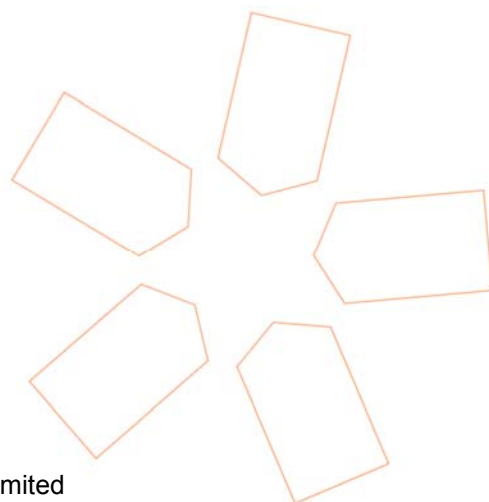




POLARIS U.K. LIMITED

Update for Brokers on the FCA Renewal Transparency Policy Statement

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Amendment History

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1.0	27/02/2017	J Childs	Final version

References

Doc Ref	Title	Version
	FCA Consultation Paper CP15/41 https://www.fca.org.uk/publications/consultation-papers/cp15-41-increasing-transparency-and-engagement-renewal-general	N/A
	FCA Policy Statement PS16/21 https://www.fca.org.uk/publications/increasing-transparency-and-engagement-renewal-general-insurance-markets-ps16-21	N/A

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Background

In early January 2017, Polaris published a document containing frequently asked questions on the Financial Conduct Authority (FCA) policy statement (PS16/21). This policy statement introduces requirements for firms, intended to provide greater transparency to retail customers, when inviting renewal of a general insurance contract of 10 or more month's duration. The requirements are:

1. Provision of the premium for the previous year¹
2. Inclusion of a message reminding consumers of the importance of checking that cover remains appropriate, and advising them to shop around
3. At fourth and subsequent renewal of a policy, to include a prescribed wording reinforcing the shopping around message (in place of the shopping around part of the message mentioned in 2 above)
4. To maintain records to demonstrate compliance including keeping a record of premiums.

This document is being issued as a reminder of the requirements and to address two areas that were mentioned in the previous document, but which would benefit from greater clarity

How Does the Fourth and Subsequent Renewal Requirements Apply for Brokers?

ICOBs rule (6.1.12A) states that

“(1) This *rule* applies when a *firm* proposes to a *consumer* the renewal of a *general insurance contract*, which is not a *group policy*, and which has a duration of 10 months or more.
(2) In this *rule*, ‘renewal’ means carrying forward a *policy*, at the point of expiry and as a successive or separate operation of the same nature and duration as the *policy*, with the same *insurance intermediary* or the same *insurer*.”

Therefore, policies being renewed by the same broker (even though they may have replaced the risk with a new insurer) are considered to be within the scope of this rule, and you must therefore determine whether a policy is being “renewed”.

An example was provided to FCA asking for clarification on the scenario whereby a broker actively engages with the customer, and offers other insurance options, and the customer then decides to remain with the same insurer. Their response was that they would not be able to confirm the position without reviewing the entire customer journey.

For this reason, if you are in any doubt we suggest you consider a policy to have been renewed. And, if you decide that the policy has not been renewed and “reset the clock”, you document the reasons for doing so.

Must Add-Ons Be Included in the Last Year's Premium?

A number of brokers have argued that because add-ons are not explicitly mentioned in the Policy Statement they are not required to include them when quoting last year's renewal premium.

However, first the FCA Consultation Paper CP15/41 seeking feedback on its proposals (<https://www.fca.org.uk/publications/consultation-papers/cp15-41-increasing-transparency-and->

¹ Or a representative premium where a mid-term adjustment has taken place

[engagement-renewal-general](#)) stated that the premium shown should include add-ons, and the policy statement did not change this position.

Furthermore, whilst a policy statement may deal with an issue in isolation, as soon as the 'rules made' are introduced into the FCA Handbook, they have to be applied alongside and not to the exclusion of the other rules that are already in force in the handbook. In this case, the renewal requirements not only sit within the same rule book as the requirements on add-ons, but the same chapter of that rule book.

The policy statement gives an example of this at 2.16 on page 11 in relation in being permitted to show the monthly and adding (over the page on page 12) 'However, we remind firms that we expect them to disclose the total premium for general insurance policies, as displaying the monthly premium alone is not sufficient'.

For these reasons, add-ons should be included in last year's renewal premium.