STOP PRESS

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With a difficult year drawing to a close, the FCA has sent insurance providers a detailed questionnaire on how they go about assessing the value of their products. Product value and pricing will be major issues for intermediaries as well as for insurers during 2021. Watch this space for further news of the fallout from the GI Pricing review and product governance rules.

In this issue:

- **Thematic review of product value under way**
- **FCA reminds firms to be ready for end of transition period**
- **Business interruption insurance test case – guidance on proving the presence of coronavirus**
- **FSCS supplementary levy will hit brokers**
- **Insurers extend their Covid support**
- **Ombudsman's Plan and Budget 2021/22**
- **Minimum PII Indemnity Limits under IDD formally revised**
- **Proposals for long-term absence of Senior Managers**
- **FCA comments on Professional Construction Risks Ltd**

Thematic review of product value under way

The FCA has sent insurers and other firms regarded as product manufacturers a detailed information request looking into how firms assess and monitor the value of their products. The main purpose of the review is to assess firms' actions and customer outcomes in relation to the regulatory guidance, 'Product Value and Coronavirus', first published in the Summer. This required product manufacturers to assess their product lines by 3 December 2020 and take action where they had not been able to deliver the intended value to customers (consumers or commercial) in light of the pandemic.

The information request covers not only firms' response to the pandemic, but also how firms are addressing wider concerns about conduct, culture and governance raised in an earlier study of General Insurance Distribution Chains (FG 19/5).

The FCA is asking asks firms to provide information around specific committee/board reports where product value was discussed between November 2019 and December 2020 and to provide details of any product where the company has made 'material changes to the premiums charged', stopped writing new business or changed the level of cover provided as a result of the distribution chains review. The questions also cover the methodology used to determine the value of products, remuneration arrangements, any co-manufacturing arrangements, claim frequencies and loss ratios.

FCA reminds firms to be ready for end of transition period - FCA 1 December 2020

The FCA has reminded firms to be ready for the end of the transition period on 31 December 2020. In particular, firms that intend to carry on providing services currently covered by a passport will need to ensure they will be able to do so after the end of the transition period.

The FCA will continue to provide regular updates on its dedicated Brexit webpages, and firms can also call the FCA Brexit information line (0800 048 4255) if they have any questions. Please also refer to December's Hot TopICS for the latest available guidance.

Business interruption insurance test case – guidance on proving the presence of coronavirus – FCA 11 December 2020

Pending a decision by the Supreme Court on insurers' appeals against the Business Interruption test case judgement, the FCA is consulting on draft guidance on how the presence of coronavirus may be proved. The guidance is based on the High Court's judgment and declarations. It explains the types of evidence and methodologies which policyholders may use when proving the presence of coronavirus in a particular area around their premises.

The declarations of the High Court relating to proving the presence of coronavirus are not under appeal and not expected to be affected by the judgment of the Supreme Court. However, the FCA is not pre-judging the outcome of the appeals to the Supreme Court and the guidance will be amended should that outcome affect the draft guidance,

The guidance is intended to provide clarity for all parties and help to ensure that the process of proving the presence of coronavirus is made as simple as possible should it be confirmed that the relevant policies do provide cover in response to the pandemic.

The FCA encourages insurance intermediaries to help streamline and expedite claims handling for their clients in line with the Principles for Businesses, the Conduct of Business Rules (ICOBS) and Complaints Handling Rules (DISP).

The FCA stated on 15 December: "We have been informed by the Supreme Court that it will not be in a position to hand down the judgment before January 2021."

FSCS supplementary levy will hit brokers – FSCS Outlook 24 November 2020

Following the complex failure of London Capital & Finance, an increase in pension advice claims and other exceptional costs, the FSCS estimates the Life Distribution & Investment Intermediation (LDII) class requires £92m of additional funding in the form of a supplementary levy. This amount is more than the annual maximum that FSCS can raise from this class. Therefore, FSCS will source £8m from the LDII class and £33m from surpluses across other classes. It will then call for an additional £51m mainly from the retail pool (of which £29m would come from the GI distribution class). The retail pool is a separate pot that all classes are required to contribute to and is only used when one class exceeds its annual levy limit. The FSCS Outlook states any additional levies are expected to be confirmed in January 2021 and invoices will be issued to firms shortly afterwards.

