Evaluation Paper 25/2: An evaluation of our General Insurance Pricing Practices (GIPP) remedies

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Authors

Edwin Chan, Cem Maxwell, Jed Buckenham and Stella Capuano.

The authors work in the Economics Department at the FCA.

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Executive summary

Insurance provides people with peace of mind and protection when things go wrong. It's vital the sector works well and delivers good outcomes for consumers.

Our market study on general insurance pricing practices, MS18/1.3, identified that the home and motor markets were not working well for consumers. Firms were using price discrimination practices to raise prices for renewing consumers year-on-year (so called price walking or tenure-based price discrimination) without the knowledge of some consumers. Some firms also used sludge practices to discourage consumers from switching, for example by creating barriers to consumers cancelling policy autorenewal (e.g. requiring customers to call rather than allowing online cancellation).

These practices prevented consumers getting better deals and distorted competition leading to higher overall prices. Overall, we concluded some consumers were not getting fair value for their insurance products.

Our General Insurance Pricing Practices (GIPP) intervention, finalised in PS21/5, was a package of remedies to address these harms through measures relating to pricing, autorenewal, product governance and reporting requirements.

Our intervention was designed to end price walking. Insurers were required to offer renewing customers a price no higher than what they would pay as a new customer. We anticipated that firms would no longer offer unsustainably low-priced deals to new customers. Overall, we estimated consumers in home and motor markets would save £4.2bn (of which £2.5bn related to the motor market) over a 10-year period because of our pricing remedy.

This evaluation paper assesses the effectiveness of our General Insurance Pricing Practices (GIPP) remedies in addressing the consumer harms we identified, within the broader context of rising insurance prices in recent years. We do this through answering four questions:

Did tenure-based price walking stop following GIPP implementation?

Our reforms were effective in reducing price-walking practices. Prices for existing customers remained stable in home and rose only slightly in motor, despite high inflation in recent years. Prices for new customers have increased in both markets to reflect risk more appropriately.

In the home market, we would expect that the average price difference between existing and new customers should be smaller following GIPP in order to close the gap where existing customers were paying more. Before our reforms, an existing policyholder in the home market paid on average £95.38 more than a new business customer. After our reforms, this differential almost halved as renewing customers paid on average £49.17 more than a new customer.

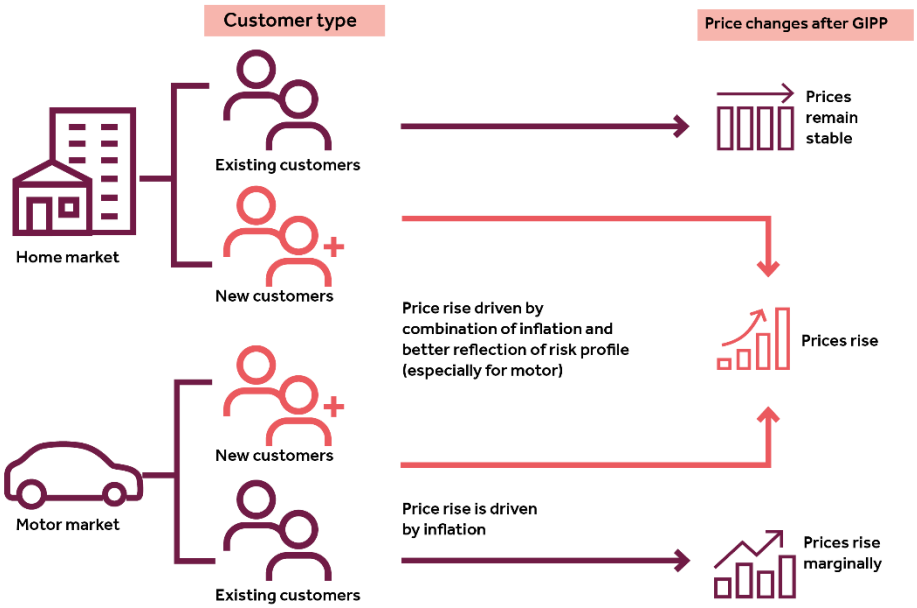
While some price differentials remain, our interpretation—supported by supervision and firm-level analysis—is that these are not necessarily indicative of widespread ongoing price walking. In our supervision, we have investigated individual firms that report price discriminatory trends to assess whether they are driven by breaches of our rules. We generally concluded that breaches were triggered by technical pricing errors or that firms

were able to explain why average margin might increase with tenure without amounting to discrimination.

In the motor market, renewing customers pose significantly lower risks on average compared to new customers. Therefore, we expect insurers to charge new customers more due to their risk profiles. Prior to the GIPP remedies, due to price walking customers across tenures paid similar amounts on average, and higher tenure customers were overpaying for their risk profile. Therefore, we consider a successful outcome to be one where existing customers are price walked less, meaning new customers will pay more than existing customers.

Before our reforms, new customers were paying an average of £20.76 more than existing customers. After our reforms, we found that the price for new customers rose by £111.14 in absolute terms, but the price for existing customers increased by only £22.71 despite significant inflationary pressure on motor insurance prices. The new price difference of £109.19 across customer types is considerably larger than the original difference and appears to indicate that the reforms were associated with positive outcomes in the motor market.

Figure 1: Price changes across customer types



What has been the effect of GIPP implementation on prices?

Our causal analysis estimated the impact of our reforms on prices, holding other factors that may influence prices (such as inflation) constant. This approach allows us to isolate, to the greatest extent possible, the causal impact of the intervention relative to a counterfactual scenario in which GIPP was not implemented. To support interpretation, we transformed the results of the causal analysis into monetary terms, to provide an estimate of the realised benefits from lower consumer prices.

We found that GIPP is statistically significantly associated with a decrease in consumer prices in the motor market. The average fall in prices for motor customers was calculated

at £6.63 per policy. Overall, we estimated that the impact of the reduction in prices in the UK motor market over a ten-year horizon falls within a range of approximately £163 million to £3.0 billion. Our central estimate is around £1.6 billion.

The wide range presented here reflects the many changes in economic conditions (such as inflation) during the period of analysis, which contribute to variability in the estimates. We note that these estimates do not include time savings to consumers generated by reductions in inefficient switching.

We did not find a statistically significant relationship between GIPP and prices in the home market. Therefore, we have not sought to estimate a monetary impact in the home market because of our intervention. This should not be interpreted as evidence that GIPP has made consumers in the home market worse off overall. Rather, it means that we cannot establish a statistically significant causal link between the intervention and changes in home prices.

There are two possible reasons for this. First, the impact of the intervention may not have been significant on home prices because market dynamics outweighed any impact from our reforms. Alternatively, the lack of a statistically significant relationship could be due to limitations in our methodology. These limitations might include inherent challenges in the approach or the possibility that the effect on home prices was smaller and more subtle than our methods were able to detect.

What was the effect of GIPP implementation on product quality?

The results of our analysis were mixed, with some measures indicating improvements in quality and others suggesting a decline. We found that average claims payouts have remained stable post-GIPP. We also observed higher cover limits (increased quality) and, in the motor market, higher compulsory excess values (decreased quality) post-GIPP. We did not find evidence of a fall in quality through potential policy 'hollowing out'; in other words, we did not observe changes in the number of features (such as legal services or personal accident cover) offered by core products. Our overall assessment of product quality is inconclusive, and we cannot say whether our reforms improved product quality or reduced it. Due to data limitations, and given the mixed findings, we did not monetise the estimated effect of GIPP on product quality.

What was the effect of GIPP implementation on switching costs?

Our reforms intended to reduce switching costs for those consumers who wished to switch providers. It was also anticipated that fewer consumers overall would have felt the need to switch after the interventions, due to the establishment of fairer pricing practices.

Switching costs are not directly observable in our dataset, so we used attrition as a proxy. In both home and motor markets, attrition rose among lower-tenure consumers and fell among higher-tenure consumers. Overall, we conclude that switching rates changed in the expected direction (i.e. they rose for low-tenure consumers and fell for higher-tenure consumers) after the GIPP remedies.

We did not monetise the benefits of a reduction in switching costs, due to data constraints. However, it is worth noting that other measures were introduced to reduce

costs to consumers – for example, firms are now required to allow customers to cancel using the same channel through which they purchased the product.

Comparison with CBA costs

We asked firms to report information on one-off and ongoing compliance costs on a voluntary basis. We compared the cost data collected for this evaluation to the original cost benefit analysis (CBA) cost estimates. Small firms reported higher average one-off compliance costs than estimated in the CBA (£5.0m vs £2.2m), while large firms reported lower costs (£6.3m vs £9.4m). Ongoing costs were consistently higher than CBA estimates for both small (£0.8m vs £0.3m) and large firms (£1.2m vs £0.7m).

The cost data we collected for this evaluation were not mandatory and there is a possibility that the reported results are influenced by self-selection bias. Firms with higher compliance costs may have been more inclined to respond to our data request and, therefore, our estimates may not be fully reflective of average costs in the market.

Additionally, due to the scale of the full data request, firms were not asked to categorise different types of costs—such as IT changes or familiarisation with the rules—which may have led to inconsistencies both within and across firms. This lack of clear classification means that the original CBA may have included different types of costs or used varying definitions, making comparisons and aggregation challenging.

1 Introduction

This section provides background information on the harms within the general insurance market, outlines the package of remedies that were designed to address these harms, and defines the scope of this evaluation.

The markets we are evaluating

It is important that the general insurance sector works well and delivers good outcomes for consumers. Insurance plays a critical role in safeguarding individuals from financial risks by providing them with protection when things go wrong, for example if they have a car accident or their house is damaged.

The general insurance sector, is important to the UK economy, generating £60 billion of revenue in 2023. Further, according to the 2024 FCA Financial Lives Survey, 84% of adults surveyed hold a general insurance or protection product.

Two of the largest sectors within the UK general insurance market are retail home and motor, with 15 million home and 28 million motor insurance policies written in 2024. Home and motor insurance generated £22.4 billion in gross written premiums in 2024.

The market harms before we intervened

In September 2020 we published our final market study report on General Insurance Pricing Practices (GIPP) in MS18/1.3. Our study found that some firms gradually increased the price for customers who renew with them year on year. This is a form of price discrimination known as price walking. Our market study found that most firms used complex and opaque pricing techniques to identify the consumers least likely to switch at renewal based on their characteristics and factored this into their price-setting. These consumers then faced year on year price rises above the competitive market level, with some loyal consumers paying very high prices.

Many consumers were not aware that firms engaged in these practices. Our market study showed that consumers who paid high premiums were less likely to understand insurance products or the impact that renewing with their existing provider had on their premium.

As a result of price walking, there was excessive movement in the market. Price-savvy consumers who were less inclined to renew, had to frequently switch or negotiate their premium to get lower prices, contributing to the high total acquisition costs for insurers, and high switching costs for these consumers. Shopping around and switching is generally good for competition and can benefit consumers, for example where consumers want to find better quality products or better service. However, shopping around and switching merely to avoid price walking imposes unnecessary costs on both consumers and firms.

Finally, the market study found some firms imposing unreasonable barriers on consumers seeking to exit auto-renewing contracts. For example, requiring contact by phone rather than allowing cancellation online. These practices made it difficult for consumers to stop their policy from automatically renewing.

We introduced measures to deal with these harms

We proposed a package known as the GIPP remedies in PS21/5 and PS 21/11 to address harms identified in the home and motor insurance markets.

The aims of our intervention were to reduce average premium prices (especially for existing/loyal customers) and time spent by consumers on searching for, negotiating with, and switching insurance providers.

The intervention package contained four remedies:

1. **Pricing remedy**: this remedy banned the price-walking practice which was previously prevalent in the market.
2. **Auto-renewal**: required firms to offer a range of accessible and easy options for consumers who want to cancel auto-renewal on their contract.
3. **Product governance**: updated the Product Intervention and Product Governance Sourcebook (PROD) to ensure that firms have processes in place to deliver products that offer fair value to customers.
4. **Reporting requirements**: required firms to submit regular information to us, designed to help us monitor the effectiveness of our remedies package and its impact on the market.

The table below gives a full summary of each remedy, its implementation date, and a description of the remedy.

Table 1: Summary of GIPP remedies

Remedy	Date implemented	Description and affected markets
Pricing	1 January 2022	When a firm offers a renewal price to a customer, this must be no greater than the equivalent new business price (ENBP) for a new customer. The remedy ties the renewal price to the ENBP. This would stop firms basing their pricing decisions for customers on their tenure. **Affected markets:** home and motor and any related additional products sold to the retail customer.
Auto-renewal	1 January 2022	For any general insurance contract entered into with a retail customer, the firm must inform them at sale and renewal whether a policy will auto-renew. The consumer must be able to cancel autorenewal by at least the same channels that they could purchase the policy from – and these must be communicated to the consumer at sale and renewal. Finally, there must be no unnecessary barriers imposed on consumers wanting to stop auto-renewal.

		Affected markets: all general insurance contracts, excluding private health and pet insurance.
Product governance	1 October 2021	The scope of PROD 4 was extended to all general insurance and pure protection products regardless of when they were manufactured or significantly adapted, where previously they only affected policies manufactured or significantly adapted after 1 October 2018. Enhancements to existing product governance rules to ensure products offer fair value to customers. **Affected markets**: all non-investment insurance contracts but excluding contracts of large risk meeting certain conditions and reinsurance.
Reporting requirements	1 January 2022	Reporting requirements to help ongoing supervision of insurance markets and a pricing attestation; firms must attest whether they are complying to pricing rules on an ongoing basis. **Affected markets**: home and motor insurance

This evaluation

Policy evaluation is an important part of understanding whether our rules have had the impact we expected and why. Testing the effectiveness of our remedies helps us make evidence-based decisions, leading to more effective outcomes.

