR* (for a *distributor*) to consider if these arrangements are consistent with providing fair value.
- (3) When considering its arrangements with providers or distributors of *retail premium finance*, both before entering into any arrangement and on a regular basis, a *firm* should be able to demonstrate:
- (a) how the arrangements provide a fair outcome for the *customer*; and
 - (b) why that arrangement was selected.

For example, where the *firm* receives a greater level of remuneration, whether through a higher commission rate or otherwise, compared to other arrangements available to it, including any monthly payment arrangement where the price to the *customer* is not greater than where the policy is sold on a standalone basis, it will need to demonstrate how this selection was consistent with the *customer's best interests rule*.

- (4) Where the *remuneration firms* receive in relation to *retail premium finance* conflicts with the duty to comply with the *customer's best interests rule* they will need to take appropriate actions to address the situation including, where necessary, changing *retail premium finance* providers.

Part 2: Comes into force 1 January 2022

Amend the following as shown.

1 Application

...

1 Annex Application (see ICOBS 1.1.2R)

1

| Part 1: Who? | | | |
|---|------------------------------------|-----|---|
| Modifications to the general application rule according to type of firm | | | |
| ... | | | |
| 6 | ... | | |
| ... | | | |
| 7 | Gibraltar-based firms and TP firms | | |
| <u>7.1</u> | <u>R</u> | (1) | ... |
| | | (2) | The provisions specified for the purposes of (1) are: |
| | | | ... |
| | | (b) | <i>ICOBS 6A.5 (Retail premium finance: disclosure and remuneration)</i> ; |
| | | (c) | <u><i>ICOBS 5.1.3CR(1A), ICOBS 6.2.6R, and ICOBS 6.2.7G, ICOBS 6.5.1R(3)(d) and ICOBS 6A.6 (Cancellation of automatic renewal); and</i></u> |
| | | (d) | <u><i>ICOBS 6B (Home and motor insurance pricing).</i></u> |

...

5 Identifying client needs and advising

5.1 General

...

Eligibility to claim benefits: policies arranged as part of a packaged bank account

...

5.1.3C R (1) ...

- (1) Where any *policy* (except for private health or medical insurance, and pet insurance) included in a *packaged bank account* renews automatically, the statement must include the information the *firm* is required to provide under *ICOBS 6.2.6R* on the right to cancel the automatic *renewal* element of the *policy* at any time.

...

6 Product information

...

6.2 Pre-contract information: general insurance contracts

...

6.2.5 R ...

Auto-renewal

6.2.6 R (1) A *firm* must:

- (a) inform a *consumer* whether the terms and conditions of their *policy* provide for the *policy* to automatically *renew* at the end of the term;
- (b) provide the *consumer* with an explanation of the effect of automatic *renewal* for them; and
- (c) provide the *consumer* with information on the right to cancel the automatic *renewal* element of the *policy* at any time.

(2) The information on the right to cancel the automatic *renewal* element must include:

- (a) the existence of the right;
- (b) the conditions for exercising it;

- (c) the consequences of exercising it; and
- (d) the practical instructions for exercising it.

(3) The information in (1) and (2) must be provided:

- (a) in good time before conclusion of the contract; and
- (b) in writing or in another *durable medium*.

(4) Paragraphs (1) to (3) do not apply in the case of a contract for private health or medical insurance, or pet insurance.

6.2.7 G In the case of a *packaged bank account* ICOBS 5.1.3CR(1A) provides that the information required by ICOBS 6.2.6R should be provided in the eligibility statement.

...

6.5 Renewals

Renewals

6.5.1 R ...

(3) ...

...

(c) a statement alongside (a) and (b) indicating that the *consumer*:

- (i) should check that the level of cover offered by the renewal is appropriate for their needs; and
- (ii) is able, if they so wish, to compare the prices and levels of cover offered by alternative providers; and

(d) a statement informing the *consumer* whether the contract will automatically renew or whether the *consumer* needs to take action to accept the renewal offer.

...

...

Insert the following new section, ICOBS 6A.6, after ICOBS 6A.5 (Retail premium finance: disclosure and remuneration). The text is not underlined.

6A.6 Cancellation of automatic renewal

Application

- 6A.6.1 R This section applies in relation to all *general insurance contracts* entered into with *consumers* which have an automatic *renewal* feature except for:
- (1) private health or medical insurance; and
 - (2) pet insurance.

Purpose

- 6A.6.2 G The purpose of this section is to support Treating Customers Fairly outcome 6 – “Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint”, by making it easier for *consumers* who wish to prevent their *policy* from automatically *renewing* to cancel this feature of their *policy*.

Requirement for a range of cancellation methods

- 6A.6.3 R A *firm* must provide a *consumer* with easy and accessible methods for cancelling the automatic *renewal* feature in the *consumer’s* contract.
- 6A.6.4 R (1) The methods provided by a *firm* in accordance with ICOBS 6A.6.3R must include at least all the methods by which a *consumer* is able to purchase a new *policy* with the *firm*.
- (2) A *firm* must consider the needs of its *customers* when determining what cancellation methods it provides.
- 6A.6.5 G An easy and accessible method for cancelling an automatic *renewal* feature is a method that does not place any unnecessary barriers on the *consumer* who uses it. Unnecessary barriers may include one or both of the following:
- (1) unreasonably longer call waiting times to cancel the automatic *renewal* feature than to purchase a new *policy*; and/or
 - (2) unnecessary questions or steps before the *consumer* is able to confirm their instructions to cancel the automatic *renewal* feature.

Times a consumer may cancel

- 6A.6.6 R A *firm* must allow the *consumer* to exercise their right to cancel the automatic *renewal* feature:
- (1) at the time the *consumer* purchases the *policy* and at any time during the duration of the *policy*; and
 - (2) free of charge.

Insert the following new chapter, ICOBS 6B, after ICOBS 6A (Product specific rules). The text is not underlined.

6B Home insurance and motor insurance pricing**6B.1 Application and purpose**

Application

What?

6B.1.1 R This chapter applies where a *firm* carries out any of the following activities in relation to a *home insurance* or *motor insurance policy* or any related *additional product* sold to a *consumer*:

- (1) setting the *renewal price*; or
- (2) setting the price for any *additional product* offered to the *customer* at *renewal*; or
- (3) determining the level of *remuneration*, including in particular any *fees* earned by the *firm* when distributing a product at *renewal*.

6B.1.2 R This chapter also applies where a *home insurance* or *motor insurance policy* is sold on a subscription basis and at any point during the lifetime of the *policy*, the *firm* increases the price of the *policy*.

Exclusions

6B.1.3 R This chapter does not apply to *group policies* where these include, or are sold alongside, *home insurance* or *motor insurance* products.

Purpose

6B.1.4 G The *rules* in this chapter:

- (1) promote competition through ensuring *consumers* have a realistic picture of the long-term cost of their chosen product when purchasing it and incentivising *firms* to compete for *consumer* business on this basis; and
- (2) protect *consumers* through ensuring that they are placed in a position where they can understand the long-term cost of their product.

6B.1.5 G The *rules* in this chapter are not intended to affect how risk is priced for *home insurance* and *motor insurance*.

6B.2 Setting renewal prices

Renewal price

6B.2.1 R (1) A *firm* must not set a *renewal price* that is higher than the *equivalent new business price*.

- (2) Paragraph (1) applies at the point the *renewal* notice is prepared.

Combined home and motor insurance packages

- 6B.2.2 R In the case of a combined *home insurance* and *motor insurance* package, the *renewal price* for each of the following must be no higher than the *equivalent new business price*:
- (1) the *home insurance* element;
 - (2) the *motor insurance* element; and
 - (3) the bundled price for the package.

Net-rated business

- 6B.2.3 G *ICOBS* 6B.2.1R does not distinguish between *firms* writing *gross-rated business* or *net-rated business*. *Insurers* or *managing agents* writing *net-rated business* should apply the *rules* in this section to arrive at a *net-rated price* which is the *equivalent new business price* on a *net-rated price* basis.

Renewal price of retail premium finance

- 6B.2.4 G Where a *customer* pays for their *policy* through *retail premium finance*, the *renewal price* of the *policy* should be set in accordance with *ICOBS* 6B.2.1R and the renewal price for the *retail premium finance* should be set in accordance with *ICOBS* 6B.2.37R.

Assumptions regarding channel used by customer

- 6B.2.5 R (1) In determining the *equivalent new business price*, a *firm* must assume that the existing *customer* has approached the *firm* through the same *channel* as they used when they first purchased their *policy*.
- (2) Where the *firm* no longer accepts new business through the *channel* that the *customer* originally used to purchase the *policy*, or where the *channel* can no longer be identified, the *firm* must assume that the *customer* approached the *firm* through the *channel* most commonly used by *new business customers* of the *firm*.
- (3) If the *customer* used more than one *channel* when they first purchased their *policy*, the *firm* must determine the *equivalent new business price* using the *channel* or combination of *channels* that was used to determine the price of the *customer's policy* at new business.
- 6B.2.6 G For the purposes of the assumptions in *ICOBS* 6B.2.5R, a *firm* should treat each intermediary chain, price comparison website or *affinity/partnership scheme* through which it sells *policies* as a separate *channel*.
- 6B.2.7 R (1) A *firm* may calculate the *equivalent new business price* on the basis that the *customer* is using a different *channel* than they used when they first purchased their *policy* where:

- (a) the *customer* has agreed to take out a different product to the one they took out in the last insurance period;
 - (b) the product the *customer* is taking out is most frequently purchased via a different *channel* to the one the *customer* used to take out their original product; and
 - (c) it is in the *customer's* best interests to take out the new product.
- (2) Where a *firm* calculates the *equivalent new business price* according to (1), it must assume that the *customer* approached the *firm* using the *channel* that the product is most frequently purchased through.

Changing to a different policy with the same firm at renewal

- 6B.2.8 G (1) Where a *firm* offers a *customer* a different product at *renewal* the *firm* should be able to demonstrate how it has met:
- (a) the *rules* in *ICOBS* 5.2 (Demands and needs); and
 - (b) *ICOBS* 2.5.-1R (customer best interests).
- (2) *Firms* are reminded that *ICOBS* 5.2 includes requirements for a *firm*, before conclusion of any *contract of insurance*, to
- (a) specify, on the basis of information obtained from the *customer*, the demands and needs of the *customer*; and
 - (b) ensure that any *contract of insurance* proposed is consistent with the *customer's* insurance demands and needs.

Before proposing a different product at *renewal*, a *firm* will need to take all necessary steps to meet these requirements which may include contacting the *customer* and obtaining all necessary information from that *customer* so the *firm* can conduct a demands and needs assessment.

- (3) A *firm* should not offer or propose a different product to the *customer* at *renewal* if:
- (a) the different product is more commonly *distributed* through a more expensive *channel* than the *channel* or *channels* the *customer* originally approached the *firm* through; and
 - (b) the primary purpose of *distributing* the alternative product is to enable the *firm* to charge the *customer* a higher *renewal price*.

Incentives

- 6B.2.9 R When calculating the *equivalent new business price*, a *firm* must include any cash or cash-equivalent incentives that it gives to *new business customers* and

that the *renewing customer* would be eligible for if they were a *new business customer*.

- 6B.2.10 R (1) *ICOBS* 6B.2.9R applies to any cash or cash-equivalent incentive that is wholly or partially funded by the *firm*.
- (2) For the purposes of (1), it does not matter if the incentive is funded directly by the *firm* or if the *firm* provides funding to a third party contingent on that third party providing an incentive to the *customer*.
- 6B.2.11 R Incentives that are not cash or cash-equivalent are excluded from the scope of these rules.
- 6B.2.12 R A cash or cash-equivalent incentive is any incentive that can be readily expressed as having a monetary value including, but not limited to, the items listed in column 1 of the table at *ICOBS* 6B.2.14R.
- 6B.2.13 R Non-cash incentives are any incentives that are not capable of being readily expressed as having a definite monetary value.
- 6B.2.14 R The following table gives examples of cash and non-cash incentives for the purposes of *ICOBS* 6B.2.12R and *ICOBS* 6B.2.13R.

| Cash or cash-equivalent incentives | Non-cash incentives |
|---|---|
| A percentage discount on the premium | Toys |
| A monetary discount on the premium | Carbon off-setting |
| Part of the insurance term given for free (e.g. one month free) | A percentage chance to win back the premium |
| A free <i>additional product</i> | |
| Cashback | |
| Retail vouchers | |
| Points in a retail loyalty scheme | |

- 6B.2.15 G *Firms* are reminded that *Principle 7* and *ICOBS* 2.2.2R apply to the communication of incentives in the same way as they apply to all communications with their *customers*. *Firms* should present incentives in a way that makes clear both the overall price of the product, not including the incentive, and (if different) the price the *customer* will actually pay.

New business discounts

- 6B.2.16 R The *equivalent new business price* must take account of any individually negotiated discounts the *firm* agrees with an *equivalent new business customer* for the product.
- 6B.2.17 G In taking account of individually negotiated discounts agreed with *new business customers*, a *firm* should be able to demonstrate that:
- (1) the *equivalent new business price* does not discriminate on grounds of *tenure* contrary to *ICOBS* 6B.2.40R; and
 - (2) the *firm* has taken account of the best interests of its *customers* (*ICOBS* 2.5.-1R) in determining its method for calculating the *equivalent new business price* in compliance with *ICOBS* 6B.2.16R.

Calculating the equivalent new business price - missing information

- 6B.2.18 G (1) Where a *firm* does not have the same information for an existing *customer* as it has when quoting for a *new business customer*, it may determine its own approach to how it takes account of any missing information when calculating the *equivalent new business price*.
- (2) Examples of situations where a *firm* may have missing information when calculating the *equivalent new business price* are:
- (a) where the *firm* uses behavioural factors in calculating the price a *new business customer* pays, such as the length of time between the quote and the inception date; and
 - (b) where a *firm* has changed the information it obtains from *new business customers* when providing a quote.
- (3) *Firms* are reminded that where factors such as those described in (2) are taken into account in determining the *renewal* price, they must still be able to demonstrate compliance with:
- (a) the requirement to not discriminate on grounds of *tenure* in *ICOBS* 6B.2.40R; and
 - (b) the requirements to provide fair value in relation to *non-investment insurance contracts* in *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR.

Calculating the equivalent new business price - information acquired during the term of the customer's current policy

- 6B.2.19 R (1) A *firm* must include in its determination of a *customer's equivalent new business price* any risk information acquired during the term of the *customer's current policy* that has the effect of either increasing or decreasing the *equivalent new business price*.

- (2) Paragraph (1) includes risk information that the *firm* would not normally have in relation to *new business customers*, such as telematics data or fraud risk indicators.

Changes to contractual parties

- 6B.2.20 G A *firm* only needs to comply with the rules in this chapter where it *arranged* the contract or was a party to the contract with the *customer* in the previous year. For example, where an *intermediary* operates a panel of *insurers* and re-brokers the *customer's insurance* to another member of the panel, the *customer* should be treated as a *renewal* by the *intermediary* but a *new business customer* by the *insurer* who did not underwrite the *customer's policy* in the previous year.

Subscription policies

- 6B.2.21 R Where a *firm* increases the price of a *policy* sold on a subscription basis, it must apply the *rules* in this chapter on setting a *renewal price*.
- 6B.2.22 R A *firm* that sells *policies* on a subscription basis must review the pricing of their subscription *policies* at least annually.
- 6B.2.23 R The annual review must assess whether the price of the *policy* sold on a subscription basis is no higher than the *equivalent new business price*.
- 6B.2.24 G The *rules* in this chapter do not require a *firm* selling *policies* on a subscription basis to back date any price reductions that the *firm* may implement as the result of any review under *ICOBS 6B.2.21R*.

