

VALUE MEASURES REPORTING AND MONITORING INSTRUMENT 2020

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 July 2021, except for Annex C which comes into force on 1 January 2021.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Supervision manual (SUP)	Annex B
Product Intervention and Product Governance sourcebook (PROD)	Annex C

Notes

- E. In this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of the readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Value Measures Reporting and Monitoring Instrument 2020.

By order of the Board
17 September 2020

Annex A

Amendment to the Glossary of definitions

This Annex comes into force on 1 July 2021.

In this Annex, underlining indicates new text.

commercial customer (in *ICOBS* and *SUP 16*) a *customer* who is not a *consumer*.

Annex B

Amendments to the Supervision manual (SUP)

This Annex comes into force on 1 July 2021.

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

13A Application of the Handbook to Incoming EEA firms

Annex

1G

...

(1) Module of the Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of a firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
<i>SUP</i>
	SUP 16 (Reporting requirements)	SUP 16 (Reporting requirements)
	... arrange safeguarding and administration of assets. <u>(h) an insurer with permission to carry out general insurance contracts.</u>	... arrange safeguarding and administration of assets. <u>(g) an insurer with permission to carry out general insurance contracts.</u>

...		

...

16 Reporting requirements

16.1 Application

...

- 16.1.2 G (1) Subject to (2), the only categories of *firm* to which no section of this chapter applies are:
- ...
- (b) an *incoming EEA firm* or *incoming Treaty firm*, unless it is:
- (a) a *firm* of a type listed in SUP 16.1.3R as a type of *firm* to which SUP 16.6, SUP 16.7A, SUP 16.9, SUP 16.12, ~~or~~ SUP 16.14, or SUP 16.27 applies; or
- ...
- ...

16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.16, SUP 16.17, SUP 16.22, ~~and~~ SUP 16.26 and SUP 16.27)

(1) Sections	(2) Categories of firm to which applies		(3) Applicable rule and guidance
...			
SUP 16.25	...		
<u>SUP 16.27</u>	<u>A firm which, in respect of general insurance contracts, is:</u>		<u>Entire section</u>
	<u>(a)</u>	<u>an insurer;</u>	
	<u>(b)</u>	<u>an incoming firm falling within (a), including those providing cross border services;</u>	
	<u>(c)</u>	<u>a managing agent;</u> <u>or</u>	
	<u>(d)</u>	<u>an insurance intermediary;</u>	
	<u>to the extent that the firm and its business falls within the scope of SUP 16.27.7R.</u>		
...			

...

16.2 Purpose

16.2.1 G (1) ...

...

(4) 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.

...

16.3 General provisions on reporting

Application

16.3.1 G The effect of SUP 16.1.1R is that this section applies to every *firm* except:

...

(2) an *incoming EEA firm* or *incoming Treaty firm*, which is not:

(a) a *firm* of a type listed in SUP 16.1.3R as a *firm* to which section SUP 16.6, ~~or~~ SUP 16.12 or SUP 16.27 applies;

...

...

Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

...

(20) claims management reporting (SUP 16.25); ~~and~~

(21) *Directory persons* information reporting (SUP 16.26); and

(22) value measures data reporting (SUP 16.27).

...

Confidentiality and sharing of information

- 16.3.23 G When the *FCA* receives a report which contains confidential information and whose submission is required under this chapter, it is obliged under *Part 23* of the *Act* (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential: ~~(See see SUP 2.2.4G).~~
- 16.3.24 G *SUP 2.3.12AG* states that the *FCA* may pass to other regulators information which it has in its possession. Such information includes information contained in reports submitted under this chapter. The *FCA*'s disclosure of information to other regulators is subject to *SUP 2.2.4G* (Confidentiality of information). Also, some value measures data in *SUP 16.27* is used by the *FCA* to create published guidance. This public disclosure is to assist the *FCA* to discharge its public functions.

...

Insert the following new section after *SUP 16.26* (Reporting of information about Directory persons). The text is not underlined.

