FINANCIAL CONDUCT AUTHORITY

Annex 1 to Evaluation Paper 19/1: Implementation annex

October 2019

Introduction

The first step of this evaluation was to assess firms' implementation[1] of the rules and guidance on the renewal of a general insurance product to retail consumers, which have applied from 1 April 2017.

The requirements of the rules and guidance allowed firms some flexibility in how to disclose and present some of the required information. We have developed and applied a comprehensive and rigorous approach to assess how firms implemented the requirements. This has allowed us to understand how implementation differed between firms and how they changed the renewal disclosure over time.

The second step was to use the variation in implementation to evaluate the impact of the intervention, by analysing firms' transactional data. Details on this are explained in the econometrics Technical Annex.

This annex describes our approach to conducting the implementation assessment and the findings. We structure the rest of the annex as follows:

- Section 1: The rules on renewal transparency
- Section 2: Our approach to sampling and data collection
- Section 3: Our assessment approach
- Section 4: Our findings

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1   We use 'implement' and 'apply' interchangeably in this Annex.

Section 1: The rules on renewal transparency

For the purposes of this evaluation paper, we consider only the requirements set out in ICOBS 6.5.1R for the renewal of general insurance contracts. We have not included the guidance in ICOBS 6.5.2G on record keeping or other relevant and applicable requirements in ICOBS, such as product information requirements in ICOBS 6.5.3G, in our implementation assessment.[2]

In summary, the rules require relevant firms to include last year's premium and certain mandatory disclosures, which vary depending on the type of consumer, insurance characteristics and number of renewals, on their renewal notices sent to consumers.

The rules in ICOBS 6.5.1R[3] can be broken down by the following:

• the application (ie when, who, and what they apply to)
• the requirements on firms (ie what firms need to disclose)
• communication standards (ie how firms must present information)

In the rest of this section, we expand on each of these elements of ICOBS 6.5. 1R.

Table 1 presents the scope[4] of the rules, as set out in ICOBS 6.5.1, in terms of who and what they apply to.

Table 1: ICOBS 6.5.1R Scope of Rules

Line of 6.5.1R	ICOBS 6.5.1R Scope of Rules
(1)	"This section applies when a firm proposes to a consumer the renewal of a general insurance contract, which is not a group policy, and which has a duration of 10 months or more."
(2)	'Renewal' is defined as "carrying forward a policy, at the point of expiry and as a successive or separate operation of the same nature and duration as the policy, with the same insurance intermediary or the same insurer."

Source: FCA handbook, ICOBS 6.5.1R

Table 2 outlines the requirements on firms under ICOBS 6.5.1R. This covers what information firms are required to disclose on their renewal notices and how it should be presented.

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2   ICOBS 6.5.1R, ICOBS 6.5.2G and ICOBS 6.5.3G are the component parts of ICOBS 6.5 renewals.
3   There are other requirements in ICOBS that also apply and interact with ICOBS 6.5.1R.
4   Scope must be read together with ICOBS 1 (application).

Table 2: ICOBS 6.5.1R Requirements

Line of 6.5.1R	Required for inclusion on the renewal notice	Presentation requirements[5]	Variation
(3)(a)	This year's premium		
(3)(b)	Last year's premium (with mid-term changes annualised where necessary)	Presented in a way that is consistent with the presentation of 3(a) so that they can be easily compared	
(3)(c)(i)	Statement indicating that the consumer: "*should check that the level of cover offered by the renewal is appropriate for their needs*"	To appear alongside 3(a) and 3(b)	
(3)(c)(ii)	Statement indicating that the consumer: "*is able, if they so wish, to compare the prices and levels of cover offered by alternative providers.*"		Must be omitted where the proposed renewal will be the fourth or subsequent renewal the <u>consumer</u> has entered into in respect of the policy
(4)	Statement reading: "*You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around.*"	To appear alongside the matters required by (3)(a), 3(b) and 3(c)(i)	Must be included where the proposed renewal will be the fourth or subsequent renewal the <u>consumer</u> has entered into in respect of the policy

Source: FCA handbook, <u>ICOBS 6.5.1R</u>

Table 3 sets out the disclosure requirements firms must adhere to in presenting the information required by ICOBS 6.5.1R. These high-level standards are not prescriptive as to precisely how firms must present the required information.

Table 3: ICOBS 6.5.1R communication standards

Line of 6.5.1R	The firm must communicate information[6]
(3)	in good time before the renewal
(5)(a)	clearly and accurately
(5)(b)	in writing or another durable medium
(5)(c)	in a way that is accessible and which draws the consumer's attention to it as key information

Source: FCA handbook, <u>ICOBS 6.5.1R</u>

5   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

6   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

Section 2: Our approach to sampling and data collection

We needed to collect data from firms (and their brands) that are subject to our rules to assess how firms implemented our intervention.