Closed books

- 6B.2.25 R Where a *customer's policy* is in a *closed book*, the *firm* must determine the *customer's equivalent new business price* according to the following *rules*.
- 6B.2.26 R The *firm* must identify from the *home insurance* and *motor insurance* products that it currently actively markets or distributes, whether it has a *home insurance* or *motor insurance* product that is a *close matched product*.
- 6B.2.27 R Where the *firm* no longer actively markets or distributes any *home insurance* or *motor insurance* product which is a *close matched product* but it is part of a *group* which does actively market or distribute *home insurance* or *motor insurance* products, it must identify whether the *firm's group* actively markets or distributes a *close matched product*.
- 6B.2.28 R Where there is more than one product which is a *close matched product*, the *firm* must select:
- (1) the *close matched product* which is the most similar to the *customer's* existing *policy*; or

- (2) where it is not possible to identify the most similar *close matched product*, the *close matched product* which will lead to the most favourable pricing outcome for *customers* who hold a *policy* in the *closed book*.
- 6B.2.29 R Where a *close matched product* is identified or selected, the *equivalent new business price* for a *customer* in the relevant book is the price set out in (1), taking account of the permitted adjustments set out in (2) below.
- (1) The *equivalent new business price* for the *close matched product*.
- (2) The permitted adjustments are those which fairly and proportionately reflect the difference in costs for the *firm* arising from differences between the cover or benefits (including any compulsory excess) or other costs of providing services or benefits under the contract (such as additional telephone support) provided by the *policies* in the *closed book* and the *close matched product*.
- 6B.2.30 R In calculating the *equivalent new business price* for a *close matched product*, a *firm* must assume that the *customer* approached the *firm* using the *channel* most commonly used by *new business customers* of the *close matched product*.
- 6B.2.31 R A *firm* must set the *renewal price* in accordance with ICOBS 6B.2.39R if either (1) or (2) apply:
- (1) the *firm* is unable to identify a product which is a *close matched product*; or
- (2) the *firm* is unable to determine an *equivalent new business price* because the *firm* would not offer a *policy* to a *new business customer* of the same risk profile as the existing *customer*.
- 6B.2.32 R A *firm* must assess whether any of its *home insurance* or *motor insurance* products are in *closed books*:
- (1) at least annually; and
- (2) whenever the *firm* makes a material change to the distribution or marketing of the product that could change the book from being an open book to a *closed book*.
- 6B.2.33 G (1) The calculation of whether a book meets the *closed book* definition should be carried out on the basis of the product as a whole across all the *channels* used by the *firm* for distribution of the product.
- (2) A *firm* should apply the *closed book* definition on the basis of its own book of business, without reference to other *firms* involved in *distributing* or underwriting the product. This means:

- (a) an *insurer* should apply the *closed book* definition only to those products that it underwrites; and
- (b) an *insurance intermediary* should apply the *closed book* definition only to those products which it has *distributed*.

Intermediaries' remuneration and involvement in setting price

- 6B.2.34 R An *insurance intermediary* that is involved in the setting of any portion of the *renewal price* of the *policy* must ensure that the portion they set or their contribution to that portion is set at a level that is no higher than it would be set for a *new business customer*.
- 6B.2.35 R Where an *insurance intermediary* forgoes its commission in whole or in part when selling to a *new business customer*, it must apply *ICOBS 6B.2.9R* to *ICOBS 6B.2.15G* when determining the *equivalent new business price* at *renewal*.

Additional products

- 6B.2.36 R A *firm* that has responsibility for setting the price of an *additional product* that is available to a *customer* in connection with a *home insurance* or *motor insurance policy* must ensure that the price of the *additional product* at *renewal* is no higher than the price at which the *additional product* would be offered to the *customer* if they were a *new business customer*.
- 6B.2.37 G Where the *additional product* is *retail premium finance*, the price referred to in *ICOBS 6B.2.36R* is the *APR* if the *retail premium finance* is a *regulated credit agreement* or in all other cases the amount paid by the *customer* for *retail premium finance* for the amount of *premium* to be financed by the *retail premium finance*.
- 6B.2.38 R Where a *firm* no longer offers to *new business customers* an *additional product* which is available to a *customer* in connection with the *renewal* of a *home insurance* or *motor insurance policy*, the price for that *additional product* must be set as follows:
- (1) where the *additional product* is a *policy*, the *firm* must:
 - (a) apply the rules for *closed books* in *ICOBS 6B.2.25R* to *ICOBS 6B.2.33G* (and references in these rules to *home insurance* or *motor insurance* should be read as '*additional product*'); or
 - (b) if the *additional product* has no *close matched product*, apply *ICOBS 6B.2.39R*;
 - (2) where the *additional product* is not a *policy*, the *firm* must apply *ICOBS 6B.2.39R*.

Firms' assurance over customer outcomes

- 6B.2.39 R A *firm* must ensure that it does not systematically discriminate against *customers* based on their *tenure*, when determining:
- (1) an *equivalent new business price*;
 - (2) the *renewal price* for *customers* in *closed books* where a *firm* is unable to identify a *close matched product*;
 - (3) the price for any *additional products* offered to the *customer* at *renewal* of a *policy*; and
 - (4) the level of any *remuneration* earned by the *firm*, including in particular any *fees* charged to a *customer*, at *renewal* of a *policy*.
- 6B.2.40 E (1) A *firm's equivalent new business price* for *customers* of longer *tenure* should not systematically exceed the new business price for *new business customers*.
- (2) A pricing model used by the *firm* to determine the *equivalent new business price*, or *renewal prices* for *customers* in *closed books* where a *firm* is unable to identify a *close matched product*, should not generate prices which are systematically higher the longer a *customer's tenure* is.
- (3) A *firm's renewal price* for *customers* of longer *tenure*, or the price for any *additional products* offered to *customers* of longer *tenure* at *renewal* of a *policy*, should offer fair value to the *customer* taking account of the prices offered to *customers* of shorter *tenure*. In particular, a *firm* should avoid the following outcomes:
- (a) the price of any of the following materially exceeding the new business price which a *customer* of longer *tenure* would pay to obtain the cover and/or benefits offered by the product if the *customer* were to shop around as a *new business customer* approaching another *firm* or *firms*:
 - (i) the *firm's renewal price* for *customers* in a *closed book* where no *close matched product* is identified;
 - (ii) the *firm's price* for any *additional product* offered at *renewal* where that *additional product* is a *policy* and no *close matched product* is identified; or
 - (iii) the *firm's price* for any *additional products* offered at *renewal* where the *additional product* is not a *policy* and is no longer available to *new business customers*;
 - (b) the quality of service or cover enjoyed by *customers* of longer *tenure* is lower than that enjoyed by *customers* of shorter *tenure* for the same product; and

- (c) relevant and appropriate value measures, or the *gross incurred claims ratio*, for *policies* held by *customers* of longer *tenure* indicate that the value provided by these *policies* is lower than that for *policies* held by *customers* of shorter *tenure*.
- (4) A *firm* should not systematically charge higher *fees* to a *customer* who is *renewing* a *policy* than to a *new business customer*.
- (5) A *firm* should not selectively close individual *channels* in order to take advantage of the premium difference between *channels* when setting an *equivalent new business price*.
- (6) A *firm* should not fund an incentive offered by a third party in a way that results in the *equivalent new business price* systematically exceeding the new business price actually paid by *new business customers* who receive the incentive.
- (7) Contravention of any of (1) to (6) may be relied on as tending to establish contravention of *ICOBS* 6B.2.39R.
- 6B.2.41 G When comparing a *firm's* new business price with the *renewal price* for individual *customers*, we would not expect to see that the longer a *customer's* *tenure* is, the greater the difference between:
- (1) in the case of an *insurer*, the risk price and the *net-rated price* or *gross price*; or
- (2) in the case of an *intermediary*, the *net-rated price* and the *gross price*.
- 6B.2.42 R A *firm* must not make arrangements that are designed to enable it to treat existing *customers* as *new business customers* unless:
- (1) the *firm* can demonstrate that the proposed arrangements are in the best interests of the *customers* that will be treated as *new business customers* under the arrangements; and
- (2) the price of the products distributed to these *customers* does not adversely impact on the product offering fair value according to *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR.
- 6B.2.43 E A *firm* should not participate in or carry out any of the following steps where the primary impact on existing *customers* affected by the steps is to increase the price these *customers* pay for their product:
- (1) establish a new entity or entities (whether this is done by the *firm* or a member of its *group*) that will be responsible for arranging *policies* for existing *customers* at *renewal*;
- (2) transfer the business of existing *customers* to existing entities in the *group* or existing subsidiaries; and

- (3) sell to existing *customers* at *renewal* a product that is only superficially different from the *customer's* current product.

Contravention of any of (1) to (3) may be relied upon as tending to establish contravention of *ICOBS* 6B.2.42R and *ICOBS* 2.5.-1R.

- 6B.2.44 R It is not a contravention of *ICOBS* 6B.2.39R or *ICOBS* 2.5.-1R for a *firm* to offer a *customer* a *renewal price* that is lower than the *equivalent new business price* based on any factor, including the *customer's tenure*.

Notifications to the FCA

- 6B.2.45 R A *firm* must notify the *FCA* if it becomes aware that any other *firm* in the distribution chain is not or may not be complying with the *rules* in this chapter.
- 6B.2.46 G Under *Principle 11*, *firms* should notify the *FCA* of any change in their pricing model where there is a material risk of harm for *customers*.

Sales practices

- 6B.2.47 R When communicating a *renewal price* to *customers*, or when contacted by *customers* to discuss a *renewal price*, a *firm* must not systematically discriminate against *customers* based on *tenure*.
- 6B.2.48 R When communicating a price for any *additional product* at renewal of the *policy*, or when contacted by *customers* to discuss the prices of *additional products* at *renewal* of their *policy*, a *firm* must not systematically discriminate against *customers* based on *tenure*.
- 6B.2.49 E
- (1) A *firm* should not communicate with a *customer* of longer *tenure* in a manner which is objectively likely to discourage a *customer* of longer *tenure* from shopping around for an alternative *policy* offered by another *firm*.
 - (2) A *firm* should not communicate with *customers* of longer *tenure* with the intent, or in a way that might reasonably be expected to have the effect, that these *customers* are less likely than other *customers* to contact the *firm* to negotiate the *renewal price* of the *policy*.
 - (3) A *firm* should not interact with *customers* of longer *tenure* with the intent or the effect that these *customers* are more likely than other *customers* to accept the *renewal price* of the *policy*.
 - (4) Contravention of any of (1) to (3) may be relied on as tending to establish contravention of *ICOBS* 6B.2.47R or *ICOBS* 6B.2.48R.
- 6B.2.50 G Where a *firm* has communicated a *renewal price* to a *customer* in compliance with the *rules* in this chapter, a *firm* may subsequently agree a discount to a *renewal price* in individual negotiations with the *customer*.

Records

- 6B.2.51 R A *firm* must make and retain written records of how it continues to satisfy itself that it does not systematically discriminate against *customers* based on *tenure* in contravention of *ICOBS* 6B.2.39R, including details of:
- (1) the assessment undertaken by the *firm* to evaluate whether the *equivalent new business price* for, or the margin earned from, *customers* of longer *tenure* systematically exceeds that for *new business customers*;
 - (2) the controls put in place by the *firm* to ensure that any pricing model it uses to generate its *equivalent new business prices*, or the *renewal prices* for *customers* in *closed books* where a *firm* is unable to identify a *close matched product*, does not generate prices which are systematically higher the longer a *customer's tenure* is;
 - (3) the evidence gathered and the assessment undertaken by the *firm* to evaluate whether its *renewal prices* or prices for *additional products* at *renewal* offer fair value to *customers* of longer *tenure*;
 - (4) the assessment undertaken by the *firm* to evaluate whether the *fees* it charges to *customers* of longer *tenure* systematically exceed those charged to *new business customers*; and
 - (5) any appropriate independent oversight of the assessments and controls in (1), (2), (3) and (4).
- 6B.2.52 R A *firm* must make and retain written records of how it satisfies itself that any arrangements it makes to enable it to treat existing *customers* as *new business customers* are consistent with *ICOBS* 6B.2.39R, including details of:
- (1) the assessment it has undertaken to assure itself that the *customer* best interests rule in *ICOBS* 2.5.-1R is met; and
 - (2) the assessment it has undertaken of the likely effect of the arrangements on the price *customers* will pay for their product after the arrangements have taken effect as compared to the price *customers* would pay if the arrangements did not take effect.
- 6B.2.53 R A *firm* must also make and retain written records of its consideration of the extent to which material decisions which it takes in relation to its compliance with the *rules* in this chapter are consistent with:
- (1) the objectives of these *rules* as set out in *ICOBS* 6B.1.3G;
 - (2) the requirement not to discriminate against *customers* based on *tenure* in *ICOBS* 6B.2.39R, *ICOBS* 6B.2.47R and *ICOBS* 6B.2.48R; and
 - (3) the requirements in *ICOBS* 6B.2.42R around making arrangements to treat existing *customers* as *new business customers*.

- 6B.2.54 R The records in *ICOBS* 6B.2.52R must set out clearly:
- (1) the basis on which the *firm* is complying with the *rules* in this chapter;
 - (2) how the *firm* has resolved any areas of discretion, ambiguity or potential uncertainty in its determination that the pricing of its *home insurance* and *motor insurance renewal* business, including *additional products* available to *customers* in connection with this business, is in compliance with the *rules* in this chapter; and
 - (3) appropriate expert input and advice on which the *firm* relies in satisfying itself as to its compliance with the *rules* in this chapter.
- 6B.2.55 G The material decisions referred to in *ICOBS* 6B.2.53R include, but are not limited, to:
- (1) launching, discontinuing or materially varying any aspect of a product which is, or could be, relevant to setting an *equivalent new business price*;
 - (2) taking action which would result in a book becoming a *closed book* for the purposes of the *rules* in this chapter;
 - (3) identifying or selecting a *close matched product* or determining that it is not possible to identify a *close matched product*;
 - (4) making any adjustments to the *equivalent new business price* for a *close matched product* as a result of applying the assumptions in *ICOBS* 6B.2.29R and *ICOBS* 6B.2.30R;
 - (5) making changes to the *firm's* business structure or to the business structure of a *firm's group* to the extent that this may affect the basis on which an *equivalent new business price* is set;
 - (6) determining the *firm's* approach to ensuring that it does not systematically discriminate against *customers* based on their *tenure* in accordance with *ICOBS* 6B.2.39R, *ICOBS* 6B.2.43R and *ICOBS* 6B.2.44R; and
 - (7) arranging for another entity or entities to offer the *renewal* product to the *customer*.
- 6B.2.56 G (1) The following are examples of the types of records that *firms* should retain under *ICOBS* 6B.2.51R to *ICOBS* 6B.2.53R:
- (a) records of minutes of any pricing committee;
 - (b) any analysis showing whether similar *customers* face different pricing outcomes;

- (c) where the *firm's* data indicates any potential issues under *ICOBS* 6B.2.40R, any analysis demonstrating that the *firm* has not discriminated against *customers* of longer *tenure*.

- 6B.2.57 R The records compiled by the *firm* in accordance with *ICOBS* 6B.2.51R to *ICOBS* 6B.2.53R must be provided as soon as reasonably practicable after the record is prepared or updated to the *person* responsible for the attestation in *ICOBS* 6B.2.60R, and to the *FCA* on request.
- 6B.2.58 G *Firms* are reminded of their obligations under *SYSC* 3.2.20R and *SYSC* 9.1.1R in relation to the keeping of records and the guidance in *SYSC* 3.2.21G and *SYSC* 9.1.5G regarding the nature of the systems and controls a *firm* should have in place and the general principle that records should be retained for as long as is relevant for the purposes for which they are made.

Policies and procedures

- 6B2.59 G A *firm* should have in place policies and procedures to ensure its ongoing compliance with the *rules* in this chapter following any material changes to the *firm's* pricing practices, pricing models or products which could affect a *firm's* compliance with rules in this chapter or fair outcomes for *customers* of longer *tenure*.

Attestation requirements

- 6B.2.60 R Every *firm* subject to the *rules* in this chapter must provide the attestation set out at (1) for the reporting period set out in (2) at the time set out in (3) by a person in (4) below.

- (1) The attestation is that the *firm*:
- (a) is and has been complying with the *rules* in this chapter throughout the reporting period; and
 - (b) is satisfied that the pricing of its *home insurance* and *motor insurance renewal* business and related sales practices are consistent with the objectives of the rules as set out in *ICOBS* 6B.1.4G and does not discriminate against *customers* of longer *tenure* as set out in *ICOBS* 6B.2.39R, *ICOBS* 6B.2.47R and *ICOBS* 6B.2.48R.
- (2) The reporting period is the 12-month period beginning 1 January and ending 31 December.
- (3) The attestation must be provided annually, on or before 31 March in the year following the end of the reporting period.
- (4) The attestation must be provided by:
- (a) a single person, who holds a *senior management function* in the *firm*; or

(b) where a *firm* is not an *SMCR firm*, by a *director* of the *firm*.

