

General insurance pricing practices – Amendments

Policy Statement

PS21/11

August 2021

This relates to

Policy Statement PS21/5
General Insurance Pricing Practices
market study
Feedback to CP20/19 and final rules

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1 Summary

- 1.1** In May 2021 we published [PS21/5](#), which included our final rules to address the harms we found through our general insurance pricing practices market study.
- 1.2** Following publication of the rules, we have engaged with stakeholders to help us understand the challenges involved in their implementation. This has revealed some areas where we feel it would be helpful for us to update or clarify these rules.
- 1.3** This Policy Statement contains the changes we are making to the rules to address these issues. Our policy intentions have not changed, and these changes do not alter the outcomes we want to deliver. We have made these changes without consultation to ensure that there is no harm to consumers from a delay in introducing them.
- 1.4** Alongside this Policy Statement, we have also published a set of [Q&As](#) to address some of the questions we have received since publishing PS21/5. We will update these where we consider that further clarification is relevant to the wider market.

Who this applies to

- 1.5** This paper will be of interest to firms in the insurance market and trade bodies representing them. It is also relevant to consumers and consumer organisations. While the focus of the rules is primarily on the home and motor insurance markets, some of the rules apply more broadly to all types of general insurance and pure protection products.

What we are changing

- 1.6** The rules in Appendix 1 of this paper:
- clarify the application of some of our rules to firms that give discounts or other incentives to customers
 - clarify the application of our reporting rules to intermediaries that rebate commission
 - amend the definition of a 'renewal'. This will alter the way in which our pricing and reporting rules apply to firms
 - clarify the operation of the transitional rules, and
 - make minor amendments to some of the reporting and other rules.

How it links to our objectives

Ensuring relevant markets function well

- 1.7** We designed the package of rules published in PS21/5, which we are now amending, to improve the way general insurance markets function. Currently, competition is not working effectively, which is leading to poor outcomes for many customers.

Competition

- 1.8** Price walking distorts competition and increases costs for consumers and firms. Our rules are designed to improve competition in these markets by preventing firms from price walking customers and ensuring firms deliver fair value.

Consumer protection

- 1.9** Some consumers have been harmed by paying very high prices over a long period, and by practices that have discouraged them from shopping around. Our remedies are designed to reduce harm for these consumers and secure an appropriate degree of protection for them. The rules in this Policy Statement amend our rules to ensure that the benefits from our package of remedies are delivered for consumers as intended.
- 1.10** In this Policy Statement we generally use the terms 'customer' and 'consumer' in line with the application of the rules; however, sometimes context dictates that we use the terms in their non technical sense. Please see the Handbook text for the application of the rules.

Our powers

- 1.11** Section 137A of FSMA enables us to make rules where we consider it is necessary or expedient to advance our operational objectives, including our competition and consumer protection objectives. Our market study showed that some consumers have been harmed by paying very high prices over a long period, and by practices that have discouraged them from shopping around. In addition, price walking distorts competition and involves additional costs for consumers. The amendments that we are making are in line with the original policy intent of our package of remedies in PS21/5 and do not materially alter the cost benefit analysis published there.
- 1.12** In line with section 138I of FSMA, we normally make rules following consultation on draft rules, and related procedural steps, including preparing an accompanying cost benefit analysis and compatibility statement. However, section 138L allows us to make rules without prior consultation or other steps if we consider that the delay involved would be harmful to consumers' interests.
- 1.13** We are satisfied that this test is met in this case. The consumer harms identified by the market study are likely to persist until our remedies are properly and fully implemented by firms. Therefore, we need to make these amendments quickly to prevent any circumvention of the rules. We also need to ensure that firms understand how our rules operate and can effectively implement them by the required deadlines. We have received feedback indicating the challenges firms face in meeting our deadlines, including due to their reliance on third party suppliers. Delay to making these rule changes, pending the outcome of a consultation, could result in delays to firms' implementation programmes. This could result in the continuation of pricing practices which are harmful to consumers, beyond the timeframe envisaged in our remedy package. To avoid this risk, we are making the rules set out in Appendix 1 under section 138L.

Equality and diversity considerations

- 1.14** The amendments that we are now proposing do not materially change our assessment of the equality and diversity issues for the package of rules that we published in PS21/5.

Measuring success

- 1.15** We outlined in PS21/5 the supervisory approach we are putting in place to ensure firms comply with the pricing rules, and also how we will evaluate the effect on the market. Our approach is not changing as a result of the changes we are making through this Policy Statement.