We committed to evaluating the impact of the GIPP pricing remedy in PS21/5 for the following reasons:

- The impact of the pricing remedy on competition remained uncertain, as it was challenging to predict how market competition and consumer switching behaviour would adapt to significant reductions in price differentials between policy tenures. While the proposals were expected to benefit consumers overall—reducing average prices and saving time and effort for those switching policies— it was identified in the market study that regular switchers could be worse off following the intervention. However, upward pressure on prices could be offset and/or constrained by strong competition for new business customers – an effect which was expected to persist.

- The pricing remedy was a novel and transformational change to pricing in the motor and home insurance markets. To our knowledge, this was the first pricing remedy that attempted to equalise prices for new and existing customers, dependent on risk profile.

Our evaluation contributes to the broader discussion on the impact of GIPP within the home and motor insurance sectors. While it shares common objectives with academic research, our approach distinguishes itself through specific methodological choices and data sources. Given the likely diversity of research designs and sample populations employed across studies in this field, direct comparisons of findings across studies should be approached with caution.

Report structure

Section 2 of this report sets out our evaluation approach, and what the approach allows us to conclude about our intervention. Section 3 provides an overview of the data used for this evaluation. Section 4 presents our findings on whether the GIPP remedies achieved their intended outcomes. Section 5 investigates how reflective the estimated costs and benefits within the cost-benefit analysis (CBA) are of the costs and benefits we establish within the evaluation. Finally, Section 6 provides an overview of the conclusions of our report, along with the lessons learned for our future policymaking process.

2 Our approach

This section sets out how we approach the evaluation of the GIPP intervention, and what the approach allows us to conclude about our intervention.

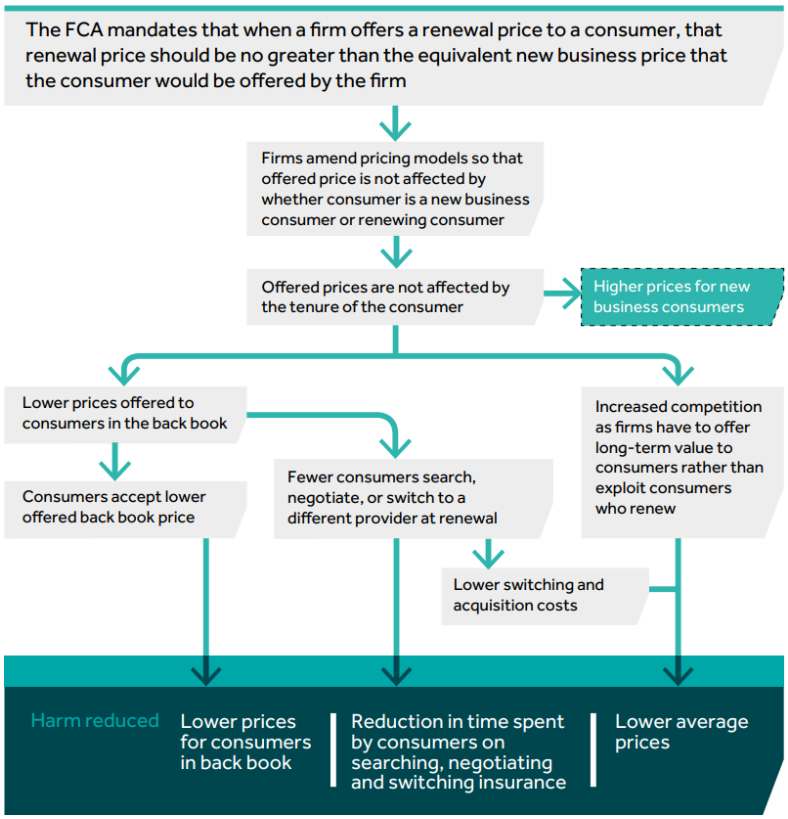
How we expected our intervention to work

Our Consultation Paper (CP) CP20/19 set out several causal chains relating to the proposed remedies.

Figures 2-4 present the causal chains for the pricing remedy, product governance remedies and autorenewal remedy. With the key aims of our intervention (reducing average prices/ tenure-based price disparity and time spent by consumers on searching for, negotiating with, and switching insurance providers) in mind, these causal chains illustrated the economic rationale for the intervention. They showed how the intended effects of each remedy were expected to lead to a series of desired outcomes (e.g. lower switching costs) and, subsequently, reduced harms (e.g. reduced prices) in the market. These causal chains are the basis of our evaluation.

CP20/19 did not provide a causal chain for the reporting requirements remedy because this remedy enabled us to monitor the impact of other remedies in the home and motor insurance markets.

Figure 2: Causal chain for our pricing remedy



Source: CP20/19, General Insurance Pricing Practices market study consultation on handbook changes

Under the pricing remedy, we mandated renewal prices offered to consumers be no greater than the equivalent price offered to new consumers. We expected this would lead to lower average prices overall – particularly driven by existing customers. We also expected to observe less time spent by consumers on searching, negotiating and switching insurance.

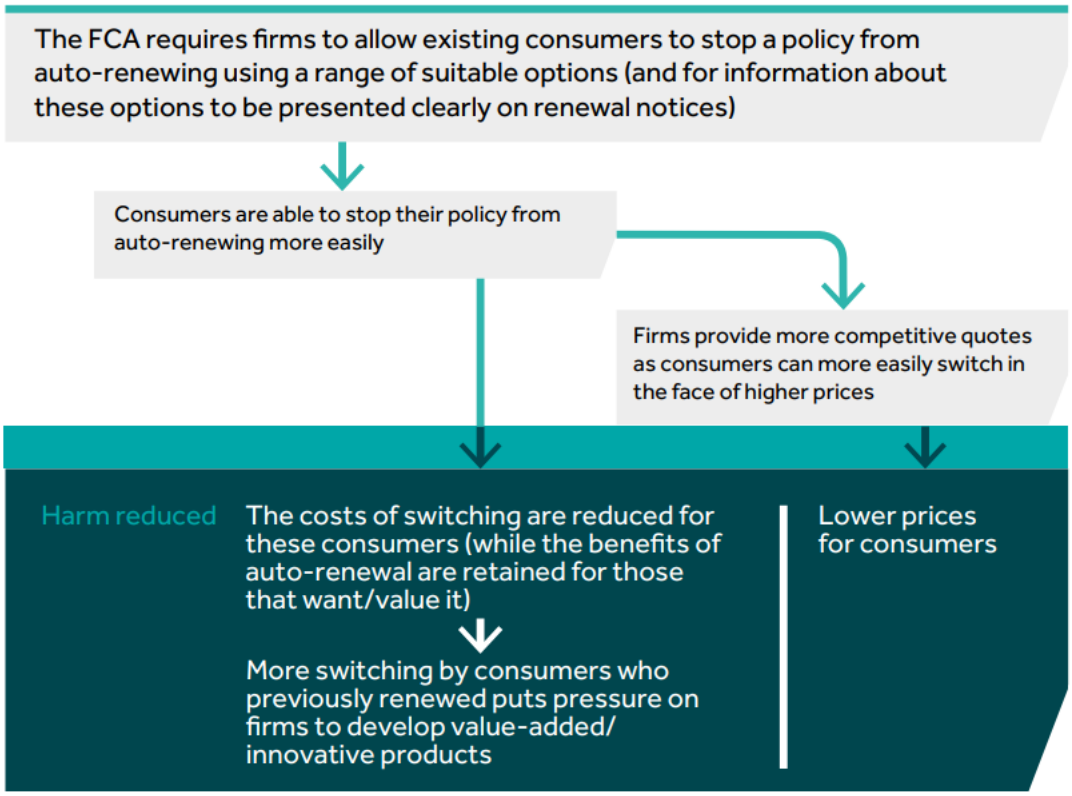
In CP20/19, we estimated that implementing this remedy would:

1. Save consumers £4.2bn over a 10-year period in the form of lower prices because of increased competition. This saving represents a transfer from firms to consumers.

2. A reduction in inefficient switching from our pricing remedies in motor and home insurance, resulting in:

- Lower costs to firms of approximately £513.3 million to £593.6 million, and
- Time savings for consumers valued between £299.1 million and £345.4 million.

Figure 3: Causal chain for our auto-renewal remedy



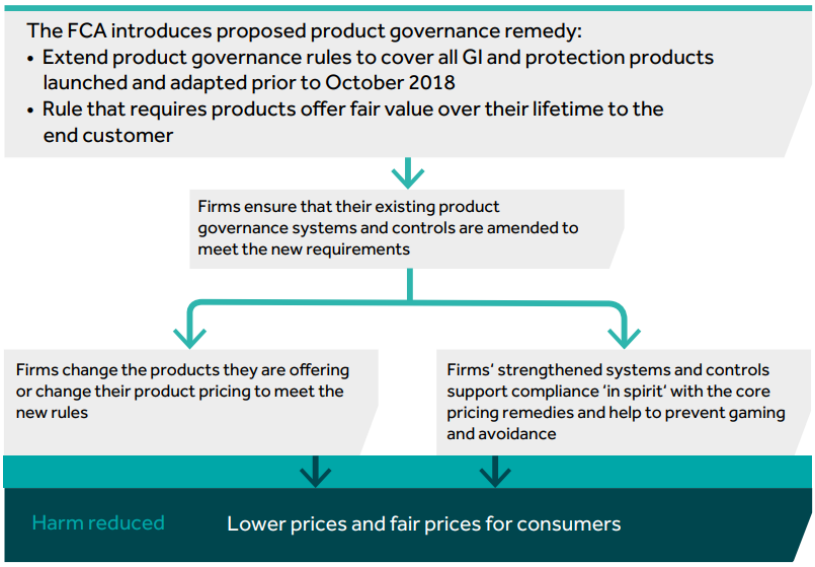
Source: CP20/19, General Insurance Pricing Practices market study consultation on handbook changes

Under the auto-renewal remedy, we required firms to allow existing consumers to prevent a policy from auto-renewing, and to provide sufficient information on auto-renewal options on renewal notices. Similar to the pricing remedy, we anticipated that this would lead to lower prices overall for consumers. We also expected that the costs of switching would fall for consumers stopping their policy from auto-renewing and that

higher rates of switching would motivate firms to develop better value or innovative products.

CP20/19 estimated a range of direct annual savings of savings of £192.3-194.2m, which represented the value of time cost savings to customers as they spend less time having to go through the process of cancelling auto-renewal.

Figure 4: Causal chain for our product governance remedy



Source: CP20/19, General Insurance Pricing Practices market study consultation on handbook changes

Under the product governance remedy, we extended product governance rules to cover all general insurance and protection products launched before October 2018 and introduced a rule that required products offer fair value to customers. We anticipated that these changes would lead to lower and fairer prices for consumers.

Other factors affecting the home and motor insurance markets

The GIPP remedies interact with broader factors that affect the home and motor insurance markets.

A succession of COVID-related lockdowns in 2020 and early 2021 had a significant impact on the home and motor insurance markets, influencing both pricing and claims. Mobility restrictions led to a substantial reduction in road traffic, which in turn contributed to a decline in motor claims frequency during this period. Pricing fell as insurers adjusted to these short-term shifts in risk exposure, claims frequency, and uncertainty surrounding longer-term behavioural changes brought on by the pandemic.

Since late 2021, the prices of essential goods in the United Kingdom rose significantly, with the costs of parts and labour increasing sharply. This led to a sharp increase in insurance expenses for vehicle repairs and replacements. For example, insurers reported that from Q3 2022 to Q3 2023, the cost of paint rose by 16%, and spare parts increased by 11%. Subsequently, the UK Government announced a taskforce in October 2024, including the FCA, with the aim of identifying any actions that may stabilise or reduce motor insurance premiums, while maintaining appropriate levels of cover.

Furthermore, the FCA introduced the Consumer Duty in July 2023. The Duty requires firms to deliver good outcomes for retail customers and proactively address issues that could cause consumer harm. General insurance was significantly impacted by this regulation, encouraging firms to improve consumer outcomes independent of GIPP.

Establishing how well the intervention has worked

The central question of this study is: "*Did the GIPP remedies deliver the expected outcomes?*" We have broken down this question into four testable hypotheses which we expect to hold true if the remedies operate as intended.

Hypothesis 1: Tenure-based price walking ceased

We anticipated that firms complied with the pricing remedy, such that prices for consumers with an equivalent risk profile and the same product are equal, regardless of tenure length. As set out in the causal chain, it was expected that lower prices would be offered to existing customers. Given renewal prices must be no higher than equivalent new business prices, we hypothesised that higher prices would be offered to new business customers. Together, these two factors would be expected to eliminate - or at least significantly reduce - price differentials across customer tenure.

Hypothesis 2: Average prices decreased for consumers

We hypothesised that firms would provide more competitive quotes as consumers can more easily switch in the face of higher prices. The overall reduction in prices would be driven by redistribution effects between new and long-standing customers (through increased competition), as firms would have to offer long-term value to customers rather than exploit customers who renew.

Hypothesis 3: Product quality increased

Innovation and competition enhance product offerings, and we hypothesised that the product governance remedy improved the quality of products further. Furthermore, consumers would be provided with a wider range of better products to choose from.

The causal chain did not explicitly identify increased product quality as a harm addressed by the product governance remedy. However, it was anticipated that firms would adapt existing products or introduce new ones to comply with the product governance rules. As such, we assessed the impact of the remedy indirectly through this hypothesis. In addition to this evaluation, the FCA published a thematic review on product governance in general insurance in August 2024.

Hypothesis 4: Switching costs decreased

We hypothesised that the auto-renewal remedy would reduce automatic policy renewals, as it would become easier for consumers to cancel auto-renewal. Consumers would get more information on switching, and the process of switching would become easier.

The reporting requirements remedy falls outside the scope of this evaluation

We did not consider this intervention appropriate for evaluation. The focus of the evaluation is on the effect of the policy on consumer and firm outcomes, whereas the reporting requirements are a monitoring tool assisting us in making the reforms work.

We use this reporting to support our oversight of the insurance market. We keep this under review and balance our ongoing data needs with firm burden, making changes where we consider it appropriate.