Format and method of submission of attestation

- 6B.2.61 R The attestation must be submitted online through the appropriate systems accessible from the *FCA*'s website.
- 6B.2.62 R The attestation will not be considered as submitted to the *FCA* unless it has been accepted by the relevant *FCA* system.
- 6B.2.63 G If the *FCA*'s information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and will confirm what methods of submission should be used instead.

Amend the following as shown.

TP 2 Other Transitional Provisions

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|----------|---|----------|--|--|---|
| ... | | | | | |
| <u>5</u> | <u>ICOB</u> S <u>6A.6</u> | <u>R</u> | <u>A firm need not comply with ICOB</u> S 6A.6 for contracts entered into before 1 January 2022. | <u>From 1 January 2022</u> | <u>1 January 2022</u> |
| <u>6</u> | <u>ICOB</u> S <u>6B.2.60R</u> | <u>R</u> | (1) <u>This transitional rule applies to a firm which is required to provide an attestation under ICOB</u> S 6B.2.60R. (2) <u>The first attestation must be submitted on or before 31 March 2022.</u> | <u>From 1 January 2022 to 1 April 2022</u> | <u>1 January 2022</u> |

| | | | | | |
|---|------------------------|----------|---|--|-----------------------|
| | | | (3) <u>The first attestation relates only to a <i>firm's</i> compliance on the date when <i>ICOBS 6B</i> comes into force (and not to a reporting period).</u> | | |
| 7 | <u><i>ICOBS 6B</i></u> | <u>R</u> | <p>(1) <u>This transitional rule applies to a <i>firm</i> which is required to comply with <i>ICOBS 6B</i>.</u></p> <p>(2) <u>Where a <i>firm</i> so elects, it need not implement the rules in <i>ICOBS 6B</i> by 1 January 2022, but the <i>firm</i> must:</u></p> <p>(a) <u>implement the rules by 17 January 2022; and</u></p> <p>(b) <u>comply with paragraphs (3) and (4).</u></p> | <u>From 1 January 2022 to 1 April 2022</u> | <u>1 January 2022</u> |
| | | | <p>(3) (a) <u>This paragraph applies to all <i>home insurance</i> and <i>motor insurance</i> renewal notices prepared between 1 January 2022 and 16 January 2022 inclusive.</u></p> <p>(b) <u>A <i>firm</i> must by 28 February 2022 calculate the equivalent new business price in accordance with <i>ICOBS 6B</i> for all renewal notices that this paragraph applies to which were accepted by the customer.</u></p> | | |

| | | | | | |
|---|--------------------------------|---|-----|---|-----------------------|
| | | | | <p>(c) <u>Where the <i>equivalent new business price</i> is lower than the price the <i>customer</i> was offered to <i>renew</i> their product, the <i>firm</i> must automatically repay the difference between what the <i>customer</i> actually paid and what the <i>customer</i> should have paid to the <i>customer</i>, using, wherever practical, the same method as the <i>customer</i> used to pay for the <i>policy</i>.</u></p> | |
| | | | (4) | <p>The first attestation provided by a <i>firm</i> under <u><i>ICOBS</i> 6B.2.60R and <i>ICOBS</i> TP.2.6R</u> must include the following:</p> | |
| | | | (a) | <p>a statement of whether the <i>firm</i> made the election in this <u>transitional rule</u>;</p> | |
| | | | (b) | <p>if the <i>firm</i> made the election, a statement that the <i>firm</i> has made all repayments required by this <u>transitional rule</u>; and</p> | |
| | | | (c) | <p>if the <i>firm</i> made the election, the number of <i>customers</i> affected and total amount of <u>repayments</u> made.</p> | |
| 8 | <u><i>ICOBS</i> 6.2.6R and</u> | R | (1) | <p>This <u>transitional rule</u> applies to a <i>firm</i> which is required to comply with</p> | <u>1 January 2022</u> |

| | | | | | | |
|--|----------------------|--|--|---|---|--|
| | <u>ICOBS 6.5.1R.</u> | | | <p><u>ICOBS 6.2.6R or ICOBS 6.5.1R.</u></p> <p>(2) <u>Where a firm so elects, it need not comply with the rules in ICOBS 6.2.6R or ICOBS 6.5.1R by 1 January 2022, but the firm must:</u></p> | <p><u>From 1 January 2022 to 1 March 2022</u></p> | |
| | | | | <p>(a) <u>implement the rules by 17 January 2022; and</u></p> <p>(b) <u>comply with paragraph (3).</u></p> | | |
| | | | | <p>(3) (a) <u>This paragraph applies to all general insurance contracts entered into between 1 January 2022 and 16 January 2022 inclusive, except private health or medical insurance and pet insurance.</u></p> <p>(b) <u>A firm must, by 28 February 2022, provide the information required by ICOBS 6.2.6R to all customers who have entered into contracts to which this rule applies.</u></p> <p>(c) <u>The information must be provided in writing or another durable medium.</u></p> | | |

...

Sch 1 Record keeping requirements

G Notes

...

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|---|--|---|--------------------------|----------------------|
| ... | | | | |
| <i>ICOB</i> S 5.3.2BR | ... | | | |
| <u><i>ICOB</i>S 6B.2.51R, 6B.2.52R and 6B.2.53R</u> | <u>Record of compliance with non-discrimination requirements and treatment of existing customer requirements</u> | <u>Details of the firm's assessments and controls that ensure that the firm is not systematically discriminating against customers of longer tenure and that its treatment of existing customers is in their best interests</u> | <u>Not specified</u> | <u>Not specified</u> |

Annex E

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1 Product Intervention and Product Governance Sourcebook (PROD)

...

1.4 Application of PROD 4

1.4.1 R *PROD* 4 applies to:

- (1) an *insurance intermediary*; and
- (2) an *insurer*,

with respect to:

- (3) *manufacturing* insurance products; ~~and~~
- (3A) product governance and distribution arrangements for legacy non-investment insurance products (see PROD 4.6); and
- (4) *distributing* insurance products.

[**Note:** articles 1(2) and 25 of the *IDD*]

1.4.-1A R A *TP firm* and a ~~Gibraltar-based firm~~ Gibraltar-based firm must also comply with the provisions in:

- (1) *PROD* 1.4 and *PROD* 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data);
- (2) *PROD* 1.4 and *PROD* 4 in relation to a *pathway investment*;
- (3) *PROD* 1.4, *PROD* 4 and (where applicable) *PROD* TP 1 in relation to non-investment insurance products (including legacy non-investment insurance products) that are, or will be, marketed or distributed, or there are policies under the product that remain in force, in the United Kingdom.

...

1.4.3 R *PROD* 4 does not apply in relation to ~~the manufacturing or distributing of an insurance product that is:~~ an insurance product that is:

- (1) a *contract of large risks*, or
- (2) a *reinsurance contract*.

[**Note:** article 25(4) of the *IDD*]

...

When an intermediary may be considered to be manufacturing

...

- 1.4.5 G The effect of *PROD 1.4.4UK* and *PROD 1.4.6R* is that an *insurance intermediary* needs to consider if it is *manufacturing* an insurance product or if it would be a *manufacturer* for a *legacy non-investment insurance product* for *PROD 4.6*, and, if so, should comply with *PROD 4.2* (Manufacture of insurance products).

Scope of ‘manufacturing’

- 1.4.5A G (1) *PROD 4.2* applies to *firms* that *manufacture* insurance products. The terms ‘firm’ and ‘manufacturer’ are used in that section interchangeably to refer to such persons.
- (2) The *Glossary* term ‘manufacture’ includes ‘designing, developing, creating and/or underwriting’ which cover activities prior to the insurance product being approved for marketing and *distribution*, and on a continuing basis after such approval.

Effect of provisions marked “UK” for certain manufacturers and distributors of insurance products

- 1.4.6 R (1) Subject to (2) and *PROD 1.4.3R*, provisions in this section and in *PROD 4* marked “UK” apply to *firms*:
- (a) *manufacturing* or *distributing* insurance products, but to whom the *IDD POG Regulation* does not apply;
 - (b) in relation to product governance and distribution arrangements for *legacy non-investment insurance products*,

as if they were *rules*.

...

- (4) In relation to a *legacy non-investment insurance product*, the reproduced provisions of an article of the *IDD POG Regulation* must be read to be consistent with the application of product governance and distribution requirements in *PROD 4.2* and *PROD 4.3* to a *legacy non-investment insurance product*.

Where?

- 1.4.7 R *PROD* 4 applies to a *firm* with respect to activities carried on from an establishment maintained by it, or its *appointed representative*;
- (1) (for all insurance products and *pathway investments*) in the *United Kingdom*; and
- (2) (in addition, for *non-investment insurance products*) overseas, in relation to an insurance product that is, or will be, marketed or distributed, or there are policies under the product that remain in force, in the *United Kingdom*.

[**Note:** in respect of (1), article 7(2) of the *IDD*]

...

4 Product governance: *IDD* and pathway investments

...

4.2 Manufacture of insurance products

Product governance arrangements

- 4.2.1 R A *firm* which *manufactures* any insurance product must maintain, operate and review a process for the approval of:
- (1) each insurance product; and
- (2) significant adaptations of an existing insurance product,
- in each case before it is marketed or *distributed to customers*.

[**Note:** first subparagraph of article 25(1) of the *IDD*]

- 4.2.1A G For the purposes of *PROD* 4.2:
- (1) whether a proposed change to the product would be a ‘significant adaptation’ should include consideration of the potential impact the adaptation may have on an existing or potential *customer* (when compared to the unadapted version of the product);
- (2) a ‘significant adaptation’ in relation to a *non-investment insurance product* may include, but is not restricted to, a proposed change to the insurance coverage, costs, exclusions, excesses, limits or conditions and any other significant change to the terms and conditions.

...

- 4.2.3 G ...

- 4.2.3A G In addition to, and/or by way of elaboration of, the factors set out in PROD 4.2.3G, for a non-investment insurance product a firm should take into account:
- (1) the potential risk, and possible levels, of harm to customers if the product design is flawed, in particular, due to the potential scale of harm if the product is intended for a wide target market;
 - (2) the nature of the cover that the product is intended to provide;
 - (3) whether the distribution arrangements could mean customers are at a greater risk of not receiving fair value from the insurance product, for example where:
 - (a) the insurance product will be distributed with additional products;
 - (b) where the insurance product will be distributed on an ancillary basis to another product; or
 - (c) there is complexity in the distribution arrangements including the use of multiple parties in the distribution chain or reliance on persons not regulated under FSMA when selling the insurance product;
 - (4) the nature and complexity of the firm's existing or intended customer base, for example whether it includes or is likely to include:
 - (a) different types of customers with varying characteristics including in relation to their understanding of financial matters;
 - (b) a significant number of vulnerable customers;
 - (c) a significant number of customers of long tenure;
 - (5) any particularly notable features of, or relating to, existing products (including how it has been distributed).
- 4.2.4 G ...
- 4.2.4A G (1) In relation to a non-investment insurance product, PROD 4.2.2R does not allow a firm to assume a simple product approval process will be appropriate for a product intended for a mass retail market even if the product and/or distribution arrangements are straightforward and not complex. For example, the potential risks and levels of harm which could result even from a straightforward and non-complex product, with simple distribution arrangements, intended for the mass market could mean that more exacting measures are required.
- (2) An example of a straightforward and non-complex product could be cover for a single item (such as mobile phone insurance), or in relation

to a single risk (such as ticket cancellation insurance), with straightforward distribution arrangements. However, there could be potential risks of such a product not providing fair value and therefore potentially leading to significant levels of harm. Firms should ensure the product approval process has the necessary measures to identify and mitigate any potential risks and harms.

Product approval process

4.2.5 UK ...

4.2.5A R For a non-investment insurance product, a firm must ensure a product approval process has all necessary measures and procedures for identifying whether the product is, or remains, appropriate to be marketed or distributed to customers in light of the requirements in PROD 4.2.14A (Fair value for non-investment insurance products: individual insurance product and packages) to PROD 4.2.14SR (Fair value for non-investment insurance products: additional provisions).

...

4.2.14 R ...

Fair value for non-investment insurance products: individual insurance product and packages

4.2.14A R For a non-investment insurance product, a firm must ensure that the product approval process identifies whether the product provides fair value to customers in the target market including whether it will continue to do so for a reasonably foreseeable period (including following renewal).

4.2.14B R (1) Where a non-investment insurance product is intended to be distributed with one or more additional products, a firm must identify whether:

(a) each component product; and

(b) the package as a whole,

will provide fair value to the customer including that it will continue to do so for a reasonably foreseeable period (including following renewal).

(2) The assessment referred to in (1) must include (but is not limited to) consideration of:

(a) the value of the core insurance product;

(b) the value of any additional products; and

(c) the overall price of the package to the customer, taking into account the proposed distribution arrangements.

- (3) A firm is not required to assess the value of a component product under (1) where the component is a non-investment insurance product for which the firm is not a manufacturer.

Fair value for non-investment insurance products: record keeping and steps following value assessment

4.2.14C R (1) A firm must:

- (a) be able to clearly demonstrate how any non-investment insurance product, additional product or package provides (and will provide for a reasonably foreseeable period) fair value; and
- (b) make and retain a record of the value assessment required by PROD 4.2.14AR and, where relevant, PROD 4.2.14BR.

(2) Where a firm is unable to both:

- (a) identify; and
- (b) clearly demonstrate,

that the insurance product and, where relevant, the package will provide fair value, the firm must not market the product or permit the product to be distributed (whether directly or through another person), or must have ensured appropriate changes have been made so that fair value will be provided.

Fair value for non-investment insurance products: relevance through the product approval process

4.2.14 D R A firm must consider the value considerations in PROD 4.2.14AR and, where relevant, PROD 4.2.14BR throughout every stage of the product approval process in PROD 4 including, in particular, when:

- (1) identifying the target market and the interests, needs, objectives and characteristics of such customers (PROD 4.2.15R to PROD 4.2.21AG);
- (2) undertaking product testing (PROD 4.2.22UK to PROD 4.2.26G); and
- (3) selecting any distribution channel (PROD 4.2.27UK to PROD 4.2.32DR).

Fair value for non-investment insurance products: meaning of value

4.2.14E R In PROD 4, 'value' means the relationship between the overall price to the customer and the quality of the product(s) and/or services provided. The assessment of value must include consideration of at least the following:

- (1) the nature of the product including the benefits that will be provided, their quality, and any limitations (for example in the scope of cover, exclusions, excesses or other features);
- (2) the type and quality of services provided to *customers*;
- (3) the expected total price to be paid by the *customer* when buying or renewing the insurance product, and the elements that make up the total price. This will need to include consideration of at least the following:
 - (a) the pricing model used to calculate the risk premium:
 - (i) for the initial policy term; and
 - (ii) any future renewal;
 - (b) the overall cost to the *firm* of the insurance product (including the underwriting and operating of the product) and, where relevant, any other components of a package;
 - (c) the individual elements of the expected total price to be paid by the *customer* including, but not limited to, the price paid for:
 - (i) the insurance product, including any additional features which are part of the same *non-investment insurance contract*;
 - (ii) any *additional products*, including *retail premium finance*, offered alongside the insurance product;
 - (iii) the distribution arrangements, including the remuneration of any relevant *person* in the distribution arrangements, and including where the final decision on setting the price is taken by another person);
- (4) how the intended distribution arrangements support, and will not adversely affect, the intended value of the product.

4.2.14F R When considering the value of a *non-investment insurance product* under *PROD* 4.2.14A and, where relevant, *PROD* 4.2.14BR, a *firm* must not rely on individual *customers* to consider whether they are making fair value purchases in place of any part of the *firm*'s own assessment, in particular where an insurance product is *manufactured* to be *distributed* either with *additional products* or on an ancillary basis to another good or service.

Fair value for non-investment insurance products: guidance on reasonably foreseeable period

4.2.14G G (1) *Firms* will need to consider the matters in *PROD* 4.2.14ER and *PROD* 4.2.14ME to identify if there is fair value both for the initial term of a *non-investment insurance product* and renewals for a reasonably

foreseeable period. What may constitute a ‘reasonably foreseeable period’ will depend on the type of the *non-investment insurance product* (including the intended term of any *policy* and the underlying risk) and the expected length of time a *customer* in the target market will keep the product, including in particular where it would be reasonably expected that a *customer* would renew the product on a number of occasions.

