

Chapter 16

Reporting requirements



16.27 General insurance value measures reporting

Who?

- 16.27.1 **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 16.27.8R.
- 16.27.2 **R** The *rules* in this section do not apply to a *TP firm* or a Gibraltar-based firm where the *state of the risk* is an *EEA State* or Gibraltar, to the extent that the *EEA State* in question or Gibraltar imposes measures of like effect.

What?

- 16.27.3 **R** This section applies to a *firm* which has carried on the business described in column 2 of the table in ■ SUP 16.27.8R in relation to *general insurance contracts*:
 - (1) which are of a product type set out in ■ SUP 16 Annex 48R;
 - (2) excluding contracts set out in ■ SUP 16.27.4R; and
 - (3) excluding contracts entered into where the *customer* was habitually resident outside the *UK* at the time.
- 16.27.4 **R** This section does not apply in relation to the following types of *general insurance contracts*:
 - (1) no claims bonus protection;
 - (2) private medical insurance;
 - (3) contracts provided with a *packaged bank account*;
 - (4) contracts entered into by a *commercial customer*; or
 - (5) *group policies*.

Purpose

- 16.27.5 **G** (1) The purpose of this section is to require *firms* to submit information on certain value measures *general insurance contracts* in a standard format to the *FCA*. This information enables the publication of the

value measures data in the pursuance of the *FCA's* effective competition and consumer protection objectives.

- (2) The purpose of ■ SUP 16.27 is to provide the *FCA* with general insurance value measures data that it can use to publish guidance (and which may also assist with the *FCA's* monitoring of *firms'* compliance with ■ PROD 4.5). The purpose of that publication is to:
 - (a) promote competition in relation to product value, by creating incentives for *firms* to make improvements to products and address poor product performance; and
 - (b) protect *consumers* by reducing the potential for harm caused by the sale or purchase of poor value products.

Definitions

16.27.6

R

In this section and ■ SUP 16 Annex 48R, ■ SUP 16 Annex 48AR and ■ SUP 16 Annex 48BG:

"add-on <i>policy</i> " means	a <i>policy</i> that is sold in connection with, or alongside, another product.
"average claims pay-out" means	total claims pay-out cost divided by the number of claims where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided and the claim is closed at the end of the reporting period.
"average number of <i>policies</i> in force" means	the average number of <i>policies</i> in force during the relevant reporting period, calculated by adding up the total <i>policies</i> in force at the end of each <i>month</i> and dividing by the total number of months in the reporting period.
"claim" means	any claim made by a potential beneficiary, including queries in respect of a potentially claimable event or loss (which has taken place).
"claims acceptance rate" means	(a)the number of claims registered; less (b)the number of claims rejected; divided by (c)the number of claims registered.
"claims accepted" means	claims where all or part of the claim has been accepted and a pay-out has been made and/or benefit provided, and the claim is closed or settled during the reporting period.
"claims complaints" means	complaints of a type that are reported in column O of the DISP 1 Annex 1R Table 4 or would have been reported if the threshold of 500 opened complaints was disregarded.

<p>“claims complaints as a percentage of claims” means</p>	<p>the percentage calculated using the formula:</p>
	<p>$A/B \times 100$</p>
	<p>where:</p>
	<p>(a) A = claims complaints</p>
	<p>(b) B = claims registered</p>
<p>“claims frequency” means</p>	<p>the number of claims registered divided by the average number of <i>policies</i> in force.</p>
<p>“claims pay-out cost” means</p>	<p>the total costs of providing benefits to <i>policy</i> beneficiaries in relation to claims accepted during the reporting period including:</p>
	<p>(a) the total monetary value (£) of claim pay-outs;</p>
	<p>(b) the total cost incurred by the provider <i>firm</i> in providing non-monetary benefits; and</p>
	<p>(c) specific claims costs incurred by the provider <i>firm</i> in handling individual claims including claims investigation costs.</p>
<p>“claims registered” means</p>	<p>all claims during the reporting period less the number of:</p>
	<p>(a) claims walkaways;</p>
	<p>(b) claims in respect of which the potential beneficiary reports an event or loss giving rise to the claim but does not wish to make a claim;</p>
	<p>(c) claims rejected for insurance fraud; and</p>
	<p>(d) claim rejected because the <i>policy</i> has been lawfully voided by the <i>insurer</i>.</p>
<p>“claims rejected” means</p>	<p>claims by potential beneficiaries of the <i>policy</i>, declined or rejected in the reporting period, regardless of:</p>
	<p>(a) when the claim was registered;</p>
	<p>(b) whether or not the claim is rejected at the first notification of loss;</p>
	<p>(c) whether the claim is rejected for breach of a <i>policy</i> condition, pursuant to an applicable <i>policy</i> exclusion, due to the application of an excess or otherwise,</p>
	<p>but excluding claims rejected for insurance fraud or because the <i>policy</i> has been lawfully voided by the <i>insurer</i>.</p>