16.27 General insurance value measures reporting

Application

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:
- (1) an *incoming firm* in respect of that part of its business that was carried on as an *electronic commerce activity* from another *EEA State*; or
 - (2) an *incoming firm* where the *state of the risk* is an *EEA State* to the extent that the *EEA State* in question 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 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.

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	<p>(a) the number of claims registered; less</p> <p>(b) the number of claims rejected; divided by</p> <p>(c) the number of claims registered.</p>
“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 <i>DISP</i> 1 Annex 1R Table 4 or would have been reported if the threshold of 500 opened complaints was disregarded.
“claims complaints as a percentage of claims” means	<p>the percentage calculated using the formula:</p> $A/B \times 100$ <p>where:</p> <p>(a) A = claims complaints</p> <p>(b) B = claims registered</p>
“claims frequency” means	the number of claims registered divided by the average number of <i>policies</i> in force.
“claims pay-out cost” means	<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 (£)</p>

	<p>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>

	but excluding claims rejected for insurance fraud or because the <i>policy</i> has been lawfully voided by the <i>insurer</i> .
“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.
“ <i>policy</i> 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

	<i>SUP</i> 16.27.10R to 16.27.11R.
“value measures report” means	the report referred to in <i>SUP</i> 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 an <i>incoming firm</i>	all <i>contracts of insurance effected</i> by the <i>insurer</i> .
An <i>incoming firm</i>	all <i>contracts of insurance effected</i> by the <i>incoming firm</i> from an establishment of the <i>firm</i> (or its <i>appointed representative</i>) in the <i>UK</i> .
An <i>incoming firm</i>	all <i>contracts of insurance effected</i> by the <i>firm</i> : (a) on a <i>cross border services</i> basis; and (b) which were not <i>manufactured</i> by a <i>firm</i> operating from an establishment in the <i>UK</i> .
A <i>firm manufacturing</i> from an <i>establishment</i> in the <i>UK</i>	all <i>contracts of insurance effected</i> by an <i>incoming firm</i> on a <i>cross border services</i> basis.
A <i>firm</i> which, from an <i>establishment</i> in the <i>UK</i> , either:	all <i>contracts of insurance effected</i> by an <i>incoming firm</i> on a <i>cross border</i>

<p>(1) <i>manufactures</i>; or, if not,</p> <p>(2) advises on or proposes <i>contracts of insurance</i> which it does not <i>manufacture</i>.</p>	<p><i>services</i> basis in respect of that part of its business that was carried on as an <i>electronic commerce activity</i> from another <i>EEA State</i>.</p>
<p>An <i>insurance intermediary</i></p>	<p><i>contracts of insurance</i> in relation to which:</p> <p>(a) the <i>insurance intermediary</i> carried on or was responsible for <i>insurance distribution activities</i>; and</p> <p>(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 <i>SUP 16</i> include references to these unauthorised providers, where the context requires.</p>
<p>A <i>managing agent</i></p>	<p><i>any contracts of insurance</i> written at the <i>Society</i>.</p>

- 16.27.9 R *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 (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:
- (1) it understands that the *FCA* produces and publishes *guidance* that contains the value measures data that the *firm* submitted to the *FCA*; and/or

- (2) 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.

Insert the following new annexes *SUP* 16 Annex 48R, 16 Annex 48AR and 16 Annex 48BG after *SUP* 16 Annex 47BG (Guidance notes for Directory persons report in *SUP* 16 Annex 47AR). The text is not underlined.

**16
Annex
48R** **Products covered by the reporting requirement in *SUP* 16.27.7R**

Product	Product definition
Alloy wheel insurance	<i>contracts of insurance</i> against the risks of loss in relation to vehicle alloy wheels.
Breakdown insurance	<i>contracts of insurance</i> under which benefits are provided in the event of an accident to or breakdown of a vehicle including those where the effecting and carrying out is excluded from article 10(1) or (2) of the <i>Regulated Activities Order</i> by article 12(1), but excluding parts and garage cover <i>contracts of insurance</i> .
Dental cover	<i>contracts of insurance</i> providing benefits in the nature of indemnity, with or without limit, or fixed pecuniary benefits (or a combination of both) against risks of loss to the persons insured attributable to their

