

Managing  
General Agents'  
Association

**MGA**A

The logo for ICSR (International Council of Shareholders) features the letters 'I', 'C', 'S', and 'R' in a stylized, bold font. The 'I' is yellow, 'C' is red, 'S' is purple, and 'R' is blue. Below the letters is a horizontal bar with a rainbow gradient from red to blue.

# Fair Value Assessments and Consumer Duty – An Update on the FCA Approach and Enforcement

30<sup>th</sup> November 2023



## Our Speaker



### **Kenneth Underhill**

**Director  
ICSR**

Kenneth Underhill has almost 30 years in the London Insurance market and is the former General Counsel of Chubb European Group, then ACE. A Director of multiple Insurance Companies operating in over 30 countries with a turnover in the range of \$5+ billion, he was responsible for Legal, Compliance and Corporate Governance across the EMEA region and had a team of 60 or so. Prior to that Kenneth was a founding partner of the Commercial & Regulatory team at Reynolds Porter Chamberlain. Kenneth founded ICSR in 2017.

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# Welcome

## Welcome – MGAA and guests

- Learning objectives - Attendees of the briefing will have a clear understanding of and be able to:
  - Outline what actions have been taken by the FCA in relation to the value measures data released on 20th September and why the FCA have taken these actions;
  - List the FCA's 3 main areas of concern resulting from the value measures data and know why these are relevant to an MGA
  - Describe what action the FCA expect to be taken at (co)manufacturer and distributor level in relation to the assessment of Fair Value and implementation of the Consumer Duty.
  - Summarise which factors contribute to the value profile of a General Insurance product – and how the FCA expect firms to measure and evidence these factors in establishing and proving the fair value performance of products for consumers.
  - Explain what processes to follow and how technology can help MGAs measure value and evidence compliance.