“claims walkaways” means	claims closed during the reporting period due to the potential beneficiary not pursuing the claim.
“distribution arrangement” means	in relation to the relevant product, each distribution arrangement through which the product is sold, as identified by the consumer facing <i>firm</i> or brand.
“no claims bonus protection” means	a <i>contract of insurance</i> which will, in the event of a claim, within certain limits, protect the purchaser’s number of years during which a person is deemed not to have made a claim for the purposes of calculating the no claims bonus discount incorporated by a provider into the price of a motor insurance product.
“policy sales” means	<i>policies</i> sold in the reporting period, including renewals, and regardless of the period covered by the contracts.
“reporting period” means	(a)the period beginning on 1 January and ending on 31 December; or (b)any shorter period in accordance with SUP 16.27.12 (2).
“stand-alone <i>policy</i> ” means	a <i>policy</i> that is not sold in connection with, or alongside, another product.
“total gross retail premiums (written)” means	the total amount of gross written premium, based on the premiums charged to the end consumer (excluding insurance premium tax) in relation to policies sold during the reporting period.
“value measures data” means	the data required to be included in a value measures report and set out in SUP 16.27.10R to 16.27.11R.
“value measures report” means	the report referred to in SUP 16.27.7R.

Requirement to submit a value measures report

16.27.7 **R** Where a *firm* of a type set out in column 1 of the table in ■ SUP 16.27.8R has carried on the business in column 2 of the same row in relation to the products set out in ■ SUP 16 Annex 48R, it must:

- (1) submit to the *FCA* a report containing the value measures data in relation to that business; and
- (2) submit the report in accordance with ■ SUP 16.27.12R to ■ SUP 16.27.17R.

16.27.8 **R** This is the table referred to in ■ SUP 16.27.7R.

(1) Type of firm	(2) Nature of business
An <i>insurer</i> other than a <i>TP firm</i> or Gibraltar-based firm	all <i>contracts of insurance effected</i> by the <i>insurer</i> .
A <i>TP firm</i> or Gibraltar-based firm	all <i>contracts of insurance effected</i> by the <i>TP firm</i> or Gibraltar-based firm from an establishment of the firm (or its <i>appointed representative</i>) in the <i>UK</i> .
A <i>TP firm</i> or Gibraltar-based firm	all <i>contracts of insurance effected</i> by the firm (a) from an establishment outside the <i>UK</i> with a <i>customer</i> in the <i>UK</i> ; and (b) which were not <i>manufactured</i> by a firm operating from an establishment in the <i>UK</i> .
A firm <i>manufacturing</i> from an establishment in the <i>UK</i>	all <i>contracts of insurance effected</i> by a <i>TP firm</i> or Gibraltar based-firm from an establishment outside the <i>UK</i> with a <i>customer</i> in the <i>UK</i> .
A firm, a <i>TP firm</i> or a Gibraltar-based firm which, from an establishment in the <i>UK</i> , either: (1) <i>manufactures</i> ; or, if not, (2) advises on or proposes <i>contracts of insurance</i> which it does not <i>manufacture</i> .	all <i>contracts of insurance effected</i> by a firm from an establishment outside the <i>UK</i> with a <i>customer</i> in the <i>UK</i> without carrying on a <i>regulated activity</i> in the <i>UK</i> .
An <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> ; and (b) the provider entering into the contract as principal is not an <i>authorised person</i> in relation to that activity. References to <i>firms</i> in SUP 16 include references to these unauthorised providers, where the context requires.
A <i>managing agent</i>	any <i>contracts of insurance</i> written at the <i>Society</i> .