Next steps

- 1.16** The rules we are introducing through this Policy Statement come into force on 1 January 2022.

2 Changes to the rules

2.1 This chapter sets out amendments to the rules that we published in [PS21/5](#).

Incentives

2.2 Our pricing rules require that where a firm sets a renewal price, this must be no higher than the equivalent new business price (ENBP). Our rules also make it clear that the ENBP must reflect both cash and cash-equivalent incentives that are offered to new customers.

2.3 This is to ensure that a firm with an ongoing relationship with a customer – that is involved at renewal - cannot price walk by applying a cash or cash-equivalent discount for new business which it does not apply to equivalent customers at renewal.

2.4 In PS21/5 we made clear that these rules apply to:

- insurers who set prices at renewal (either a net or gross price)
- intermediaries who set prices at renewal by
 - adding their commission to a net price set by an insurer
 - offering a cash discount on a gross price set by an insurer.

2.5 However, some stakeholders have told us that it is unclear how these rules apply to:

- Intermediaries that set prices at renewal by offering a cash-equivalent incentive on a gross price set by an insurer. For example, an insurer sets the final customer price for a product sold via an intermediary. The intermediary offers retail vouchers alongside the price set by the insurer, both at new business and renewal. The intermediary could reduce the value of the vouchers over time, effectively price walking the customer.
- Intermediaries that offer cash or cash-equivalent incentives at new business and are involved in arranging the renewal, but do not set prices at renewal. In this case, the insurer sets the final customer price. The intermediary then offers either cash or retail vouchers to new business customers alongside the price set by the insurer. The intermediary could decide not to offer the same incentive at renewal. We consider this to be price walking as the incentive offered at new business is withdrawn at renewal.

2.6 As a result, we are amending our rules to clarify that in both cases the intermediary would be caught by the pricing rules and required to replicate the new business discount or cash-equivalent incentive in the ENBP. This will prevent consumer harm from any price walking resulting from incentives offered by intermediaries in these circumstances.

2.7 These changes are within the scope of our original policy intent, which was to ensure that firms involved in renewals cannot engage in price walking by offering new business incentives which are not replicated at renewal.

Commission-rebating

- 2.8** In [PS21/5](#) we set out different reporting requirements for net-rated business and gross-rated business. For net-rated business, where the premium paid by the customer is set by the intermediary, both insurers and the price-setting intermediaries must report pricing data. For gross-rated business, where the price is set by the insurer, only insurers need to report the pricing data.
- 2.9** Following the publication of PS21/5, stakeholders have asked us to clarify the treatment of business where insurers set a gross price, but intermediaries discount their commission (commission-rebating) to lower the price that consumers pay. Commission-rebating means that the intermediaries are setting the premium paid by the consumer, which means that an intermediary is price-setting. Under our rules, this business would be treated as net-rated business.
- 2.10** In PS21/5 we explained that we had added a rule to clarify that intermediaries would not be prevented from foregoing commission to reduce the end price for a new business customer. However, we also explained that this would then be equivalent to a discount and so needs to be reflected in the ENBP when setting the price for a renewing customer.
- 2.11** Requiring intermediaries to report business where commission-rebating has taken place could provide us with more data. However, we consider this could potentially reduce the usefulness of the reported data. This is especially the case for intermediaries which have a mix of business between traditional net-rated business and commission-rebated business, as the data would be aggregated together. We would not be able to tell how much business was net-rated and how much was commission-rebated, and whether the different models resulted in a different impact on pricing.
- 2.12** We also do not consider it proportionate for intermediaries which engage in commission-rebating to report pricing data on this business to us. This could make the reporting requirements significantly more costly, especially for smaller intermediaries who may only offer these commission rebates to a few customers in response to specific circumstances or requests. Furthermore, we will already be receiving pricing information on this business from insurers.
- 2.13** We are amending our rules to clarify that, for reporting purposes, commission-rebated business counts as gross-rated business, where only the insurer is required to report data. Under these changes, we are also introducing a requirement for intermediaries to notify us where over 25% of either their home or motor sales include commission-rebating. This will give us greater insight into the extent of commission - rebating in the market and will allow us to monitor more effectively the impacts of our remedy package and firms' compliance with our rules to ensure delivery of benefits to consumers from the pricing remedy. We are currently working on the final wording of the attestation that price-setting firms are required to submit under our rules. This form will also allow firms to make the necessary notification about commission-rebating. We expect to publish the form very shortly.

