

# The customer and regulatory environment

- Joseph Smith
- Manager, GI Themes Team
- 5 June 2018



## Overview of current FCA work

- Current review of GI pricing practices was originally announced within the 2017/18 FCA Business Plan.
- The work is focused on pricing practices in home insurance and considers both insurers and intermediaries.
- Review work remains an FCA Business Plan priority for 2018/19.
- Primary focus aligns to our objectives, so considering customer outcomes, functioning of market and public value.

## Background to current work (1)

- New objectives at creation of FCA.
- CP15/41 – Increasing transparency and engagement at renewal in general insurance markets.
- Set expectations for firms and resulted in the introduction of new renewal rules.
- FS16/5 - Call for Inputs on Big Data in retail general insurance.
- Feedback statement which considered the potential risks of 'big data' for customers.

## Background to current work (2)

- Occasional Paper No. 22: Price discrimination and cross-subsidy in financial services.
- Followed Call for Inputs on Big Data
- Changing market dynamics – role of price comparison websites
- FCA focus on vulnerable customers
- Concerns within insurance industry – functioning of market and reputation

# Current FCA work

## What questions are we considering?

- How does home insurance pricing actually work in practice across a range of firms, both insurers and intermediaries?
- What governance is in place around home insurance pricing and the decisions taken around this overseen and governed?
- What are the range of outcomes for customers, how are these monitored and who takes responsibility for these?

# Regulatory framework and issues

- Governance
  - Senior managers regime and accountability
  - SYSC rules
- Complexity of pricing models
  - Number and range of inputs
  - Mechanics, implementation and effects
  - Review, monitoring and understanding of outputs

## Current and upcoming developments

- ABI/BIBA initiative on renewal pricing
- FOS discussion of pricing issues in Ombudsman News
- Media stories on renewal pricing and allegations of discriminatory pricing
- Insurance Distribution Directive
  - 'Best interests'
  - Increased disclosure requirements
- SMCR applicable to intermediaries

# Reflections

- Area of enhanced regulatory focus where effective governance is key
- Use of data and pricing techniques
- Practical impact of new regulations
- Government 'Modernising Consumer Markets Green Paper' published in April 2018
- Fundamental questions about what is 'fair'
- Impact on the reputation of industry