

Discussion Paper DP24/1: Regulation of commercial and bespoke insurance business

We are seeking further feedback on DP24/1 to gather more information about the impact of our options.

Background

On 29 July 2024, we published DP24/1 (DP) discussing possible rule changes in commercial and bespoke insurance business. We included questions to prompt views about the estimated effects of each of the options.

The DP closed for responses on 16 September. However, some respondents said they would like more time to provide us the estimations of impact.

To ensure we can carry out a robust assessment of the impact of any changes and to give stakeholders a fair opportunity to provide us with their views, we have decided to partially reopen the DP. We are giving additional time for interested parties to provide us with responses to the questions below.

How to respond

Please respond to the questions by **10 January 2025** by emailing commercialinsurancemarket@fca.org.uk.

Chapter 2: Determining which rules apply to commercial insurance

Under this chapter, we discussed the application of rules to the commercial insurance market; especially the point at which some rules are disapplied based on the size and nature of the commercial customer.

Question 2: Please provide us with any information that may help us to quantify the costs associated with these challenges.

Question 7: Please provide us with estimates on what the expected financial impact (either to increase or decrease in costs) would be to your firm if we take forward the changes under option 1, 2, or 3. Please include a breakdown of total one-off costs, total ongoing annual costs, and what these costs are for (eg IT, staff training, compliance training and monitoring, legal costs, complaint handling and costs of cases being referred to the Financial Ombudsman Service etc.).

Question 8: Please provide us with information/ data on insurance outcomes for commercial customers of different sizes, including customers marginally either side of the current Contracts of Large Risks threshold- namely, premiums, claims success rates and complaint rates (including uphold rates) by insurance line, customer balance sheet size, turnover and number of employees. Please also indicate if you would be willing to share with us anonymised transactional- level data on these outcomes to assist our Cost benefit analysis., for customers that are marginally on either side of the current threshold.

For ease, we have included the table below that firms can use to provide some of the data requested in Question 8. Firms can send us separate data sets for each product or aggregated data across all commercial products.

Please provide anonymised transactional data if possible. A template can be provided on request - email commercialinsurancemarket@fca.org.uk.

Data	'Large risks'	FOS eligible	Not FOS eligible but not large risks
Commercial customers			
Premium			
Claims rate			
Claims success rate			
Complaint rate			
Complaint success rate			

Question 9: Please tell us of any advantages, disadvantages, or unintended consequences to firms and/or customers you've identified against any of the main or supplementary options.

Question 11: Please provide any other information which may help us to assess the number of customers affected by any of the main or supplementary options.

Chapter 3: Co-manufacturers of insurance products

Under this chapter, we discussed the rules which apply to situations where multiple firms are responsible for manufacturing insurance products. Whilst we only considered possible changes to the commercial non-investment insurance market, we are also seeking views on whether these should apply to the retail market as well as to pure-protection products.

Question 14: Please tell us how much of your business (including number of products and volume of business) is currently co-manufactured.

Question 21: Please tell us what the financial impact (either an increase or decrease in costs) would be to your firm if we take forward the changes under options 1, 2 or 3. Please include a breakdown of total one-off costs, total ongoing annual costs, and what these costs are for (eg IT, staff training, compliance training and monitoring, legal costs to change and co-manufacturer agreements etc).

- For Option 1
- For Option 2
- For Option 3

Question 22: Please tell us of any advantages, disadvantages, or unintended consequences to firms and/or customers you've identified for option 1, 2 or 3.

- For Option 1
- For Option 2
- For Option 3

Question 23: We have only considered possible rule changes in relation to the commercial market. Are there any retail products to which these changes should apply?

- Yes
- No

If yes, please explain how much (and the type) of your firm's retail business would be affected, any additional financial impact to your firm and any advantages and disadvantages if we extended the scope of any rule changes to certain retail business.

Question 24: As noted in Chapter 1, we have only considered rule changes to non-investment insurance products. Please tell us if you consider these changes should be extended to any pure protection insurance business for commercial customers too. Also, explain how much of your firm's business would be impacted by this, any additional financial impact to your firm, and advantages and disadvantages from such a rule change.

Question 28: Please tell us what the financial impact (either an increase or decrease in costs) would be to your firm if we take forward the changes to the ICOBS disclosure requirements. Please include a breakdown of total one-off costs, total ongoing annual costs, and what these costs are for (e.g. IT, staff training, compliance training and monitoring, legal costs to change and co-manufacturer agreements etc).

Question 29: Please tell us of any advantages, disadvantages and/or unintended consequences to firms and/or customers from the changes we are considering?

Chapter 4: Bespoke insurance products

Under this chapter, we discussed the rules which apply to tailor-made (bespoke) contracts.

Question 36: Please tell us what the financial impact (either an increase or decrease in costs) would be to your firm if we take forward the changes, we are considering for the bespoke contracts exclusion. Please include a breakdown of total one-off costs, total ongoing annual costs, and what these costs are for (e.g. IT, staff training, compliance training and monitoring, legal costs to change and co-manufacturer agreements etc).

Question 37: Please tell us of any advantages, disadvantages and/or unintended consequences to firms and/or customers resulting from the changes we are considering.

You may use the tables below to provide us with cost-benefit data. Alternatively, you can provide it in a different format if more convenient.

Chapter 2						
Policy options	How much business affected	One-off costs	On-going annual costs, for example, IT costs, Governance/compliance cost, cost for staff training and any other costs, advantages and disadvantages			
Q 2: Info. on associated costs						
Q 7: option 1						
Q 7: option 2						
Q 7: option 3						
Q 8: outcome-Marginally either side of COLR						

Chapter 3						
Policy options	How much business affected	One-off costs	On-going annual costs, for example, IT costs, Governance and compliance cost, cost for staff training and any other costs, advantages, and disadvantages			
Q 14: co-manufactured business						
Q 21: option 1						
Q 21: Option 2						
Q 21: option 3						
Q 23: Retail business						
Q 24 - Pure protection business						
Q 28: ICOBS Disclosure						

Chapter 4						
Policy options	How much business affected	One-off costs	On-going annual costs, for example, IT costs, Governance and compliance cost, cost for staff training and any other costs, advantages, and disadvantages			
Number of Bespoke products						
Q 36: Bespoke products - financial impact						