	incurring the cost of dental work.
Excess protection (for motor insurance)	<i>contracts of insurance</i> to cover the risks of incurring an excess in the event of a motor insurance claim.
Extended warranty – furniture	<i>contracts of insurance</i> against the risks of loss attributable to damage to furniture and having the effect as if the manufacturer’s or vendor’s warranty on the furniture is extended for a period of time or is extended in scope.
Extended warranty – electrical goods	<i>contracts of insurance</i> against the risks of loss attributable to failure of an electrical product (excluding motor vehicles and personal gadgets) and having the effect as if the manufacturer’s or vendor’s warranty on the product is extended for a period of time or is extended in scope.
Extended warranty – motor	<i>contracts of insurance</i> against the risks of loss to the persons insured attributable to failure of a motor vehicle and having the effect as if the manufacturer’s or vendor’s warranty on the motor vehicle is extended for a period of time or is extended in scope.
Gadget (including mobile phone)	<i>contracts of insurance</i> against the risks of loss attributable to loss, breakdown or failure of a personal electronic gadget (including mobile phones).
<i>GAP contracts</i>	see <i>Glossary</i> definition.
Healthcare cash plan	<i>contracts of insurance</i> providing fixed pecuniary benefits against risks of the persons insured requiring health care for sickness, infirmity, dental work or injuries sustained.
Home – buildings	<i>contracts of insurance</i> against loss of or damage to the structure of (but not the contents of) domestic properties.
Home – buildings and contents	<i>contracts of insurance</i> against loss or damage to either the structure or contents of domestic properties and including cover against risks of incurring liabilities to third parties arising out of injuries sustained within the boundary of a domestic property.
Home – contents	<i>contracts of insurance</i> against loss of or damage to the contents of (but not the structure of) domestic properties.
Home emergency	<i>contracts of insurance</i> providing assistance in the event of home emergencies.
Identity theft	<i>contracts of insurance</i> relating to assistance in the event of identity theft.
Key cover	<i>contracts of insurance</i> to cover the risks of loss arising from lost, stolen and/or broken keys.

Legal expenses	<i>contracts of insurance</i> (or cover within a <i>policy</i>) against the risks of loss to the persons insured attributable to their incurring legal expenses including costs of litigation.	
Missed Event/Ticket insurance	<i>contracts of insurance</i> against the risk of loss of use of the ticket (excludes <i>travel policies</i>).	
Mortgage payment protection	<i>payment protection contracts</i> enabling a <i>policyholder</i> to protect their ability to continue to make payments due to third parties in respect of mortgages.	
Motor	<i>motor vehicle liability</i> , where the <i>vehicle</i> has more than two wheels and is not a motorcycle with side-car and:	
	(a)	the primary purpose of each <i>vehicle</i> insured on the contract is to transport nine or fewer non-fare paying persons and each <i>vehicle</i> insured on the contract is individually rated;
	(b)	the primary purpose of each <i>vehicle</i> insured on the contracts is to transport nine or fewer non-fare paying persons the persons insured are not a body corporate or partnership, and the number of <i>vehicles</i> insured on the contract is three or less; or
	(c)	the primary purpose of each <i>vehicle</i> insured on the contracts is to transport ten or more non-fare paying persons, the persons insured are not a body corporate or partnership and each <i>vehicle</i> insured on the contract is individually rated.
Motorcycle	<i>motor vehicle liability</i> in respect of two-wheeled <i>vehicles</i> or motorcycles with a side car.	
Parts and garage cover	<i>contracts of insurance</i> to cover the risks of incurring parts and garage repair costs in the event of a motor vehicle breakdown, but excluding breakdown insurance.	
Payment protection (including credit card, store cards and personal loans)	<i>payment protection contracts</i> enabling a <i>policyholder</i> to protect their ability to continue to make payments due to third parties other than in respect of mortgages.	
Personal accident	<i>contracts of insurance</i> providing fixed pecuniary benefits and/or benefits in the nature of indemnity against the risks of a beneficiary:	
	(a)	sustaining injury as a result of an accident; or
	(b)	dying as a result of an accident; or
	(c)	becoming incapacitated in consequence of disease,