# Agenda



Background



D-day: 20<sup>th</sup> September



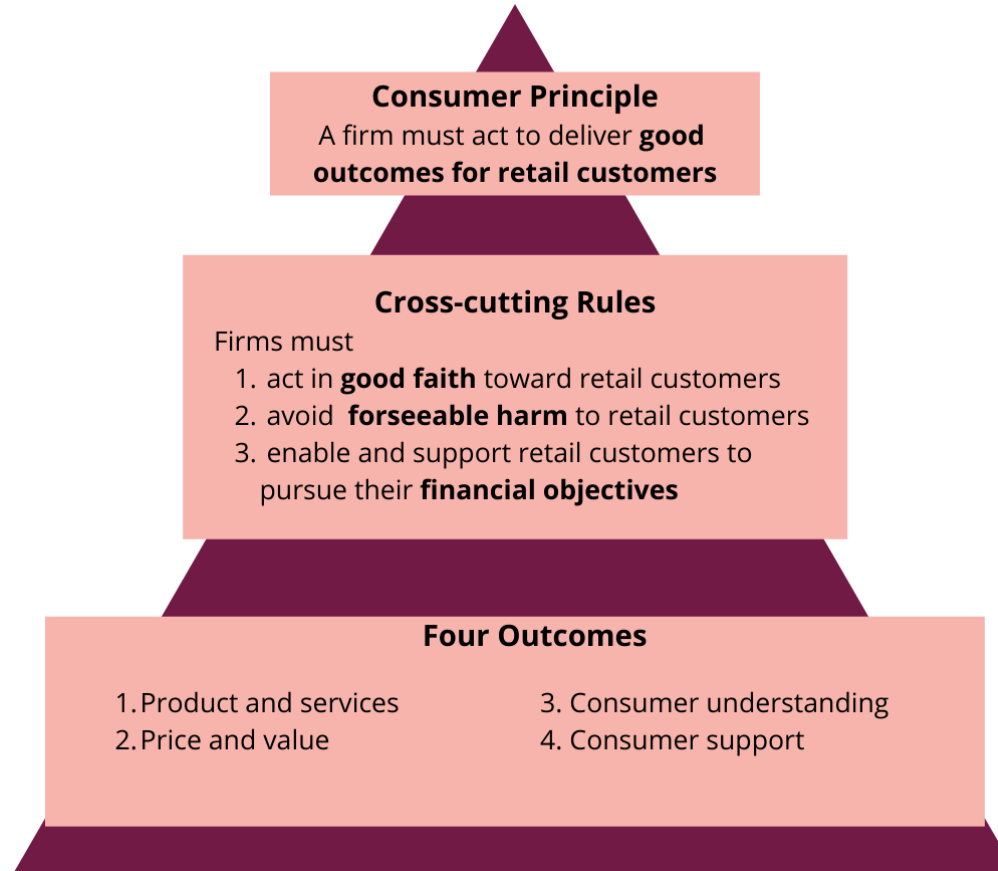
FCA Concerns



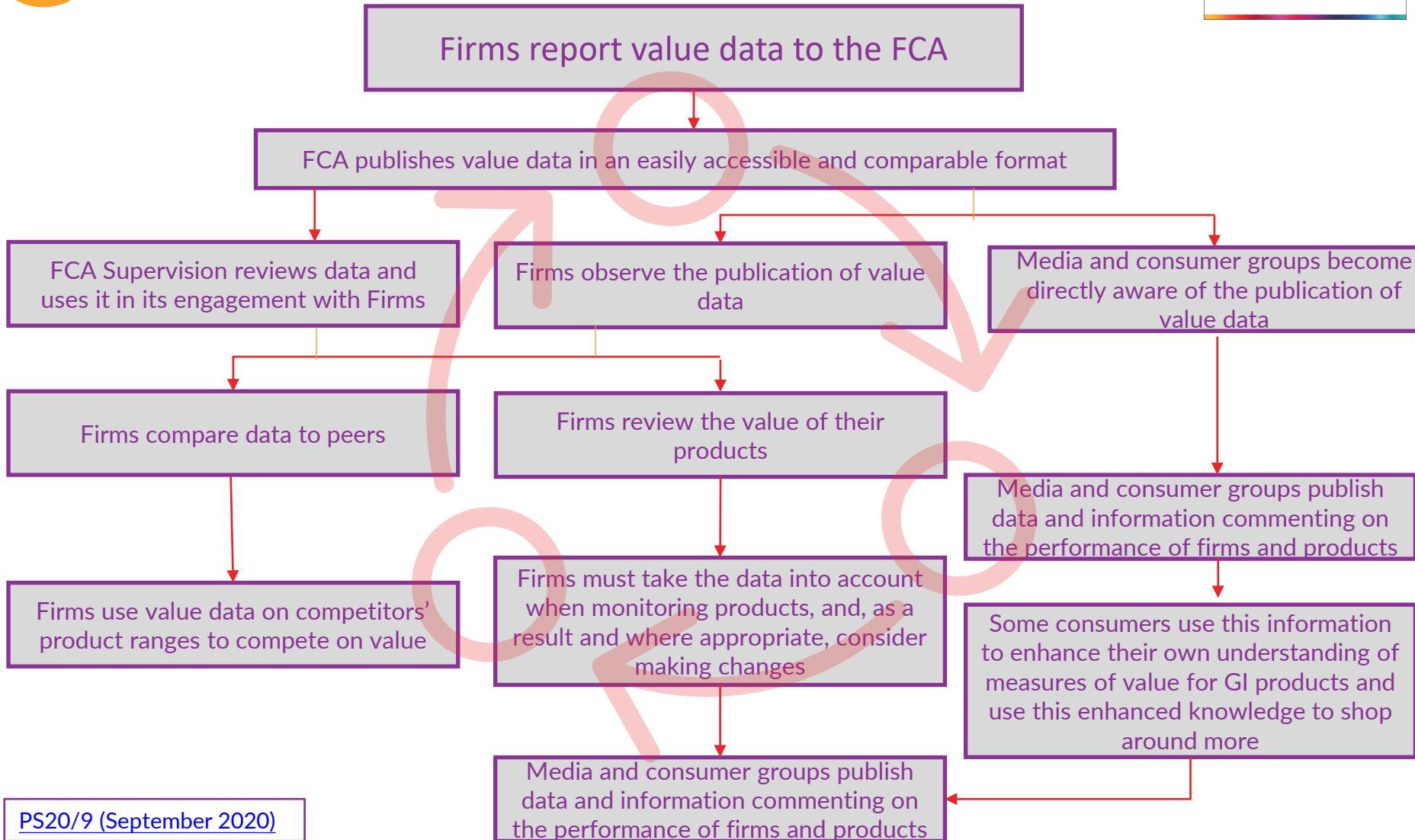
Where next?



Conclusion



# Background - Expected Actions Reminder



[PS20/9 \(September 2020\)](#)



“A firm’s board, or equivalent governing body, should review and approve an assessment of whether the firm is delivering good outcomes for its customers which are consistent with the Duty, at least annually.”