We committed to reviewing these reporting requirements in FS25/2 as part of our ambition to reduce the administrative burden faced by firms in meeting our requirements.

Work is already underway in this area. In June 2025, we began consulting on decommissioning the REP022 Attestation return and over the coming months we will seek industry input on further proposals. This will include options to improve efficiency of ongoing reporting and may include the retirement of some further returns in due course.

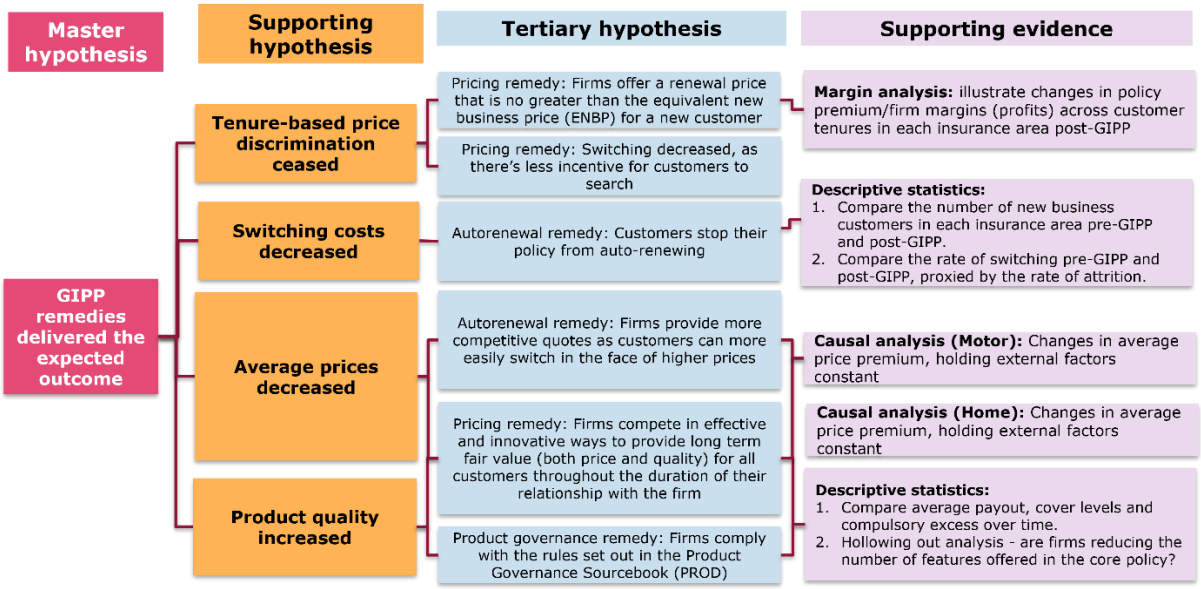
Methodology

To test each of these hypotheses and build up our evidence base, this evaluation used the following methodological approaches:

- Direct descriptive statistics in instances where the measure of interest (e.g., premium) is captured by our dataset.
- Indirect descriptive statistics using proxy variables in instances where our dataset does not directly capture the measure of interest. An example of this is the use of policy claims payouts as a proxy of product quality.
- Causal inference to determine the causal impact of GIPP on home and motor premiums, holding external factors such as inflation constant.

Figure 5 below illustrates our four hypotheses and the supporting evidence that was collected as part of this evaluation.

Figure 5: Hypothesis tree for the evaluation



We tested each supporting hypothesis using a variety of techniques, depending on the nature of the evidence available:

1. Margin analysis – descriptive analysis illustrating changes in prices and firm profit margins across tenures. This analysis addressed whether price walking in the home and motor sectors has ceased following implementation of the GIPP rules.
2. Descriptive statistics on new business and switching rates before and after implementation. This includes the rates of switching for home and motor before and after implementation, both overall and split by whether or not the policy included an annual auto-renewal element. This analysis measured the switching effect of the price walking cessation.
3. Causal analysis – to establish if there is a causal relationship between prices paid and exposure to price walking prior to GIPP, in the home and motor insurance markets. This analysis determined whether or not average prices decreased as a consequence of GIPP.
4. Descriptive statistics on product quality before and after GIPP implementation. This includes an analysis of several proxies for product quality – average claim payout, cover levels and compulsory excess before and after implementation. We also attempted to determine if the number of features offered in the core policy reduced, also referred to as 'hollowing out' in this paper. This measured whether or not product quality increased in the period after GIPP.

Econometric method for our causal analysis

We provide the full detail behind our model and assumptions in the Technical Annex accompanying this publication. Here, we emphasise the key elements of our approach and the assumptions underpinning our analysis.

As set out in our hypothesis tree, the focus of the causal analysis is on estimating the impact of the GIPP intervention on prices, holding other factors that may influence prices (such as inflation) constant. This approach allowed us to isolate, to the greatest extent possible, the causal impact of the intervention.

The unit of analysis is the combination of policies with the same underwriter, intermediary, distribution channel and insurance type (for home) or cover type (for motor). We refer to this as "policy grouping" in the remainder of the report. This was chosen to reflect the different points of the insurance value chain at which tenure-based price walking could occur, and therefore, the GIPP remedies applied.

A key variable in our causal analysis is the degree with which policy groupings practised price walking before the introduction of the remedies. To measure price walking, we conducted a linear regression of policy tenure on core price margin within each policy grouping, controlling for policy and customer characteristics. The coefficient on policy tenure from this regression represents the average increase in margin as tenure increases by one year. We refer to this as the "price-walking coefficient," which quantifies the extent of price walking within each grouping before GIPP.

The varying degrees of price-walking observed before GIPP create different degrees of exposure to the policies. There are some policy groupings where the firms do not price walk (i.e. they charge the same price regardless of the tenure of the customer) before GIPP, so were weakly affected by the pricing remedy. Meanwhile there are other policy groupings where firms practiced price-walking before the intervention, therefore firms

were required to adjust their pricing strategy more significantly when the rules were implemented. We exploited this variation in exposure to the policy in our causal analysis as explained below.

The decision to price-walk (and hence the exposure to the policy) may have been driven by grouping-specific observed and unobserved factors (e.g. distribution channel, firms' risk aversion, consumer perceptions) which may affect both the probability of price-walking and the average price of the policies. A simple comparison of average prices before and after GIPP would incorporate both the effect of the remedies and the effect of unobserved characteristics on prices, thus limiting our ability to determine the causal impact of GIPP on prices.

To address this issue, known as selection bias, we used a Difference-in-Differences (DiD) design analysis. A DiD is a statistical method used to estimate the causal effect of an intervention by comparing the changes in outcomes over time between a treatment and control group. Within the context of this evaluation, a standard binary DiD approach was not considered suitable from a methodological standpoint. All policy groupings across firms in our sample were treated following GIPP which did not allow us to construct control groups for comparison against treated groupings. Therefore, we defined our treatment as a continuous measure of exposure, corresponding to the degree of price-walking before GIPP in that policy grouping.

Instead of classifying policy groupings into simple "treated" versus "control" groups, we used a dosage treatment which is defined as the intensity of exposure faced by a policy grouping. Policy groupings that practised price-walking more heavily are considered "more exposed" while groupings that did not practice price-walking are "less exposed" to GIPP. The above setting defines a Continuous Difference-in-Differences (cDiD) design which we used to conduct our causal analysis.

To support interpretation, we translated the results of the causal analysis into monetary terms, to provide a clearer sense of the realised benefits from lower consumer prices. However, due to data limitations, this monetisation was only feasible for the impacts on prices and not for the other outcomes (i.e., product quality and switching costs). We note that the effects were able to monetise account for the majority of the expected benefits identified in the CBA.

Limitations of our approach

While the analysis is intended to provide insights into the impact of GIPP, it is important to acknowledge a number of limitations that may affect the interpretation and generalisability of the findings:

- The cDiD method typically requires stronger assumptions about functional form and model specification compared to a binary approach, and its estimates can be sensitive to how treatment is defined and measured across groups. Additionally, interpreting effects can be more complex when treatment varies in degree of intensity rather than being a simple treated versus not treated intervention. That said, cDiD remains a robust and credible approach when these complexities are carefully managed, particularly as a simpler binary approach is not feasible given the nature of the treatment variation in our data.

- A further limitation of the CDiD approach is that subgroup analysis at the tenure-level becomes more complex. In a binary setup, subgroup comparisons (e.g. treated vs untreated existing customers) are relatively straightforward. In the CDiD framework, however, we are comparing customers who are more versus less exposed to price walking which is a more diffuse concept. For subgroups like existing customers, this means we are not comparing against a clear control group, but rather against varying degrees of exposure, which complicates the interpretation of coefficients and reduces the clarity of subgroup-specific effects. Given these uncertainties in interpretation, we do not present subgroup analysis in this report.

- In our analysis, firm margins were defined as the price of the core policy at inception less its expected claims cost (ECC), expressed as a proportion of the core policy price at inception. This reflects an expected margin, not a realised margin, as the estimate does not account for whether a claim was made or paid during the policy term. We believe this is a suitable measure for use in our analysis as the pricing remedy was intended to govern the price at inception as opposed to influencing the likelihood that a claim would be made. Nevertheless, we acknowledge that that using ECC to calculate profit margins has its limitations. Feedback from several sampled firms indicated that their ECC methodology had changed over the course of the sample period which makes it complex for use in pre & post GIPP comparisons, both within firm and across firms, due to a lack of consistency in its calculations.
    - As an alternative, we considered testing the expected claims ratio (ECC as a proportion of price) as a proxy for margin. However, this approach also has its limitations. The most notable component missing from this calculation is cost-to-serve which will not be the same for every customer and is often used in firms' pricing models. Customers who might typically use a phone over online services will have a higher cost-to-serve and will also correlate with customer groups (e.g. the elderly) that might have been disproportionately impacted by historic price walking. A firm seeking to earn equal margins from all customers might therefore increase the premium slightly for higher cost-to-serve customers, which would result in a lower expected claims ratio despite the margin remaining constant.

- Given the large scope of our overall request for firm-level pricing data, the request for compliance cost data was made optional. We received responses from nine (c. 56% of all firms) and six (46%) firms for home and motor respectively. On this basis, we believe the evaluation's compliance cost estimates are potentially influenced, at least in part, by self-selection bias. Firms with higher compliance costs—and a greater willingness to report them—may have been more inclined to respond to our voluntary data request. As a result, our estimates are based on a sub-sample of firms that self-selected into the survey, rather than our full sample, which would have ensured comparability with the CBA.

3 Our data

Data collection and sampling

We evaluated the GIPP remedies using a dataset collected for this evaluation from 16 home insurance firms and 13 motor insurance firms. In 2022 (the year of intervention) the market shares of the insurers in our sample, based on Gross Written Premium, was calculated at approximately 80% and 57% for home and motor respectively.

Each firm in our dataset represented a price-setting underwriter or intermediary firm and were a combination of large and small firm to ensure representativeness across policy pricing models. Ensuring representativeness across our sample is important as larger firms may enjoy economies of scale that can lead to lower costs and potentially lower premiums for policy holders. Smaller firms may not benefit from these economies and could have higher operational costs, which might lead to higher premiums.

In Q2 2024, we collected insurance policies directly from in-sample firms through an c.10% quasi-random sample of each firms' consumers from the beginning of Q1 2019 to the end of Q1 2024. This enabled us to observe up to three renewal terms for some consumers post-rule implementation between the period Q1 2022 to Q1 2024. This allowed for the assessment of longer-term impacts of the remedy, avoiding potential distortions from one-off dynamics during initial GIPP implementation in early 2022. Additionally, the scope of data received prior to GIPP implementation provided us with data that we could use to test any anticipation effects or behavioural changes by firms before the rules came into effect.

To ensure consistency, we selected the same set of firms which supplied data for the market study (excluding one firm that has since left the general insurance market and sold its business to one of the other groups in the market study sample). Overall, the market study collected data from 24 legal entities.

The key variables that we observed were unique identifiers for consumers and policies, product and distribution channel details (e.g., brand, product type, and channel of sale), general policy information (e.g., tenure, coverage, and claims data), cancellation and auto-renewal behaviour, quotes and pricing details, as well as fees, discounts, and commissions associated with the policies. The nature of the dataset allowed us to analyse policyholder behaviour, pricing dynamics, and market practices and test the hypotheses set out in our hypothesis tree. Full details of these variables and their definitions are provided in our Technical Annex.

We performed extensive data quality checks, ensuring that data from the firms was presented in a standard format, that all values supplied were within the expected ranges, and that there were no missing values. Data quality issues were referred to the firms and iteratively addressed at each resubmission.

Overview of our data

Home market

Table 2 provides an overview of the key variables by pre- and post –intervention periods for the home market. The statistics presented below are purely descriptive and are intended to provide a general overview of our dataset.

Table 2: Descriptive statistics of policy-level home subsample, by pre- and post-intervention period

Variable	Pre-intervention (2019-2021)		Post-intervention (2022-2024Q1)	
	Sample size	Mean (s.d.)	Sample size	Mean (s.d.)
Pricing				
Total price at inception overall (£)	4,555,380	£248.52 (£203.91)	3,227,116	£260.92 (£235.52)
Total price at inception (new business customers) (£)	1,122,733	£176.64 (£140.11)	696,467	£222.36 (£198.97)
Total price at inception (existing policyholders) (£)	3,432,647	£272.02 (£215.68)	2,530,649	£271.53 (£243.55)
Core price (£)	4,555,082	£218.08 (£180.17)	3,226,650	£229.98 (£208.58)
Expected cost of claims for core policy (£)	2,845,609	£92.26 (£118.56)	3,221,685	£137.51 (£148.81)
Total incentives (£)	59,647	£10.81 (£67.55)	30,530	£43.50 (£87.25)
Cost of financing (£)	3,971,820	£6.15 (£14.11)	2,749,415	£4.86 (£12.73)
Distribution channels				
% sold directly to the consumer	1,512,472	33%	967,749	30%
% sold through an affinity partnership	828,673	18%	554,809	17%

% sold through an intermediary	599,619	13%	438,772	14%
% sold through a Price Comparison Website (PCW)	1,614,442	35%	1,265,543	39%
Insurance type				
% of policies sold for building only	420,742	9%	256,132	8%
% of policies sold for contents only	990,923	22%	673,635	21%
% of policies sold for buildings and contents	3,144,187	69%	2,297,573	71%
Policy tenure (in years)				
0 (new business customer)	1,122,778	25%	696,508	22%
1-3	1,732,447	38%	1,187,171	37%
4-6	701,988	15%	592,794	18%
7-10	547,899	12%	380,763	12%
10+	450,838	10%	370,116	11%
Miscellaneous				
% of policies cancelled	540,153	12%	280,965	9%
% of polices that were, by default, an auto-renewing policy at the start of the policy term	2,233,350	54%	2,159,846	70%
% who cancelled the auto-renewing element of this policy	490,021	15%	401,364	17%

Source: FCA, insurance pricing data (2019–2024). Estimates are not adjusted for inflation and reflect unweighted averages.