Renewal definitions

- 2.14** Under our insurance rules there are 2 definitions of renewal. Most rules in ICOBS have a narrow definition of renewal, which captures policies that follow on from an existing policy when it expires.
- 2.15** For the GI pricing and reporting rules we introduced a broader definition of a renewal, capturing any situation where customers take out a policy of a similar type from the same firm as their existing contract. The rationale for adopting a broader definition was to reduce the risk that firms seek to circumvent the pricing rules by moving existing customers to new products and charging a higher price than the ENBP for their existing product.
- 2.16** In PS21/5 we explained that we were applying the broader definition of a renewal for both the pricing rules and the reporting rules. Our policy intent was to ensure that the reporting rules reflect how firms were complying with the pricing rules, as well as ensuring that they calculate tenure on a more consistent basis.
- 2.17** However, some firms have told us that this broad definition could be problematic. The definition would capture situations where the customer chooses to lapse their current policy and take out another policy with same insurer via a different partner, intermediary or channel. Not all insurers would have processes to identify such customers as 'renewals' and, if they were required to do so, this would significantly increase costs and could delay implementation. We also expect consumers who choose to take out a new policy with the same insurer in these circumstances will benefit from a new business price and so will not be exposed to risks of price walking.
- 2.18** We recognise the potential challenges and costs to firms to identify these transactions as renewals and collect and report data on them. The challenges to firms will increase where firms have multiple distribution channels and arrangements in place.
- 2.19** We are therefore amending the renewal definition. Where an existing customer actively buys a policy with the same firm through a different channel or distribution arrangement, then firms should treat this as new business rather than renewal business.
- 2.20** However, where firms actively move a customer to another channel, distribution arrangement or to a different policy (of a similar type) at the lapsing or expiry of an existing policy then they should continue to treat these as renewals for the purposes of our pricing and reporting rules.
- 2.21** It is important that we make these amendments so that firms understand how our rules operate and can effectively implement the necessary process changes by the required deadlines and deliver the expected benefits to consumers. Firms must implement pricing and reporting requirements promptly and accurately in order that benefits to consumers from our package of remedies are secured. We have received feedback indicating the challenges faced by firms in ensuring they have appropriate processes and systems in place to comply with these requirements. It is therefore in the interests of consumers that this rule change is made as soon as possible to support full compliance.

Auto-renewal transitional rules

- 2.22** Our auto-renewal rules come into effect on 1 January 2022. However, we applied transitional provisions for the disclosure elements of the rules, which allow firms who cannot implement on this date to do so by 17 January. Where a firm takes advantage of the transitional provisions, they must provide the relevant disclosures for policies entered into during the transitional period.
- 2.23** Firms must take this action in relation to communications made during the transitional period that do not comply with the disclosure rules in ICOBS 6.2.6R and ICOBS 6.5.1R. However, we are aware that the rules as drafted are unclear about whether this includes policies that have not been entered into during this period, eg where renewal notices sent out during the transitional period are for policies which have renewal dates outside it.
- 2.24** We are therefore updating our rules to make clear that, where a firm uses the transitional provision, it must take retrospective action to provide the required disclosures for all communications made during the transitional period that do not comply with the disclosure rules in ICOBS 6.2.6R and ICOBS 6.5.1R, irrespective of when the contract concludes. This will ensure that consumers who are sent a communication during the relevant period receive the information they need about how auto-renewal affects the operation of their policy.

Other administrative changes

Margin

- 2.25** In PS21/5 we confirmed that our rules were not intended to cap net margin or profits. However, stakeholders have pointed out that our record keeping rules at ICOBS 6B.2.51 R (1) included a reference to firms recording details of 'margin earned from' customers of longer tenure. This was a mistake and we are now amending the rules to remove this reference.
- 2.26** We have also received a number of questions about the operation of our rules in relation to margin. We have addressed these in our Q&A document.

Prior year premium reporting

- 2.27** In PS21/5 we set out that firms were required to report 'average prior year premium' for each reporting category of customers renewing. This will provide an indication of how prices had changed year on year for renewing customers. In the notes to the reporting form we set out that the metric should be average prior year premium paid.
- 2.28** We recognise that in practice there could be differences between the premium and the premium paid, affecting the consistency of reporting. We are amending the notes so that the prior year premium is based on the premium itself rather than being dependent on when the premium was paid, which in some cases could be monthly and so cover two different reporting periods.

