

# Increasing transparency and engagement at renewal



Following the FCA consultation paper CP15/41, in August 2016 the FCA confirmed their final rules and guidance – PS16/21: Increasing transparency and engagement at renewal in general insurance markets. The new rules aim to ensure that consumers are engaging and making informed decisions rather than renewing products by default, without considering whether or not they offer good value, or remain suitable for their needs.

- **New Rule:** Disclose the previous year's premium (either the premium at the start of the current policy or, where relevant, a figure that reflects mid-term adjustments)
- **New Rule:** Messaging encouraging consumers to check their cover and shop around
- **New Rule:** Identify consumers who will be renewing for the fourth or subsequent time and give them a prescribed shopping around message
- **New Guidance:** Maintain records to demonstrate compliance, including keeping a record of premiums.

The rules and guidance within PS16/21 applies to:

- Insurers and intermediaries selling retail insurance products
- Policies of 10 months or more duration
- Existing consumers directly being offered renewal (not part of a group policy)

The necessary changes to renewal communications is required by **1st April 2017** in accordance with the regulatory date set by the FCA.

In the context of intermediated business, the broker and insurance intermediary will be responsible for providing last year's renewal premium to the consumer. This is necessary because the price quoted by the insurer at last renewal may have been adjusted by the broker/intermediary (e.g. rebating commission, applying an override, or with commission added to a net rated risk). Additionally, the broker/intermediary may have sold secondary add-on policies alongside the primary policy. In any of these circumstances the annual premium, if provided by the insurer, would not be accurate.

Likewise, the number of years the customer has renewed their cover through the same channel on the same or equivalent basis will be known accurately by the broker or insurance intermediary.

As an intermediated business you will need to comply with the above regulation.

## Please note

- Business held on legacy products where a customer covering letter is available as part of the documentation suite: They will remain unchanged and not contain the 'shopping around message' or last year's premium for the reasons outlined above. Please include the appropriate information in your customer communication at the time of offering renewal.
- Where intermediated business is transacted on a system which is shared with our direct business, the renewal document suite will include information on last year's premium and number of year's renewed

*Should you require any more specific information regarding these requirements please visit the FCA website <https://www.fca.org.uk/publications/increasing-transparency-and-engagement-renewal-general-insurance-markets-ps16-21>) or contact your usual Key Account Manager or Account Executive .*