

Chapter 16

Reporting requirements



16.28 Home insurance and motor insurance pricing reporting

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 *policy*” means

An *additional product* which is a *general insurance contract* sold as a separate contract or *policy* in connection with, or alongside, a *motor insurance* or *home insurance policy*.

“average prior year gross *premium*” means

The average gross *premium* paid by a *customer* of *tenure T_n* for the product in the reporting category when that *customer’s tenure* 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 SUP 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</i> effected by the <i>insurer</i> . |
| A non-price setting <i>insurance intermediary</i> | <i>Contracts of insurance</i> in relation to which: (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> | <i>Contracts of insurance</i> , in relation to which: (a) the price-setting <i>intermediary</i> carried on or was responsible for <i>insurance distribution activities</i> ; and (b) the <i>firm</i> was acting as a price-setting <i>intermediary</i> . |
| A <i>managing agent</i> | <i>Contracts of insurance</i> written at Lloyd's. |
| An <i>insurer</i> , <i>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.
- (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.

Content of the report and pricing information

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 (11) 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 (11) 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 type (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 forms 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.