

# NEWS BRIEF

Presented by **Crendon Insurance Brokers Ltd**

## FCA's New Personal Lines Disclosure Rules

On 10th August, the Financial Conduct Authority (FCA), the United Kingdom's financial services regulator, finalised new rules requiring increased premium disclosure, greater transparency and an explicit call for customers to 'shop around' at renewal time for all personal lines general insurance policies.

The new rules are the product of a December 2015 FCA consultation that ended in March 2016, with the goal of addressing 'concerns about levels of consumer engagement and the treatment of consumers by firms at renewal, and the lack of competition that results from this.'

After reviewing the consultation responses, the FCA has finalised its rules and set 1st April 2017 as the date they will go into effect. The FCA expects that the new rules 'will prompt customers to engage, shop around, and make better-informed decisions', as well as increase firms' focus on renewal practices and subsequently 'improve customer outcomes.'

### What Are the New Rules?

Starting 1st April 2017, all firms selling personal lines policies will be required to comply with the following:

- When consumers' circumstances have changed during the course of holding their policies, firms must give an annualised premium reflecting any mid-term adjustments at renewal time, instead of simply giving last year's premium.
- At each renewal, firms must communicate a 'shopping around' disclosure, to encourage consumers to consider cover when shopping around as well as price. For the first three renewals with the same consumers, firms have discretion over the exact wording they use. The FCA suggests the following:
  - 'Have you checked that your insurance cover still meets your needs? Have you considered shopping around to find the best deal for the cover you want?'

However, once consumers have reached their fourth (or more) consecutive renewal of a policy through the same channel, firms will be required to send the following prescribed message:

- 'You have been with us for a number of years. You may be able to get the insurance cover you want at a better price if you shop around.'

The FCA will require the message to be delivered directly by firms to help the message resonate with consumers.

- The new requirements will apply to all annual personal lines policies as well as 10-month policies, in order to prevent firms from skirting the rules.

### How Can I Comply?

To ensure your compliance, simply follow the new rules and update your renewal communications ahead of the 1st April 2017 start date.

Although these new rules make your renewal processes more transparent, they also allow you to better serve your clients. This mandatory communication can serve as another opportunity to showcase your value as an advisor—rather than just sending out the required messages, emphasise to your clients that it is your job as their knowledgeable advisor to ensure that they have the most effective cover at the best price. Consider communicating that, although the required FCA messaging could be disadvantageous to you as a broker, you want to serve, support and advise your clients as best you can—and that includes ensuring that they have done their due diligence and shopped around. Be sure to offer any assistance clients may need when shopping around.

By treating these new requirements as an opportunity rather than a threat, you can be sure to preserve your brand's reputation and better serve your personal lines clients.



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