	but excluding healthcare cash plans and private medical products.
Pet – accident only policies	<i>contracts of insurance</i> against the risk of loss to the person insured attributable to accidents to domestic pets, providing for each accidental injury.
Pet – lifetime policies	<i>contracts of insurance</i> against risk of loss to the person insured attributable to new illness or injury to domestic pets, providing a set amount of cover each year the <i>policy</i> remains in force.
Pet – maximum benefit policies	<i>contracts of insurance</i> against risk of loss to the person insured attributable to sickness of or accidents to domestic pets providing a fixed maximum benefit for each illness or injury.
Pet – time-limited policies	<i>contracts of insurance</i> against risk of loss to the person insured attributable to sickness of or accidents to domestic pets to cover the treatment of each illness or injury and a set time period for which treatment of each illness or injury will be covered.
Single trip – travel	<i>contracts of insurance</i> against a risk of loss to the persons insured attributable to a travelling on single-trip or to their making of travel arrangements for a single trip.
Travel (annual) – EU	<i>contracts of insurance</i> against a risk of loss to the persons insured attributable to their travelling or to their making of travel arrangements, covering the <i>UK</i> and/or the <i>EU</i> for a year.
Travel (annual) – worldwide	<i>contracts of insurance</i> against a risk of loss to the persons insured attributable to their travelling or to their making of travel arrangements, covering worldwide travel (excluding European-only travel insurance) for a year.
Tyre insurance	<i>contracts of insurance</i> to cover the risks of loss arising from the need to repair or replace motor vehicle tyres.
Vehicle cosmetic insurance	<i>contracts of insurance</i> to cover the risks of loss arising from cosmetic damage to motor vehicles <i>such as minor scratches and dents</i> . (excludes motor and motorcycle insurance policies).
Vehicle misfuelling insurance	<i>contracts of insurance</i> to cover the risks of loss arising from putting the wrong fuel into motor vehicles.
Vehicle pothole insurance	<i>contracts of insurance</i> to cover risks of loss arising from vehicle damage caused by potholes.
Wedding and party insurance	<i>contracts of insurance</i> against the risk of loss arising from the cancellation of weddings or private parties.

16 Annex 48AR Value measures report form (REP019)

**REP019-
Value
measures
report**

Year ended 31/12/XXXX
FRN Number

- 1 Reporting period covered by this report
- 2 Is this the first report or restatement?
- 3 Reporting Firm
- 4 Please confirm that the reporting firm understands that the FCA produces and publishes guidance that contains the value measures data information that the firm submitted to the FCA
- 5 Please confirm that the reporting firm has informed any other firm to whom the relevant value measures information data relate that the FCA publishes the guidance

Product category	Add-on or stand-alone or all	Distribution arrangement	Number of policy sales to UK consumers	Total retail premiums (written)	Number of claims registered	Average number of policies in force	Claims frequency	Number of claims where all or part of the claim has been accepted and a pay-out has been made (and the claim is closed at the year-end)	Number of claims that have been rejected in the year	Claims acceptance rate	Total claims pay-out cost (for claims where all or part of the claim has been accepted and a pay-out has been made and the claim is closed at the year-end)	Average claims pay-out	The amount that the top 2% of claim payouts are above	Number of claim walkaways	Number of claims complaints	Claims complaints as a % of claims
Alloy wheel insurance	Add-on	Names of five largest distribution arrangements														
Alloy wheel insurance	Stand-alone	Names of five largest distribution arrangements														
Dental cover	All	Names of five largest distribution arrangements														
Excess protection (for motor insurance)	Add-on	Names of five largest distribution arrangements														
Excess protection (for motor insurance)	Stand-alone	Names of five largest distribution arrangements														
Extended warranty - electrical goods	Add-on	Names of five largest distribution arrangements														
Extended warranty - electrical goods	Stand-alone	Name of five largest distribution arrangements														
Extended	Add-	Names of five														

