

Insurance underwriting process

IF3: 2016–17 edition

Web update 4: 7 March 2017

Please note the following update to your copy of the IF3 study text:

Change to FCA rules on renewal transparency for retail general insurances

From April 2017, new regulatory rules will be introduced by the FCA which affect personal insurances. These require insurers and intermediaries selling retail general insurance products to:

- disclose last year's premium on renewal notices (accounting for mid-term adjustments where relevant);
- include text to encourage consumers to check their cover and shop around for the best deal at each renewal; and
- identify consumers who have renewed with them four consecutive times, and give these consumers an additional prescribed message encouraging them to shop around.

These changes have been introduced following an FCA consultation into concerns about levels of consumer engagement and their treatment by firms at renewal, and the lack of competition that resulted from this. The consultation concluded that price increases were not transparent at renewal and that long-standing customers were paying more than new customers for the same insurance product. As a result, consumers often defaulted to renew products that were not good value or had become unsuitable for their changing needs.

This change affects the following references to renewals within the study text:

- Chapter 1.1, section C2C, page 1/8.
- Chapter 4, section A, pages 4/2–4/3.

Change to insurance premium tax

With effect from 1 June 2017, the lower standard rate of UK insurance tax (IPT) will increase from 10% to **12%**. The higher rate remains at 20%.

This change affects the following reference to IPT within the study text where the current rate of 10% is mentioned (as per web update 2):

- Chapter 2, section F3, page 2/10.
- Chapter 2, key points, page 2/11.
- Chapter 2, question answer 2.6, page 2/12 – this should now read: **£40, i.e. £100,000 × 0.4% = £400; £400 × 12% IPT = £48.**
- Chapter 10, section E1, page 10/7.
- Chapter 10, key points, page 10/9.
- Chapter 3, section B3, page 3/6 – the last sentence should now refer to IPT changes in **2017**.
- Chapter 2 self-test answer 8, page iii.