- (2) When considering whether a product will provide fair value for a reasonably foreseeable period, a *firm* should consider at least:
- (a) any expected changes to the total price a *customer* would pay during the period that they hold the product (including at the first or any subsequent *renewal* or any other point in time);
 - (b) any expected change to the insured risk over time, for example in the nature, financial value or a *customer*’s usage of an underlying good to which the insurance relates;
 - (c) whether the number of expected claims that may be made, or financial value of any such claim, would be expected to change over time due to the nature of the product, the *customer*’s needs or any relevant features of the insured risk, for example:
 - (i) as a result of expected depreciation in the value of the insured asset;
 - (ii) where the *customer*’s need, or eligibility, for certain cover may change including as a result of features identified in (b) or where claims have been made;
 - (d) whether the total premiums expected to be paid over the length of time a *customer* would hold the product would exceed the benefits that could be received from claims for example due to cover limits applying across the foreseeable period (taking into account any deductions permitted by the contract such as any relevant policy excess for such claims);
 - (e) whether the benefits offered by the *policy* at inception may not be available at subsequent *renewals*, due to exclusions or claims limits, without any commensurate reduction in the premium;
 - (f) whether *customers* could be discouraged from or be unable to renew due to the level of ongoing premiums including increases at renewal meaning they may not be receiving the full intended benefits of the product (where these are intended to be spread across the reasonably foreseeable period).

Fair value for non-investment insurance products: general

- 4.2.14H G (1) When considering the costs of, or associated with, any distribution arrangements, *firms* should consider the justification in value terms of

any difference between the risk price and the total price paid by the customer including where the difference is mainly due to the costs (including remuneration) of any person in the distribution arrangements or where this is due to the combined costs (including remuneration) of multiple parties involved in the distribution arrangements.

- (2) Where a firm identifies that an insurance product, package or individual component has poor value or there is an unreasonable relationship between either the cost to the firm and the price paid by the customer, or the price paid by the customer and product quality or service provided, the product or package will not be providing fair value. However, a firm should not assume there is fair value simply due to the absence of an unreasonable relationship in the costs or where they identify an absence of poor value. Firms will need to consider all relevant aspects of value in the particular context and consider whether overall there is fair value provided.
- (3) Where a non-investment insurance product has negligible, or no obvious, benefit for the customer this will not be providing fair value regardless of the price of the product. For example, the product will not provide fair value where the cover under the non-investment insurance contract is significantly limited, whether by exclusions or limits on the amount that would be paid in settlement, meaning that the customer is unlikely to be able to make a successful claim or where the customer could conclude it is not in their interests to make a claim due to the disproportionate time or effort which would be required, compared to the claim settlement which would be expected.
- (4) When assessing whether a package provides fair value for the purposes of PROD 4.2.14BR, a firm will need to consider both the components individually and the package as a whole to identify whether there is fair value. This should include whether there is a risk that the individual components do not provide the same level of value to the customer when combined in a package. For example, where the package includes more than one non-investment insurance product, a firm should consider the type and level of insurance cover provided by each of these products and whether this would result in duplicate insurance cover that could detrimentally affect the value of the package.

Fair value for non-investment insurance products: retail premium finance guidance

- 4.2.14I G (1) Where the manufacturer will provide, or arrange for another firm to provide, the option for customers to buy a non-investment insurance product using retail premium finance, it will need to consider if the additional costs of, or relating to, the retail premium finance have a material detrimental effect on the value of the insurance product when the two products are taken together.

- (2) When assessing the value of any particular *retail premium finance* under *PROD 4.2.14BR*, a *manufacturer* should consider the relationship between:
- (a) the total price a *customer* would pay (including the applicable *APR*) for the *retail premium finance*; and
 - (b) the quality of that *retail premium finance* including any relevant factors and features. For example, any benefit that a *customer* could have from using *retail premium finance* including the ability to spread the cost of a *non-investment insurance contract* instead of paying up front, taking into account the higher overall price the *customer* will have to pay.

Fair value for non-investment insurance products: information to be used

- 4.2.14J R (1) When assessing value, a *firm* must use all necessary and appropriate data and information available to it.
- (2) For the purposes of (1) the data and information a *firm* should consider using includes, but is not limited to:
- (a) information available to the *firm* internally including:
 - (i) customer research;
 - (ii) claims information such as handling times, frequency, severity of claims costs (including total costs and average per claim), claims ratios, rates of and reasons for claim acceptance/declinature, both expected for the product and/or any actual information from a comparable product; and
 - (iii) complaints data (including root cause analysis and handling times), both expected for the product itself and/or any actual information from a comparable product;
 - (b) public information or information obtainable by the *firm* from external sources including analysis of similar insurance products available from other *firms* and, where relevant, data published as part of the *FCA*'s work on value measures in the general insurance market;
 - (c) information available to the *firm* specifically from persons in the distribution arrangements, including:
 - (i) remuneration and its impact on the value of the product, package or component part;
 - (ii) levels or quality of service provided by any person in the distribution arrangements; and

- (iii) any results of monitoring and oversight of the processes of any persons in the distribution arrangement (for example, call monitoring or file checks) including in relation to other products that person distributes.

4.2.14K G The information that a firm will need to use for PROD 4.2.14JR will depend on the nature of the particular non-investment insurance product and (where relevant) the package, the particular distribution arrangement(s), the target market, the nature of any actual customer base, and any existing information on customer outcomes (for example claims experiences, outcomes of claims and complaints related data).

Fair value for non-investment insurance products: compliance with fair value requirement

4.2.14L G The following evidential provision provides examples of arrangements the FCA considers will breach PROD 4.2.14AR and, where relevant, PROD 4.2.14BR.

- 4.2.14 M E (1) A firm should not have a non-investment insurance product where the difference between the risk price to the firm and the total price paid by the customer bears no reasonable relationship to:
- (a) the actual costs incurred by the firm or any another person involved in the distribution arrangements;
 - (b) the quality of any benefits (including of the insurance product or any additional products); or
 - (c) the costs or quality of any services provided in connection with the insurance product or additional products, by the manufacturer or any another person involved in the distribution arrangements.
- (2) A firm should not increase the price of an insurance product based on:
- (a) policies being subject to auto-renewal compared to policies that are not subject to auto-renewal;
 - (b) the customer's vulnerability or any protected characteristic(s) (unless the firm is clearly permitted to rely on them under the Equalities Act 2010); or
 - (c) where customers purchase the policy using retail premium finance,
unless the firm has an objective and reasonable basis for making the change.
- (3) A firm should not use an estimated final price to the customer to assess value that does not represent the expected total price to the customer including any additional products the firm expects to be purchased by the customer. For example, where the firm is responsible for providing

or making available *retail premium finance* (the costs of which will be part of the total price paid by the *customer*).

- (4) Contravention of any of (1) to (3) may be relied on as tending to establish contravention of *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR.

Fair value for non-investment insurance products: distribution arrangements

- 4.2.14N R A firm must, as far as reasonably possible, ensure the distribution arrangements for a *non-investment insurance product* avoid or minimise the risk of negatively impacting the fair value of the insurance product or package. This includes, but is not limited to:
- (1) avoiding or reducing the risks arising from:
 - (a) any remuneration of a party, or parties, involved in the distribution arrangements increasing, directly or indirectly, the total price paid by the *customer* without adequate monitoring or oversight of the nature, level and fairness justification for their inclusion; or
 - (b) providing discretion to another person to set the final price, for example through a net pricing arrangement, without adequate monitoring or oversight of the final price paid by the *customer*;
 - (2) ensuring that appropriate arrangements will be in place to identify if the actions of another person involved in the distribution arrangements would adversely affect the value of the insurance product or package; and
 - (3) reducing the scope for the overall effect of any distribution arrangements to detrimentally affect the value of the products or package including where the cumulative effects of the remuneration of multiple parties unreasonably add to the overall price paid by the *customer*.
- 4.2.14O G (1) Where the *firm* is considering the effects of the distribution arrangements on value it should consider whether the additional costs of any individual party in the arrangements that add to the total price paid by the *customer* deliver any, or a proportional, additional benefit. If not, *firms* should consider how they can be satisfied that the arrangements are consistent with their obligations to be able to clearly demonstrate fair value to the *customer*.
- (2) A benefit that could be consistent with fair value might include where the party's inclusion in the distribution arrangements increases access to the product for *customers* in the target market in a way that is proportionate to the additional cost involved.
- 4.2.14P R A firm must obtain from any person in the distribution arrangements all necessary and relevant information to enable it to identify the remuneration

associated with the distribution arrangements to allow it to assess the ongoing value of the product, including at least:

- (1) the type and amount of remuneration of each person in the distribution arrangement where this is part of the *premium* or otherwise paid directly by the *customer*, including in relation to *additional products* (other than where this relates to another *non-investment insurance product* for which the *firm* is not a *manufacturer*);
- (2) an explanation of the services provided by each person in the distribution arrangements; and
- (3) confirmation from any *firm* in the distribution arrangements that any remuneration is consistent with their regulatory obligations including SYSC 19F.2 (IDD remuneration incentives).

4.2.14Q G *Firms* should take into account what is necessary to satisfy *PROD* requirements together with any wider legal obligations, for example, competition law to which they are subject.

Fair value for non-investment insurance products: additional provisions

4.2.14R R *A firm manufacturing a non-investment insurance product* must ensure the *manufacture* of an insurance product is driven by features that benefit the *customer* and not by a business model which relies on poor *customer* outcomes to be profitable.

4.2.14S R In relation to a *non-investment insurance product* to be sold in a package with *additional products*, a *firm* must not set or increase the price of those *additional products* to the *customer* in a way that detrimentally impacts the package delivering fair value, including where this is done to minimise the financial effects on the *firm* of reducing the price of, or making other changes to, an insurance product as a result of the fair value assessment.

Target market

4.2.15 R ...

4.2.15A G The effect of *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR, when taken together with *PROD* 4.2.15R, is that a *firm* will need to be able to show that a *non-investment insurance product* offers fair value to the specified target market, taking into account in particular their needs, objectives, interests and characteristics.

...

4.2.17 UK ...

4.2.17A R (1) For a *non-investment insurance product*, when identifying the target market a *firm* must identify if there are groups of *customers* for whom

the product or package would not provide the intended level of value identified for PROD 4.2.14AR and, where relevant, PROD 4.2.14BR.

- (2) A firm must take reasonable steps in its use of the distribution arrangements to ensure the product is not distributed to any such groups of customers identified in (1). The information required in PROD 4.2.29R to be provided to distributors must include a clear description of these customers.

...

4.2.21 G ...

4.2.21A G In relation to a non-investment insurance product, a firm should consider whether the target market needs to be identified in more detail, even for a simpler, more common product, where there is a material risk of customer harm associated with it.

Product testing

...

- 4.2.26 G (1) *PROD 4.2.25R does not affect the manufacturer's freedom to set premiums.*
- (2) *In relation to a non-investment insurance contract a firm should consider whether, as a result of the charging structure it has put in place, the overall cost for the customer is consistent with its obligations under PROD 4.2.14AR (and, where relevant, PROD 4.2.14BR), the Principles and ICOBS.*
- (3) ...

Distribution channels and information disclosure to distributors

...

4.2.29 R ...

4.2.29A G For a non-investment insurance product, the information required by PROD 4.2.29R should include:

- (1) all appropriate information to enable the distributor to understand the intended value of the insurance product established by the firm;
- (2) any effect the distributor may have on the intended value that has not been fully taken into account by the firm when assessing value, and therefore which the distributor should take into account; and
- (3) any type of customer for whom the insurance product is unlikely to provide fair value.

...

4.2.32 R ...

Distribution channels: selecting channels for non-investment insurance products

4.2.32A R In relation to a *non-investment insurance product*, a *firm* must not use a distribution channel unless it is able to demonstrate clearly that the channel results in fair value to *customers* in the target market.

4.2.32B R In relation to a *non-investment insurance product*, whenever making a change to the distribution arrangements a *firm* must:

- (1) obtain all necessary information from the *distributor* or any other person who will be involved with the distribution arrangement, including that set out in *PROD* 4.2.14PR; and
- (2) identify whether the proposed change to the distribution arrangements is consistent with the fair value requirement in *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR.

4.2.32C G For *PROD* 4.2.32BR, a change to the distribution arrangements includes adding a further distribution channel.

4.3.32D G For a *non-investment insurance product* sold on an ancillary basis to another product or service, for example a motor vehicle, electrical good or a holiday, a *firm* should consider whether the proposed distribution channel would be appropriate in light of the risk that the *customer's* focus is on the core product rather than the insurance product.

Monitoring and review of insurance products

...

4.2.34 R A *firm* must regularly review the insurance products it offers or markets taking into account any event that could materially affect the potential risk to the identified target market. In doing so, the *firm* must assess at least the following:

- (1) whether the insurance product remains consistent with the needs of the identified target market; ~~and~~
- (2) (in relation to a *non-investment insurance product*) whether the insurance product remains consistent with the fair value assessment required under *PROD* 4.2.14AR and, where relevant, *PROD* 4.2.14BR; and
- (3) whether the intended distribution strategy remains appropriate.

[**Note:** fourth subparagraph of article 25(1) of the *IDD*]

- 4.2.34A G ‘Offers’ and ‘markets’ in the requirements in *PROD* 4.2.33R and *PROD* 4.2.34R should be read to include ‘renews’ in relation to the *renewal* of existing *non-investment insurance products*.
- 4.2.34B R For a *non-investment insurance product*, a *firm* must undertake the regular review required by *PROD* 4.2.34R:
- (1) every 12 months; or
 - (2) more frequently where the potential risk associated with the product makes it appropriate to do so.
- 4.2.34C G For the purposes of *PROD* 4.2.34BR, the factors that should be taken into account when considering if more frequent reviews would be appropriate include, but are not limited to:
- (1) the nature and complexity of the product;
 - (2) the nature of the *customer* base, including whether there are significant numbers of *customers* of long *tenure* and/or *vulnerable customers*;
 - (3) any specific indicators seen in the *firm’s* assessment of the product’s value to the *customer*;
 - (4) any indicators of customer harm potentially emerging from the performance of the product (for example through claims and complaints data); and
 - (5) the nature and type of distribution arrangements being used.
- 4.2.34D R A *firm* must obtain all necessary and relevant information in order to enable it to properly understand and monitor a *non-investment insurance product* including verification of the information in *PROD* 4.2.14PR.
- 4.2.34E G
- (1) When reviewing *non-investment insurance products* a *firm* may group similar products together where this does not detrimentally affect the *firm’s* ability to review each product appropriately. This includes the need to review whether any individual product, and where necessary a package, is providing fair value.
 - (2) For the purposes (1) ‘similar products’ will be those products that are intended to deliver similar cover and outcomes for *customers* where the target markets are consistent.
 - (3) A *firm* should consider the following factors when identifying whether it is appropriate to group products together for review:
 - (a) the risk of customer harm for each individual product;
 - (b) the complexity of each product;

- (c) the nature of the target market and existing customer base for each product (including the extent to which this includes vulnerable customers);
 - (d) any specific indicators seen in the assessment of value under PROD 4.2.14AR, and where relevant PROD 4.2.14BR which may make it inconsistent to review that product alongside others;
 - (e) any specific indicators of customer harm emerging from the performance of each product; and
 - (f) the nature and type of distribution arrangements for each product.
- (4) A firm will need to ensure that the grouping of any reviews does not impair the firm's ability to identify any risk that a product is not delivering fair value or that there is any other issue which could give rise to customer harm in relation to each individual product.

4.2.35 UK ...

- 4.2.35A R (1) When reviewing a non-investment insurance product, a firm must consider:
- (a) whether the insurance product, and where relevant the package, is providing the intended fair value to customers;
 - (b) any impact which the distribution arrangements are having on the value including whether the distribution channels remain appropriate; and
 - (c) whether the use of any retail premium finance arrangement remains appropriate including whether when distributed in a package with a non-investment insurance product it provides fair value.
- (2) A firm in (1) must:
- (a) ensure that it has sufficient, good quality management information; and
 - (b) use all appropriate and necessary data and information available to it (whether it holds this information already, the information is publicly available or it is able to obtain it from another person),
- to enable it to consider and assess value including the value actually being provided by the insurance product.