## Culture, Governance and Accountability

- Ensure customer outcomes are a key lens for important areas, such as Risk and Internal Audit
- Ensure your strategy, governance, leadership, and people policies (including incentives at all levels) lead to good outcomes for customers
- Assessment should include:
  - results of your monitoring to assess whether products and services are delivering expected outcomes in line with the Duty;
  - an overview of the actions taken to address any risks or issues; and
  - how the firm’s future business strategy is consistent with acting to deliver good outcomes under the Duty.

# VisRisk.

in collaboration with ICSR

## Demo

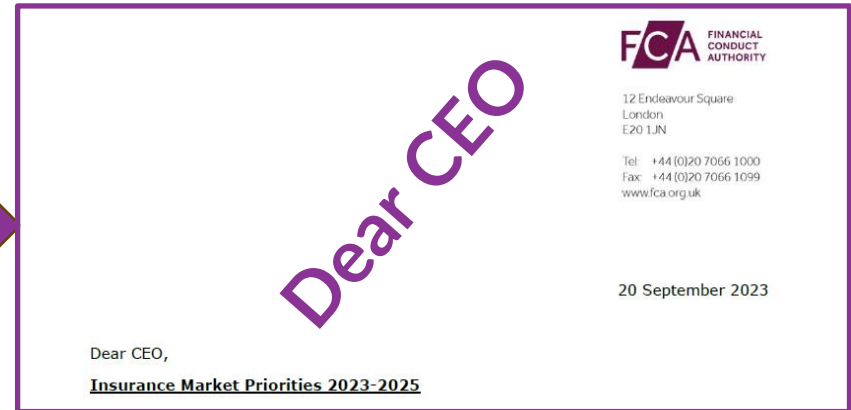
Assessing fair value through complex distribution chains  
The ability of VisRisk to provide comprehensive MI & Reporting







**Matt Brewis**  
Director of  
Insurance  
Supervision, Policy  
& Competition –  
Consumers &  
Competition



*“We are concerned that when reviewing firms’ Consumer Duty implementation plans, we continue to see weakness in MI, examples of insurers and intermediaries not sharing information, and distribution chains that are longer than necessary.”*

*“Firms need to consider premium finance as part of their fair value assessments and should be able to demonstrate how they have considered this additional cost, including the relationship between the total price and the quality.”*

*“We have found very few instances of firms suspending or withdrawing a product due to the findings of their fair value assessment.”*



1. the extent and quality to which insurance firms have implemented and embedded the rules overall;
2. certain firms and specific products where intelligence shows that customers may not be receiving fair value – and whether firms are able to show that their value assessment of those products is in line with FCA rules;
3. initial indications from FCA supervision of firms shows deficiencies in product governance and a lack of adequate management information.

**“We are particularly concerned that some distribution arrangements we saw do not clearly demonstrate how fair value is being delivered. We have seen what would appear to be high commission levels, and it was not clear how these products were being assessed to show they were consistent with fair value.”**



“only 6% of the amount customers pay in premiums is paid out in claims”



“examples of some firms paying out up to 70% of the value of insurance premiums in commission”