As set out in Section 1, ICOBS 6.5.1R applies to all <u>general insurance contracts</u> proposed to consumers that fall within the defined scope. They apply, therefore, to multiple product lines in the general insurance market, thousands of firms and tens of millions of insurance contracts.

We chose to analyse only a sample of brands across a range of firms and markets. We did this to be proportionate (with our and firms' resources). We selected our sample with the aim of ensuring that the findings from our analysis would be broadly representative of consumers' experience across each of the markets of focus.

The rest of this section sets out our rationale for how we selected firms and gathered data from them. We did this using a top-down approach, selecting in the following order:

- market selection
- firm selection
- brand selection
- individual transaction selection

Market selection

Markets were defined based on the underlying asset being insured. There are many different types of insurance markets under this definition, each with their own characteristics. We selected markets based on the following factors:

- market size: larger markets affect a greater number of consumers and are more likely to give us a larger pool of consumers to conduct analysis on
- continuity with analysis undertaken before intervention: using markets we have previously studied provides us with a baseline against which to conduct our analysis for the evaluation
- scope of rules: some markets might be more or less affected by the rules due to unique characteristics of markets
- representativeness: markets and consumers are diverse and we want this to be represented in our sample, thereby ensuring our results reflect how different consumers in different circumstances behave
- Table 4 summarises the main points in how we used these factors.

Table 4: Factors for market selection

Factor	Key points
Market size	• 5 of the largest personal line general insurance markets are: motor, home, pet, private medical and travel.[7]
Continuity with pre-intervention analysis	• Home, motor, pet, private medical and travel were the 5 insurance markets included in the <u>pre-intervention cost benefit analysis (CBA hereafter).</u> • Home and motor were the two markets included in the <u>randomised controlled trials (RCTs)</u> that informed the renewals rules.
Scope of rules	• Private medical insurance is generally offered via group policies which are not captured by ICOBS 6.5.1R.[8] • As the rules do not cover insurance policies with a cover period of less than 10 months, a significant proportion of the travel insurance market is not captured.[9]
Representativeness	• We wanted to select markets which represent a mix of products and consumers, degrees of necessity and levels of (real and perceived) barriers to switching, such as pre-existing conditions for pet and medical insurance.

Source: FCA

Based on the criteria above, we selected 3 markets (home, motor and pet insurance) in which to assess implementation, from the 5 markets which were included in the CBA. This struck the balance between being able to consider how our intervention has affected a range of markets while maintaining analytical focus and proportionality.

• We selected home and motor insurance based on market size and continuity of analysis with the CBA and the RCTs

• We picked pet insurance because of its market size, continuity of analysis with the CBA and to give insight into markets with potential specific issues around switching (eg the presence of pre-existing conditions)

• We opted against selecting private medical and travel insurance. The characteristics of these products meant that a lower proportion of overall policies in these markets fell within the scope of the rules.

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7   According to a Global Data report (2018), the Gross Written Premium (GWP) for these personal insurance markets in the UK for 2017 were as follows: motor (£13.1bn), home (£6.5bn), pet (1.19bn) and travel (614.3mn). According to a report by <u>Laingbuisson</u> (2017), the GWP for private medical insurance in the UK for 2016 was £4.8bn.

8   According to a report by <u>Laingbuisson</u>, the number of company-paid policies in 2017 was 3.1 million, compared to 910,000 individual policies. A definition of group policies can be found in the Glossary of the <u>FCA handbook</u>.

9   According to an ABI report (2019), in 2018 there were 2.3 million single trip policies from a total of 11.98 million travel insurance policies. These single-trip policies are not covered by our rules.

Firm selection

We shortlisted firms, within each market, before picking a random sample of them for our data request.[10] We did this using the following factors:

- firm size: sampling from firms with higher market coverage means that we can understand the impact of our intervention on a larger group of consumers, without needing to collect the data from several firms in the market (ie it is more efficient)
- supervisory knowledge: we took into account insights of colleagues with specialist knowledge of insurance markets and how firms in each of the markets operate

Table 5 summarises the key points in relation to how we used these factors.

Table 5: Factors for firm selection

Factor	Key point
Firm size	We established firm size using data on gross written premiums (GWP) and complaints in combination with supervisory knowledge within the FCA.
Supervisory knowledge	Our supervisory function provided us with a list of extra firms which captured those not captured in Solvency II or complaints data (including firms in our 2017 multi-firm work).