- (3) The information in (2) that a *firm* needs to consider whether to use includes, but is not limited to:
- (a) information available to the *firm* internally including:
 - (i) customer research;
 - (ii) claims information (such as handling times, frequency, rates of and reasons for claim acceptance and declination, severity of claims costs (including total costs and average per claim) and claims ratios); and
 - (iii) complaints data (including root cause analysis and handling times);
 - (b) public information or information obtainable by the *firm* from external sources including analysis of similar insurance products available from other *firms* and, where relevant, data published as part of the *FCA*'s work on value measures in the general insurance market;
 - (c) information available to the *firm* (including what it would be reasonably able to obtain) in relation to any distribution arrangements through which the product is distributed, including:
 - (i) remuneration information;
 - (ii) levels and quality of service provided by the *distributor*;
 - (iii) ongoing monitoring and oversight reports relating to the *distributor*'s processes, for example call monitoring or file reviews.

- 4.2.35B G The information that a *firm* will need to use for *PROD* 4.2.35AR(2) will depend on the nature of the *non-investment insurance product*, (where relevant) the package, the particular distribution arrangement(s), the target market, the nature of the actual customer base, and the *firm*'s existing information on *customer* outcomes (for example claims experiences, outcomes of claims and complaints related data).
- 4.2.35C G For *PROD* 4.2.35AR(1), a *firm* should identify whether there is a risk to it continuing to provide fair value where there is a material change in the relationship between the price to the *customer* and the actual costs to the *firm* or another party involved in the ongoing service/distribution of the product.
- 4.2.36 UK ...
- 4.2.36A G In relation to a *non-investment insurance product*, when identifying the appropriate intervals for regular review, *firms* will need to consider the requirement in *PROD* 4.2.34BR and also whether any event has happened or

any issue has arisen requiring the insurance product to be reviewed outside of the minimum review period.

- 4.2.36B R For the purposes of showing the requirements in *PROD 4.2.1R* and *PROD 4.2.5UK* are met, where a *firm* makes a change to a *non-investment insurance product* it must make and retain a record of:
- (1) the assessment of whether that change would amount to a significant adaptation of the insurance product; and
 - (2) where the assessment in (1) is that the change would not be a significant adaptation, the reasons for that decision.
- 4.2.37 UK ...
- 4.2.37A R For a *non-investment insurance product*, the review process must:
- (1) have the necessary measures to be able to identify if the insurance product is not providing fair value; and
 - (2) provide that appropriate actions be taken:
 - (a) for the mitigation and any potential remediation of the harm to existing *customers*; and
 - (b) to prevent harm to new *customers*.
- 4.2.37B G In relation to a *non-investment insurance product*, the actions *firms* may need to take for the purposes of *PROD 4.2.37A* include (and may involve a combination of), but are not limited to:
- (1) making changes to the product (such as amending policy terms or applying them more favourably to *customers* in the event of a claim);
 - (2) offering existing *customers* the option to cancel the *non-investment insurance contract* without additional cost (for example by waiving cancellation fees or charges);
 - (3) providing *customers* with a refund of the difference between the *premium* paid for the *non-investment insurance contract* and the *premium* for a fair value version of that product;
 - (4) proposing alternative insurance products, whether offered by the *firm* or another provider, to existing *customers* or *distributors* which provide fair value and which would be compliant with other *FCA* requirements, for example, *ICOB*S 5.2 (Demands and needs); and
 - (5) withdrawing the insurance product from continued marketing or *distribution*.
- 4.2.37C G Where in the review required by *PROD 4.2.34R* and *PROD 4.2.35UK* a *firm* identifies a breach of any *rules* in place at the time, it should consider what

may be necessary to provide appropriate mitigation and/or remediation of the harm including whether redress should be made. The *firm* should contact any affected *customers* where this is necessary to inform them of the issues and of the actions being taken.

...

4.2.39 UK ...

4.2.39A R In relation to a *non-investment insurance contract*, where a *firm* identifies that the *distribution* is detrimentally affecting the intended value of the insurance product it must take appropriate remedial measures including, but not limited to:

- (1) amending the distribution arrangements, including ceasing to use certain *distributors* or distribution channels;
- (2) amending remuneration structures;
- (3) withdrawing the insurance product from continued marketing or *distribution*.

4.3 Distribution of insurance products

...

4.3.2 R ...

4.3.2A R In relation to a *non-investment insurance product*, the arrangements in *PROD 4.3.2R* must enable the *distributor* to understand:

- (1) the outcome of the value assessment required by *PROD 4.2.14AR* and, where relevant, *PROD 4.2.14BR*; and
- (2) any identified group of *customers* for whom the insurance product is not expected to provide fair value.

...

4.3.6 UK ...

4.3.6A R (1) In relation to a *non-investment insurance product*, the product distribution arrangements in *PROD 4.3.2R* must enable the *distributor* to identify:

- (a) the value that the insurance product is intended to provide to the *customer*; and
- (b) the impact that the distribution arrangements (including any remuneration it, or another person in the distribution chain to which it belongs, receives) has on the overall value of the insurance product to the *customer*.

- (2) Any distribution strategy set up or applied by the *distributor* must be consistent with the aim of providing fair value to the *customer*.
- (3) For the purposes of (1) and (2) a *firm* must consider at least the following:
- (a) the benefits the product is intended to provide to the *customer*;
 - (b) the characteristics, objectives, interests and needs of the target market;
 - (c) the interaction between the price paid by the *customer* and the extent and quality of any services the *distributor* (or any person connected to it) provides;
 - (d) whether any remuneration it receives in relation to the insurance product would result in the product ceasing to provide fair value to the *customer*;
 - (e) any potential detrimental effect on the intended value where the insurance product is to be *distributed* as part of a package with, or as part of the same agreement which provides, another product or service; and
 - (f) where the distribution strategy involves offering, or arranging for the *customer* to be offered, *retail premium finance*, the *firm* must ensure that, taking into account the costs (including any charges/interest) of the *retail premium finance*, the *customer* does not pay a price that means, if seen as a package, the *customer* will not receive fair value.

- 4.3.6B G (1) Where a *distributor* intends to *distribute* a *non-investment insurance product* alongside:
- (a) one or more other *non-investment insurance products* (whether from the same or another *manufacturer*); or
 - (b) any other *additional product*.
- then the *distributor* should be able to demonstrate these arrangements are consistent with the aim of providing fair value to a customer and any package does not have a detrimental effect on the intended value of any *non-investment insurance product*.
- (2) For the purposes of (1), where more than one *non-investment insurance product* is part of a package, a *distributor* should consider at least whether the products:
- (a) have consistent target markets; and

- (b) provide cover in respect of the same risk and subject matter which could result in duplicate cover that could detrimentally affect the intended value of each individual product.
- (3) A distributor should ensure they have obtained, and taken account of, all relevant information from a manufacturer in relation to any non-investment insurance product in the package in order to understand the value, the relevant target market and any other relevant characteristic of that product.
- (4) The arrangements a distributor is required to have in place under PROD 4.3 are separate from the processes and arrangements the firm should have in place at the point of sale, including to comply with the customer's best interests rule and to determine whether a product being proposed is consistent with the demands and needs of a particular customer.
- 4.3.6C G When assessing the impact that the distribution arrangements may have, a distributor should consider the effects of any retail premium finance it offers to customers including the relationship between:
- (1) the total price a customer would pay for the retail premium finance (including any charges for the credit whether in the APR or otherwise and fees); and
- (2) the quality of that retail premium finance including any relevant factors and features. For example, any benefit that such a customer could have from using retail premium finance, including the ability to spread the cost of a non-investment insurance contract instead of paying up front, taking into account the higher overall price the customer will have to pay.
- 4.3.6D G The following evidential provision provides examples of arrangements the FCA considers will breach PROD 4.3.6AR.
- 4.3.6E E (1) A firm's distribution arrangements including any distribution strategy it sets up, should not result in:
- (a) the firm receiving a level of remuneration which does not bear a reasonable relationship to the firm's actual costs, or their contribution, level of involvement or the benefit added by them, to the arrangements for the distribution of the product, including where the firm provides little or no benefit beyond that which the customer would receive if they obtained the insurance product through another distribution channel;
- (b) the firm having remuneration arrangements which give an incentive to propose or recommend an insurance product which either does not meet the customer's needs (or not as well as

another product would) or is not in accordance with the customer's best interests rule;

(c) where the insurance product is distributed as part of a package, the overall price of the package not bearing a reasonable relationship to the overall benefits provided by the package; or

(d) the level of any remuneration (for which the firm is responsible for setting) not being reasonably reflective of the costs actually incurred.

(2) Contravention of any of (1) may be relied upon as tending to establish contravention of PROD 4.3.6AR.

...

4.3.10 UK ...

4.3.10A R A firm must review its product distribution arrangements in relation to a non-investment insurance product at least every 12 months.

4.3.10B R For the purposes of PROD 4.3.10UK, a distributor must provide on request to a manufacturer of a non-investment insurance product:

(1) information on the distributor's remuneration in connection with the distribution of the insurance product;

(2) information on any ancillary product or service that the distributor provides to the customer (including insurance add-ons, non-insurance additional products and retail premium finance), which may affect the manufacturer's intended value of the insurance product; and

(3) confirmation that the distribution arrangements are consistent with the obligations of the firm under the FCA Handbook including in particular in SYSC 10 (Conflicts of interest) and SYSC 19F.2 (IDD remuneration incentives).

4.3.11 UK ...

4.3.11A R (1) For a non-investment insurance product, a distributor must take appropriate remedial and mitigating action, including to amend its product distribution arrangements, where it identifies:

(a) the insurance product (or, where relevant, the package) is not providing fair value for customers; or

(b) any aspects of a product or package that may mean it does not offer fair value; or

(c) the distribution arrangements including remuneration structures may mean the customer is not being provided with fair value.

- (2) The actions which the *distributor* takes for (1) must:
- (a) aim to mitigate the situation and prevent further occurrences of any possible harm to *customers*, including, where appropriate, amending the distribution strategy for that product (and, where relevant, the package); and
 - (b) include informing any relevant *manufacturers* promptly about any concerns they have and any action the *distributor* is taking.

4.3.11B G For the purposes of *PROD* 4.3.11AR the steps a *distributor* may need to take include, but are not limited to:

- (1) amending its remuneration structures;
- (2) amending the distribution arrangements;
- (3) improving the quality of, or ceasing, any service or benefits it provides;
- (4) where the failure to provide fair value is due to the costs or quality of *additional products*, renegotiating the terms of the current arrangements relating to the *additional products*, or selecting alternative providers or *distributors* of them, in order to provide for a fair outcome;
- (5) ceasing to distribute certain insurance products (or where relevant, packages), or ceasing to use certain distribution channels;
- (6) contacting existing *customers* to inform them of the issues and of the measures being taken to rectify them; and
- (7) providing redress to *customers*.

...

Insert the following new section, *PROD* 4.6, after *PROD* 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data). The text is not underlined.

4.6 Application of *PROD* 4.2 and 4.3 for legacy non-investment insurance products

Application

4.6.1 R *PROD* 4.6 applies to:

- (1) the *manufacturer* of a *legacy non-investment insurance product*, which includes:
 - (a) an *insurance intermediary* which has a decision-making role (in whole or in part) in relation to the *manufacture* of a *legacy non-investment insurance product*;

- (b) an *insurer* that is responsible for the *manufacture* of a *legacy non-investment insurance product* including whoever currently underwrites the *legacy non-investment insurance product*; and
 - (2) a *firm* that *distributes* (including the renewal of an existing *policy*) a *legacy non-investment insurance product*.
- 4.6.2 R For a product falling within (2)(b) of the definition of a *legacy non-investment insurance product*, any reference to distribution or renewal is to be treated as including the ongoing collection of premiums in relation to a *policy* that remains in force.

Purpose

- 4.6.3 G The purpose of this section is to set out the product governance distribution arrangements for, and how *PROD 4* applies to, *legacy non-investment insurance products*.

Manufacturers of legacy non-investment insurance products

- 4.6.4 R A *manufacturer* of a *legacy non-investment insurance product* must apply the product approval process in *PROD 4.2* to that insurance product.
- 4.6.5 G For the purposes of *PROD 4.6.4R* a *manufacturer* will need to demonstrate it has arrangements to meet the following:
- (1) general product approval process requirements (*PROD 4.2.5UK* to *PROD 4.2.14R*);
 - (2) fair value assessment (*PROD 4.2.14AR* to *PROD 4.2.14SR*);
 - (3) target market requirements (*PROD 4.2.15R* to *PROD 4.2.21AG*);
 - (4) product testing (*PROD 4.2.22UK* to *PROD 4.2.26G*);
 - (5) distribution channels and information disclosure to distributors requirements (*PROD 4.2.27UK* to *PROD 4.2.32DG*); and
 - (6) monitoring and review of insurance products (*PROD 4.2.33R* to *PROD 4.2.39AR*).
- 4.6.6 G (1) *Firms* should take into account all relevant factors, including those in *PROD 4.2.3G* and *PROD 4.2.3AG*, when identifying the necessary product approval process and arrangements including, in particular:
- (a) previous product governance arrangements including reviews which the *firm* (or another person) has undertaken and the extent to which these would or would not have complied with *PROD* requirements; and

- (b) the potential level of harm which could result from the product in question.
 - (2) *Firms* should ensure the product approval process has the necessary measures to identify whether the insurance product is, or remains, appropriate to be marketed or *distributed to customers*.
- 4.6.7 R
- (1) A *firm* must determine whether the *legacy non-investment insurance product* should continue to be marketed and *distributed* (including renewals for existing *customers*).
 - (2) Where a *firm* does not approve the continued marketing and distribution of the product, including where the *firm* has been unable to identify that the product, or where relevant, the package provides fair value for the purposes of *PROD* 4.2.14AR or, where relevant, 4.2.14BR, it must immediately:
 - (a) cease marketing or distributing the product or package (whether directly or indirectly), including any renewal for an existing *customer*; and/or
 - (b) make such changes as are necessary for the product or package to provide fair value.

Distributors of legacy non-investment insurance products

- 4.6.8 R
- (1) A *firm* which *distributes*, or will *distribute*, a *legacy non-investment insurance product* must meet the requirements in *PROD* 4.3 in relation to that insurance product.
 - (2) A *firm* must put in place the necessary arrangements for the purposes of (1), including for:
 - (a) obtaining any necessary information from the *manufacturer*;
 - (b) providing any necessary or relevant information to the *manufacturer*;
 - (c) understanding the product, identified target market and value assessment;
 - (d) ensuring adequate oversight, including the ability to obtain necessary or relevant information, of any other persons involved in the distribution with whom the distributor has a direct relationship; and
 - (e) the regular review of the product distribution arrangements including to take appropriate action in order to avert the risk of consumer detriment.

Amend the following as shown.