Purely reading the descriptive statistics, we make the following observations.

Pricing rose modestly following the intervention.
Total price at policy inception increased from £248.52 to £260.92, while the core premium rose from £218.08 to £229.98. These increases suggest a moderate upward shift in pricing, likely reflecting cost pressures through significant rises in inflation since early 2022.

Rise in the expected cost of claims post-GIPP.
The expected cost of claims for core policies rose sharply from £92.26 to £137.51—a 49% increase. While this increase may partly reflect insurer expectations of higher claim frequency or severity following the policy's introduction in January 2022, it is also likely influenced by rising inflation, particularly in the increased cost of repair materials.

Longer-term customer retention appeared to improve.
The proportion of policies held for 4–6 years rose from 15% to 18%, while the proportion of new business customers fell. This suggests a shift toward retaining existing customers. Policies with auto-renewal at inception jumped from 54% to 70%, reinforcing the shift by insurers toward customer retention strategies.

Sales channels shifted slightly.
Sales via Price Comparison Websites (PCWs) increased from 35% to 39%, while direct sales dropped from 33% to 30%. This suggests a slight movement toward aggregator-driven customer acquisition.

Motor market

Table 3: Descriptive statistics of policy-level motor subsample, by pre- and post-intervention period

Variable	Pre-intervention (2019-2021)		Post-intervention (2022-2024Q1)	
	Sample size	Mean (s.d.)	Sample size	Mean (s.d.)
Pricing				
Total price at inception (£)	6,912,075	£445.46 (£331.33)	4,816,719	£497.90 (£443.14)
Total price at inception (new business customers) (£)	2,657,298	£458.24 (£377.19)	1,663,710	£569.38 (£576.33)
Total price at inception (existing policy holders) (£)	4,254,777	£437.48 (£298.86)	3,153,009	£460.19 (£347.29)
Core price (£)	6,915,552	£398.41 (£309.84)	4,817,528	£448.75 (£419.35)
Expected cost of claims for core (£)	3,439,247	£312.26 (£2,772.57)	4,798,941	£349.38 (£338.76)
Total incentives (£)	370,437	£32.49 (£28.03)	447,622	£34.42 (£30.81)

Cost of financing (£)	5,644,464	£24.53 (£40.02)	3,964,243	£27.66 (£49.30)
Distribution Channel				
% sold directly to the consumer	1,636,471	24%	922,642	19%
% sold through an affinity partnership	114,617	2%	73,635	2%
% sold through an intermediary	1,030,615	15%	637,774	13%
% sold through a Price Comparison Website (PCW)	4,124,443	60%	3,174,988	66%
Insurance type				
% of policies sold for cars	6,627,626	96%	4,628,722	96%
% of policies sold for motorcycles	38,854	0.6%	22,032	0.5%
% of policies sold for other vehicles	249,510	4%	166,794	3%
Policy tenure (in years)				
0 (new business customer)	2,660,452	38%	1,663,860	35%
1-3	2,834,649	41%	1,930,771	40%
4-6	779,136	11%	696,357	14%
7-10	399,287	6%	308,092	6%
10+	242,106	4%	218,468	5%
Miscellaneous				
% of policies cancelled	1,131,932	17%	698,936	15%
% of polices that were, by default, an auto-renewing policy at the start of the policy term	4,948,421	74%	3,498,077	77%

% who cancelled the auto-renewing element of this policy	592,454	11%	537,403	15%

Source: FCA, insurance pricing data (2019–2024). Estimates are not adjusted for inflation and reflect unweighted averages.

Purely reading the descriptive statistics, we make the following observations.

Pricing rose substantially post-intervention.
Total price at inception increased from £445.46 to £497.90, and core price from £398.41 to £448.75—both increases of over 11%, suggesting meaningful pricing shifts that, again, likely reflect cost pressures through significant rises in inflation.

Expected claims costs rose modestly.
Expected claim costs increased from £312.26 to £349.38 - a 12% rise - which, while smaller than in home insurance, still indicates higher anticipated payouts. As with home, this increase may be driven by rising inflation, particularly in the cost of car parts and repair services.

Policy retention indicators improved slightly.
Policies held for 4–6 years rose from 11% to 14%, and new business customer share fell from 38% to 35%, suggesting modest improvements in long-term retention. Auto-renewal policies rose slightly from 74% to 77%, indicating already high reliance on renewal mechanisms to maintain customer continuity.

Shift in distribution channel toward price comparison sites.
Price Comparison Website (PCW) sales rose from 60% to 66%, while direct sales fell from 24% to 19%, showing a strong consumer preference for aggregator channels.

4 Results of our evaluation

This chapter presents our findings on whether the GIPP remedies achieved their intended outcomes. The results are structured based on each hypothesis formulated from our hypothesis tree:

1. **The effect of GIPP implementation on tenure-based price walking**
2. **The effect of GIPP implementation on prices**
3. **The effect of GIPP implementation on product quality**
4. **The effect of GIPP implementation on switching costs**

The effect of GIPP implementation on tenure-based price walking

What we expected to see

Price differentials across customer tenure are significantly reduced in home and motor markets.

Our findings

Price walking against longer-tenure customers in the home and motor markets has significantly declined.

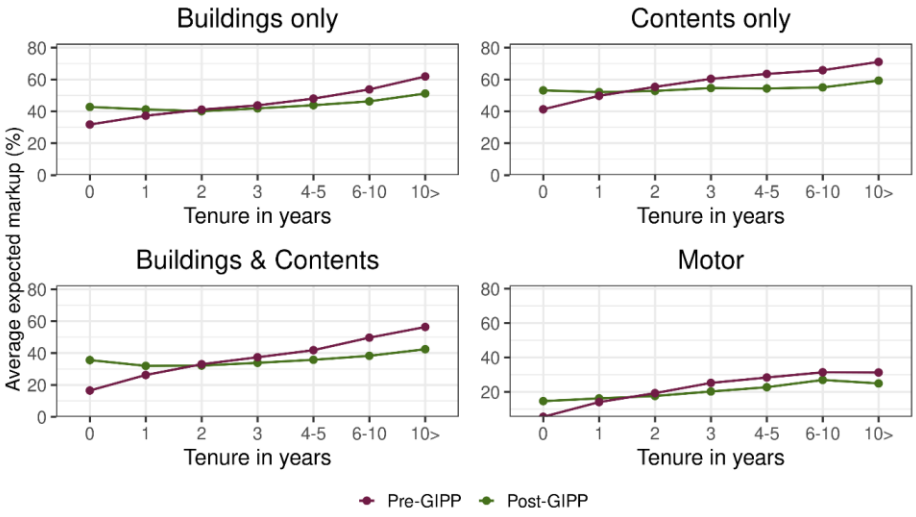
As set out in the GIPP pricing remedy, firms must not set a renewal price that is higher than the equivalent new business price (ENBP) offered to customers. It is hypothesised that lower prices are offered to consumers in the back book and that these consumers accept the lower prices on offer. At the same time, given that renewal prices must be no higher than equivalent new business prices, we hypothesised that higher prices would be offered to new business customers. In conjunction, these two factors would in theory eliminate – and in practice significantly reduce - price differentials across customer tenure.

Thus, we hypothesised that there would be overall reductions in price walking across the home and motor markets as longer tenure customers were offered renewal prices that better reflected their risk profile, relative to new business customers. To test this hypothesis, we conducted descriptive analysis to observe changes in prices and firm profit margins (i.e. markup) across policy tenures after GIPP was implemented.

Market level analysis on firm compliance

Figure 6 illustrates the relationship between expected markup and policy tenure for the periods before and after GIPP for home and motor products. We hypothesised that the curve will be flatter following the introduction of GIPP, as the intervention was designed to prevent firms from charging renewing customers (those with a tenure greater than zero) a price higher than their ENBP.

Figure 6: Changes in average expected markup by policy tenure before and after GIPP – aggregated firm level



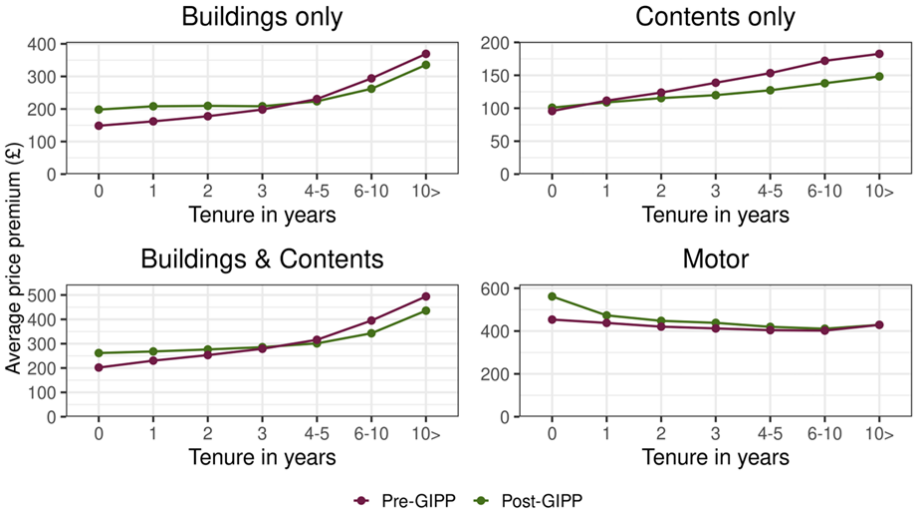
Source: FCA, insurance pricing data (2019–2024)

In the pre-GIPP period (2019–2021, burgundy line), we observe rises in the average expected margin as tenure increases for all home and motor markets, implying price walking practices. As noted earlier in Section 2, we caution that this comparison period is not necessarily typical of other pre-GIPP periods due to the onset of Covid lockdowns starting in March 2020.

In the post-GIPP period (2022–2024Q1, green line), we observe a relatively flatter curve, indicating there is a weaker relationship between expected markups and policy tenure at the market level across all home and motor markets. This finding provides evidence of reduced price walking following GIPP.

To test these findings further and confirm the validity of the trends outlined above, we investigated the relationship between average prices and tenure.

Figure 7: Changes in average prices by policy tenure before and after GIPP – aggregated firm level



Source: FCA, insurance pricing data (2019–2024)

Home market findings

Overall, prices are lower at longer policy tenures across buildings only, contents only and buildings & contents markets post-GIPP. As anticipated, it appears that firms no longer offer as many low-priced deals to new business customers, as average prices have, on the whole, increased following the intervention.

Motor market findings

We observe a relatively flat curve representing the period before GIPP which indicates that price differentials across tenure were minimal. Following GIPP, motor prices remained stable at higher tenures and increased for customers with lower tenures, with the largest increase observed among new business customers.

With respect to motor, Figure 6 indicates that there are clear and significant differences in expected margins between short (0 years) and longer (10> years) tenures before GIPP whereas Figure 7 indicates that differences in prices across tenure are minimal. We believe that this variation may be driven by the ECC (i.e. through the risk profile of customers). As noted above, prior to the remedy motor customers were paying similar premiums irrespective of tenure length. However, in practice longer tenure customers typically represent a lower risk for several reasons. For example, they will have more years of driving experience on average relative to newer customers and may have a more established relationship with the firm, which can lead to a better understanding of their needs and behaviours.

Conversely, new business customers bring a higher level of uncertainty for the firm, as there is limited information available about their behaviour and history. Therefore, once ECC is accounted for, it is to be expected that we observe significantly higher profit margins at higher tenures as these lower-risk customers pay the same premiums as high-risk short tenure customers and are therefore considered 'profitable' to firms.

Pricing gaps before and after GIPP

Home market findings

The headline figures, as previously set out in Tables 2-3, show a significant reduction in tenure-based price walking in both the home and motor markets. Our analysis found that prior to GIPP, in the home market a new customer paid £176.64, and an existing policyholder paid £272.02 on average, a difference of £95.38. After GIPP, a new customer paid £222.36 and an existing policyholder paid £271.53, a difference of £49.17 which is smaller (in absolute and percentage terms) than the original difference prior to the intervention.

Motor market findings

Prior to GIPP, our sample indicates that a new motor customer paid £458.24 and an existing motor customer paid £437.48 on average, giving a difference of £20.76. However, while new customers typically paid more due to their average higher risk level, the pricing of existing customers still reflected tenure-based price walking, as they posed significantly lower risk but were not priced accordingly. Therefore, an increase in the price gap between new and existing customers post-GIPP would be considered a successful outcome.

After GIPP, a new customer paid £569.38 on average and an existing customer paid £460.19, giving a difference of £109.19 which is considerably larger (in absolute and percentage terms) than the original difference. This is considered preferable due to the higher risk factors associated with lower tenure customers in the motor market.

Overall, the findings provide encouraging evidence of reduced price differentials across both the home and motor markets. However, we note that this analysis does not establish a causal link between the introduction of GIPP and the observed price changes. This question of causality is explored further in our next hypothesis**.**

Policy grouping specific analysis on firm compliance

The previous aggregated market-level analysis might obscure the fact that, at the firm-level, some firms could still be engaging in price discriminatory practices post GIPP. To address this concern, we conducted the analysis at the policy grouping level (groups of policies with the same underwriter, intermediary, distribution channel and insurance type/cover type).