16 **Notes on completing the value measures report form (REP019)**
Annex
48BG

Proform a column	Proforma	Guidance
B	Add-on policies and stand-alone policies sales	Where cover is included within the main <i>policy</i> or sold as an optional extra or a cover extension of the <i>policy</i> (A) and not a separate <i>policy</i> then that cover should be reported as part of the reporting for <i>policy</i> (A). The only exception to this approach is the reporting of legal expenses cover which should be reported separately in any event.
F	Number of claims registered	<p>Examples of how the number of claims registered should be reported are set out below:</p> <p>Scenarios</p> <p>Where an event covers multiple claim components this should be reported as a single claim. This could include multiple treatments for a single condition for pet insurance, which would be treated as a single claim.</p> <p>Where a person contacts the <i>firm</i> to report an event as required under their insurance <i>policy</i> but does not wish to make a claim, this should not be reported as a claim registered.</p> <p>Where a customer initially calls, or contacts the <i>firm</i>, to make a claim and is advised at that time that the loss is not covered or the claim is below the <i>policy</i> excess and decides not to pursue a potential claim further then this should be reported as a claim registered and a rejected claim.</p> <p>Where a person rings the <i>firm</i> to ask a general or hypothetical question about their <i>policy</i> or the cover, or checks their <i>policy</i> coverage online then this should not be reported as a claim registered.</p> <p>Where a claim is registered but not subsequently pursued (including where the customer does not contact the <i>firm</i> again) and the <i>firm</i> closes the claim within a reasonable period then the claim should be removed from claims registered (in the period that the claim is closed) and treated as a claims walkaway in that period.</p>

I	Number of claims accepted	<p>Examples of how the number of claims accepted should be reported are set out below:</p> <p>Scenarios</p> <p>If a <i>firm</i> pays out on one element of a claim, but is still investigating another element of the claim at the end of the relevant reporting period (i.e. the claim is still open) then this claim should only be reported as a claim accepted in the reporting period in which:</p> <p>(a) the final pay-out has been made; or</p> <p>(b) the claim is otherwise closed.</p> <p>If a <i>firm</i> pays out on one or more elements of a claim, but rejects other elements of the claim (and the claim is now closed by the end of the reporting period) then this claim acceptance should be reported in this data field.</p> <p>If a <i>firm</i> pays out on one or more elements of a claim and there are no outstanding elements of the claim at the year end and it is closed, these claims should be included. If in the subsequent period, the claim is reopened then this subsequent element of the claim should not be included in this data field.</p>
J	Claims rejected	<p>For the purposes of the report <i>firms</i> may use the description of insurance fraud in the Insurance Fraud Register (see http://www.theifr.org.uk/en/faqs/#1175).</p> <p>An example of a claim rejected because of breach of condition of the <i>policy</i> is where a claimant failed to notify the provider within an appropriate time period after an event that was likely to result in a claim.</p> <p>An example of a claim rejected because there is no cover is where the claim falls within an exclusion under the terms and conditions.</p> <p><i>Firms</i> should include claims rejected at the first notification of loss.</p> <p><i>Firms</i> should include claims whether or not they were registered in the same reporting period as they were rejected.</p> <p>Examples of how <i>firms</i> should report rejected claims are set out below:</p> <p>Scenarios</p>

		<p>Where a <i>firm</i> rejects one element of the claim but other element(s) of the claim are still being investigated and are outstanding then this partial rejection should not be included in this data field for this reporting period. However, if in the following period the remaining elements of the claim are rejected then the claim rejection should then be included in this data field for that later reporting period.</p> <p>Where a <i>firm</i> accepts one element of the claim but rejects another element of the claim, this should not be treated as a rejected claim.</p> <p>Where a claim has been rejected because the <i>policy</i> has been voided, this should not be treated as a rejected claim.</p> <p>Where a customer has contacted the wrong <i>insurer</i> or provider to make a claim – this should not be included in the registered and rejected claims data.</p> <p>Where a person contacts the <i>firm</i> to enquire whether they are covered for a claim (relating to an event that has taken place or loss that has occurred) and are informed that they are not covered, then this should be included in both claims rejected and claims registered.</p> <p>Where an <i>insurer</i> or provider is part of a panel and the panel provider may not record which <i>insurer</i>/providers on the panel rejected the claim – <i>firms</i> may estimate their number of rejected claims by calculating a proportion of rejected claims in line with the <i>insurer</i>/provider’s share of the business.</p> <p>Where a claim is closed and the only cost incurred is an investigation fee or cost (e.g. a call-out charge) and the claim is rejected then this should be treated as a rejected claim. However, if following the investigation the customer walks away from the claim then the claim should not be treated as a rejected claim.</p> <p>Where a claim is registered and some elements of the claim have been rejected, but the customer has walked away from the remaining elements of the claim then this should be treated as a rejected claim.</p>
<p>L</p>	<p>Total claims pay-out cost</p>	<p>These costs could include both internal and external outsourced costs, where relevant. For example, loss assessment activities performed in-house could be included, including both the direct cost and an appropriate apportionment of overheads.</p>