TP 1 Transitional Provisions

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|---|----------|--|---|---|
| 1.1 | ... | | | | |
| 1.2 | <u>Rules in PROD 4.2 that will be made or amended by the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021</u> | <u>R</u> | <p><u>Where an existing non-investment insurance product:</u></p> <p>(1) <u>has, before 1 October 2021, been approved for marketing and distribution in compliance with PROD 4.2; and</u></p> <p>(2) <u>remains available for distribution (including renewals) or, if not still being marketed or distributed, there are policies under the product that remain in force,</u></p> | <p><u>From 1 October 2021 up to and including 30 September 2022</u></p> | <p><u>1 October 2021</u></p> |
| | | | <p><u>the manufacturer must, within 12 months of 1 October 2021, review the product and ensure it meets the fair value requirements in PROD 4.2.</u></p> | | |
| 1.3 | <u>PROD TP1.2</u> | <u>G</u> | <p><u>The effect of PROD TP1.2 and the requirements in PROD 4.2.14AR to PROD 4.2.14SR is that where the firm is unable to identify that the product or package provides fair value it will need to immediately:</u></p> <p>(1) <u>cease any distribution of the product,</u></p> | <p><u>From 1 October 2021 up to and including 30 September 2022</u></p> | <p><u>1 October 2021</u></p> |

| | | | | | |
|------------|---|----------|--|--|-----------------------|
| | | | <p><u>whether directly or through another person, immediately; and/or</u></p> <p>(2) <u>take any necessary steps to ensure the product will provide fair value in future.</u></p> | | |
| <u>1.4</u> | <u>Rules in PROD 4.3 that will be made or amended by the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021</u> | <u>R</u> | <u>Where a firm, to which PROD 4.3 applies, distributes an existing non-investment insurance product which was approved for marketing or distribution before 1 October 2021 under PROD 4.2, it must, within 12 months of 1 October 2021, update its distribution arrangements to comply with the requirements in column (2).</u> | <u>From 1 October 2021 up to and including 30 September 2022</u> | <u>1 October 2021</u> |
| <u>1.5</u> | <u>PROD 4.6.7R</u> | <u>R</u> | <u>A firm has 12 months from 1 October 2021 to make the determination required by the rule in column (2).</u> | <u>From 1 October 2021 up to and including 30 September 2022</u> | <u>1 October 2021</u> |
| <u>1.6</u> | <u>PROD 4.6.8R</u> | <u>R</u> | <u>A firm must put in the place the necessary product distribution arrangements required by the rule in column (2) within 12 months of 1 October 2021.</u> | <u>From 1 October 2021 up to and including 30 September 2022</u> | <u>1 October 2021</u> |
| <u>1.7</u> | <u>PROD TP 1.2 to PROD TP 1.6</u> | <u>G</u> | <u>A firm to which any of PROD TP1.2 to PROD TP 1.6 apply may elect to apply the guidance in PROD 4.2.34EG in relation to the reviews required.</u> | <u>From 1 October 2021 up to and including 30 September 2022</u> | <u>1 October 2021</u> |
| <u>1.8</u> | <u>PROD 4</u> | <u>G</u> | <u>A TP firm or a Gibraltar-based firm may rely on processes and arrangements that have been applied to a non-investment insurance</u> | <u>Indefinitely</u> | <u>1 October 2021</u> |

| | | | | | |
|--|--|--|---|--|--|
| | | | <u>product which was approved for marketing or distribution before 1 October 2021 where these comply with requirements equivalent to those in <i>PROD 4</i> in:</u> | | |
| | | | (1) <u>(for a <i>TP firm</i>) the <i>TP firm's Home State</i> (or, where applicable, the <i>EEA state</i> where it has the establishment from which the service is provided);</u> or | | |
| | | | (2) <u>(for a <i>Gibraltar-based firm</i>) Gibraltar.</u> | | |

Annex F

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

16 Reporting requirements

16.1 Application

...

- 16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.16, SUP 16.17, SUP 16.22 and SUP 16.26)

| (1) Sections (s) | (2) Categories of firm to which section applies | (3) Applicable rules and guidance |
|-------------------------|--|-----------------------------------|
| ... | | |
| <i>SUP 16.27</i> | ... | |
| <u><i>SUP 16.28</i></u> | <u><i>A firm which, in respect of general insurance contracts, is:</i></u> | Entire section |
| | (1) <u><i>an insurer;</i></u> | |
| | (2) <u><i>a managing agent;</i></u> | |
| | (3) <u><i>an insurance intermediary;</i></u> | |
| | (4) <u><i>a TP firm; or</i></u> | |
| | (5) <u><i>a Gibraltar-based firm that is not a TP firm.</i></u> | |
| | <u><i>to the extent that the firm and its business falls within the scope of SUP 16.28.8R.</i></u> | |
| ... | | |

...

16.2 Purpose

16.2.1 G ...

(4) The purpose of SUP 16.28 is to provide the FCA with relevant data that it can use to help to:

(a) assess firms' compliance with the home insurance and motor insurance pricing rules in ICOBS 6B;

(b) identify potential harm affecting consumers; and

(c) monitor the effects of the pricing rules in ICOBS 6B on the market for home insurance, motor insurance and related additional products.

...

16.3 General provisions on reporting

...

Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

(1) ...

...

(21) *Directory persons* information reporting (SUP 16.26); ~~and~~

(22) value measures data reporting (SUP 16.27); ~~and~~

(23) *Home insurance and motor insurance pricing reporting* (SUP 16.28).

...

Insert the following new section, SUP 16.28, after SUP 16.27 (General insurance value measures reporting). The text is not underlined.

16.28 Home insurance and motor insurance pricing reporting

Application

Who?

16.28.1 R The effect of SUP 16.1.1R is that this section applies to every *firm* of a type listed in column 1 of the table in SUP 16.28.8R.

What?

- 16.28.2 R This section applies to a *firm* which has carried on the business described in column 2 of the table in SUP 16.28.8R in relation to any of the following types of *general insurance contracts*:
- (1) *home insurance*; or
 - (2) *motor insurance*.
- 16.28.3 R This section does not apply in relation to the following types of products:
- (1) *policies* entered into by a *commercial customer*; or
 - (2) *group policies*.

Purpose

- 16.28.4 G The purpose of this section is to require *firms* to submit information on their *home insurance* and *motor insurance* contracts, add on *policies* and *retail premium finance* in a standard format to the FCA. This information will assist the FCA in pursuing the purposes of SUP 16.28 as set out in SUP 16.2.1G.

Definitions

- 16.28.5 R In this section and SUP 16 Annex 49AR and SUP 16 Annex 49BG:

| | |
|--|---|
| “add-on <i>policy</i> ” means | An <i>additional product</i> which is a <i>general insurance contract</i> sold as a separate contract or <i>policy</i> in connection with, or alongside, a <i>motor insurance</i> or <i>home insurance policy</i> . |
| “average prior year gross <i>premium</i> ” means | The average gross <i>premium</i> paid by a <i>customer</i> of <i>tenure</i> T_n for the product in the reporting category when that <i>customer's tenure</i> was T_{n-1} . |
| “buildings and contents” means | <i>Home insurance</i> cover for both the structure and contents of domestic properties, including any core related liability cover. |
| “buildings only” means | <i>Home insurance</i> cover for the structure of (but not the contents of) domestic properties, including any core related liability cover. |
| “claims-related reporting period” means | The period elected by a <i>firm</i> for the purposes of providing the additional |

| | |
|------------------------------------|--|
| | claims-related information in <i>SUP</i> 16.28.12R for the core product which must be either (i) the reporting period or (ii) to the extent that it is different from the reporting period, the <i>firm's</i> own financial year. |
| “contents only” means | <i>Home insurance</i> cover for the contents of (but not the structure of) domestic properties, including any core related liability cover. |
| “core product” means | The <i>home insurance</i> or <i>motor insurance policy</i> , including any cover extension or optional extra which forms part of the same contract as that <i>policy</i> , irrespective of whether that cover extension or optional extra is an <i>additional product</i> . |
| “expected claims cost” means | The expected risk cost when calculating the <i>policy's premium</i> , excluding any loading for expenses (including claims handling) or profit and gross of <i>reinsurance</i> . |
| “expected claims ratio” means | The expected claims cost as a percentage of the gross written <i>premium</i> . |
| “fees” means | A <i>firm's remuneration</i> in relation to its <i>home insurance</i> and <i>motor insurance</i> business which is paid by the <i>customer</i> and which is not included in the gross <i>premium</i> paid by the <i>customer</i> for the core product, add on- <i>policy</i> or <i>retail premium finance</i> as reported by the <i>firm</i> . |
| “gross premium” means | The <i>gross price</i> charged for a core product or add-on <i>policy</i> . |
| “net-rated premium” means | The <i>net-rated price</i> charged for a core product or add-on <i>policy</i> . |
| “price-setting intermediary” means | An <i>insurance intermediary</i> whose role includes setting the gross <i>premium</i> paid by the <i>customer</i> for the core product or setting the price of |

| | |
|--------------------------|---|
| | any add-on <i>policy</i> , or <i>retail premium finance</i> . |
| “reporting period” means | the 12-month period beginning on 1 January and ending on 31 December. |

Requirement to submit a pricing information report

- 16.28.6 R Where a *firm* of a type set out in column 1 of the table in SUP 16.28.8R has carried on the business in column 2 of the same row in relation to *home insurance* or *motor insurance* products, it must:
- (1) submit to the *FCA* a report containing the specified information in relation to their *home insurance* and *motor insurance* products, add-on *policies*, *retail premium finance* and fees; and
 - (2) submit the report in accordance with SUP 16.28.14R to SUP 16.28.18R.
- 16.28.7 R A *TP firm* or a *Gibraltar-based firm* which is of a type set out in column 1 of the table in SUP 16.28.8R (or which is treated as if it is) and has carried on the business in column 2 of the same row in relation to *home insurance* or *motor insurance* products in the *UK* must:
- (1) submit to the *FCA* a report containing the specified information in relation to their *UK home insurance* and *motor insurance* products, add on *policies*, *retail premium finance* and fees; and
 - (2) submit the report in accordance with SUP 16.28.14R to SUP 16.28.18R.
- 16.28.8 R This is the table referred to in SUP 16.28.1R, 16.28.2R, 16.28.6R and 16.28.7R

| (1) Type of firm | (2) Nature of business |
|---|--|
| An <i>insurer</i> | <i>Contracts of insurance effected by the insurer.</i> |
| A non-price setting <i>insurance intermediary</i> | <p><i>Contracts of insurance</i> in relation to which:</p> <ol style="list-style-type: none"> (a) the <i>insurance intermediary</i> carried on or was responsible for <i>insurance distribution activities</i>; but (b) the <i>firm</i> was not acting as a price-setting <i>intermediary</i>. |

| | |
|--|--|
| A price-setting <i>insurance intermediary</i> | <p><i>Contracts of insurance</i>, in relation to which:</p> <p>(a) the price-setting <i>intermediary</i> carried on or was responsible for <i>insurance distribution activities</i>; and</p> <p>(b) the <i>firm</i> was acting as a price-setting <i>intermediary</i>.</p> |
| A <i>managing agent</i> | <i>Contracts of insurance</i> written at Lloyd's. |
| An <i>insurer, insurance intermediary</i> or <i>managing agent</i> | <i>Additional products</i> relating to <i>contracts of insurance</i> where the <i>firm</i> is responsible for setting the price of the <i>additional product</i> . |

16.28.9 R *Firms* must comply with the following in relation to the table in SUP 16.28.8R.

- (1) Where different *insurers* or *managing agents* underwrite different elements of the cover that forms part of the same core *policy*, then the *insurer* or *managing agent* underwriting the largest proportion of the cover (and in the event of any doubt, the first part of the cover recorded in the *policy*) must report the pricing information in SUP 16.28.11R and SUP 16.28.12R for all elements of the *policy*.
- (2) Only the *firm* which sets the price of an *additional product* to be paid by a *consumer* is required to report the pricing information in SUP 16.28.13R in respect of that *additional product*. Where the *additional product* is *retail premium finance* and its price is set by a *retail premium finance* provider (and not by an *insurer, an insurance intermediary* or *managing agent*), the *insurer, insurance intermediary* or *managing agent* which has the direct relationship with the *consumer* must report the pricing information in SUP 16.28.13R in respect of that *retail premium finance*.
- (3) Only the *firm* which levies fees on a *consumer* is required to report the pricing information in SUP 16.28.13R in respect of those fees.

Content of the report and pricing information

16.28.10 R A pricing information report must contain pricing information set out in SUP 16.28.11R (core pricing information for the core product), SUP 16.28.12R (additional claims-related information for the core product) and SUP 16.28.13R (pricing information for related *additional products* and fees) as follows:

- (1) the information must be completed separately in respect of each *firm's home insurance* and *motor insurance* business;
- (2) where a *firm* has a multi-product *policy* which includes both *home insurance* and *motor insurance* in a single *policy*, that *policy* should be split between *home insurance* and *motor insurance* and reported as two separate *policies*.
- (3) the information in *SUP 16.28.11R* and *SUP 16.28.12R* must be provided on an aggregated basis for each of the following product types in a *firm's motor insurance* business, including the *closed books* which must also be separately disclosed in (1) below:
 - (a) car;
 - (b) motorcycles, including tricycles; and
 - (c) other (being product types not included in (a) or (b));
- (4) the information in *SUP 16.28.11R* and *SUP 16.28.12R* must be provided on an aggregated basis for each of the following product types in a *firm's home insurance* business, including the *closed books* which must also be separately disclosed in (1) below:
 - (a) buildings only;
 - (b) contents only; and
 - (c) buildings and contents;
- (5) in respect of the information in *SUP 16.28.11R* only, the aggregated information for each of the categories set out in (3) and (4) must be further split out into products sold via the following types of *channel*:
 - (a) direct (aggregated across all direct sales including telephone, internet and branch);
 - (b) price comparison websites (aggregated across all price comparison websites);
 - (c) intermediated (aggregated across sales made through *insurance intermediaries*, excluding those sales included in (b) or (d); and
 - (d) *affinity/partnership schemes* (aggregated across all such schemes);
- (6) in splitting the information in *SUP 16.28.11R* on products into the types of *channel* via which they were sold in accordance with (5), products should be allocated to the type of *channel* used to determine the *channel* for the purposes of determining the *equivalent new business price* for that *customer* in accordance with *ICOBS 6B.2.5R*;

- (7) where a price-setting *intermediary* makes sales directly to *consumers*, the information in *SUP* 16.28.11R on these products should be allocated to the direct sales type of *channel* in (5)(a), not the intermediated type of *channel* in (5)(c);
- (8) the pricing information in *SUP* 16.28.11R for each type of *channel* in (5) must be further split into categories representing the *tenure* of the *customers* (broken down by the year of *tenure*);
- (9) *insurers* and *managing agents* must report the required information in *SUP* 16.28.11R for each *channel* and *tenure* combination as derived from (5) and (8) separately for *gross-rated business* and *net-rated business*;
- (10) in respect of the information in *SUP* 16.28.12R only, the aggregated information for each of the categories set out in (3) and (4) must be reported as the total aggregated for each product group (no split between type of *channel* or *tenure*);
- (11) pricing information in *SUP* 16.28.11R only must also be provided separately, split into the type of *home insurance* product or *motor insurance* product (where relevant) for each segment of business that:
 - (a) is a *closed book* containing 10,000 *policies* or more; or
 - (b) comprises all other *closed books* which are not reported in (a) above, on an aggregated basis;
- (12) the pricing information for *closed books* in (11) must be further split out into categories representing the *tenure* of customers (broken down by year of *tenure*);
- (13) pricing information in *SUP* 16.28.13R for related *additional products* must be split out between each of the following:
 - (a) *retail premium finance*; and
 - (b) *add-on policies*;
- (14) pricing information in *SUP* 16.28.13R for fees must be split out between each of the following:
 - (a) pre-contractual fees; and
 - (b) post-contractual fees; and
- (15) the pricing information in (13) and (14) must then be further split into categories representing the *tenure* of the *customers* (broken down by the year of *tenure*).

16.28.11 R The core pricing information for the core product is:

- (1) total gross written *premium*;
- (2) total net-rated written *premium* (*net-rated business* only);
- (3) average gross *premium*;
- (4) average net-rated *premium* (*net-rated business* only);
- (5) average prior year gross *premium*;
- (6) number of *policies* in force at the end of the reporting period;
- (7) total number of *policies* incepted or *renewed*;
- (8) expected claims ratio;
- (9) expected claims cost; and
- (10) proportion of *customers* where the expected claims ratio falls within each of the following bandings:
 - (a) greater than 0% but less than or equal to 10%;
 - (b) greater than 10% but less than or equal to 20%;
 - (c) greater than 20% but less than or equal to 30%;
 - (d) greater than 30% but less than or equal to 40%;
 - (e) greater than 40% but less than or equal to 50%;
 - (f) greater than 50% but less than or equal to 60%;
 - (g) greater than 60% but less than or equal to 70%;
 - (h) greater than 70% but less than or equal to 80%; and
 - (i) greater than 80%.

16.28.12 R The additional claims-related information for the core product is:

- (1) total earned *premium*;
- (2) average earned *premium*;
- (3) *gross incurred claims ratio*;
- (4) developed *gross incurred claims ratio* for the claim-related reporting period 1 year prior to the current such period;
- (5) developed *gross incurred claims ratio* for the claim-related reporting period 2 years prior to the current such period;

- (6) developed *gross incurred claims ratio* for the claim-related reporting period 3 years prior to the current such period;
 - (7) total prior year's reserve release; and
 - (8) total prior year's reserve strengthening.
- 16.28.13 R The pricing information for related *additional products* and pre- and post-contractual fees that are not part of the *gross premium* for the core product is:
- (1) the total charged for *retail premium finance* (including *retail premium finance* on add-on *policies*);
 - (2) the number of *customers* with *retail premium finance*;
 - (3) the *APR* range;
 - (4) the total gross written *premiums* for add-on *policies* inception or renewed;
 - (5) the number of add-on *policies* inception or renewed;
 - (6) the total pre-contractual fees paid by all *customers*;
 - (7) the average pre-contractual fees across those *customers* who incurred fees;
 - (8) the total post-contractual fees paid by all *customers*; and
 - (9) the average post-contractual fees across those *customers* who incurred fees.