At the groupings level, we observed cases where a positive trend between policy tenure and price margin persists, even after controlling for observable characteristics such as age and location, indicating, for these groupings, that there may be potential price walking.

Such cases are not prevalent in our sample and, based on insights from the FCA's Supervision team, in most cases they do not represent a breach of the pricing rules. There are technical and valid reasons why we may still observe these patterns. Further insights are presented in the next section.

Insights from the FCA's supervisory work on GIPP breaches

Following the introduction of the rules, our supervisory approach aimed to embed strong compliance with the GIPP rules and to investigate any potential issues. There are three key elements to this approach:

- **Attestations** – All firms have been required to submit annual attestations from the appropriate senior manager confirming their firm's compliance or otherwise provide an explanation as to why they cannot attest. Where firms have been unable to attest, we have investigated.
- **Data-led investigations** – Firms have also been required to submit pricing data showing differences in the outcomes experienced by customers of different tenure. Where this data has indicated potential breaches of our rules we have investigated further with individual firms.
- **Intelligence-led investigations** – Where intelligence has been received that could indicate a breach we have investigated further. This has typically been the case where there has been a trend of consumer reports of increased premiums at renewal.

Breaches that have been identified through our supervisory work have typically been technical in nature, reflecting pricing errors rather than being the result of deliberate or negligent design of the pricing models themselves. Due to the nature of the rules, any technical error that has the effect of increasing the price paid by a renewing customer will mean that the customer has not received the equivalent new business price. Where

these breaches have occurred, firms have provided appropriate remediation to customers.

In a small number of cases, breaches have arisen due to misunderstandings over the application of the rules, but there has been no evidence to suggest they were deliberate attempts to avoid the rules.

In many cases, firms are able to provide satisfactory explanations for apparent trends of average margin increasing with tenure. This has been the case where the firm is able to demonstrate that there is a valid reason for different customer segments or products to be distributed unevenly through the different tenure groups.

It is also generally accepted, that customers who exhibit high price-sensitivity when initially buying an insurance policy are also more likely to shop around at renewal, while customers who choose a less competitively priced policy for other, non-price, reasons will be relatively more likely to renew and end up in longer tenure groups. This creates a difference in margin if firms apply different margins to different customer segments, and these segments have different tenure representations, which is not in breach of the rules.

These observations lead us to conclude:

- Firms' pricing models are generally designed in a compliant manner.
- Technical pricing errors remain a common occurrence and often lead to breaches, but these are not happening at an unreasonable frequency. For example, where a system error results in a change in a customer's details not being appropriately reflected in the subsequent price calculation.
- Some residual trends of average margin increasing with tenure remain, however, firms have generally been able to demonstrate these are the result of valid reasons.

Conclusion on tenure-based price walking

Overall, our analysis provides evidence that price-walking and more general price discrimination of longer tenure customers in the home and motor markets has, at the least, significantly reduced through falls in renewal prices for higher tenure customers. However, we also observe that firm profit margins remain higher for the average longer tenure customer, albeit to a much lesser extent than before, and that average prices remain higher for existing home customers.

This view is consistent with our regular analysis of the annual pricing data submitted by firms, which has informed our supervisory work. Our analysis indicates that there may still be isolated instances of potential price discrimination at the firm level. In our supervision we have investigated individual firms that report these price discriminatory trends to assess whether they are driven by breaches of our rules and, with a small number of exceptions, generally concluded that breaches were triggered by technical pricing errors or that firms were able to explain why average margin might increase with tenure without amounting to discrimination.

As a result, we view the overall findings as positive and reflective of substantial improvements in pricing practices.

The effect of GIPP implementation on prices

What we expected to see

GIPP leads to a decrease in average prices overall for customers through redistribution effects between new and existing customers in home and motor markets.

Our findings

We observe different outcomes across home and motor. In the motor sector, average prices decreased, delivering an estimated cost saving of £1.6 billion to customers over ten years. However, in the home market, the findings were statistically insignificant.

We hypothesised that average prices would decrease overall for all customers through the following channels:

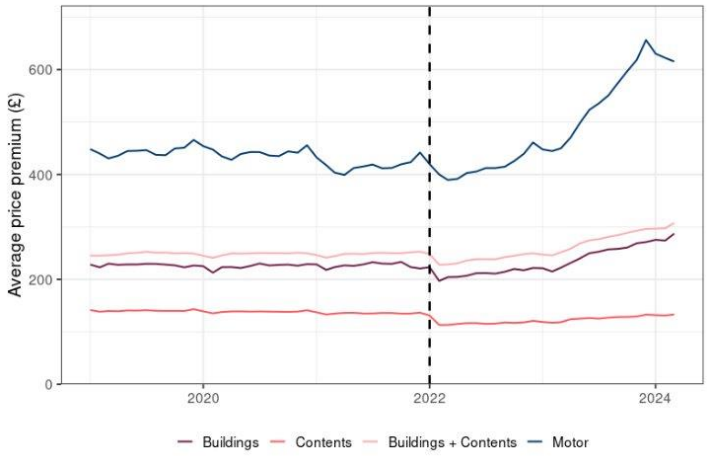
1. **Reduced switching behaviour**: As fewer consumers switched from their existing policies to new ones, the number of new business customers would decrease.
2. **Greater competition for long-term value**: Firms would be incentivised to compete on sustained value rather than exploit renewal customers, leading to more competitive pricing across the market.

Price market trends from our data

Figure 8 shows the average price, measured by the total price at policy inception, for different insurance products across the home and motor sectors from 2019 to Q1 2024. Trends are broken down across the following markets to ensure consistency with the approach taken in the original market study:

- Home (buildings insurance only)
- Home (contents insurance only)
- Home (buildings and content insurance – combined policies)
- Motor (car, motorcycles and other vehicles)

Figure 8: Average premium by product between 2019 – 2024 Q1 in nominal prices



Source: FCA, insurance pricing data (2019–2024)

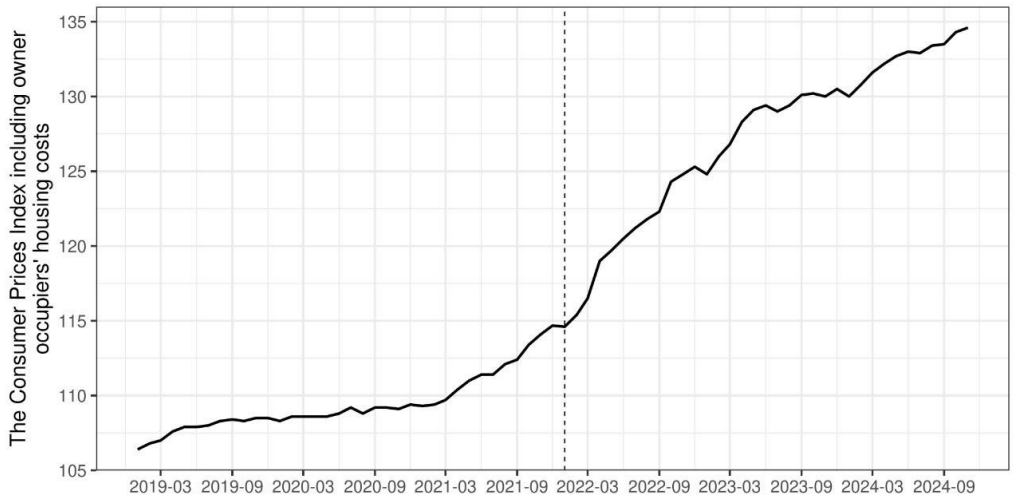
Table 4: Average change in prices from 2021 Q4 to 2022 Q1 in percentage

Product	Average change in prices (*Q4 2021 to Q1 2022*)
Buildings	-7.8%
Contents	-12.0%
Buildings & Contents	-6.6%
Motor	-5.9%

Source: FCA, insurance pricing data (2021–2022)

In the first quarter following the implementation of GIPP in 2022, we observe a dip in prices across all four markets. This is further highlighted in Table 4, which shows the average change in premiums from Q4 2021 to Q1 2022 (representing the periods directly before and after GIPP implementation) illustrating a decline ranging from 6% for the motor market to 12% for the contents insurance market.

Figure 9: Consumer price index including owner occupiers' housing cost between 2019 – 2024

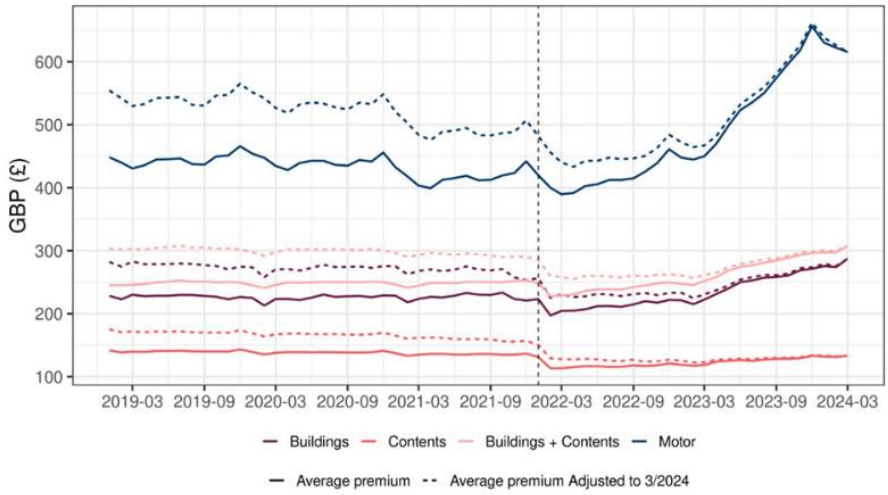


Source: ONS, CPIH (2019-2024)

This initial drop is subsequently followed by a general increase in prices for all markets, with the most significant rise observed for premiums in the motor market. However, as illustrated above in Figure 9, inflation, measured by Consumer Price Index including owner's occupying housing cost (CPIH), has risen significantly in recent years due to macroeconomic events such as sharp energy price increases.

This suggests that the long-term increase in prices observed following GIPP intervention could, at least in part, be attributed to macroeconomic inflationary pressures. To better understand the real trend in premiums, we adjust for inflation by deflating the nominal premium values.

Figure 10: Average premium by product between 2019 – 2024 Q1 in nominal and real prices



Source: FCA, insurance pricing data (2019–2024) & ONS, CPIH

Figure 10 above illustrates average premiums in both nominal and real (inflation-adjusted) terms. The dashed lines in the graph represent the deflated premium levels for each insurance market. Premium levels between 2022-2023, in real terms, are comparable to pre-GIPP levels. This indicates that while nominal premiums have increased, part of this rise is explained by broader economic inflation rather than solely by market dynamics or the FCA's regulatory interventions.

Overall, the market trends analysis indicates that prices have risen in recent years – in large part due to overall inflationary pressures. In the next section, we directly examine the relationship between the GIPP intervention and prices, controlling for these economic factors, including inflation, to isolate and assess whether GIPP had a causal effect on prices. This approach helps ensure that observed price changes are not simply reflections of broader market-wide cost increases.

Causal analysis – model findings

We used a CDiD causal approach to account for influencing factors and isolate the impact of GIPP on prices.

A key robustness check in our analysis was the parallel trends assumptions. If there were parallel trends before the GIPP intervention came into force, we expected to observe the same trend in average prices for both price-walked and non-price walked policy groupings. This is evidence that the policy groupings behave in the same way in all aspects except their price-walking behaviour, which means that any deviation in the trend following GIPP implementation can be attributed to the remedies. This idea helped us compare the groups and determine if the intervention really had an effect.

Our analysis shows strong evidence for parallel trends prior to the intervention. A full analysis of our methodology, results and robustness checks is included in the Technical Annex accompanying this report.

Table 5: Difference-in-differences estimates

Market	Estimated effect	Upper bound	Lower bound
Motor	£-6.63	£-12.59	£-0.68
Home - Combined	No significant effect	NA	NA
Home – Contents Only	No significant effect	NA	NA
Home - Buildings Only	No significant effect	NA	NA

Source: FCA, insurance pricing data (2019–2024)

Table 5 sets out the monetised estimates from our difference-in-differences analysis across the home and motor markets. Within motor, we observe statistically significant results for the full sample, calculating the average fall in prices at £6.63 per policy. We also construct upper and lower bound estimates for the effect, noting that the entire price interval is reported as negative. Within the home markets, across the buildings only, contents only and combined policies we did not observe a statistically significant impact of exposure to the GIPP intervention on premium prices in each full sample estimation.

Causal analysis – monetisation

Having established causality in the motor market, the next step was to monetise our model coefficients to determine the value of price savings to consumers in the motor market as a direct result of GIPP. As set out above, our regression findings for the full sample in the combined home market were found to be not statistically significant, therefore we decided not to monetise those impacts. This does not imply that the benefits from GIPP in the home insurance market were zero but reflects a cautious approach to ensure that only robust findings are included in the monetised estimates.

Using data from the ABI, we took the average number of annual motor policies across the post-GIPP period and multiplied these figures by the monetised estimates for our motor sample from Table 5 to produce a range of annual values. These figures represented a reduction in firm revenue and, therefore, the annual price savings to consumers overall.

Table 6: Annual price savings to motor consumers

	Lower bound estimate	Central estimate	Upper bound estimate
Average price reduction at the policy level (£)	£0.68	£6.63	£12.59
Average number of annual motor policies	27.9 million		
Annual price saving to consumers (£)	£19.0 million	£184.9 million	£350.9 million

Source: FCA, insurance pricing data (2019–2024)

Table 6 shows that the annual price saving to consumers in the motor market ranges approximately from £19 million to £351 million, depending on the magnitude of our monetised estimates.