		<p>Excluded costs are:</p> <ul style="list-style-type: none"> • expenses including costs associated with the general handling of claims; • other non-claims costs; and • costs of providing a regular service element such as a helpline or a boiler service for home emergency. <p>Scenarios</p> <p>Where part of the claim was paid-out in the previous reporting period and part in the current reporting period, then the claim pay-out that took place in the previous period should be included in the calculation for the total pay-out in the current reporting period.</p> <p>Where a claim has been closed/settled in the previous period but the claim has been reopened in the current reporting period, any additional claim pay-out should be included in this field.</p> <p>Where <i>firms</i> subsequently receive recoveries from other <i>firms</i> these recoveries should be netted off against the relevant claim pay-outs.</p> <p>Where a claim is settled, but the settlement includes a regular payment element then the settlement value as it is reported on the <i>firm's</i> system should be included in the cost.</p>
N	Top 2% of claims	<p><i>Firms</i> should report the amount that the top 2% of claim pay-outs are above in the reporting period.</p> <p>For example, if you have 100 claims then the 2% column would be the total claim pay-out cost for the claim accepted with the 2nd highest claim.</p>
Q	Claims complaints as a % of claims	<p>This may be calculated as the number of claims complaints divided by the number claims registered.</p>

Amend the following as shown.

TP 1 Transitional provisions

...

TP 1.2

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
19	...				
<u>20</u>	<u>SUP 16.27</u>	<u>R</u>	<u>This section applies to any activities upon which the value measures data in SUP 16.27.11R is based and which are carried out after 1 July 2021, regardless of the effective date of any particular general insurance contract.</u>	<u>From 1 July 2021</u>	<u>1 July 2021</u>
<u>21</u>	<u>SUP 16.27.12</u>	<u>R</u>	<u>The first value measures report to be provided on 28 February 2022 will have a reporting period of 1 July 2021 – 31 December 2021 and references to “reporting period” should be read accordingly.</u>	<u>From 1 July 2021 to 1 March 2022</u>	<u>1 July 2021</u>

...

Annex C

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

This Annex comes into force on 1 January 2021.

In this Annex, underlining indicates new text, unless otherwise stated.

1 Product Intervention and Product Governance Sourcebook (PROD)

...

1.4 Application of PROD 4

...

1.4.1A R PROD 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data) applies regardless of when the product was first manufactured.

Insert the following new section PROD 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data), after PROD 4.4 (Additional expectations for manufacturers and distributors of insurance products). The text is not underlined.

4.5 Additional expectations for manufacturers and distributors in relation to value measures data

Application and definitions

4.5.1 R *PROD 4.5 applies to a firm which manufactures or distributes a general insurance contract product which is the subject of a reporting requirement within SUP 16.27 (General insurance value measures reporting).*

4.5.2 R In this section:

“value measures product” means	a product which is the subject of a reporting requirement within SUP 16.27, regardless of when that product was first <i>manufactured</i> .
“value measures information” means	both the individual value measures data reported to the FCA by a <i>firm</i> as well as the value measures data relating to other <i>firms</i> published by the FCA, including that based on value measures data reported to it under SUP 16.27.