Annual submission date and reporting period

- 16.28.14 R The pricing information report containing the information in *SUP* 16.28.11R and *SUP* 16.28.13R in relation to the reporting period (which begins on 1 January and ends on 31 December of the immediately preceding calendar year) must be submitted annually on or before 31 March.
- 16.28.15 R The pricing information report containing the information in *SUP* 16.28.12R in relation to the claims-related reporting period must be submitted either:
- (1) where a *firm's* claims-related reporting period is the reporting period, annually on or before 31 March; or
 - (2) where a *firm's* claims-related reporting period is not the reporting period, annually on the date which is 3 *months* following the end of the claims-related reporting period.

Format and method of submission and format

- 16.28.16 R A pricing information report must be completed using the form and format set out in *SUP 16 Annex 49AR*, using the notes for completion in *SUP 16 Annex 49BG*.
- 16.28.17 R The report must be submitted online through the appropriate systems accessible from the *FCA's* website.
- 16.28.18 R A pricing information report will not be considered as submitted to the *FCA* unless all the mandatory reporting fields set out in *SUP 16 Annex 49AR* have been completed correctly and the report has been accepted by the relevant *FCA* reporting system.
- 16.28.19 G If the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in *SUP 16.3.9R* (Method of submission of reports (see *SUP 16.3.8R*)) should be used.

Insert the following new annexes, *SUP 16 Annex 49AR* and *16 Annex 49BG*, after *SUP 16 Annex 48BG* (Notes on completing the value measures report form). The text is not underlined.

**16
Annex
49AR** **Pricing information report form (REP 021)**

Pricing information report form REP021

FCA Handbook reference: SUP 16 Annex 49AR

Notes for completing the form are available in: SUP 16 Annex 49BG

Financial Conduct Authority
12 Endeavour Square
Stratford London E20 1JN
United Kingdom

Telephone +44 (0) 845 606 9966
E-mail firm.queries@fca.org.uk
Website <http://www.fca.org.uk>

Name of *firm*
(As entered in 1.05)

Reporting period
year ended

All firms should complete Sections 1 and 6. In addition:

- **insurers and managing agents should complete Sections 2 and 3; and**
- **price-setting intermediaries should complete Sections 4 and 5.**

All firms should complete this section

| | | |
|------|-----------------------------|--|
| 1.01 | Title | |
| 1.02 | First name | |
| 1.03 | Last name | |
| 1.04 | Job title | |
| 1.05 | Firm name | |
| 1.06 | Firm Reference Number (FRN) | |
| 1.07 | Business address | |
| 1.08 | Postcode | |
| 1.09 | Office phone number | |
| 1.10 | Email address | |

Only complete this Section if your firm is an insurer or a managing agent

| | | |
|------|----------------|---|
| 2.01 | Product | Dropdown list: <ul style="list-style-type: none"> • Motor - cars • Motor - motorcycles including tricycles • Motor - other • Home - buildings and contents • Home - buildings only • Home - contents only |
|------|----------------|---|

| | | Tenure | | | | | | | | | | | |
|-----------------------|--|--------|----|----|----|----|----|----|----|----|----|-------|--|
| | | T0 | T1 | T2 | T3 | T4 | T5 | T6 | T7 | T8 | T9 | T10 + | |
| Direct channel | | | | | | | | | | | | | |
| 2.02 | Total gross written premium (£) | | | | | | | | | | | | |
| 2.03 | Average gross premium (£) | | | | | | | | | | | | |
| 2.04 | Average prior year gross premium (£) | | | | | | | | | | | | |
| 2.05 | Total number of policies incepted/renewed | | | | | | | | | | | | |
| 2.06 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | | |
| 2.07 | Expected claims cost (£) | | | | | | | | | | | | |
| 2.08 | Expected claims ratio (%) | | | | | | | | | | | | |
| 2.09 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | | |
| | Greater than 30% but less than or equal to 40% | | | | | | | | | | | | |
| | Greater than 40% but less than or equal to 50% | | | | | | | | | | | | |
| | Greater than 50% but less than or equal to 60% | | | | | | | | | | | | |
| | Greater than 60% but less than or equal to 70% | | | | | | | | | | | | |
| | Greater than 70% but less than or equal to 80% | | | | | | | | | | | | |
| | Greater than 80% | | | | | | | | | | | | |

| Intermediated channel (net rated business) | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|
| 2.10 | Total gross written premium (£) | | | | | | | | | | | |
| 2.11 | Total net rated written premium (£) | | | | | | | | | | | |
| 2.12 | Average gross premium (£) | | | | | | | | | | | |
| 2.13 | Average net rated premium (£) | | | | | | | | | | | |
| 2.14 | Average prior year gross premium (£) | | | | | | | | | | | |
| 2.15 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 2.16 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |
| 2.17 | Expected claims cost (£) | | | | | | | | | | | |
| 2.18 | Expected claims ratio (%) | | | | | | | | | | | |
| 2.19 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | |
| | Greater than 30% but less than or equal to 40% | | | | | | | | | | | |
| | Greater than 40% but less than or equal to 50% | | | | | | | | | | | |
| | Greater than 50% but less than or equal to 60% | | | | | | | | | | | |
| | Greater than 60% but less than or equal to 70% | | | | | | | | | | | |
| | Greater than 70% but less than or equal to 80% | | | | | | | | | | | |
| | Greater than 80% | | | | | | | | | | | |
| Intermediated channel (gross rated business) | | | | | | | | | | | | |
| 2.20 | Total gross written premium (£) | | | | | | | | | | | |
| 2.21 | Average gross premium (£) | | | | | | | | | | | |
| 2.22 | Average prior year gross premium (£) | | | | | | | | | | | |
| 2.23 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 2.24 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |
| 2.25 | Expected claims cost (£) | | | | | | | | | | | |
| 2.26 | Expected claims ratio (%) | | | | | | | | | | | |
| 2.27 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | |
| | Greater than 30% but less than or equal to 40% | | | | | | | | | | | |
| | Greater than 40% but less than or equal to 50% | | | | | | | | | | | |
| | Greater than 50% but less than or equal to 60% | | | | | | | | | | | |
| | Greater than 60% but less than or equal to 70% | | | | | | | | | | | |
| | Greater than 70% but less than or equal to 80% | | | | | | | | | | | |
| | Greater than 80% | | | | | | | | | | | |

| Price comparison website channel | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|
| 2.28 | Total gross written premium (£) | | | | | | | | | | | |
| 2.29 | Average gross premium (£) | | | | | | | | | | | |
| 2.30 | Average prior year gross premium (£) | | | | | | | | | | | |
| 2.31 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 2.32 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |
| 2.33 | Expected claims cost (£) | | | | | | | | | | | |
| 2.34 | Expected claims ratio (%) | | | | | | | | | | | |
| 2.35 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | |
| | Greater than 30% but less than or equal to 40% | | | | | | | | | | | |
| | Greater than 40% but less than or equal to 50% | | | | | | | | | | | |
| | Greater than 50% but less than or equal to 60% | | | | | | | | | | | |
| | Greater than 60% but less than or equal to 70% | | | | | | | | | | | |
| | Greater than 70% but less than or equal to 80% | | | | | | | | | | | |
| | Greater than 80% | | | | | | | | | | | |
| Affinity/Partnerships channel (net rated business) | | | | | | | | | | | | |
| 2.36 | Total gross written premium (£) | | | | | | | | | | | |
| 2.37 | Total net rated written premium (£) | | | | | | | | | | | |
| 2.38 | Average gross premium (£) | | | | | | | | | | | |
| 2.39 | Average net rated premium (£) | | | | | | | | | | | |
| 2.40 | Average prior year gross premium (£) | | | | | | | | | | | |
| 2.41 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 2.42 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |
| 2.43 | Expected claims cost (£) | | | | | | | | | | | |
| 2.44 | Expected claims ratio (%) | | | | | | | | | | | |
| 2.45 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | |
| | Greater than 30% but less than or equal to 40% | | | | | | | | | | | |
| | Greater than 40% but less than or equal to 50% | | | | | | | | | | | |
| | Greater than 50% but less than or equal to 60% | | | | | | | | | | | |
| | Greater than 60% but less than or equal to 70% | | | | | | | | | | | |
| | Greater than 70% but less than or equal to 80% | | | | | | | | | | | |
| | Greater than 80% | | | | | | | | | | | |

| | | |
|--|--|--|
| Year end (date) for reporting lines 2.62 to 2.69 | | |
| 2.62 | Total earned premium (£) | |
| 2.63 | Average earned premium (£) | |
| 2.64 | Gross incurred claims ratio for the current reporting period (with IBNR/IBNER) (%) | |
| 2.65 | Developed gross incurred claims ratio for the reporting period 1 year prior to the current period (%) | |
| 2.66 | Developed gross incurred claims ratio for the reporting period 2 years prior to the current period (%) | |
| 2.67 | Developed gross incurred claims ratio for the reporting period 3 years prior to the current period (%) | |
| 2.68 | Total prior years' reserve releases (£) | |
| 2.69 | Total prior years' reserve strengthening (£) | |

Sub-set of total in Section 2

Only complete this Section if your firm is an insurer or a managing agent

| | | |
|------|----------------|---|
| 3.01 | Product | Dropdown list: <ul style="list-style-type: none"> • Motor - cars • Motor - motorcycles including tricycles • Motor - other • Home - buildings and contents • Home - buildings only • Home - contents only |
|------|----------------|---|

| | | |
|------|--------------------|---|
| 3.02 | Closed book | Dropdown list: <ul style="list-style-type: none"> • Book with 10,000 policies or more • Aggregated reporting for closed books with less than 10,000 policies each |
|------|--------------------|---|

| | | |
|------|----------------------------|--|
| 3.03 | Description of book | |
|------|----------------------------|--|

| | | Tenure | | | | | | | | | | | |
|--|--|---------------|----|----|----|----|----|----|----|----|----|-------|--|
| | | T0 | T1 | T2 | T3 | T4 | T5 | T6 | T7 | T8 | T9 | T10 + | |
| Book A – complete this Section for each closed book | | | | | | | | | | | | | |
| 3.04 | Total gross written premium (£) | | | | | | | | | | | | |
| 3.05 | Average gross premium (£) | | | | | | | | | | | | |
| 3.06 | Average prior year gross premium (£) | | | | | | | | | | | | |
| 3.07 | Total number of policies incepted/renewed | | | | | | | | | | | | |
| 3.08 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | | |
| 3.09 | Expected claims cost (£) | | | | | | | | | | | | |
| 3.10 | Expected claims ratio (%) | | | | | | | | | | | | |
| 3.11 | Proportion of customers where the expected claims ratio is: | | | | | | | | | | | | |
| | Greater than 0% but less than or equal to 10% | | | | | | | | | | | | |
| | Greater than 10% but less than or equal to 20% | | | | | | | | | | | | |
| | Greater than 20% but less than or equal to 30% | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Greater than 30% but less than or equal to 40% | | | | | | | | | | | | |
| Greater than 40% but less than or equal to 50% | | | | | | | | | | | | |
| Greater than 50% but less than or equal to 60% | | | | | | | | | | | | |
| Greater than 60% but less than or equal to 70% | | | | | | | | | | | | |
| Greater than 70% but less than or equal to 80% | | | | | | | | | | | | |
| Greater than 80% | | | | | | | | | | | | |

Only complete this section for the business for which your firm is acting as a price-setting intermediary

| | | |
|------|----------------|--|
| 4.01 | Product | Dropdown list: <ul style="list-style-type: none"> • Motor - cars • Motor - motorcycles including tricycles • Motor - other • Home - buildings and contents • Home - buildings only • Home - contents only |
|------|----------------|--|

| | | Tenure | | | | | | | | | | |
|------------------------------|--|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| | | T0 | T1 | T2 | T3 | T4 | T5 | T6 | T7 | T8 | T9 | T10 + |
| Direct channel | | | | | | | | | | | | |
| 4.02 | Total gross written premium (£) | | | | | | | | | | | |
| 4.03 | Total net rated written premium (£) | | | | | | | | | | | |
| 4.04 | Average gross premium (£) | | | | | | | | | | | |
| 4.05 | Average net rated premium (£) | | | | | | | | | | | |
| 4.06 | Average prior year gross premium (£) | | | | | | | | | | | |
| 4.07 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 4.08 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |
| Intermediated channel | | | | | | | | | | | | |
| 4.09 | Total gross written premium (£) | | | | | | | | | | | |
| 4.10 | Total net rated written premium (£) | | | | | | | | | | | |
| 4.11 | Average gross premium (£) | | | | | | | | | | | |
| 4.12 | Average net rated premium (£) | | | | | | | | | | | |
| 4.13 | Average prior year gross premium (£) | | | | | | | | | | | |
| 4.14 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 4.15 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Price comparison website channel | | | | | | | | | | | | | | |
| 4.16 | Total gross written premium (£) | | | | | | | | | | | | | |
| 4.17 | Total net rated written premium (£) | | | | | | | | | | | | | |
| 4.18 | Average gross premium (£) | | | | | | | | | | | | | |
| 4.19 | Average net rated premium (£) | | | | | | | | | | | | | |
| 4.20 | Average prior year gross premium (£) | | | | | | | | | | | | | |
| 4.21 | Total number of policies incepted/renewed | | | | | | | | | | | | | |
| 4.22 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | | | |
| Affinity/Partnerships channel | | | | | | | | | | | | | | |
| 4.23 | Total gross written premium (£) | | | | | | | | | | | | | |
| 4.24 | Average gross premium (£) | | | | | | | | | | | | | |
| 4.25 | Average net rated premium (£) | | | | | | | | | | | | | |
| 4.26 | Average prior year gross premium (£) | | | | | | | | | | | | | |
| 4.27 | Total number of policies incepted/renewed | | | | | | | | | | | | | |
| 4.28 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | | | |
| Total (aggregated for all channels) | | | | | | | | | | | | | | |
| 4.29 | Total gross written premium (£) | | | | | | | | | | | | | |
| 4.30 | Total net rated written premium (£) | | | | | | | | | | | | | |
| 4.31 | Average gross premium (£) | | | | | | | | | | | | | |
| 4.32 | Average net rated premium (£) | | | | | | | | | | | | | |
| 4.33 | Average prior year gross premium (£) | | | | | | | | | | | | | |
| 4.34 | Total number of policies incepted/renewed | | | | | | | | | | | | | |
| 4.35 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | | | |

Sub-set of total in Section 4

Only complete this section for the business for which your firm is acting as a price-setting intermediary

| | | |
|------|----------------|---|
| 5.01 | Product | Dropdown list: <ul style="list-style-type: none"> • Motor - cars • Motor - motorcycles including tricycles • Motor - other • Home - buildings and contents • Home - buildings only • Home - contents only |
|------|----------------|---|

| | | |
|------|--------------------|---|
| 5.02 | Closed book | Dropdown list: <ul style="list-style-type: none"> • Book with 10,000 policies or more • Aggregated reporting for closed books with less than 10,000 policies each |
|------|--------------------|---|

| | | |
|------|----------------------------|--|
| 5.03 | Description of book | |
|------|----------------------------|--|

| | | Tenure | | | | | | | | | | |
|------|--|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| | | T0 | T1 | T2 | T3 | T4 | T5 | T6 | T7 | T8 | T9 | T10 + |
| 5.04 | Total gross written premium (£) | | | | | | | | | | | |
| 5.05 | Total net rated written premium (£) | | | | | | | | | | | |
| 5.06 | Average gross premium (£) | | | | | | | | | | | |
| 5.07 | Average net rated premium (£) | | | | | | | | | | | |
| 5.08 | Average prior year gross premium (£) | | | | | | | | | | | |
| 5.09 | Average prior year net rated premium (£) | | | | | | | | | | | |
| 5.10 | Total number of policies incepted/renewed | | | | | | | | | | | |
| 5.11 | Total number of policies in force at the end of the reporting period | | | | | | | | | | | |

All firms should complete this section for:

- a) premium finance – for insurers and intermediaries the business where they set the price and where the price is not set by an insurer or an intermediary the business must be reported by the customer-facing firm;
- b) add-ons – the business where they set the price; and
- c) fees and charges in addition to the premium – the fees charged by the firm.

