

PRICING PRACTICES DISTRIBUTOR INFORMATION



Hiscox is serious about providing customer value. And in supporting the enhanced product governance rules arising from the FCA's general insurance pricing practices market study (policy statement 21/5 and 21/11), we share our approach to the new rules, and product governance information.

What's changing and what are we doing?

Please read this communication in full, as the pricing practices changes affect a variety of GI products.

Pricing

From 1st January 2022, renewal prices for all personal lines home and motor policies, including 606, home, luxury motor and applicable schemes, must be no more than the equivalent new business price. Our pricing policy will seek to ensure that renewing customers pay an equivalent new business price (ENBP) with our performance monitored by our own MI and associated FCA value measures and pricing practices reporting.

Auto-renewal

From 1st January 2022, customers who meet the FCA classification of consumer must be given the option to opt out of the auto-renewal of their policies and we will provide this choice.

Premium finance

We do not provide premium finance but note the potential impact on the intended value of our products below. We do, however, allow customers to spread their payments with our interest-free Direct Debit option.

Product governance

From 1st October 2021, firms are to have processes in place to confirm products offer fair value to customers for all types of general insurance.

Our role as product manufacturer

We deem ourselves as manufacturer of our own products unless otherwise identified with you (where your agreement identifies you as co-manufacturer we will be in touch regarding respective manufacturer responsibilities).

Our product governance process meets our responsibilities to appraise our products at proposition stage and throughout their lifecycle in a compliant way. The product lifecycle diagram shows the process which incorporates a number of metrics, for example, loss ratios, customer complaints, claims feedback and declinaturnes, and any further insights we receive from you.

Our value assessments will be conducted annually as part of our product governance regime.

Our product information will be provided on our web-based broker centre www.hiscox.co.uk/broker covering:

- the target market;
- who the product is not suitable for;
- the main characteristics and features of the insurance product;
- our distribution strategy.

Should you not understand any of the target market information provided or consider that this product information does not achieve the intended purpose, and therefore does not provide adequate information to enable appropriate distribution of the product(s), please get in touch with your regional Hiscox contact.

Our intended product value is set by our gross price, which includes your commission, where paid by Hiscox, aligned to costs and services provided.

Your role as a distributor

Commission rebating

In PS21/11 general insurance pricing practices – amendments (August 2021), the FCA clarified the position where insurers, like Hiscox, set a gross price, and intermediaries discount their commission (commission rebating) to lower the price that consumers pay.

Commission rebating means that the intermediaries are setting the premium paid by the consumer, and are price-setting. Under FCA rules, this business would be treated as net-rated business.

Whilst you are not prevented from foregoing commission to reduce the end price for a new business customer this would then be equivalent to a discount and so needs to be reflected in the ENBP when setting the price for a renewing customer.

The FCA also confirms: *"We also do not consider it proportionate for intermediaries which engage in commission rebating to report pricing data on this business to us."* However, there is a requirement for intermediaries to notify the FCA where over 25% of either their home or motor sales include commission rebating.

Other charges/add-ons

Also Hiscox is aware that the total customer price can comprise additional distributor fees and charges for other products/optional add-ons such as premium finance. 'Packages' can be formed by adding other products/add-ons to the Hiscox policy and these may affect the value for your client, and you will need to take this in to your consideration of value.

As part of our information sharing on value for our customers we may seek information from you on such areas as your fees, charges, packages, and product complaints.

If you have any further queries on this information please get in touch with your regional Hiscox contact.