

FCA Pricing Practices Policy Statement - Product Governance

22 September 2021

These are the questions asked during the webinar on 22 September 2021 that will not be covered in the subsequent Fair Value webinars.

Question

Could you share the letter mentioned that brokers could send to insurers asking them about their product governance and value assessment?

Answer

For a copy of the letter please contact helpdesk@rwagroup.co.uk

Question

The FCA seem to be focusing on remuneration earned by brokers in their assessment of value. Is there a similar focus on the premium charged by the insurer?

Answer

Yes, the value requirements apply to the insurer and all parties in the distribution chain.

Question

Where Property Management Companies are arranging insurance for leasehold properties, they are obviously passing a charge onto the tenant. Are they obliged to tell us how much they are charging the tenants?

Answer

See [Buildings insurance for leasehold properties | FCA](#) which includes the following Fair value and buildings insurance.

Insurers and insurance intermediaries should consider the value of these insurance products for customers (including any policyholders who could bring a claim under the policy). This will include consideration of whether all relevant aspects of the policy – such as the total price, coverage and the effects of distribution arrangements (and associated remuneration) – would mean the product offers fair value.

Question

Premium Finance - can you elaborate on the term retail premium finance, so assume the FCA definition of retail customer?

Answer

From the glossary in PS21/5- [PS21/5: General insurance pricing practices market study: feedback to CP20/19 and final rules \(fca.org.uk\)](#) retail premium finance is defined as, and applies to a consumer.

“Retail premium finance a credit agreement (whether a regulated credit agreement or not) entered into with a view to its use, by a customer who is a consumer, to finance all or part of the premium for a non-investment insurance contract, excluding a credit agreement where the total price to the customer (including any APR, interest, repayments, fees and charges) does not result in the customer paying any amount in addition to the price of the policy.”

Question

Is a broker regarded as a manufacturer if they operate a delegated authority scheme?

Answer

That depends on how much they actually do. The Handbook definition of a manufacturer is "...creating, developing, designing and / or underwriting a contract of insurance". Therefore the insurer and broker would need to discuss and come to an agreement.

Question

Where you have co manufacturers for the product do both have to evidence the value or can just the one (duplication here could be expensive and time consuming)

Answer

From PS21/5 page 52 [PS21/5: General insurance pricing practices market study: feedback to CP20/19 and final rules \(fca.org.uk\)](#)

"We remind firms that all co-manufacturers are responsible for meeting all the PROD rules and cannot share or contract out of that responsibility. Whilst one co-manufacturer may lead on operating a certain aspect of the product approval process, both are equally responsible for complying with the rules. This applies to the new rules being added into PROD 4 now, as well as to the existing rules."

Question

If a Binder/DA is in place with a provider for a wholesale broker and the provider confirms they are the manufacturer and this is in writing, can the MGA/Wholesale Broker simply focus on distributor only responsibilities?

Answer

On the face of it yes, if the provider agrees, although see definition of manufacturer in answer above

Question

Should transparent fees charged by broker be included in the value assessment?

Answer

Yes, see answer below

Question

Do other earnings by brokers such as overrides, information sharing agreements, profit shares growth bonuses etc. get included?

Answer

Yes, as on the slide of the requirements on distributors.

"Consider the impact that the distribution arrangements (including any remuneration it, or another person in the distribution chain to which it belongs, receives) has on the overall value of the insurance product to the customer"



If you have any questions, contact RWA Compliance Services helpdesk
helpdesk@rwagroup.co.uk

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