16.27.9



Firms must comply with the following in relation to the table in

■ SUP 16.27.8R:

- (1) where different *insurers* underwrite different elements of the cover that form part of the same *policy*, then the *insurer* underwriting the main part of the cover (and in the event of any doubt, the first part of the cover recorded in the *policy*) must report the value measures data for all elements of the cover (including optional extras and cover extensions);
- (2) the exception to (1) is in relation to *policies* which include a legal expenses product element (after the event or before the event legal

expenses, as described in ■ SUP 16 Annex 48R), where the *insurer* of the legal expenses element must separately report the value measures data for the legal expenses element; and

- (3) references to *manufacturing* are to *manufacturing* in whole or in part. Where there is more than one *firm* referred to in column 1 that *manufactures a contract of insurance*, then only one must report the value measures data and each *firm* must agree in writing with the others which *firm* is responsible.

Content of the report and value measures data

16.27.10 **R**

A value measures report must contain value measures data set out in ■ SUP 16.27.11R as follows:

- (1) the data must be completed in respect of each of the products set out in ■ SUP 16 Annex 48R; and
- (2) the data must only be included in relation to each product within the scope of ■ SUP 16.27 where both of the following criteria have been met in respect of that product in the relevant reporting period:
 - (a) total gross retail premiums (written) exceed £400,000; and
 - (b) more than 3,000 *policies* involving the *firm* in the manner set out in column 2 of ■ SUP 16.27.8R are in force.

16.27.11 **R**

The value measures data is:

- (1) the number of policy sales;
- (2) total gross retail premiums (written);
- (3) the number of claims registered;
- (4) average number of policies in force;
- (5) claims frequency;
- (6) the number of claims accepted;
- (7) the number of claims rejected;
- (8) claims acceptance rate;
- (9) total claims pay-out cost;
- (10) average claims pay-out;
- (11) the amount that the top 2% of claim pay-outs are above;
- (12) the names of the five largest distribution arrangements;
- (13) the number of claims walkaways;

- (14) the number of claims complaints; and
- (15) claims complaints as a percentage of claims.

Annual submission date and reporting period

- 16.27.12 **R**
- (1) The value measures report must be submitted annually on or before 28 February and contain information in relation to the immediately preceding reporting period.
 - (2) Where a *firm* carried on business in relation to one or more of the products set out in **■ SUP 16 Annex 48R** for part of a reporting period, its value measures report should contain value measures data for the part of the reporting period that it operated.

Format and method of submission and format

- 16.27.13 **R**
- A value measures report must be completed using the form and format set out in **■ SUP 16 Annex 48AR**, using the notes for completion in **■ SUP 16 Annex 48BG**.

- 16.27.14 **R**
- The report must be submitted online through the appropriate systems accessible from the *FCA's* website.

- 16.27.15 **R**
- A value measures report will not be considered as submitted to the *FCA* unless all the mandatory reporting fields set out in **■ SUP 16 Annex 48AR** have been completed correctly and the report has been accepted by the relevant *FCA* reporting system.

- 16.27.16 **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) should be used.

Value measures disclosure

- 16.27.17 **R**
- Any *firm* that submits a value measures report to the *FCA* must include a statement that:

it understands that the *FCA* produces and publishes *guidance* that contains the value measures data that the *firm* submitted to the *FCA*; and/or

it has informed any other *firm* to whom the relevant value measures data relate that the *FCA* publishes the *guidance* referred to in (1).

Publication of value measures data by the FCA

- 16.27.18 **G**
- The *FCA* publishes *guidance* that contains the value measures data for the following purposes:

- (1) to promote competition in relation to product value, by creating incentives for *firms* to make improvements to products and address poor product performance; and
- (2) to protect consumers by reducing the potential for harm caused by the sale or purchase of poor value products.

16.27.19 **G** The *FCA* publishes firm-level value measures data in bands. The *FCA* will only publish firm-level value measures data in bands for claims frequency, claims acceptance rate, average claims pay-outs and claims complaints as a percentage of claims where the value measures report shows that, in respect of the relevant product, both of the criteria in ■ SUP 16.27.10R(2)(a) and (b) have been met.