

Chapter 16

Reporting requirements



16.8 Persistency reports from insurers and data reports on stakeholder pensions

Application

- 16.8.1 **G** The effect of **■ SUP 16.1.1 R** is that this section applies to:
- (1) every *insurer* with *permission* to effect or carry out life policies, unless it is a *non-directive friendly society*; and
 - (2) every *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme*.

Purpose

- 16.8.2 **G** The purpose of this section is to enable information on the persistency of life policies and data on stakeholder pensions to be prepared and provided to the *FCA* in a standard format. This information is used in the monitoring of *firms* both individually and collectively.

Requirement to submit persistency and data reports

- 16.8.3 **R**
- (1) An *insurer* with a *permission* to effect or carry out *life policies* must submit to the *FCA* a persistency report in respect of *life policies* by 30 April each year in accordance with this section.
 - (2) A *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme* must submit to the *FCA*:
 - (a) a data report on stakeholder pensions by 30 April each year using the form specified in **■ SUP 16 Annex 6R**.
 - (b) [deleted]

Alternative year end date

- 16.8.3A **R**
- (1) A *firm* may submit persistency and a data report for a 12 month period ending within 4 months of its *accounting reference date* if:
 - (a) it has notified the *FCA* of this intention by email using the email address specified in **■ SUP 16.3.10 G (3)** no later than the *firm's accounting reference date*; and
 - (b) it either:

- (i) has an *accounting reference date* other than 31 December; or
- (ii) undertakes *industrial assurance policy* business.

How to submit persistency and data reports

16.8.3B R Firms required to submit reports as set out in SUP 16.8.3 R (1) and SUP 16.8.3 R (2) must do so online through the appropriate systems accessible from the FCA's website.

Interpretation of this section

16.8.4 R In this section, and in SUP 16 Annex 6R:

- (1) '12 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions effected in Y-2, '24 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions effected in Y-3, and so on;
- (2) 'CC' means the number of *life policies* or stakeholder pensions which:
 - (a) were effected during the period to which the calculation relates; and
 - (b) are reported on in the persistency report or data report (see SUP 16.8.8 R to SUP 16.8.15 R);
- (3) 'CF' means the number of *life policies* or stakeholder pensions within 'CC' which are treated as in force at the end of Y-1 or, for a report under SUP 16.8.3 R (2) (b), the relevant 12 month period (see SUP 16.8.16 R to SUP 16.8.18 R);
- (4) 'contract anniversary' means the anniversary of the date on which the *life policy* or stakeholder pension was effected falling within Y-1;
- (5) 'data report' means a report in respect of stakeholder pensions complying with SUP 16.8.19 R to SUP 16.8.21 R;
- (6) [deleted]
- (7) 'group personal pension policy' means a *life policy* which is not a separate *pension scheme*, effected under a collecting arrangement made for the *employees* of a particular employer to participate in a personal pension arrangement on a group basis;
- (8) [deleted]
- (9) 'mortgage endowment' means an *endowment assurance effected* or believed to be effected for the purposes of paying off a loan on land;
- (10) 'new', in relation to a stakeholder pension, has the meaning given in SUP 16.8.11 R (2);
- (11) 'ordinary assurance policy' means a *life policy* which is not an *industrial assurance policy*;

- (12) 'other life assurance' means a *life policy* other than a *pension policy*, *endowment assurance* or *whole life assurance*;
- (13) 'other pension policy' means a *pension policy* other than a *personal pension policy*;
- (14) 'persistency rate' means a rate calculated using this formula: $CF \times 100 / CC$ (see the example in ■ SUP 16.8.5G);
- (15) 'persistency report' means a report in respect of life policies and stakeholder pensions complying with ■ SUP 16.8.19A R and ■ SUP 16.8.21 R;
- (16) 'regular premium life policy' means a *life policy* where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions (for example by means of a direct debit mandate);
- (17) 'regular premium stakeholder pension' means a stakeholder pension where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions;
- (18) 'single premium life policy' means a *life policy* that is not a regular premium *life policy*, except that a recurrent single premium *life policy* must be treated as a regular premium *life policy*;
- (19) 'single premium stakeholder pension' means a stakeholder pension which is not a regular premium stakeholder pension, except that a recurrent single premium stakeholder pension must be treated as a regular premium stakeholder pension;
- (20) 'stakeholder pension' means an individual's rights under a *stakeholder pension scheme*;
- (21) 'substitute', in relation to stakeholder pension, has the meaning given in ■ SUP 16.8.11 R (2);
- (22) 'Y' means the year in which the report must be submitted, 'Y-1' means the preceding year, 'Y-2' means the next earlier year and so on; and
- (23) 'year' means calendar year, unless ■ SUP 16.8.3AR (1) applies in which case it means the 12 month period notified to the FCA.