Insurers extend their Covid support – ABI 14 December 2020

Pledges by members of the ABI to support both those working from home due to the pandemic and drivers have been further extended until 19 March 2021 – one year on since they were introduced. The pledges had been due to end on 31 December. This continued extra support could be of significant help to many of the UK's 17 million home insurance policyholders and 27 million motor insurance customers as the impact of the pandemic continues to be felt across the UK.

In particular, for office-based workers working from home because of the pandemic, their home insurance cover will not be affected and policyholders do not need to contact their insurer to update documents or extend your cover. The policies of workers who need to drive to and from their workplace because of the impact of Covid-19 will not be affected and they do not need to contact their insurer to update documents or extend cover.

Ombudsman's Plan and Budget 2021/22 – FOS December 2020

The FOS is considering an increase in the standard case fee from £650 to £750 from next year as it tackles complaints with increasing complexity and vulnerability, including complaints arising from Covid-19. The fee will apply only for the 26th and subsequent chargeable case in each financial year. In the first half of 2020/21, the FOS received nearly 40% more complaints than expected. For the purposes of this consultation, the FOS is projecting that it could receive 160,000 complaints including those from small businesses. The FOS Consultation closes 1 January 2021.

Minimum PII Indemnity Limits under IDD formally revised – FCA Quarterly Consultation Dec 2020

Firms within the scope of the IDD are required to hold minimum levels of PII cover which are reviewed periodically by the European Insurance and Occupational Pensions Authority (EIOPA) and revised by the EU Commission via regulatory technical standards. The latest review of these limits, as part of the 5-year review cycle, was published in the Official Journal of the EU on 22 November 2019. The minimum limits of indemnity for the IDD have been amended as follows:

- for a single claim against the firm, the limit increases from €1,250,000 to €1,300,380; and
- the total aggregate of claims, the limit has increased from €1,850,000 to €1,924,560.

The revised limits should have been applied from 12 June 2020, but consultation on these changes was delayed to avoid adding additional regulatory costs while firms were dealing with challenges arising from the Covid-19 pandemic. (The insurance sector has been aware of the review since it took place over a year ago & ICS had updated the Compliance Manual to show the new limits.)
The FCA acknowledges that most firms purchase PII cover above the required minimum limits of indemnity commensurate with their risk profile and the date of the Handbook update has not been confirmed.

Proposals for long-term absence of Senior Managers – FCA Quarterly Consultation December 2020

In instances where absence of a Senior Manager is over 12 weeks and the individual is expected to return to their role, proposed FCA rules and guidance would make clear that firms do not need to notify the regulators that the individual is no longer performing the SMF by submitting a Form C. Firms would also not be required to seek re-approval for the individual once they have returned to their role. Instead, firms would need to notify the FCA that the individual is on long term leave via Form D (which covers changes to personal information/application details and conduct breaches/disciplinary action related to conduct). Form D will include an additional field for firms to notify that the relevant individual is taking leave or returning, for example, from parental leave.

FCA comments on Professional Construction Risks Ltd – FCA 11 December 2020

On 11 December 2020, the FCA imposed various requirements on Professional Construction Risks Limited (PCRL). PCRL of Unit 2 Ebdon Bow, Ebdon Road, Weston-super-Mare, Avon, BS22 9NZ, was required immediately to cease carrying out regulated business, which includes arranging insurance contracts. This action by the FCA may be subject to challenge by PCRL.

Customers who have purchased an insurance policy through PCRL are encouraged to contact their insurer directly to confirm the status of their insurance policy.