Manufacturers of value measures products

- 4.5.3 R A *firm* which *manufactures* (in whole or in part) a value measures product must comply with the requirements in *PROD* 4.5.4R.
- 4.5.4 R The requirements on *manufacturers* referred to in *PROD* 4.5.3R are:
- (1) that in relation to existing value measures products the *firm* has effective procedures in place to ensure that, on a continuing basis, the product offers fair value to *customers* in the target market, taking into account, among other things:
 - (a) the needs of the target market;
 - (b) the *firm's* reasonable assessment of the value expectations of *customers* in the target market;
 - (c) the value measures information, within a reasonable period;
 - (d) any particular features of the product or the terms and conditions that may give rise to concerns about poor value;
 - (e) appropriate product testing including scenario analysis and testing on *consumers*; and
 - (f) the charging structure of the product including examination of whether the costs and charges are compatible with how useful the product is to *consumers* and the transparency of costs and charges.

[**Note:** The requirement in *PROD* 4.5.4R(1)(c) applies from 1 July 2021, when *SUP* 16.2 will be in force.]

- (2) that in relation to new products and significant adaptations to existing products, the *firm's* product approval process in *PROD* 4.2.1R, product testing in *PROD* 4.2.22EU including considerations in *PROD* 4.2.25R and the review of products in *PROD* 4.234R also incorporate the procedures and considerations in (1) above.
- (3) *manufacturers* that identify any aspects of a product that may mean the product does not offer fair value, must:
 - (a) take appropriate action to mitigate the situation and/or prevent further occurrences of any possible detriment to customers;
 - (b) inform any relevant distributors promptly about remedial action being taken; and
 - (c) where relevant, not bring new products to market or make any proposed changes.

- (4) *manufacturers* must regularly review the products it offers or markets to ensure they continue to offer fair value taking into account any event that could materially affect whether this remains the case.
- (5) where the *firm* is required to submit a value measures report by SUP 16.27.7R, that the *firm* takes all reasonable steps to set up arrangements with *firms* entering into *contracts of insurance* as principal in relation to those products, to enable it to obtain the value measures data required to be included in the value measures report.
- (6) where there is more than one *manufacturer* they must all outline in writing their mutual responsibilities arising under PROD 4.5.3R and 4.5.4R.

4.5.5 G PROD 4.5.4R(1)(f) does not affect the *manufacturers'* freedom to set premiums.

Distributors of value measures products

4.5.6 R Where a *firm distributes* a value measures product that it does not *manufacture* it must comply with the requirements in PROD 4.5.7R.

4.5.7 R The requirements on *distributors* referred to in PROD 4.5.6R are:

- (1) that in relation to existing products it distributes, and any new products it proposes to distribute, the *firm* has procedures in place to consider, on a continuing basis, whether the product offers fair value to *customers* in the target market, taking into account the factors in PROD 4.5.4R(1)(a) to (f);
- (2) where the *firm* is required to submit a value measures report by SUP 16.27.7R, that the *firm* takes all reasonable steps to have arrangements with the *manufacturer* of the value measures products and/or *firms* or persons entering into *contracts of insurance* as principal in relation to those products, to enable it to obtain the value measures data required to be included in the value measures report;
- (3) *distributors* that identify any aspects of a product that may mean the product does not offer fair value, must:
 - (a) take appropriate action to mitigate the situation and/or prevent further occurrences of any possible detriment to *customers*, including, where appropriate, amending their distribution strategy for that product; and
 - (b) inform any relevant *manufacturers* promptly about any concerns they have and any action the *distributor* is taking.

Insert the following new Transitional Provisions, PROD TP 1, after PROD 5 (Extended warranties sold with rent-to-own agreements: customer information and deferred opt-in). The text is not underlined.

TP 1 Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.1	<i>PROD</i> 4.5R (in particular, <i>PROD</i> 4.5.1R, <i>PROD</i> 4.5.2R, <i>PROD</i> 4.5.4R(5) and <i>PROD</i> 4.5.7R(2)).	R	For the purposes of giving effect to the <i>rules</i> in <i>PROD</i> 4.5R only, any reference to being subject to a reporting requirement within <i>SUP</i> 16.27R must be read as if <i>SUP</i> 16.27R came into force on 1 January 2021.	From 1 January 2021 to 1 July 2021	1 January 2021