16.8.5



Example of calculation of persistency rate for life policies that commenced during 1996 (see ■ SUP 16.8.3 R)

Y (year of reporting)	Number of <i>life policies</i> which commenced during 1996	Number of 1996 <i>policies</i> that cease to be in force during Y-1	Deaths and re-tire-ments (not included in CC and CF)	CF	CC
1998	1000	143	2	1000 - 143 - 2 = 855	1000 - 2 = 998
1999	1000	25	1	1000 - 143 - 25 - 2 - 1 = 829	1000 - 2 - 1 = 997

Report submitted in 1998 Persistency rate for *life policies* that commenced during Y-2 (that is 1996)

Report submitted in 1999 Persistency rate for *life policies* that commenced during Y-3 (that is 1996)

16.8.6 **G** *Firms* are reminded that annuity contracts other than deferred annuity contracts are not within the definition of '*life policy*'.

16.8.7 **R** [deleted]

Life policies and stakeholder pensions to be reported on in the persistency or data reports

16.8.8 **R** A persistency report or data report must report on a *life policy* or stakeholder pension if:

- (1) it is not of a type listed in **SUP 16.8.13 R** or **SUP 16.8.14 R**;
- (2) it was effected by:
 - (a) the *firm* submitting the report; or
 - (b) an unauthorised member of the *group* of the *firm* submitting the report and in circumstances in which that *firm* was responsible for the promotion of that *life policy* or stakeholder pension; or
 - (c) another *firm*, but is being carried out by the *firm* submitting the report; and
- (3) the *person* who sold it or who was responsible for its promotion was, in so doing, subject to *rules* in COBS.

16.8.9 **G** *Life policies* and stakeholder pensions falling within **SUP 16.8.8 R** (2) (c) are those which have been transferred from another *firm*, for example under an insurance business transfer scheme under Part 7 of the Act (Control of Business Transfers).

- 16.8.10** **R** *Life policies* falling within **■ SUP 16.8.8 R**, which were sold subject to the conduct of business rules of a *previous regulator*, need to be reported only if they were required to be reported on by the rules of the *previous regulator* of the *firm* submitting the report.
- 16.8.11** **R**
- (1) A *life policy* or stakeholder pension which was issued in substitution for a similar contract may be treated as being effected on the inception date of the previous *life policy* or stakeholder pension, provided that the *firm* is satisfied that no loss to the *policyholder* is attributable to the substitution.
 - (2) A stakeholder pension which is treated as in (1) is a "substitute" stakeholder pension. A "new" stakeholder pension is any other stakeholder pension.
- 16.8.12** **G** Examples of loss to the *policyholder* under **■ SUP 16.8.11 R** are losses resulting from higher charges and more restrictive benefits and options.
- 16.8.13** **R** A persistency or data report must not report on any of the following:
- (1) a *life policy* or stakeholder pension that was cancelled from inception whether or not this was as a result of service of a notice under the *rules* on cancellation (**■ COBS 15**);
 - (2) [deleted]
 - (3) a *life policy* (excluding *income withdrawal*) or stakeholder pension which has terminated as a result of death, critical illness, retirement, maturity or other completion of the contract term;
 - (4) *income withdrawals* that have ceased as a result of the death of the *policyholder*;
 - (5) in the case of a persistency report only, a *life policy* which is a stakeholder pension;
 - (6) a *life policy* purchased by the trustees of an *occupational pension scheme* which is a *defined benefits pension scheme*;
 - (7) a *life policy* purchased by the trustees of an executive money purchase occupational pension scheme.
- 16.8.14** **R** A persistency report required by **■ SUP 16.8.3 R** need not contain information:
- (1) on a *life policy* if the number of *life policies* on substantially the same terms effected by the relevant *firm* (or member of the *firm's group*) in the relevant year did not exceed the higher of fifty and 1% of the total reportable *life policies* effected by the *person* in that year; and
 - (2) on *life policies* and stakeholder pensions if a *firm* has no *life policies* or stakeholder pensions to report on in **■ SUP 16 Annex 6R**.