| | | |
|------|----------------|--|
| 6.01 | Product | Dropdown list: <ul style="list-style-type: none"> • Motor • Home |
|------|----------------|--|

| Premium finance | | Tenure | | | | | | | | | | | | |
|--|--|--------|----|----|----|----|----|----|----|----|----|-------|--|--|
| | | T0 | T1 | T2 | T3 | T4 | T5 | T6 | T7 | T8 | T9 | T10 + | | |
| 6.02 | Total charged (£) for retail premium finance in the reporting period | | | | | | | | | | | | | |
| 6.03 | Number of core motor and home and any add-on policies incepted with retail premium finance in the reporting period | | | | | | | | | | | | | |
| 6.04 | Number of policies incepted/or renewed in the reporting period with an APR: | | | | | | | | | | | | | |
| | Of 0% | | | | | | | | | | | | | |
| | Between 0.1% to 9.9% | | | | | | | | | | | | | |
| | Between 10% to 19.9% | | | | | | | | | | | | | |
| | Between 20% to 29.9% | | | | | | | | | | | | | |
| | Between 30% to 39.9% | | | | | | | | | | | | | |
| | Between 40% to 49.9% | | | | | | | | | | | | | |
| | 50% or more | | | | | | | | | | | | | |
| Add-ons | | | | | | | | | | | | | | |
| 6.05 | Total gross written premiums (£) for add-ons incepted or renewed in the reporting period | | | | | | | | | | | | | |
| 6.06 | Number of add-ons incepted or renewed in the reporting period | | | | | | | | | | | | | |
| Fees and charges in addition to the premium | | | | | | | | | | | | | | |
| 6.07 | Total pre-contractual fees/charges (£) charged to customers in the reporting period | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|------|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 6.08 | Average pre-contractual fees/charges (£) per customer who was charged a fee in the reporting period | | | | | | | | | | | | |
| 6.09 | Total post-contractual fees/charges (£) charged to customers in the reporting period | | | | | | | | | | | | |
| 6.10 | Average post-contractual fees/charges (£) per customer who was charged a fee in the reporting period | | | | | | | | | | | | |

16 Notes on completing the pricing information report form (REP 021)

Annex 49BG

This annex contains guidance on completing the pricing information report form (REP 021)

General notes

- (1) All *firms* should complete Sections 1 and 6. In addition, *insurers* and *managing agents* should complete Sections 2 and 3, and price setting *intermediaries* should complete Sections 4 and 5.
- (2) All monetary figures should be rounded to the nearest pound.
- (3) Unless otherwise stated, monetary figures should be calculated and reported excluding insurance premium tax.
- (4) Multi-product *policies* which include both *home insurance* and *motor insurance* in a single *policy* should be split between *home insurance* and *motor insurance* and reported as two separate *policies*.
- (5) *Firms* should provide their core pricing information on the core product on an aggregated basis for each of *home insurance* and *motor insurance* products, including *closed books*, and then split by:
 - (a) product group e.g. *motor insurance*: car, motorcycles, including tricycles, other, *home insurance*: buildings only, contents only, buildings and contents;
 - (b) type of *channel* e.g. all products sold direct, via price comparison websites, via intermediaries or via *affinity/partnership schemes*; and
 - (c) *tenure*. For example, for each of *customers* with less than 1-year relationship with the *firm*, *customers* with a 1-year relationship with the *firm*, *customers* with a 2-year relationship etc.
- (6) *Firms* should provide their additional claims-related information on the core product on an aggregated basis for each of *home insurance* and *motor insurance* products, including *closed books*, split by product group only.
- (7) *Firms* should also report core pricing information separately for *closed books*. *Firms* should name each *closed book* with 10,000 *policies* or more. *Firms* should provide information separately for each *closed book* with 10,000 *policies* or more and other *closed books* on an aggregated basis, split by:
 - (a) product group; and
 - (b) *tenure*.

- (8) *Firms* should provide their information on related *additional products* and fees on an aggregated basis for each of their *home insurance* and *motor insurance* business, including *closed books*, split by *tenure*. This information does not need to be categorised by product group.

| Data | Notes |
|---------------------|--|
| <i>Tenure</i> | <p>The number of years a <i>customer</i> has held the <i>policy</i>, including any <i>renewal</i>.</p> <p>For example:</p> <p>T0 = <i>customer</i> who has held their <i>policy</i> for less than 1 year;</p> <p>T1 = <i>customers</i> who held their <i>policy</i> for 1 year;</p> <p>T10+ = <i>customers</i> who have held their <i>policy</i> for 10 years or more.</p> <p><i>Firms</i> should round down to the last full year the <i>customer</i> has held a <i>policy</i> with them in cases where <i>customers</i> have contracts that renew on shorter than annual basis. For example, a <i>firm</i> should classify a <i>customer</i> on a six-monthly contract who has <i>renewed</i> the <i>policy</i> once as T0 (<i>customer</i> who has held their <i>policy</i> for less than 1 year) and a <i>customer</i> who has <i>renewed</i> this <i>policy</i> three times as T1 (<i>customers</i> who have held their <i>policy</i> for 1 year).</p> <p><i>Firms</i> should report data for each <i>tenure</i> individually from T0 to T9 inclusive. Data for any <i>tenure</i> that is T10 or greater should be aggregated and reported as T10+.</p> <p>For <i>retail premium finance</i>, the <i>tenure</i> of the core product should first be considered and then the <i>tenure</i> of the <i>retail premium finance</i>. For example, if a <i>customer</i> cancels an existing <i>policy</i> with <i>retail premium finance</i> and takes out a new <i>policy</i> with <i>retail premium finance</i>, then the <i>tenure</i> for both the new <i>policy</i> and the <i>retail premium finance</i> would be T0. If a <i>customer</i> has the same <i>policy</i> for four years and pays by <i>retail premium finance</i> for the first two years, and for the third year does not use <i>retail premium finance</i> but for the fourth year uses <i>retail premium finance</i> again, the <i>tenure</i> in the fourth year would be T4 for the core product and T0 for the <i>retail premium finance</i>.</p> |
| <i>Closed books</i> | <p><i>Firms</i> should name each <i>closed book</i> containing 10,000 or more <i>policies</i>. <i>Firms</i> should report information separately for each <i>closed book</i> containing 10,000 or more <i>policies</i> and for all other <i>closed books</i> on an aggregated basis. Separate reporting for <i>closed books</i> should cover the period from the date on which the <i>firm</i> categorised the relevant books as being <i>closed books</i> until the end of the reporting period.</p> |

| Data | Notes |
|--|--|
| Total gross written <i>premium</i> | The total amount of gross written <i>premium</i> , (excluding insurance premium tax) in relation to <i>policies</i> incepted or renewed during the reporting period. |
| Average gross <i>premium</i> | The total amount of gross written <i>premium</i> , (excluding insurance premium tax) in relation to <i>policies</i> incepted or renewed during the reporting period divided by the number of <i>policies</i> incepted or renewed in that reporting period. |
| Total net-rated written <i>premium</i> | For <i>net-rated business, insurers, managing agents</i> and price-setting <i>intermediaries</i> should report the total net-rated <i>premium</i> set by the <i>insurer</i> or <i>managing agent</i> in relation to <i>policies</i> incepted or renewed during the reporting period. |
| Average net-rated <i>premium</i> | For <i>net-rated business, insurers, managing agents</i> and price-setting <i>intermediaries</i> should report the total net-rated <i>premium</i> set by the <i>insurer</i> or <i>managing agent</i> in relation to <i>policies</i> incepted or renewed during the reporting period divided by the number of <i>policies</i> incepted or renewed on a <i>net-rated business</i> basis in the reporting period. |
| Total number of <i>policies</i> incepted/renewed | The total number of <i>policies</i> incepted for <i>tenure</i> T0 and the total number of <i>policies</i> renewed (all other <i>tenures</i>). |
| Total number of <i>policies</i> in force | The total number of <i>policies</i> in force at the end of the reporting period. |
| Average prior year gross <i>premium</i> | <p><i>Firms</i> should report the average gross <i>premium</i> paid in the preceding year for the core product by <i>customers</i> by product group, type of <i>channel</i> and by <i>tenure</i>. For example, if a <i>firm</i> is reporting data for <i>motor insurance: car</i>, for direct sales to <i>customers</i> with <i>tenure</i> T4, then the <i>firm</i> should report the average gross <i>premium</i> paid by these <i>customers</i> at <i>tenure</i> T3.</p> <p><i>Firms</i> do not need to report average prior year gross <i>premium</i> in respect of <i>customers</i> of <i>tenure</i> T0.</p> |
| Proportion of <i>customers</i> where the expected claims ratio falls within given bandings | <p>Expressed as a percentage, the proportion of <i>customers</i> where the expected claims ratio is between X% and Y%.</p> <p>For example, for the proportion of <i>customers</i> with expected claims ratio greater than 30% but less than or equal to 40% for the direct sales type of <i>channel</i>, with a <i>tenure</i> of one year (T1), expressed as a percentage:</p> |

| Data | Notes | |
|--|--|--|
| | A. | calculate the number of <i>policies</i> inception or renewed with expected claims ratio greater than 30% but less than or equal to 40%; and |
| | B. | divide (A) by the total number of <i>policies</i> inception or renewed for the direct sales type of <i>channel</i> and <i>customers</i> of <i>tenure</i> T1. |
| Total earned <i>premium</i> | <p>The total <i>premium</i> earned in the claims-related reporting period. This should be calculated on the same basis as that reported in a <i>firm's</i> financial statements.</p> <p>This information is only to be reported for the total aggregated figures by product group (not by <i>tenure</i>).</p> | |
| Average earned <i>premium</i> | <p>The total <i>premium</i> earned in the claims-related reporting period divided by the number of <i>policies</i> from which the total <i>premium</i> was earned. This should be calculated on the same basis as a <i>firm</i> calculates this metric for internal purposes.</p> <p>This information is only to be reported for the total aggregated figures by product group (not by <i>tenure</i>).</p> | |
| <i>Gross incurred claims ratio</i> (with IBNR/IBNER) | <p>Expressed as a percentage, actual claims incurred ratio for the claim-related reporting period. This data is only to be reported for total aggregated figures by product group (not by <i>tenure</i>).</p> <p>The <i>gross incurred claims ratio</i> represents the incurred claims cost (gross of <i>reinsurance</i>) as a proportion of earned <i>premium</i> (gross of <i>reinsurance</i>), expressed as a percentage. Incurred claims cost is the cost of all claims reported for the claims-related reporting period, plus any other changes in the claims' reserves including for IBNR, IBNER and prior years' reserve adjustments in that period. This should be calculated on the same basis as that reported in a <i>firm's</i> financial statements.</p> <p>IBNR is claims incurred but not reported.</p> <p>IBNER is claims incurred but not enough reported.</p> <p>This information is only to be reported for total aggregated figures by product group (not by <i>tenure</i>).</p> | |
| Developed incurred claims ratio (with IBNR/IBNER) | <p>Expressed as a percentage, actual adjusted (ultimate) claims ratio for:</p> <ul style="list-style-type: none"> • the previous claim-related reporting period • the claim-related reporting period 2 years ago | |

| Data | Notes |
|--|---|
| | <ul style="list-style-type: none"> • the claim-related reporting period 3 years ago <p>The developed incurred claims ratio is the <i>gross incurred claims ratio</i> for prior years adjusted for claims that were not fully developed. This should be calculated on the same basis as that used by the <i>firm</i> to calculate the developed incurred claims ratio for internal purposes.</p> <p>This information is only to be reported for total aggregated figures by product group (not by <i>tenure</i>).</p> |
| Total prior years' reserve release | <p><i>Firms</i> should report any reserve releases in the current claim-related reporting period that relate to surplus reserves for prior years.</p> <p>This information is only to be reported for total aggregated figures by product group (not by <i>tenure</i>).</p> |
| Total prior years' reserve strengthening | <p><i>Firms</i> should report any reserve strengthening in the current claim-related reporting period that relate to shortfalls in reserves for prior years.</p> <p>This information is only to be reported for total aggregated figures by product group (not by <i>tenure</i>).</p> |
| Total charged (£) for <i>retail premium finance</i> in the reporting period | <p>Total charged for <i>retail premium finance</i> on <i>policies</i> incepted or renewed in the reporting period.</p> <p>The total charged (£) should include only the charge for <i>retail premium finance</i> (and not the total gross written <i>premium</i> of the related core or add-on <i>policies</i>).</p> |
| <i>Retail premium finance</i> – number of <i>policies</i> (core products and add-on <i>policies</i>) incepted or renewed with <i>retail premium finance</i> | Total number of <i>policies</i> incepted or renewed in the reporting period with <i>retail premium finance</i> . |
| APR range | <p>The number of <i>policies</i> where the related <i>retail premium finance</i> sold falls within each the following specific APR ranges:</p> <ul style="list-style-type: none"> • 0% • 0.1% - 9.9% • 10% - 19.9% • 20% - 29.9% • 30% - 39.9% • 40% - 49.9% |

| Data | Notes |
|---|---|
| | <ul style="list-style-type: none"> • 50% or more <p>Where <i>APR</i> falls within a range boundary, e.g. 9.95%, <i>firms</i> should round down. For example, an <i>APR</i> of 9.95% should be reported in the 0.1% - 9.9% <i>APR</i> range. However, an <i>APR</i> of less than 0.1% but greater than 0% should be reported in the 0.1% to 9.9% <i>APR</i> range.</p> <p>Where a <i>customer's</i> credit risk rating is used in calculating their insurance risk, any related loading should not be reported under <i>retail premium finance</i>.</p> |
| <i>Premiums</i> from add-on <i>policies</i> inception or renewed - gross written <i>premium</i> | <p>Total gross written <i>premium</i> from add-on <i>policies</i> inception or renewed in the reporting period.</p> <p>Cover extensions and optional extras should be reported as part of reporting for the core product and not as an add-on <i>policy</i>. Gross written <i>premium</i> should include only the gross written <i>premium</i> for add-on <i>policies</i> (and not that for related core <i>policies</i>).</p> |
| Number of add-on <i>policies</i> inception or renewed | Total number of add-on <i>policies</i> inception or renewed in the reporting period. |
| Pre-contractual fees | Total and average (mean) pre-contractual fees charged on the core product (net of value added tax). The average is the average for each reporting category, based on the number of <i>customers</i> who incurred fees. |
| Post-contractual fees | Total and average (mean) of any post-contractual fees on the core product (net of value added tax). The average is the average for each reporting category, based on the number of <i>customers</i> who incurred fees. |

Amend the following as shown.

...

TP 1 Transitional provisions

TP 1.1 Transitional provisions applying to the Supervision manual only

...

TP 1.2

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----------|---|----------|---|--|---|
| ... | | | | | |
| 21 | ... | | | | |
| <u>22</u> | <u>SUP 16.28.6R</u> and <u>SUP 16.28.7R</u> | <u>R</u> | (1) <u>This transitional provision applies to a firm that is required under SUP 16.28.6R or SUP 16.28.7R to submit a pricing information report to the FCA.</u> | 1 January 2022 to 31 December 2023 | 1 January 2022 |
| | | | (2) <u>A firm must prepare an interim pricing information report in respect of the period commencing 1 January 2022 and ending on 30 June 2022.</u> | | |
| | | | (3) <u>The interim pricing report under paragraph (2) is to exclude the additional claims-related information on the core product in SUP16.28.12R.</u> | | |
| | | | (4) <u>The interim pricing report in (2) must be submitted on or before 30 September 2022.</u> | | |
| | | | (5) <u>The interim pricing report in (2) must be</u> | | |

| | | | | | |
|--|--|--|---|--|--|
| | | | <p><u>submitted in accordance with SUP 16.28.16R to SUP 16.28.18R, subject to the permitted exclusion from the interim report of additional claims-related information as set out in (3).</u></p> | | |
| | | | <p><u>(6) The first annual pricing information report must be submitted:</u></p> | | |
| | | | <p><u>(i) in respect of the reporting period or claims-related reporting period from 1 January 2022 to 31 December 2022, on or before 31 March 2023; or</u></p> | | |
| | | | <p><u>(ii) where a firm's claims-related reporting period is not the reporting period, in respect of the firm's claims-related reporting period which commences on or after 1 January</u></p> | | |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | <u>2022, on or before a date 3 months after the end of that claims-related reporting period.</u> | | |
|--|--|--|--|--|--|--|