

**HANDBOOK ADMINISTRATION (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 Insurance: Conduct of Business sourcebook (ICOBS) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Handbook Administration (Home and Motor Insurance Pricing) Instrument 2021.

By order of the Board
16 August 2021

Annex A

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

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6B.2 Setting renewal prices

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Records

6B.2.51 R A *firm* must make and retain written records of how it continues to satisfy itself that it does not systematically discriminate against *customers* based on *tenure* in contravention of *ICOBS* 6B.2.39R, including details of:

- (1) the assessment undertaken by the *firm* to evaluate whether the *equivalent new business price* for, ~~or the margin earned from,~~ *customers* of longer *tenure* systematically exceeds that for *new business customers*;
- (2) ...

...

6B.2.53 R A *firm* must also make and retain written records of its consideration of the extent to which material decisions which it takes in relation to its compliance with the *rules* in this chapter are consistent with:

- (1) the objectives of these *rules* as set out in *ICOBS* ~~6B.1.3G~~ 6B.1.4G;
- (2) the requirement not to discriminate against *customers* based on *tenure* in *ICOBS* 6B.2.39R, *ICOBS* 6B.2.47R and *ICOBS* 6B.2.48R; and
- (3) the requirements in *ICOBS* 6B.2.42R around making arrangements to treat existing *customers* as *new business customers*.

6B.2.54 R The records in *ICOBS* 6B.2.51R and *ICOBS* 6B.2.52R must set out clearly:

- (1) the basis on which the *firm* is complying with the *rules* in this chapter;
- (2) how the *firm* has resolved any areas of discretion, ambiguity or potential uncertainty in its determination that the pricing of its *home insurance* and *motor insurance renewal* business, including *additional*

products available to *customers* in connection with this business, is in compliance with the *rules* in this chapter; and

- (3) appropriate expert input and advice on which the *firm* relies in satisfying itself as to its compliance with the *rules* in this chapter.

Annex B

Amendments to the Supervision manual (SUP)

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

Part 1:

16 Reporting requirements

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16.28 Home insurance and motor insurance pricing reporting

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Content of the report and pricing information

16.28.10 R A pricing information report must contain pricing information set out in *SUP* 16.28.11R (core pricing information for the core product), *SUP* 16.28.12R (additional claims-related information for the core product) and *SUP* 16.28.13R (pricing information for related *additional products* and fees) as follows:

...

(10 in respect of the information in *SUP* 16.28.12R only, the aggregated) information for each of the categories set out in (3) and (4) must be reported as the total aggregated for each product ~~group~~ type (no split between type of *channel* or *tenure*);

...

...

Part 2:

16 Pricing information report form (REP 021)

**Annex
49AR**

This Part replaces in the Pricing information report form (REP 021) the column heading “Product” with the column heading “Product type” in the second column of each of the rows indicated in the table below:

Row in Pricing information report form (REP 021)

Row 2.01
Row 3.01
Row 4.01
Row 5.01

Part 3:

16 **Notes on completing the pricing information report form (REP 021)**
Annex
49BG

This annex contains guidance on completing the pricing information report form (REP 021)

General notes

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(5) *Firms* should provide their core pricing information on the core product on an aggregated basis for each of *home insurance* and *motor insurance* products, including *closed books*, and then split by:

- (a) product ~~group~~ type e.g. *motor insurance*: car, motorcycles, including tricycles, other, *home insurance*: buildings only, contents only, buildings and contents;

...

(6) *Firms* should provide their additional claims-related information on the core product on an aggregated basis for each of *home insurance* and *motor insurance* products, including *closed books*, split by product ~~group~~ type only.

(7) *Firms* should also report core pricing information separately for *closed books*. *Firms* should name each *closed book* with 10,000 *policies* or more. *Firms* should provide information separately for each *closed book* with 10,000 *policies* or more and other *closed books* on an aggregated basis, split by:

- (a) product ~~group~~ type; and

...

(8) *Firms* should provide their information on related *additional products* and fees on an aggregated basis for each of their *home insurance* and *motor insurance* business, including *closed books*, split by *tenure*. This information does not need to be categorised by product ~~group~~ type.

Data	Notes
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Average prior year gross premium	<p><i>Firms</i> should report the average gross <i>premium paid for customers</i> in the preceding year for the core product by customers by product group <u>type</u>, type of <i>channel</i> and by <i>tenure</i>. For example, if a <i>firm</i> is reporting data for <i>motor insurance</i>: car, for direct sales to <i>customers</i> with <i>tenure</i> T4, then the <i>firm</i> should report the average gross <i>premium paid by for</i> these <i>customers</i> at <i>tenure</i> T3.</p> <p><i>Firms</i> do not need to report average prior year gross <i>premium</i> in respect of <i>customers</i> of <i>tenure</i> T0.</p>
...	
Total earned premium	<p>The total <i>premium</i> earned in the claims-related reporting period. This should be calculated on the same basis as that reported in a <i>firm's</i> financial statements.</p> <p>This information is only to be reported for the total aggregated figures by product group <u>type</u> (<i>not by tenure</i>).</p>
Average earned premium	<p>The total <i>premium</i> earned in the claims-related reporting period divided by the number of <i>policies</i> from which the total <i>premium</i> was earned. This should be calculated on the same basis as a <i>firm</i> calculates this metric for internal purposes.</p> <p>This information is only to be reported for the total aggregated figures by product group <u>type</u> (<i>not by tenure</i>).</p>
Gross incurred claims ratio (with IBNR/IBNER)	<p>Expressed as a percentage, actual claims incurred ratio for the claim-related reporting period. This data is only to be reported for total aggregated figures by product group <u>type</u> (<i>not by tenure</i>).</p> <p>The <i>gross incurred claims ratio</i> represents the incurred claims cost (gross of <i>reinsurance</i>) as a proportion of earned <i>premium</i> (gross of <i>reinsurance</i>), expressed as a percentage. Incurred claims cost is the cost of all claims reported for the claims-related reporting period, plus any other changes in the claims' reserves including for IBNR, IBNER and prior years' reserve adjustments in that period. This should be calculated on the same basis as that reported in a <i>firm's</i> financial statements.</p> <p>IBNR is claims incurred but not reported.</p> <p>IBNER is claims incurred but not enough reported.</p> <p>This information is only to be reported for total aggregated figures by product group <u>type</u> (<i>not by tenure</i>).</p>

Developed incurred claims ratio (with IBNR/IBNER)	<p>Expressed as a percentage, actual adjusted (ultimate) claims ratio for:</p> <ul style="list-style-type: none"> • the previous claim-related reporting period • the claim-related reporting period 2 years ago • the claim-related reporting period 3 years ago <p>The developed incurred claims ratio is the <i>gross incurred claims ratio</i> for prior years adjusted for claims that were not fully developed. This should be calculated on the same basis as that used by the <i>firm</i> to calculate the developed incurred claims ratio for internal purposes.</p> <p>This information is only to be reported for total aggregated figures by product group <u>type</u> (not by <i>tenure</i>).</p>
Total prior years' reserve release	<p><i>Firms</i> should report any reserve releases in the current claim-related reporting period that relate to surplus reserves for prior years.</p> <p>This information is only to be reported for total aggregated figures by product group <u>type</u> (not by <i>tenure</i>).</p>
Total prior years' reserve strengthening	<p><i>Firms</i> should report any reserve strengthening in the current claim-related reporting period that relate to shortfalls in reserves for prior years.</p> <p>This information is only to be reported for total aggregated figures by product group <u>type</u> (not by <i>tenure</i>).</p>
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