Table 7: Price savings to motor consumers across a ten-year horizon

	Price saving to consumers across ten-year horizon
Lower bound estimate	£163.2 million
Central estimate	£1.59 billion
Upper bound	£3.02 billion

Source: FCA, insurance pricing data (2019–2024)

Our evaluation replicates the analysis conducted in the original market study and estimates a total cost saving of £1.6 billion over a ten-year horizon, with estimates ranging between a lower bound cost saving of £163m and an upper bound of £3.0 billion.

Conclusion on effect of GIPP implementation on prices

Our causal analysis indicates that GIPP appears to have succeeded in reducing average prices for consumers in the motor market. In contrast, in the home market, we find that GIPP was not statistically significantly associated with a reduction in average prices. That does not imply that consumer outcomes in the home insurance market have worsened post-remedies, but rather that we cannot establish a statistically significant causal link between the reduction in prices and GIPP. We discuss potential reasons for this insignificant finding in the final chapter of this report.

It is also important to reflect on whether the transfer ultimately results in a net positive impact on motor consumers. The mechanism driving the observed overall price savings operates as follows: customers with longer tenure benefit from lower prices than they would have paid in the absence of GIPP. Conversely, as discussed earlier in the chapter

on tenure-based price walking, new business customers appear to no longer have access to the lower priced policies that were previously available to them prior to the implementation of GIPP.

However, due to data limitations, we are unable to specify which customer groups have benefited more, and which ones have benefitted less from the remedy. The beneficiaries may include vulnerable customers who were previously disadvantaged due to limited capability to shop around, or alternatively, wealthy individuals who lacked the incentive to seek better deals. Similarly, those who benefitted less may either be savvy consumers who previously secured favourable deals, or financially vulnerable individuals who had benefited from the lower prices.

Investigating the distributional impact across consumer groups is beyond the scope of this evaluation, as our analysis is based on policy-level data rather than individual consumer characteristics.

The effect of GIPP implementation on product quality

What we expected to see

Product quality increases as firms diversify their offerings and strive to deliver long-term fair value to customers.

Our findings

Findings are mixed across our measures of product quality.

Average payouts and number of perils offered in the core policy have remained stable after GIPP, indicating that product quality have not deteriorated after GIPP. In addition, cover limits in the home market have increased for longer-tenured customers, suggesting that product quality has improved. However, compulsory excess in the motor market has increased, indicating a possible deterioration of product quality in this market. Overall, we cannot confirm or disprove that product quality has improved following the GIPP remedies.

Product quality refers to the characteristics and attributes of an insurance product that determine its ability to meet customer needs and provide appropriate coverage. These include the extent of coverage, how the insurer handles claims, and overall value for money. As firms strive to deliver long-term fair value to customers – defined as the product quality in relation to the price - we measure both the change in price (through the first two hypotheses) as well as the change in product quality.

Product quality was expected to rise through two channels. Firstly, we hypothesised that through the pricing remedy, firms competed in effective and innovative ways to provide long term fair value for all customers throughout the duration of their relationship with the firm. Secondly, if firms complied with the product governance remedy, products would be designed and distributed more effectively, which would be expected to lead to increase in their overall quality.

To understand GIPP's impact on product quality, we employed a variety of measures from our data, that provided an empirical indication of quality:

(1) The average payout following a policy claims settlement.

(2) The cover limit of a policy, which is the maximum an insurer will pay in the event of a claim.

(3) The minimum compulsory excess required when taking out a policy.

(4) To proxy value for money, we build a measure of the number of perils covered by a core policy. This is so that we can measure if firms have introduced lower quality products, in terms of their coverage or terms (also known as hollowing features out of a policy). Peril refers to the specific event or cause of a potential loss, such as fire, theft, or flood, that an insurance policy covers.

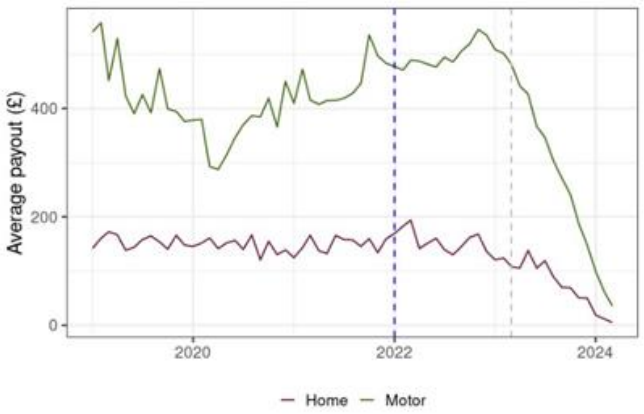
These four measures captured different aspects of product quality. The first covered claims handling by the insurer, the second and third represented the amount that a firm is willing to pay out at the time of policy inception, and the fourth captured a measure of value for money. This approach recognises that insurance products are inherently multi-dimensional, and no single metric can fully represent quality. By triangulating findings across these measures, we examined each aspect of product quality that can be determined from our dataset. This provided a more comprehensive view of how GIPP may have influenced the value and features of insurance products, building an overall assessment of the quality of products within the insurance market.

Claims payout

A claims payout represents the amount paid to a consumer upon settlement of a claim. Such payouts are a measure of product quality, as accessing a payout upon making a claim is the primary monetary benefit of an insurance policy. This is a purely descriptive measure and does not indicate whether consumers are receiving the appropriate payout, as this would require a direct assessment of each individual claim. However, in general if the average payout to consumers is rising, it is assumed that product quality is also rising. This measure links to ECC, as firms use ECC to calculate the premium charged to consumers based on what they expect the actual claims cost to be, at the inception of the policy.

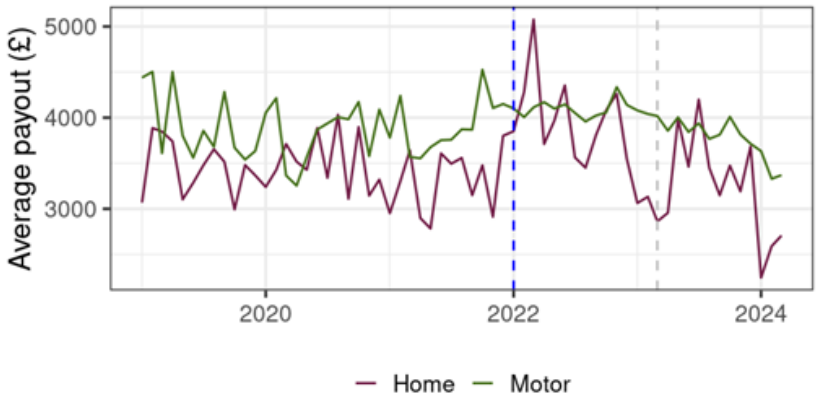
We attempted to determine how often firms agree to make claims over time, and how much they are paying once a claim has been agreed to. Therefore, we investigated both claims payouts relative to the total number of in-sample policies and claims costs contingent on there being a positive claim made. This demonstrated firm responses to GIPP both in terms of agreeing to make claims, and their generosity once a claim has been agreed to.

Figure 11: Average payout by insurance market between 2019-2024 (including £0 payout observations)



Source: FCA, insurance pricing data (2019–2024). £0 payouts are included in this analysis.

Figure 12: Average payout by insurance market between 2019-2024 (excluding £0 payout observations)



Source: FCA, insurance pricing data (2019–2024). £0 payouts are excluded from this analysis.

In both cases, we observe trend stability in the given measure after GIPP, up to 2023, as illustrated in Figures 11 and 12 above. The significant reduction in payouts, particularly in the motor market, post-2023 could be attributed to delays in claims payout settlement. Payouts for some cases – especially those involving personal injury or extensive vehicle damage - can take time to settle, and our data request was processed in May 2024. Therefore, we anticipate that several claims from March 2023 onwards will not have been settled and are associated with a value of £0.

The overall stability of claims payouts before and after GIPP indicates that product quality is unchanged post-GIPP. The findings indicate that firms are not trying to recoup costs associated with the GIPP remedies by reducing their claim generosity.

We note that the FCA previously investigated value measures including claims payouts, and this information can be used to give more colour to our results. The findings show that in 2023 "claims costs as a proportion of premium were 56% for motor insurance and 45% for home insurance (buildings and contents combined). This is a drop compared to

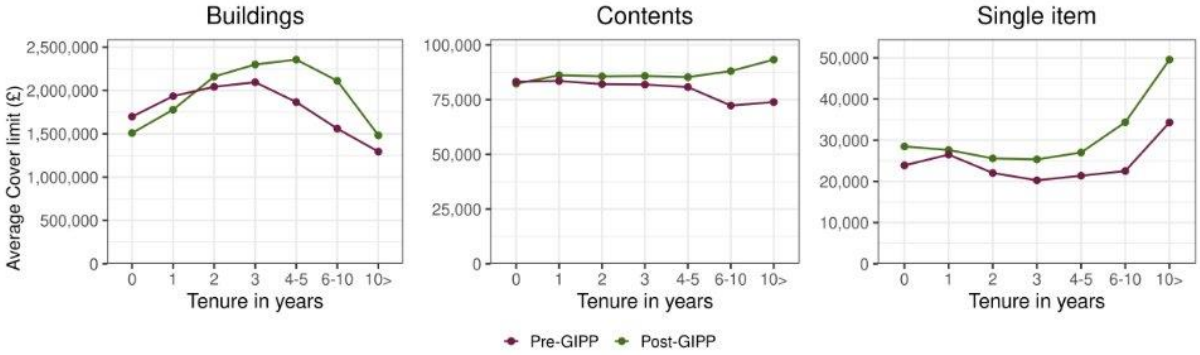
2022 (when they were 64% and 50% respectively).” These figures imply a slight fall in the claims payouts made. This shows that while claims have remained stable, as premiums in general have been rising, claims as a proportion of premiums is falling.

Claims falling as a proportion of premiums indicates a fall in product quality. However, we do not attribute this to GIPP, as the overall increase in premiums since 2022 are due to wider market factors, and not directly attributable to GIPP. Therefore, we conclude that GIPP did not cause a fall in product quality in terms of claims, as overall claims amounts were stable.

Cover limit

Cover limits are the maximum amount an insurer will pay in the event of a claim. If the loss to the consumer is deemed to be above the cover limit when quantified, the insurer is only obligated to pay the amount up to the cover limit. Therefore, this amount can be taken as a measure of the quality of the product, as the more an insurer is willing to pay in the event of a claim, the higher quality the product is. Cover limits were only available in our home sector dataset.

Figure 13: Average cover limit by policy tenure across insurance types (home market only)



Source: FCA, insurance pricing data (2019–2024)

Figure 13 above shows the three types of cover limits that we collected data on. These are cover limits for buildings, overall contents, and single item insurance. Single item insurance refers to a specific, high-value item that is individually negotiated. In each case, since the introduction of GIPP rules, the cover limits have risen for most customer tenures.

Buildings insurance cover limits rose for all tenures except for new business customers and relatively new customers (tenure of 1 year) which saw minor falls. Contents insurance cover limits rose for all tenures except for new business customers, which saw a very minor fall. Single item insurance cover limits rose for all tenures.

Overall, the findings suggest that product quality may have improved in terms of cover limits. This is particularly pronounced for longer-tenure customers, whose cover limits increased by a larger margin post-GIPP compared to new and low-tenure customers.

Compulsory excess

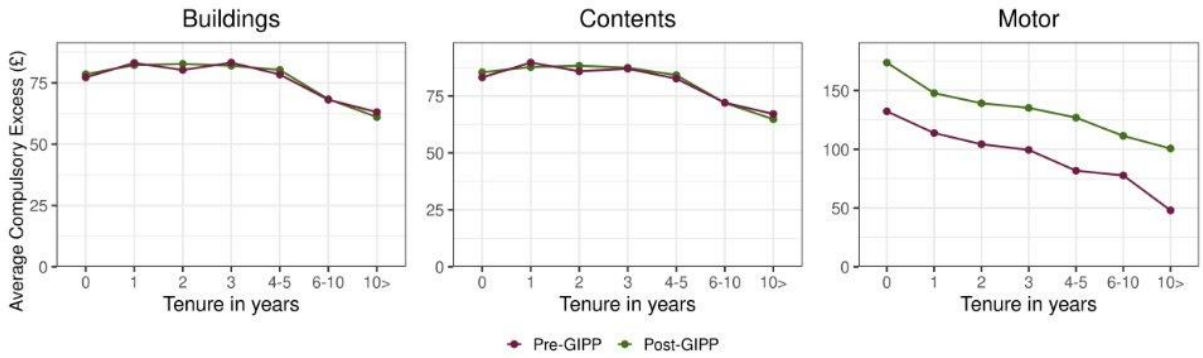
Excess refers to the amount a consumer pays when making a claim before the insurer begins to cover the claim. This is designed to disincentivise customers from making false

or very small claims. Compulsory excess, therefore, is the level of excess a consumer must accept to take out the policy.

As this is non-optional for the customer, it is considered a measure of quality as it represents the level of risk the insurer is willing to absorb and the trade-off they are offering between premium costs and the insurer's exposure. A lower compulsory excess might suggest that the insurer is more willing to cover a greater portion of the claim, which could be an indicator of a more comprehensive policy.

We also recorded information on optional excess, where a consumer can increase their excess in exchange for a reduction in premium, but this is not considered a direct measure of product quality. Optional excess does not directly impact the insurer's willingness to pay for claims in a standardised way and is more about personal choice. The ability to increase optional excess for a lower premium therefore doesn't necessarily reflect the actual product quality because it doesn't influence the core terms of coverage or risk taking between the insurer and the insured.

