

## Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Joanne Davis  
General Insurance Policy  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

22 September 2015

Dear Joanne,

### **DP15/4 General Insurance Add-ons Market Study – Remedies: Value Measures**

The Financial Services Consumer Panel welcomes the opportunity to respond to the Value Measures discussion paper. However, we remain disappointed that the FCA has not published a consultation paper with firm proposals. In the same way as the FCA has, in its Smarter Communications discussion paper, challenged firms to provide clear and upfront information, we would like to have seen clear and fully tested proposals, rather than a discussion paper which could prompt “push-back” from industry.

The Panel has conducted consumer research<sup>1</sup> which demonstrates the need for impartial information that helps consumers differentiate between firms. Many consumers choose their general insurance policies by shopping around on-line. However, it is difficult for them to make an informed choice about what to buy when policies are promoted on headline price, often with little or no additional information. Accurate front-end information for consumers is vital in empowering them to buy the product that best meets their needs at a competitive price.

While we understand that the FCA does not intend for the value measures to be provided directly to consumers at this stage, it is likely that price comparison sites will display the data and so consumers will start to see and use the information provided. So it will be important not to over-complicate the data; the FCA’s own research has shown that too much information can overwhelm consumers. The proposed vocabulary should also be tested to ensure that whatever data is displayed has the desired effect, by helping consumers make informed choices, and consequently exerting pressure on the market.

We would like to see the FCA carry out consumer testing on all of the options being considered, to determine which indicators of value may be most useful. A claims ratio, for example, may give an indication of cost versus benefit in the event of a claim, but it is not sophisticated enough to reflect the value to an individual consumer who makes no claim. Insurance is not an investment product, and so it would be wrong to give an impression that an investment of £1 would result in a “return” of a certain average amount.

The true value for the consumer in any insurance product comes when they need to claim. The likelihood of claiming, for example 2 in every 1000 policyholders, the number of claims declined as a percentage of claimants and the average size of a claim, could help a consumer make a more informed judgement.

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<sup>1</sup> [https://fs-cp.org.uk/sites/default/files/consumers\\_as\\_co-regulators\\_final.pdf](https://fs-cp.org.uk/sites/default/files/consumers_as_co-regulators_final.pdf)

We strongly support commission disclosure as it helps consumers to understand the cost of the underlying insurance product better, and may also encourage shopping around.

Further, and in addition to other data such as claims ratios, we would like to see the FCA explore how post-sales quality of service can be reported effectively. This could include how quickly claims are handled, for example by stating the average claims settlement time by product, complaints and service experience of firms, so that consumers could compare providers of each type of product with a measure other than price alone.

We believe that firms could use this information to benchmark and compare themselves against their peers, resulting in improved products and increased competition.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'S. Lewis'.

Sue Lewis  
Chair  
Financial Services Consumer Panel