References to product types and product groups

2.29 The reporting rules include references to 'product types' and 'product groups', which, for reporting purposes have the same meaning. These include:

- Motor – cars
- Motor – motorcycles including tricycles
- Motor – other
- Home – buildings and contents
- Home – buildings only
- Home – contents only

2.30 To reduce the risk of confusion about the meaning of the different terms, we are replacing the references to 'product group' with references to 'product type'.

Minor amendments to cross-referencing

2.31 We have also made the following amendments to correct errors in rule references.

- We have amended ICOBS 6B.2.53 R (1) to replace the reference to ICOBS 6B.1.3 G with a reference to ICOBS 6B.1.4 G
- We have updated ICOBS 6B.2.54 R to also include a reference to ICOBS 6B.2.51R.

Annex 1

Abbreviations used in this paper

| Abbreviation | Description |
|--------------|---|
| ENBP | Equivalent New Business Price |
| FSMA | Financial Services and Markets Act 2000 |
| ICOB | Insurance: Conduct of Business Sourcebook of the FCA Handbook |
| PS | Policy Statement |
| SUP | The Supervision manual of the FCA Handbook |

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Appendix 1

Made rules (legal instruments)

**NON-INVESTMENT INSURANCE: 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 139A (Power of the FCA to give guidance); and
 - (4) section 214 (General).
- 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 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 |
| Insurance: Conduct of Business sourcebook (ICOBS) | Annex B |
| Supervision manual (SUP) | Annex C |

Citation

- E. This instrument may be cited as the Non-Investment Insurance: General Insurance Auto-Renewal and Home and Motor Insurance Pricing Instrument 2021.

By order of the Board
16 August 2021

Annex A

Amendments to the Glossary of Definitions

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

- 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*~~ *general insurance contract*; and
 - (d) is entered:
 - (i) in response to a renewal notice sent by the *firm*; or
 - (ii) in response to any other offer, proposal or recommendation made to, or encouragement of, the *customer* by the *firm* in the knowledge that it is dealing with an existing *customer* of the *firm*; or
 - (iii) via the same *intermediary* who arranged the *customer's* existing *general insurance contract*.

For the avoidance of doubt, (d)(ii) applies where a *firm*:

- (A) knows that a *customer* holds an existing *general insurance contract* with the *firm*; and
- (B) acting on that knowledge, offers or proposes, or recommends or encourages the *customer* to consider purchasing:
 - (a) a different product of the same product type;
or

- (b) a product of the same product type via a different *channel*.

Annex B

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.

6B Home insurance and motor insurance pricing

6B.1 Application and purpose

Application

What?

...

6B.1.2 R ...

6B.1.2A R This chapter also applies where:

(1) a firm carries out insurance distribution activities at renewal; and

(2) the firm either:

(a) forgoes commission in whole or in part when selling to a new business customer; or

(b) offers cash or cash-equivalent incentives within the meaning of ICOBS 6B.2.12R to new business customers.

...

6B.2 Setting renewal prices

...

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~~ An insurance intermediary that carries out insurance distribution activities at renewal and which either:

(1) forgoes commission in whole or in part when selling to *new business customers*; or

(2) offers a cash or cash-equivalent incentive (within the meaning of *ICOBS 6B.2.12R*) to *new business customers*,

must, to the extent that a *customer* renewing a *policy* would be eligible to benefit from the commission forgone or the cash or cash-equivalent incentive if they were a *new business customer*, include that forgone commission or cash or cash-equivalent incentive when:

(1) determining the *equivalent new business price* at renewal; and

(2) applying *ICOBS 6B.2.9R* to *ICOBS 6B.2.15G*.

...