16.8.14A	R	In circumstances where a <i>firm</i> has no data to report in one or both of the <i>life policies</i> and stakeholder pensions sections of ■ SUP 16 Annex 6R, a <i>firm</i> must submit a nil return using the relevant field(s) in the form.
16.8.15	R	If the term of an <i>endowment assurance</i> is less than five years, the <i>life policy</i> must only be included in a persistency report in respect of years up to and including the anniversary prior to maturity.
Life policies and stakeholder pensions to be treated as in force		
16.8.16	R	Subject to ■ SUP 16.8.17 R and ■ SUP 16.8.18 R, a <i>life policy</i> or stakeholder pension must be treated as in force at the end of Y-1 (that is, included in CF) if and only if: <ul style="list-style-type: none"> (1) in the case of a regular premium life policy: <ul style="list-style-type: none"> (a) in the case of an <i>industrial assurance policy</i> on which the <i>premiums</i> are paid at intervals of four weeks, the <i>premium</i> has been paid in respect of the four-week period in which the policy anniversary falls; or (b) in any other case, the <i>premium</i> has been paid in respect of the month in which the policy anniversary falls; (2) in the case of a single premium life policy, the policy has not been surrendered as at the policy anniversary; (3) in the case of a regular premium stakeholder pension: <ul style="list-style-type: none"> (a) for a report required by ■ SUP 16.8.3 R (2) (a), the premium has been paid in respect of the month in which the contract anniversary falls; (b) [deleted] (4) in the case of a single premium stakeholder pension: <ul style="list-style-type: none"> (a) for a report required by ■ SUP 16.8.3 R (2)(a), the contract has not been surrendered as at the contract anniversary. (b) [deleted]
16.8.17	R	A cluster <i>life policy</i> must be reported as a single <i>life policy</i> and must be treated as in force (that is included in CF) even if some of the constituent <i>life policies</i> have been terminated.
16.8.18	R	An <i>income withdrawal</i> that has terminated other than by death of the <i>policyholder</i> must be treated as not in force at the end of Y-1 (that is, not included in CF).
Contents of the persistency or data report		
16.8.19	R	<ul style="list-style-type: none"> (1) [deleted] (2) [deleted] (3) [deleted]

- 16.8.19A

R

A persistency report on *life policies* and stakeholder pensions must be in the format of ■ SUP 16 Annex 6R.
- 16.8.20

R

[deleted]
- 16.8.21

R

The *firm* must, if a persistency report reports on:

(1) an *endowment assurance* with a term of five years or less:

(a) [deleted]

(b) report on such a policy in the report in ■ SUP 16 Annex 6R;

(2) a group personal pension policy, include the policy as a personal pension policy in the report in ■ SUP 16 Annex 6R;

(3) a mortgage endowment, also include the policy as an endowment assurance in the report in ■ SUP 16 Annex 6R;

(4) an *income withdrawal*, not include the policy under any other relevant category in ■ SUP 16 Annex 6R.

- 16.8.22

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(1) [deleted]

(2) [deleted]

Records

- 16.8.23

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A *firm* must make and retain such records as will enable it to:

(1) monitor regularly the persistency of *life policies* and stakeholder pensions effected through each of its *representatives*; and

(2) make persistency reports or data reports to the *FCA* in accordance with ■ SUP 16.8.3R.

- 16.8.24

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In order to comply with ■ SUP 16.8.23 R, a *firm* will as a minimum need to make and retain separate records for:

(1) *life policies* and stakeholder pensions originally promoted:

(a) by company representatives; or

(b) by intermediaries providing *independent advice* or *restricted advice*; or

(c) through the *firm's* own *direct offer financial promotions*;

(d) [deleted]

(2) *life policies* and stakeholder pensions not within (1), including those effected as *execution-only transactions*, for inclusion in the relevant form under 'Other';

(3) *life policies* and stakeholder pensions written assuming the payment of:

- (a) regular premiums;
 - (b) a single premium;
- (4) *life policies* written as:
 - (a) ordinary assurance policies;
 - (b) *industrial assurance policies*;
- (5) the categories of *life policies* and stakeholder pensions referred to in [■ SUP 16 Annex 6R](#).