Source: FCA

Using the factors above, our shortlist of firms from which to sample consisted of:

- 23 firms in the home insurance market
- 22 firms in the motor insurance market
- 10 firms in the pet insurance market

Table 6 presents how these firms compared to the rest of the market they operate in in terms of size by the number of firms and GWP (ie the revenue generated by firms when selling general insurance policies).

Table 6: Firms selected before random selection phase

Market	Number of firms selected	Proportion of market, based on GWP (%)
Home	23	90%
Motor	22	87%
Pet	10	N/A[11]

Source: FCA data from the 2019 general insurance pricing practices market study (GI market study) data request, PRA data, FCA analysis

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10   Our markets of focus are made up of a small number of relatively larger firms and a long tail of relatively smaller firms. Without shortlisting firms, a random sample of all firms in the market may have resulted in a sample that: a) included firms for whom it would not be a proportionate use of time and resources to request and analyse data given their size in the market; and b) may not have provided us with sufficient coverage of the market to come to a meaningful view of how firms implemented our intervention.

11   GWP pet insurance market data were not available, so we used complaints as a proxy. The firms shortlisted made up 69% of all complaints made to pet insurance firms.

We randomly sampled from the shortlist of firms for each of the 3 markets. We did this with proportionate use of resources – both firms' and ours – in mind. We requested data from:

- 12 firms in the home insurance market
- 12 firms in the motor insurance market
- 6 firms in the pet insurance market

Table 7 summarises the number of firms in our sample and their share of the market in which they operate.

Table 7: Firms in our data request for the implementation assessment

Market	Number of firms selected	Proportion of market, based on GWP (%)
Home	12	56%
Motor	12	57%
Pet	6	N/A[12]

Source: FCA data from 2019 GI market study data request, PRA data, FCA analysis

Brand selection

Although we initially conducted our selection at the firm-level, we analysed renewal notices at the brand-level.

Firms can have many brands. A single firm can use different brands to market and appeal to different types of consumers. A firm can have renewal notices with formats that differ based on the brand.

Having picked which firms would be in our sample, we then selected brands within each firm from whom we requested data. We opted against including brands that met the following conditions:

- same documentation: we discussed with firms the extent to which their renewal notices varied by brand; we chose to select only a single brand to analyse when there were a number (ie 2 or more) of brands with the same renewal notice format/structure and content
- brand size: firms helped us understand how much each brand contributed to the firm's total GWP; we did not select brands where their contribution to a firm's GWP was very low

We removed some firms and brands after receiving data for the following reasons:

- brokered business: brands that deal in brokered business gave us renewal notice samples which were not in a consistent format; these brands were not considered sufficiently representative
- transaction volumes: we considered that it was disproportionate to ask for further data for our econometric analysis from brands with a very small number of transactions

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12   GWP pet insurance market data were not available, so we used complaints as a proxy. The firms selected made up 66% of all complaints made to pet insurance firms.

Table 8 presents the final number of firms and brands that we included in our implementation analysis.

Table 8: Firms and brands selected for the implementation analysis

Market	Number of firms selected	Proportion of market (GWP) (%)	Number of brands selected
Home	7	49%	10
Motor	10	56%	14
Pet	4	N/A[13]	7

Source: FCA data from 2019 GI market study data request, PRA data, FCA analysis

Individual transaction selection

We sent out a data request (DR1) to the firms in our sample in September 2018. The purposes of DR1 were to:

- help us prepare a further data request (DR2) to collect renewal notice documents (based on a random sampling approach)
- collect accompanying information to support our assessment of renewal notices

DR1 asked for transaction-level data on policies which renewed in the weeks listed below. We did this to capture how firms implemented the intervention before and after it came into effect on 1 April 2017.[14] This approach allowed us to see any changes firms made around the implementation date, as well as looking at if, and how, it had changed a year after:

- 25-31 March 2017 (ie the week before the rules came into force)
- 1-7 April 2017 (ie the week after the rules came into force)
- 25-31 March 2018 (ie the same week before the rules came into force but one year on)
- 1-7 April 2018 (ie the same week after the rules came into force but one year on)

Table 9 sets out the data variables that we asked firms for in DR1.

Table 9: Data variables requested in DR1

Variable	Description (as in the DR1 template)
Policy ID	Unique policy identification number.
Brand name	Includes the name of brand or distributor through which the policy was sold. If sold directly to the consumer then this is the firm's name.
Product name	Includes the name of the insurance product sold.
Renewal notice sent date	Date on which the renewal notice was sent from the firm to the consumer.

