

NON-INVESTMENT INSURANCE: GENERAL INSURANCE AUTO-RENEWAL AND HOME AND MOTOR INSURANCE PRICING INSTRUMENT 2021

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance); and
 - (4) section 214 (General).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2022.

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) below.

(1)	(2)
Glossary of definitions	Annex A
Insurance: Conduct of Business sourcebook (ICOBS)	Annex B
Supervision manual (SUP)	Annex C

Citation

- E. This instrument may be cited as the Non-Investment Insurance: General Insurance Auto-Renewal and Home and Motor Insurance Pricing Instrument 2021.

By order of the Board
16 August 2021

Annex A

Amendments to the Glossary of Definitions

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

- renewal*
- (1) (except in *ICOBS 6B*, *SUP 16.28* and *SUP 16 Annex 49BG*) carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.
 - (2) (in *ICOBS 6B*, *SUP 16.28* and *SUP 16 Annex 49BG*) the entry by a *customer* into a *general insurance contract* which:
 - (a) is of the same product type as that *customer's* existing *general insurance contract*;
 - (b) is obtained from the same *firm* (including an *insurer*, *insurance intermediary* or *managing agent*) as that *customer's* existing *general insurance contract*; ~~and~~
 - (c) will take effect following the termination or expiry of the *customer's* existing ~~*policy*~~ *general insurance contract*; and
 - (d) is entered:
 - (i) in response to a renewal notice sent by the *firm*; or
 - (ii) in response to any other offer, proposal or recommendation made to, or encouragement of, the *customer* by the *firm* in the knowledge that it is dealing with an existing *customer* of the *firm*; or
 - (iii) via the same *intermediary* who arranged the *customer's* existing *general insurance contract*.

For the avoidance of doubt, (d)(ii) applies where a *firm*:

- (A) knows that a *customer* holds an existing *general insurance contract* with the *firm*; and
- (B) acting on that knowledge, offers or proposes, or recommends or encourages the *customer* to consider purchasing:
 - (a) a different product of the same product type;
or

(b) a product of the same product type via a different *channel*.

Annex B

Amendments to the Insurance: Conduct of Business Sourcebook (ICOBS)

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

6B Home insurance and motor insurance pricing

6B.1 Application and purpose

Application

What?

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6B.1.2 R ...

6B.1.2A R This chapter also applies where:

(1) a firm carries out insurance distribution activities at renewal; and

(2) the firm either:

(a) forgoes commission in whole or in part when selling to a new business customer; or

(b) offers cash or cash-equivalent incentives within the meaning of ICOBS 6B.2.12R to new business customers.

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6B.2 Setting renewal prices

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Intermediaries' remuneration and involvement in setting price

6B.2.34 R An *insurance intermediary* that is involved in the setting of any portion of the *renewal price* of the *policy* must ensure that the portion they set or their contribution to that portion is set at a level that is no higher than it would be set for a *new business customer*.

6B.2.35 R ~~Where an *insurance intermediary* forgoes its commission in whole or in part when selling to a *new business customer*, it must apply ICOBS 6B.2.9R to ICOBS 6B.2.15G when determining the equivalent *new business price* at *renewal*~~ An *insurance intermediary* that carries out *insurance distribution activities at renewal* and which either:

(1) forgoes commission in whole or in part when selling to *new business customers*; or

(2) offers a cash or cash-equivalent incentive (within the meaning of *ICOBS 6B.2.12R*) to *new business customers*,

must, to the extent that a *customer* renewing a *policy* would be eligible to benefit from the commission forgone or the cash or cash-equivalent incentive if they were a *new business customer*, include that forgone commission or cash or cash-equivalent incentive when:

(1) determining the *equivalent new business price at renewal*; and

(2) applying *ICOBS 6B.2.9R* to *ICOBS 6B.2.15G*.

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TP 2 Other 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
...					
8	<i>ICOBS 6.2.6R</i> and <i>ICOBS 6.5.1R</i> .	R	<p>(1) This transitional <i>rule</i> applies to a <i>firm</i> which is required to comply with <i>ICOBS 6.2.6R</i> or <i>ICOBS 6.5.1R</i>.</p> <p>...</p> <p>(3) (a) This paragraph applies to all <i>general insurance contracts entered into communications sent to customers</i> between 1 January 2022 and 16 January 2022 inclusive, except <i>communications sent in connection with</i></p>	From 1 January 2022 to 1 March 2022	1 January 2022

				<p>private health or medical insurance or pet insurance.</p> <p>(b) A <i>firm</i> must, by 28 February 2022, provide the information required by <u>ICOBS 6.2.6R and ICOBS 6.5.1R</u> to all customers who have entered into contracts to which this rule applies <u>of the firm who hold a current policy with the firm but who did not receive the required information because the firm made the election under paragraph (2).</u></p> <p>(c) The information must be provided in writing or another <i>durable medium</i>.</p>	
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Annex C

Amendments to the Supervision manual (SUP)

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

16 Reporting requirements

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16.28 Home insurance and motor insurance pricing reporting

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Requirement to submit a pricing information report

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16.28.9 R *Firms* must comply with the following in relation to the table in SUP 16.28.8R.

(1) ...

...

(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.