Figure 14: Average compulsory excess by policy tenure across insurance types



Source: FCA, insurance pricing data (2019–2024)

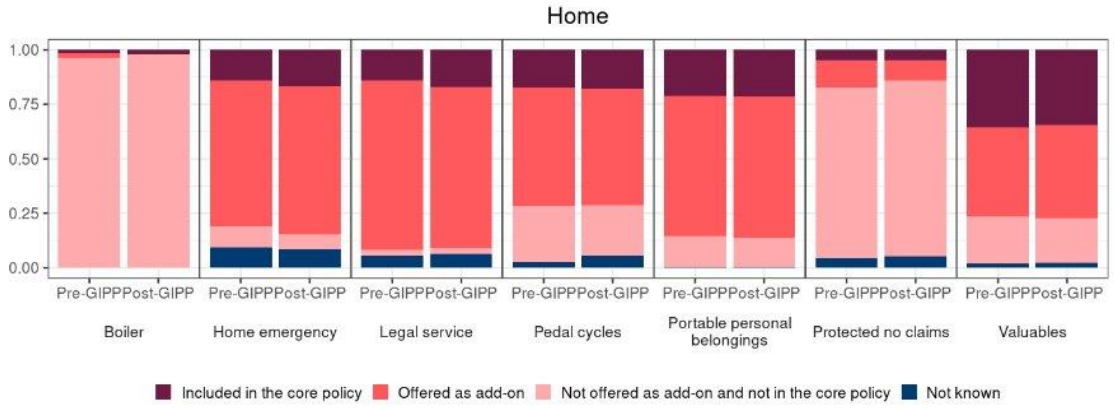
The findings are illustrated above in Figure 14. For buildings insurance and contents insurance, there is no discernible difference across tenures. In the motor market, we observe an increase in compulsory excess levels after the GIPP reforms came into force, meaning firms are less willing to pay out for the same premium level. This implies that product quality has fallen in the motor market in terms of compulsory policy excess amounts. However, we note that this is not a causal analysis, and the impact cannot be directly attributed to GIPP.

Product coverage

A potential unintended consequence of the remedy was that firms would introduce lower quality products, in terms of their coverage or terms (also known as "hollowing out"). More broadly, products may have changed in terms of their quality over time. We attempted to account for this phenomenon in our analysis, to avoid misinterpretation of the broader findings (e.g., interpreting a price reduction as a fall in price for the same quality of product, when in fact the quality of the product also fell). Since the intervention, firms across the home and motor markets introduced 'essential' (basic) products, which offered a lower price for insurance, at the expense of reduced cover. These products provided additional choices for consumers seeking more affordable alternatives.

To test whether hollowing out has occurred, we collected data on the most common perils (or policy features) and whether these perils were offered as part of the policies. We calculated the proportion of policies that had each peril included in the core policy, were offered as an add-on, or not offered as an add-on and not included in the core policy.

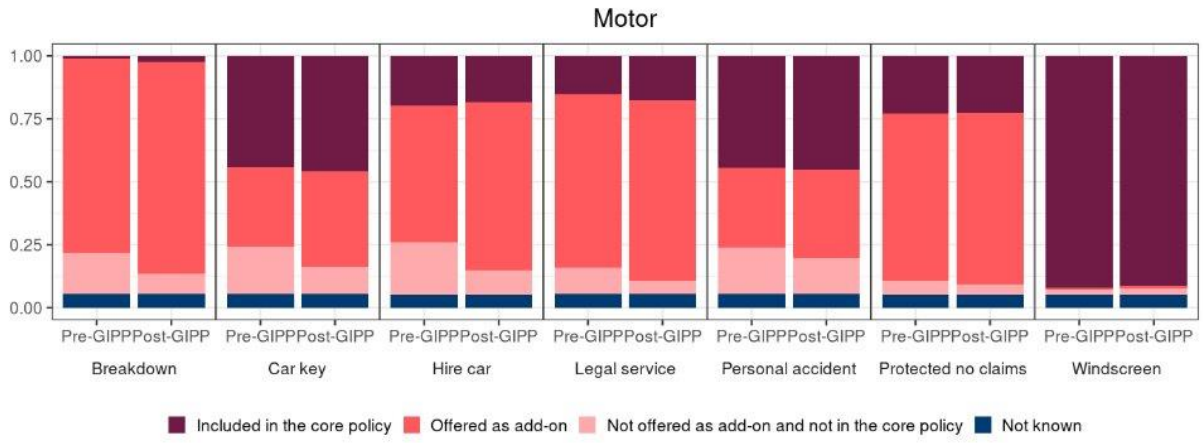
Figure 15: Proportion of perils offered for the core policy or as add-ons in the home market



Source: FCA, insurance pricing data (2019–2024)

In the home market, these perils are boiler cover, home emergency, legal service, pedal cycles, portable personal belongings, protected no claims and valuables. As Figure 15 shows, before and after GIPP there is no significant changes in the proportion of these perils offered, either at the core policy or at the add-on level. This implies that there is no evidence for hollowing out within our home sample.

Figure 16: Proportion of perils offered for the core policy or as add-ons in the motor market



Source: FCA, insurance pricing data (2019–2024)

In the motor market, these perils are breakdown cover, car key cover, hire car, legal service, personal accident, protected no claims and windscreen cover. As Figure 16 shows, much like in the home market before and after GIPP there is no significant changes in the proportion of these perils offered, either at core policy or add-on level. This implies that there is no evidence for hollowing out within our motor sample.

Wider industry trends

As set out in the CBA's governance remedy causal chain, it was anticipated that firms would adjust the products they are offering and/or introduce new products to the market in order to meet the new rules and deliver fair value to consumers.

Data from Go.Compare car insurance revealed that "the number of essentials car insurance policies almost tripled since the introduction of GIPP in January 2022". As set out above, our analysis above found little change in the proportion of features included in policy offerings since GIPP, despite this market trend toward cheaper policies with fewer features. We acknowledge that our dataset may not fully reflect this wider industry shift. For example, a quarter of sampled firms did not offer essentials products up to 2024, and two other firms had already introduced them to the market prior to GIPP. In this instance, the composition of our sample affects the ability to capture the full market impact of these products.

Different interpretations can be made about why the number of essentials products has increased. On the one hand, the introduction of GIPP closely coincided with a period of rising costs for households, which may have led to an increase in demand for cheaper insurance. However, it is also possible that firms may have introduced new products or brands as a part of the following avoidance strategies to allow them to attract new customers while maintaining higher prices on their existing products:

- **Brand cycling**: Firms utilise multiple brands to maintain differential pricing. Each brand is initially priced competitively to attract volume and win new business. Once the brand reaches a certain scale, prices are increased across the entire existing customer base to maximise profits. As the higher prices reduces the brand's ability to attract new business customers, the value of that particular brand to firms declines. At this point, the firm will restart the cycle and drop prices to entice consumers. By managing several brands at different stages of the cycle, firms can smooth out their profits as some brands focus on acquiring new business customers, while others focus on maximising returns.

- **Tiered pricing**: Firms launch a new, lower-cost version of an existing product (e.g. Bronze), while rebranding the current offering as a higher-tier version (e.g. Silver or Gold). This enables the firm to offer competitive pricing for new business customers without reducing pricing for existing ones. While not as flexible as brand cycling, this approach can be used periodically through product consolidation or by encouraging customers to migrate between tiers.

The assessment of whether a firm's product or brand strategy is valid or if they are seeking to avoid the rules is highly dependent on the context and must be assessed on a case-by-case basis. In our supervision we will continue to monitor these market trends.

Conclusion on product quality

Overall, we have mixed findings across the four measures of product quality. Claims payouts have remained stable, and we observe some evidence in both directions for cover limits (improved quality) and compulsory excesses (reduced quality). Our dataset finds no evidence of a reduction in the number of perils offered in the core policy, thus 'hollowing out' effects were not observed. Our overall evaluation of product quality is

inconclusive and does not support (or disprove) our hypothesis that GIPP led to an improvement in product quality.

The effect of GIPP implementation on switching costs

What we expected to see

We would expect to see an increase in low-tenure switching and a reduction in longer-tenure switching. We expect the auto-renewal dynamics to remain consistent both before and after the implementation of GIPP.

Our findings

Switching rates changed as expected. The costs of switching decreases for consumers who wish to switch but fewer consumers overall felt the need to switch because of fairer pricing practices.

For the purposes of this evaluation, switching is defined as when a customer changes their insurance provider for the same underlying vehicle or home. Our market study found that there were excessive costs in the GI market associated with switching in terms of consumer time spent on switching and firm resources spent on customer retention. The GIPP remedy sought to address these harms through two remedies.

First, the autorenewal remedy aimed to make the process of policy cancellation easier through a variety of measures, for example by mandating that firms allow consumers to opt-out of autorenewal using at least the same methods by which they allow consumers to purchase a new policy. This reduced the costs to the consumer of switching (in terms of time, fees, etc). As policies were made easier to cancel, this made switching more likely, especially for low-loyalty customers who regularly seek out better deals. We call this increase in likelihood of switching the 'autorenewal effect'.

Second, the pricing remedy attempted to reduce the necessity of switching for consumers as there is no longer a price advantage to being a low-tenure consumer. This reduction in need for a consumer to switch is accompanied with the above decrease in switching costs. Overall, however it makes switching less likely, particularly for high-tenure consumers. We call this decrease in likelihood of switching the 'pricing effect'.

Measuring switching costs

To isolate which customers belong to which group, would require several data points, including information on time spent searching, consumer motivations and outcomes. However, our dataset only captures the pricing information on policies sold.

We sought to measure switching costs by investigating the effect on customers of different tenure lengths within our sample. Lower tenure consumers were assumed to be lower loyalty and, prior to GIPP, would not have enjoyed the full benefits of switching due to the aforementioned switching costs. Therefore, we predicted that if GIPP worked as intended, these consumers would be driven by the autorenewal effect and have a higher switching rate. Conversely, higher tenure consumers were assumed to be higher loyalty and are the main beneficiaries of the pricing remedy. Therefore, we predicted that if GIPP

worked as intended, these consumers would be driven by the pricing effect and have a lower switching rate.

As the two channels through which we sought to decrease switching costs have opposing intended effects on the switching rate, the overall impact of the GIPP remedies on switching is uncertain, as it depends on which effect is stronger. Further, as we used a proxy measure for switching, and there was an increase in customers exiting the insurance market in 2023 due to external factors such as an increase in prices, the overall rate of attrition is likely skewed by these external factors.

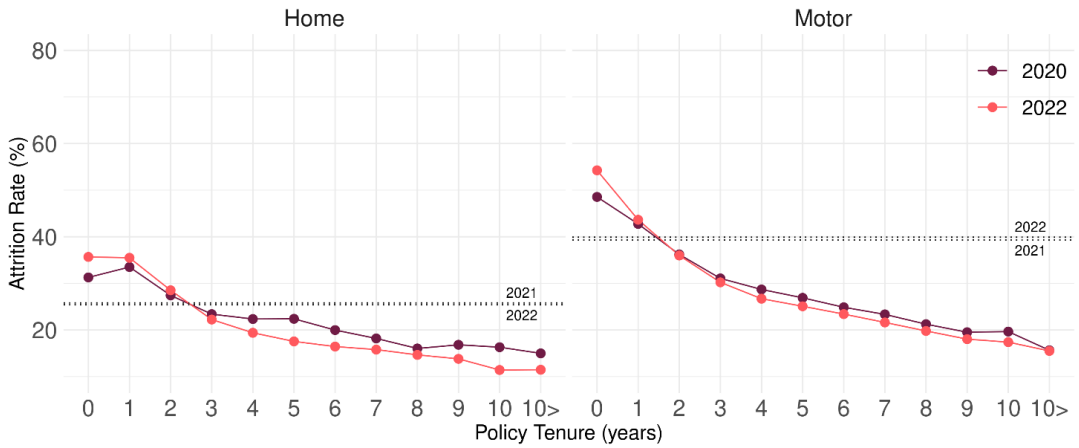
As we did not sample every firm in the industry, we could only identify where consumers either took up or terminated their policy with a given firm. Therefore, we proxied switching through the attrition rate in our sample. Attrition measures where a customer had a policy for a defined risk in one year for a given firm, and they do not in the next year. We considered this to be a close proxy as customer attrition is typically driven by switching to a different firm. However, we acknowledge that a small proportion of consumers will cancel their policy and not adopt a new one.

Attrition results

We look at the attrition rates across tenures in the home and motor markets overall (acting as proxies for switching) in 2020 (pre-GIPP reform) and 2022 (post-GIPP reform). The pre-GIPP attrition rate represents the percentage of policies that were in effect in 2020 but subsequently not renewed in 2021. The post-GIPP attrition rate represents the percentage of policies that were in effect in 2022 but not renewed in 2023. Our attrition analysis here, therefore, relies on four full years of data either side of the GIPP reforms.

We exclude the 2021 attrition rate (the percentage of policies that were in effect in 2021 but not renewed in 2022) from our analysis. A consumer may proactively decide to switch in 2021 ahead of the GIPP rules coming into force. Alternatively, the consumer may decide to shop around and ultimately switch based on their 2022 quote which is influenced by the GIPP rules' effect on pricing. As we do not have information on the exact time of the decision to renew, we are unable to classify those customers into pre- and post-GIPP categories with any degree of confidence.

Figure 17: Overall attrition rate by policy tenure



Source: FCA, insurance pricing data (2019–2024)

Figure 17 shows the overall attrition rate by policy tenure for aggregated home and motor, in 2020 and 2022. Within the home and motor markets, we observe the same directional effect for attrition – lower tenure consumers see a modest increase in their attrition rates, while higher tenure consumers see a fall in their attrition rates. Overall, between 2020 and 2022 the home attrition rate overall fell modestly from 26% to 25%, while the motor attrition rate overall rose modestly over the same period from 39% to 40%.

We interpret this as the autorenewal and pricing effects at work – lower tenure customers are more likely to not be loyal and so would be affected by the autorenewal effect and take advantage of easier switching. Further, more loyal customers with higher tenures have less impetus to search due to fairer pricing practices, affected by the pricing effect. Therefore, despite attrition rates overall not shifting dramatically, we infer from this that the cost of switching to the consumer has fallen.