## General Insurance Value Measure - Products

Product Category	Claims Frequency	Claims acceptance rate	Average claims payout	Claim complaints as a % of claims	Average number of policies in force	Total retail premiums(written)	% of premiums paid out in claims
GAP insurance (Add-on)	0.34%	95.59%	£2,201.00	3.78%	567,895	£74,726,828.00	4.37%
GAP insurance (Stand-alone)	1.80%	99.30%	£529.86	0.63%	1,851,075	£233,690,641.00	6.87%
Excess protection (for motor insurance) (Add-on)	3.26%	99.27%	£404.78	0.30%	327,714	£25,600,145.00	14.63%
Personal accident (Add-on)	0.17%	96.06%	£2,191.67	1.90%	2,723,116	£49,514,225.00	18.52%
Personal accident (Stand-alone)	0.58%	84.59%	£3,178.85	5.71%	1,326,927	£93,739,529.00	19.50%
Payment protection (credit card,store cards and per	0.77%	86.46%	£3,491.61	6.09%	469,712	£37,023,469.00	22.20%
Home emergency (Add-on)	3.65%	86.54%	£187.17	4.36%	4,221,816	£87,711,607.00	26.23%
Payment protection (mortgage) (All)	2.47%	92.24%	£3,833.82	6.97%	194,311	£64,057,349.00	27.76%
Excess protection (for motor insurance) (Stand-alo	1.50%	97.77%	£403.68	0.51%	1,981,999	£23,717,634.00	29.73%
Key cover (Add-on)	1.32%	86.76%	£314.98	3.71%	1,300,227	£12,554,653.00	30.60%
Travel - annual european (All)	6.07%	76.16%	£1,146.91	4.08%	2,094,389	£231,650,445.00	31.56%
Travel - single trip (Stand-alone)	7.16%	73.14%	£1,150.61	3.54%	4,754,686	£550,136,289.00	32.37%
Vehicle cosmetic insurance (Stand-alone)	27.82%	89.35%	£275.05	1.01%	380,889	£68,914,595.00	33.69%
Home emergency (Stand-alone)	33.70%	97.08%	£135.95	11.92%	9,305,690	£119,698,550.00	33.76%
Home - contents only (All)	3.00%	76.12%	£1,573.77	5.68%	4,196,679	£437,495,107.00	35.14%
Extended warranty - motor (Stand-alone)	23.42%	87.66%	£781.02	1.22%	359,035	£139,601,493.00	39.04%
Extended warranty - electrical goods (Stand-alone)	13.75%	99.19%	£150.32	4.90%	9,514,957	£470,115,517.00	41.46%
Travel - annual worldwide (All)	10.88%	81.56%	£1,827.55	4.34%	1,858,512	£366,423,736.00	41.93%
Dental insurance (All)	6.63%	94.72%	£121.79	1.76%	1,403,634	£25,214,702.00	42.33%
Gadget (including mobile phone) (Add-on)	12.84%	97.68%	£401.64	5.35%	2,249,988	£238,245,176.00	43.99%
Pet - time limited (All)	25.75%	89.33%	£571.61	1.50%	985,130	£253,742,941.00	49.93%
Home - (buildings and contents combined) (All)	5.47%	76.32%	£3,733.28	8.72%	14,504,167	£4,185,398,837.00	50.37%
Pet - maximum benefit (All)	24.66%	93.99%	£672.78	1.50%	584,270	£175,775,765.00	50.63%
Home - buildings only (All)	3.19%	67.59%	£4,856.18	11.09%	2,043,239	£394,434,435.00	56.89%
Gadget (including mobile phone) (Stand-alone)	10.59%	92.28%	£343.59	7.75%	4,980,898	£272,156,301.00	57.42%
Motor cycle (All)	5.68%	98.42%	£4,557.57	3.80%	1,326,789	£291,759,800.00	60.67%
Motor (All)	10.62%	99.06%	£3,283.14	5.37%	33,457,784	£14,610,008,799.00	64.51%
Pet - covered for life (All)	46.68%	95.34%	£551.62	0.95%	4,019,516	£1,445,106,411.00	65.04%
Healthcare cash plan (All)	202.17%	92.91%	£62.71	0.10%	2,209,370	£388,077,375.00	66.83%
After the event legal expenses (All)	4.22%	91.75%		0.40%	446,586	£116,464,502.00	
Before the event legal expenses - home (All)	0.27%	52.96%		9.12%	10,596,969	£175,172,040.00	
Before the event legal expenses - motor (All)	0.95%	96.43%		0.23%	19,752,408	£276,821,823.00	
Vehicle breakdown (Add-on)	11.65%	93.74%		1.75%	7,463,535	£314,853,667.00	
Vehicle breakdown (Stand-alone)	33.66%	96.41%		2.09%	7,930,885	£882,176,259.00	

<https://www.fca.org.uk/publications/data/general-insurance-value-measures-data-2022>

Sheldon Mills: Executive Director, Consumers and Competition



“How many of you here have heard the expression: '**Just eat the frog?**'”<sup>1</sup>

“After the deadline, we will take a pragmatic and proportionate approach and will help those who are taking their final steps towards meeting the standards of the Duty.”<sup>1</sup>

“Of course, we have a duty to take action, particularly against serious breaches, and we always go after the worst offenders who are at risk of having the biggest impact on our financial services industry.”<sup>1</sup>

1. Sheldon Mills, [Call of Duty: How putting customers front and centre will help industry innovate. 22<sup>nd</sup> February 2023](#)

# VisRisk.

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## Demo

[Workflow management across first and second lines of defence](#)

[Action management](#)

- The FCA have been true to their word and taken decisive action against firms they perceive have failed to properly implement the Fair Value and Consumer Duty rules
- The FCA have published the value measures data to help firms, not embarrass them – but they expect you to use it.
- There is a very clear expectation that all parties in the distribution chain will work together to deliver better outcomes for consumers.
- There is technology available to simplify the process and provide enhanced governance, controls and reporting to firms.





## Learning Objectives - Check?

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QUESTIONS ?

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