

FCA PS16/21 Increasing transparency and engagement at renewal in the general insurance markets - feedback on CP15/41 and final rules and guidance

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1. Our response to FCA Consultation Paper CP15/41 and FCA feedback

We were generally supportive of the inclusion of the previous year's premium in renewal information. However, we expressed concerns that some policyholders could purchase inappropriate cover (e.g. previously declared pre-existing conditions being overlooked when receiving alternative quotes).

Regarding "shopping around" statements, we asked that consumers be encouraged to check that cover remains appropriate.

We were against application of the proposals to broker-led "advised" sales and also asked for more time for implementation. We also asked the FCA to confirm that its proposals would not apply to group policies.

The FCA has added more flexibility to the wording of the annual "shopping around" statement and has accepted our suggestion to include coverage. However, the rules will apply to all carriers and intermediaries, including brokers' advised business.

The FCA has deferred the implementation date for three months and has confirmed that the rules do not apply to group policies.

All LMA consultation responses can be found on the [LMA web site](#).

2. Summary of new rules

1	Provide the consumer with last year's premium as well as the renewal premium in such a way as they can be easily compared.				
2	Provide a statement alongside 1, that the consumer:				
	<table border="1"> <tr> <td>a</td> <td>Should check that the level of cover offered by the renewal is appropriate for their needs; and</td> </tr> <tr> <td>b</td> <td>Is able, if they so wish, to compare the prices and levels of cover offered by alternative providers.</td> </tr> </table>	a	Should check that the level of cover offered by the renewal is appropriate for their needs; and	b	Is able, if they so wish, to compare the prices and levels of cover offered by alternative providers.
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b	Is able, if they so wish, to compare the prices and levels of cover offered by alternative providers.				
<p>The FCA states that the statement required in b) could be in the form of a question and provides the following as an example:</p> <p><i>"Have you checked that your insurance cover still meets your needs? Have you considered shopping round to find the best deal for the cover you want?"</i></p>					
3	<p>For policies renewing for the fourth time (i.e. renewing into the fifth year), and for subsequent renewals, the statement in 2b above <u>must</u> be replaced with the following:</p> <p><i>"You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around."</i></p>				

3. Application

Implementation	<ul style="list-style-type: none"> For renewal notices sent on or after 01 April 2017 (not notices sent before that date for policies renewing on or after 01 April)
Scope	<ul style="list-style-type: none"> All renewing policies sold to consumers* with a duration of 10 months or more. Group policies not in scope.
New business or existing?	<ul style="list-style-type: none"> The requirements apply to <i>both</i> new and existing business. So, if an existing policyholder has renewed three times or more already, they will need to be provided with the statement in 3 above at the next renewal (after 01 April 2017).
Carrier or broker requirement?	<ul style="list-style-type: none"> Applies to both carriers and brokers. So, a broker may be required to provide one of the “shopping around” messages even where the product renews with a different carrier.
Mid-term adjustments	<ul style="list-style-type: none"> Must provide an annualised figure which takes account of any adjustments. The method for annualising is not stipulated. The following is an example of how it might be calculated: Home policyholder has an initial policy premium of £300 for a 12 month policy. The policyholder moves to a larger house 6 months into the policy period and is charged an additional £100 premium. The annualised figure would be £500 (the original premium plus £200 annualised increase). Must not include any fees or charges so that consumers receive simple, understandable and comparable information.**
Method of provision	<ul style="list-style-type: none"> In writing or another durable medium (except where the exceptions for telephone communications are used – ICOBS 6.1.14). Must be accessible and presented as key information.
Provision of additional information	<ul style="list-style-type: none"> Additional information/reasons for increase/explanation of annualised figure (see above) can be included, but must be in addition to the new requirements and not obscure the required information.
Monthly premiums	<ul style="list-style-type: none"> If monthly premium figures are used, they must be used for the renewal premium and last year’s premium. The annual premiums must still be provided.

4. Associated guidance

Another change to ICOBS is the insertion of guidance on record keeping. The guidance states that firms should have regard to the record keeping obligations referred to in ICOBS 2.4.1 G and ensure that it has appropriate systems and controls in place with respect to adequacy and sufficiency.

Within PS16/21, the FCA also provides finalised guidance - FG16/8 Improving General Insurance Renewal Practices - which contains useful information on communications, auto-renewals, switching and cancellation, and fees and charges.

* It is worth noting that, within the finalised guidance, the FCA states *“Although commercial customers are not within scope, we would encourage firms to consider whether any of the issues raised by us about retail consumers would also apply to commercial customers...”*

** Also, the finalised guidance refers to the FCA’s existing disclosure requirements requiring firms to provide information separately about fees before they are incurred.

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