Autorenewal results

This hypothesis is corroborated by the data when we study the impact on policies with and without autorenewal. We anticipate that policies without autorenewal will have higher attrition rates, as customers need to take a more active role in renewing these policies – this indeed occurs and is maintained after GIPP at a similar scale. Across our sample post-2020, attrition rates for home policies without autorenewal range from 32.2%-38.5%, depending on the year, while the equivalent range for home policies with autorenewal is 19.6%-21.5%. Calculating the same rates for motor policies gives a range for those policies without autorenewal to be 49%-54%, and those policies with autorenewal to be 33%-35%.

This shows that while the overall market for home and motor insurance has changed their attrition behaviour, the dynamics of consumers who choose to have autorenewal after GIPP hasn't changed. These consumers have chosen to have autorenewal more actively due to the GIPP reforms making autorenewal easier to cancel and increasing consumer awareness around autorenewal.

When studying the effect of policies split by autorenewal, we cannot disentangle the effect of external factors. There was an inflation-driven sharp rise in insurance prices in 2023, leading to some consumers exiting the market, which would likely have disproportionately impacted customers without autorenewal that already have to consider renewal more actively. There were also general customer treatment and ease of access to cancellation provisions within GIPP. This uncertainty ultimately means that our analysis excludes the change in attrition by autorenewal status.

Conclusion on switching costs

The market study reforms intended to decrease the costs of switching to those consumers who wished to switch but would make fewer consumers overall feel the need to switch because of fairer pricing practices.

Based on the evidence presented on switching rates, we conclude that switching rates changed as we would expect them to if the GIPP reforms worked as expected. This is subject to the caveats mentioned above. We do not have data on the motivations of consumers which would be required to determine the time spent on and cost incurred by switching. Further, we proxy switching through the attrition rate, and one of our in-

sample years, 2023, saw a larger than average number of people leaving the insurance market for reasons other than GIPP.

We have identified which consumers are likely to be driven by which effect based on their tenure, and shown they react how we would expect. Across the home and motor market the directional effect of the attrition rate is as expected. This is because consumers that we expect to want to take advantage of easier switching (indicated by being low tenure) appear to do so. Further, consumers that are higher loyalty and may only switch prior to GIPP implementation to avoid being penalised for being loyal (indicated by being high tenure) no longer switch as often following the GIPP reforms.

The overall attrition rates in our period remain within a percentage point of each other, as does the behaviour of consumers with and without autorenewal, so we do not observe a large shift in consumer behaviour with respect to switching following the GIPP reforms.

This evaluation does not quantify the effects of the remedy on switching; however, these switching benefits were estimated in the region of £1-1.13 billion over 10 years in CP20/19. These values were estimated through a reduction in costs to firms and customers of inefficient switching, as well as a direct time saving to customers who no longer have to go through the process of cancelling auto-renewal. We note that further measures were introduced to reduce costs to consumers – for example, firms are now required to allow customers to cancel using the same channel through which they purchased the product.

As our conclusion is that the reforms worked as intended with respect to switching, we would expect the price savings to be within the magnitude of £1bn to customers and firms, in line with our expectations from the causal chain in CP20/19.

5 Analysis of CBA costs

Within the CP, there is a cost-benefit-analysis (CBA), as required by the FSMA. This assists us with policymaking, as it weighs potential benefits for different stakeholders against the estimated costs produced. In the CBA, we estimated several costs that firms would incur as a result of our GIPP intervention. These included compliance costs and revenue costs (losses) to firms from the pricing and autorenewal remedies. These revenue costs take the form of transfers to the consumer and were captured in the previous section. As a result, in this section we investigated the accuracy of our estimates of compliance costs only.

Our comparison utilised data from the CBA, as well as from our data request. As part of the data request sent to the in-sample firms, there was a section requesting firms to either (1) estimate costs associated with being compliant with GIPP or (2) provide commentary on these costs.

Our CBA estimates

Firms incur costs in implementing remedies and running operating processes to comply with the remedies. These costs are split into one-off adjustments to systems and processes, and ongoing costs (such as IT changes or employee training) to continue meeting the requirements of the GIPP remedies.

The CBA analysis split firms into 2 categories: small and large. Large groups were classified as those with more than £500 million in GWP in motor and home insurance. This distinction was intended to account for significant differences in the size of different groups in the CBA sample and in the population of groups. To the extent possible, we tried to match the assumptions made within the CBA in our evaluation estimates:

- Where firms have provided ranges, we used mid-points for cost estimates.
- We assumed that the costs are additive and that there are no synergies from implementing remedies together.
- We used the costs reported by home and motor insurance groups and applied them to the whole industry for the non-pricing remedies.
- We did not split the costs between motor and home insurance or other types of insurance.

As outlined in the limitations sub-section of this report, the optional nature of this data request meant that we received responses from nine and six firms for home and motor respectively. As this represents only a subset of our full sample—which was originally designed to reflect the CBA sample—direct comparability of estimates across studies is limited.

Furthermore, some of our assumptions vary from the CBA. Most consequential is that we surveyed underwriters and intermediaries, but not managing general agents, and did not group the underwriters and intermediaries across the distribution chain. This may explain, to a degree, some variation in costs between the CBA and our estimates.

Results

Within our sample that submitted compliance information, 6 are classified as small and 5 as large – using the same threshold £500 million total GWP. The GWP was calculated

using 2021 data, as this was when firms will have been incurring most of the costs. Our analysis below is based on a comparison of the per-firm estimates, split by small and large firms, as we have a limited sample of firms surveyed on their implementation costs. The results are as follows, with the original CBA estimates listed in brackets next to the evaluation estimates:

Table 8: Breakdown of firm compliance costs across remedies

	Average one-off costs, £ 000		Average ongoing annual costs, £ 000	
	Small firm	Large firm	Small firm	Large firm
Pricing	2,606 (1,740)	4,561 (5,770)	199 (120)	531 (170)
Product governance	736 (170)	574 (840)	586 (80)	431 (150)
Auto-renewal	970 (220)	2,174 (2,680)	138 (90)	149 (330)
Reporting	320 (20)	590 (120)	94 (10)	140 (70)
Total	**5,029 (2150)**	**6,252 (9,410)**	**794 (300)**	**1,151 (720)**

Source: FCA, insurance firm-level compliance data & CP20/19 market study

For one-off costs, the small firms within the evaluation dataset sample gave consistently higher average estimates than those in the CBA, leading to a total estimated cost of implementation of approximately £5 million per firm, larger than the estimated £2.1 million total estimated in the CBA. The opposite is true for large firms, where the average one-off cost is lower than the CBA expected. Aside from reporting (which is higher than the estimate in the CBA) the costs associated with the other 3 remedies were reported higher in the CBA, leading to an overall cost of roughly £6.3 million per firm, rather than the £9.4 million per firm.

Ongoing costs, however, appear to have been consistently underestimated in the CBA for home and motor, across all four remedies. Small firms estimated that they are spending an average of £0.8 million on remaining compliant with GIPP reforms annually, and large firms estimated that they are spending £1.2 million annually, while in the CBA this was estimated to be £0.3 million and £0.7 million respectively.

Conclusion on cost comparisons

Our analysis indicates that compliance costs in the evaluation sample are larger than compliance costs estimated through the CBA sample. Several factors, potentially unaccounted for in the original analysis, may explain these discrepancies. Furthermore, compliance costs gathered at the evaluation stage may not accurately reflect the counterfactual impacts which are clearly defined at the early consultation stage of a project. We discuss these potential factors further in the concluding chapter of this report.

6 Lessons learned

Although we observe that price differentials between new and existing home customers have decreased, the causal findings for this market are statistically insignificant. There are two possible reasons for this.

First, the causal impact of the intervention may not be significant, perhaps because market dynamics outweighed any impact from GIPP. Based on year-end 2022 figures from the Prudential Regulation Authority, the 10 largest motor insurers accounted for approximately 65% of the motor insurance market, while the top 10 home insurers made up around 80% of the home insurance market. This greater market concentration in home insurance could mean less competitive pressure and therefore fewer substantial price changes in response to the intervention, reducing the likelihood of a measurable effect.

Alternatively, the lack of a causal finding could be due to limitations in our methodology. These limitations might include inherent challenges in the approach or the possibility that the effect on home prices was more subtle than our methods were able to detect.

In terms of product quality, the analysis found little change in the proportion of features included in policy offerings since GIPP, despite broader market trends toward 'essentials' products that trade lower premiums for reduced coverage. We acknowledge that our sample may not be fully representative of the market, as a quarter of sampled firms did not offer essentials products up to 2024, and two other firms had already introduced them prior to GIPP. This limits our ability to capture the full market impact of such products. We conclude that the representativeness of the sample must be carefully considered when interpreting product quality findings and comparing them to broader industry trends.

Our findings show that the compliance costs reported by firms differed significantly from the CBA estimates. Several factors, potentially unaccounted for in the original analysis, may explain these discrepancies. For example, unanticipated challenges during the implementation of the rules—such as the significantly higher one-off costs experienced by smaller firms following GIPP—could have inflated costs beyond initial projections. We conclude that the compliance cost estimates in this evaluation are not directly comparable in magnitude to those in the original CBA.

Furthermore, firm compliance costs collected at the evaluation stage may not be fully accurate. Firms' feedback during an ex-post evaluation is less likely to accurately reflect the relevant counterfactual impacts, which are typically more clearly defined and controlled for during the consultation process prior to intervention. Therefore, future ex-post evaluations may benefit from focusing on unexpected consequences that could not have been captured during the original consultation, rather than attempting a direct like-for-like comparison of cost estimates across studies.

Abbreviations used in this document

CP	Consultation Paper
PS	Policy Statement
MS	Market Study
EP	Evaluation Paper
TA	Technical Annex accompanying this EP
GI	General insurance
GIPP	General Insurance Pricing Practice
DID	Difference-In-Differences
cDID	Continuous Difference-In-Differences
ABI	Association of British Insurers
UK	United Kingdom
FCA	Financial Conduct Authority
ONS	Office for National Statistics
Q1-4	Quarter(s) 1 through 4
CPI	Consumer Price Index
CPIH	Consumer Price Index including owner's occupying housing cost
PROD	Product Intervention and Product Governance Sourcebook
ENBP	Equivalent new business price
ECC	Expected claims cost
OFGEM	The Office of Gas and Electricity Markets
CBA	Cost-benefit analysis
PCW	Price Comparison Website
REP0	Regulatory reporting forms

Glossary

These explanations have been provided to help the reader with this report.

Key term	Description
Affinity Partnership	Refers to the glossary term, "affinity partnership / scheme", as term as defined within the FCA handbook. Where a firm forms a scheme with another business (usually a brand whose main business is not insurance) to distribute home insurance or motor insurance products to consumers under the partner's brand name. Examples of partners include banks, building societies, trade associations, charities, membership organisations and franchise networks.
Autorenewal	A feature where the insurance policy renews automatically unless the customer cancels or opts out of automatic renewal.
Continuous Difference-in-Differences	An econometric method to estimate effects of an intervention over time where treatment is a continuous measure that varies in intensity/exposure to the intervention, rather than a binary treated and non-treated setting.
Distribution Channel	The distribution method through which the customer purchases a policy. Examples of channels include: (a) direct sales where the customer and insurer communicate directly without a third party present. This would include (as separate channels) sales: (i) by telephone; (ii) via the internet; (iii) through a branch; (b) sales through a specific price comparison website; (c) sales through a specific insurance intermediary; and (d) sales via a specific affinity/partnership scheme.
Equivalent New Business Price	Refers to the glossary term, "Equivalent New Business Price", as defined with the FCA handbook. The price a firm would offer to a customer to purchase a particular policy if the customer were a new business customer.
General Insurance	Refers to the glossary term, 'general insurance contract' as defined within the FCA Handbook. General insurance includes, for example, motor, travel, health, pet, and home insurance.
GIPP/ GIPP Remedies	Refers to the 2021 package of policies that this paper is evaluating. GIPP and GIPP remedies are used interchangeably.
Gross Written Premium (GWP)	Refers to the glossary term, "gross written premium", as defined within the FCA handbook. The amounts required by the insurance accounts rules to be shown in the profit and loss account of an insurer.
Home Insurance	Refers to the glossary term as defined within the FCA Handbook. This includes cover against loss of or damage to for example, the structure, contents or domestic properties.
Intermediary firm	Refers to the glossary term, 'insurance intermediary' as defined within the FCA Handbook, which is a firm carrying on insurance distribution activity other than an insurer

Motor Insurance	Refers to the glossary term 'motor insurance' as defined within the FCA Handbook. A contract of insurance within the motor vehicle liability or land vehicle class, where the contract of insurance was purchased by a consumer.
New Business Customer	Refers to the glossary term, 'new business customer' as defined within the FCA Handbook. A prospective customer for a policy where the policy being taken out is not a renewal.
Net Written Premium (NWP)	Refers to the glossary term 'nett written premium' as defined within the FCA Handbook. Gross written premiums, less reinsurance premiums payable under reinsurance ceded.
Parallel Trends	A statistical assumption that trends for treatment and control groups would have been the same in the absence of the intervention.
Premium	Refers to the glossary term 'premium' as defined within the FCA Handbook. The consideration payable under the contract by the policyholder to the insurer. This is used interchangeably with price within the evaluation.
Renewal	Refers to the glossary term, "renewal" as defined within the FCA Handbook. Carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.
Renewal Price	Refers to the glossary term, "renewal price" as defined within the FCA Handbook. The premium offered by a firm to renew a home insurance or motor insurance policy. This includes where more than one policy is sold together as part of a package.
Tenure	Refers to the glossary term, "tenure" as defined within the FCA Handbook. The number of years a customer has held their policy, including any renewal of the policy.
Underwriter	When referring to underwriter, the meaning is the same as the glossary term "insurer", as defined within the FCA Handbook. A firm with permission to effect or carry out contracts of insurance.

12 Endeavour Square, London E20 1JN
Telephone: +44 (0)20 7066 1000 Website: www.fca.org.uk