

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

G

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 *firm* has no data to report in one or both of the *life policies* and stakeholder pensions sections of **■ SUP 16 Annex 6R**, a *firm* must submit a nil return using the relevant field(s) in the form.

16.8.15 **R** If the term of an *endowment assurance* is less than five years, the *life policy* 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 *life policy* or stakeholder pension must be treated as in force at the end of Y-1 (that is, included in CF) if and only if:

- (1) in the case of a regular premium life policy:
 - (a) in the case of an *industrial assurance policy* on which the *premiums* are paid at intervals of four weeks, the *premium* has been paid in respect of the four-week period in which the policy anniversary falls; or
 - (b) in any other case, the *premium* 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:
 - (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:
 - (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 *life policy* must be reported as a single *life policy* and must be treated as in force (that is included in CF) even if some of the constituent *life policies* have been terminated.

16.8.18 **R** An *income withdrawal* that has terminated other than by death of the *policyholder* 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**
- (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 **G** (1) [deleted]

(2) [deleted]

Records

16.8.23 **R** 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 **G** 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.