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 |
|-----|---|-----|--|--|---|
| ... | | | | | |
| 8 | <i>ICOBS 6.2.6R</i> and <i>ICOBS 6.5.1R</i> . | R | <p>(1) This transitional <i>rule</i> applies to a <i>firm</i> which is required to comply with <i>ICOBS 6.2.6R</i> or <i>ICOBS 6.5.1R</i>.</p> <p>...</p> <p>(3) (a) This paragraph applies to all <i>general insurance contracts entered into communications sent to customers</i> between 1 January 2022 and 16 January 2022 inclusive, except <u>communications sent in connection with</u></p> | From 1 January 2022 to 1 March 2022 | 1 January 2022 |

| | | | | |
|--|--|--|--|--|
| | | | <p>private health or medical insurance or pet insurance.</p> | |
| | | | <p>(b) A <i>firm</i> must, by 28 February 2022, provide the information required by <u>ICOBS 6.2.6R</u> and <u>ICOBS 6.5.1R</u> to all customers who have entered into contracts to which this rule applies <u>of the firm who hold a current policy with the firm but who did not receive the required information because the firm made the election under paragraph (2).</u></p> | |
| | | | <p>(c) The information must be provided in writing or another <i>durable medium</i>.</p> | |

...

Annex C

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

...

16.28 Home insurance and motor insurance pricing reporting

...

Requirement to submit a pricing information report

...

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

(1) ...

...

(4) Where an *insurance intermediary* forgoes commission or gives a cash or cash-equivalent incentive (within the meaning of *ICOBS 6B.2.12R*) on the *premium on gross-rated business*, this business must only be reported by the *insurer* with its *gross-rated business* (not separately by the *insurance intermediary*).

(5) An *insurance intermediary* must notify the *FCA* if the *firm* forgoes commission or gives a cash or cash-equivalent incentive (within the meaning of *ICOBS 6B.2.12R*) on the *gross price* set by the *insurer* on either or both of more than 25% of the *home insurance policies* or more than 25% of the *motor insurance policies* sold by the *firm* in a reporting period.

**HANDBOOK ADMINISTRATION (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 139A (Power of the FCA to give guidance); and
 - (4) section 214 (General).
- 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 January 2022.

Amendments to the Handbook

- D. The Insurance: Conduct of Business sourcebook (ICOBS) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Handbook Administration (Home and Motor Insurance Pricing) Instrument 2021.

By order of the Board
16 August 2021

Annex A

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.

6B Home insurance and motor insurance pricing

...

6B.2 Setting renewal prices

...

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) ...

...

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~~ 6B.1.4G;
- (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.2.51R and *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.

Annex B

Amendments to the Supervision manual (SUP)

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

Part 1:

16 Reporting requirements

...

16.28 Home insurance and motor insurance pricing reporting

...

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:

...

(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~~ type (no split between type of *channel* or *tenure*);

...

...

Part 2:

16 Pricing information report form (REP 021)

Annex 49AR

This Part replaces in the Pricing information report form (REP 021) the column heading “Product” with the column heading “Product type” in the second column of each of the rows indicated in the table below:

| |
|---|
| Row in Pricing information report form (REP 021) |
|---|

| |
|----------|
| Row 2.01 |
| Row 3.01 |
| Row 4.01 |
| Row 5.01 |

Part 3:

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

...

(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 type e.g. *motor insurance*: car, motorcycles, including tricycles, other, *home insurance*: buildings only, contents only, buildings and contents;

...

(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 type 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 type; and

...

(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 type.

| Data | Notes |
|---|---|
| ... | |
| Average prior year gross premium | <p><i>Firms</i> should report the average gross premium paid for customers in the preceding year for the core product by customers by product group type, type of channel and by tenure. For example, if a firm is reporting data for motor insurance: car, for direct sales to customers with tenure T4, then the firm should report the average gross premium paid by for these customers at tenure T3.</p> <p><i>Firms</i> do not need to report average prior year gross premium in respect of customers of tenure T0.</p> |
| ... | |
| Total earned premium | <p>The total premium earned in the claims-related reporting period. This should be calculated on the same basis as that reported in a firm's financial statements.</p> <p>This information is only to be reported for the total aggregated figures by product group type (not by tenure).</p> |
| Average earned premium | <p>The total premium earned in the claims-related reporting period divided by the number of policies from which the total premium was earned. This should be calculated on the same basis as a firm calculates this metric for internal purposes.</p> <p>This information is only to be reported for the total aggregated figures by product group type (not by tenure).</p> |
| Gross incurred claims ratio (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 type (not by tenure).</p> <p>The gross incurred claims ratio represents the incurred claims cost (gross of reinsurance) as a proportion of earned premium (gross of reinsurance), 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 firm's 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 type (not by tenure).</p> |

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| 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 • 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 <u>type</u> (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 <u>type</u> (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 <u>type</u> (not by <i>tenure</i>).</p> |
| ... | |