13   GWP pet insurance market data were not available, so we used complaints as a proxy. The firms selected made up 42% of all complaints made to pet insurance firms.

14   The econometrics Technical Annex contains further details on how changes and differences in how firms applied our intervention (over time and between firms) helps us to isolate and quantify the impact of our intervention.

Scheduled renewal date	Date on which the policy is scheduled to be renewed. If a renewal is not scheduled, then this is the date in which the current policy coverage finishes.
Price offered at renewal	Retail price, including tax, commissions and any discounts, which was offered to the consumer on their renewal notice. This is the price offered prior to any negotiation by the consumer. This excludes fees and any interest on a credit agreement where the consumer pays monthly.
Discounts in price offered at renewal	Discounts included in the final price offered to the consumer at renewal.
Fees at renewal	Fees that would be paid by the consumer at renewal. These are not included in the total price offered to the consumer.
Price paid last period (ie the previous policy)	Final retail price, including tax, commissions and any discounts, which the consumer paid for the policy about to expire. These exclude fees and any interest on a credit agreement where the consumer pays monthly.
Discounts in price offered in the last period	Discounts included in the final price paid by the consumer for the policy about to expire.
Fees paid in the last period	Fees paid by the consumer for the policy about to expire. These are not included in the total price paid by the consumer for the policy about to expire.
Mid-term adjustment	Whether any mid-term adjustments were made to the policy throughout the policy period about to expire.
Annualised price following mid-term adjustment	If there has been a mid-term adjustment, the annualised price following the most recent change for the policy about to expire. This includes tax, commissions and discounts. This excludes fees and any interest on a credit agreement where the consumer pays monthly.
Discounts in annualised price following mid-term adjustment	If there has been a mid-term adjustment, the discounts included in the final price paid by the consumer for the policy about to expire.
Fees paid at mid-term adjustment	If there has been a mid-term adjustment, the fees paid by the consumer for the policy about to expire. These are not included in the annualised price following mid-term adjustment for the policy about to expire.
Number of times previously renewed	Number of times the consumer has consecutively renewed the same, or similar, policy with the firm.
Claim in past policy period	Whether the consumer has made a claim in the past policy period.

Source: FCA

Renewal notice selection

In DR2 (sent out in October 2018) we asked firms to send us copies of 5 renewal notices, which we identified at random using information gathered in DR1 for each of the 4 time-periods (weeks) described above for each brand selected. This amounted to 20 renewal notices for each brand. This allowed us to analyse implementation of our intervention, while also balancing proportionate use of firms' and our resources.

We selected renewal notices randomly from the transaction lists provided by each brand through DR1 for each time period. Our approach also sought to ensure that at least some

(but not all) of the renewal notices sampled for each brand contained the following characteristics:

- Discounts in the price offered in the last period
- Fees paid in addition to the price of the policy in the last period
- A mid-term adjustment in policy coverage
- 3 or more consecutive years of previous renewals
- A claim in past policy period

We did this because of our multi-firm work, which highlighted that firms were particularly likely to fall short of our renewal expectations in these cases. Our approach, therefore, may have over-represented the potential for implementation issues (though, with this perspective in mind, it is also a conservative approach).

In total, we received and reviewed 620 renewal notices as part of our implementation analysis.

Section 3: Our assessment approach

Our assessment approach focussed on whether firms had implemented the rules and the level to which they had done so. We aimed to understand how the levels of implementation varied both within and between firms over time.

The rules allowed firms some discretion in how they chose to disclose and present some of the required information. As such, we could not assess implementation by simply directly scoring each firm against the format in which we trialled the requirement in the RCTs, as we did not mandate that firms had to implement this style exactly.

We developed and applied a framework to assess and score each renewal notice. We developed this solely for the purpose of this specific evaluation.

This involved:

- establishing a set of criteria based on the rules against which firms' implementation could be scored systematically
- manually scoring each notice against the established criteria
- reviewing the scores to ensure consistency in how assessors had applied the criteria
- producing an overall aggregate implementation score using the individual renewal notice assessments.

The rest of this section sets out our scoring criteria and how we assessed the renewal notices.

Scoring criteria

Section 1 sets out the rules to which firms had to adhere. These can be split into three different areas:

- the application of the rules
- the requirements of the rules
- overall communication standards

We sought to assess implementation against the requirements of the rules and the overall communication standards as set out in ICOBS 6.5.1 for renewals notices within the application of the rules.

Our criteria for assessing these areas can be split into 2 types of metrics:

1. 'hard implementation metrics': those aspects of the rules which are binary in nature (eg either firms applied them or they did not)
2. 'soft implementation metrics': those aspects of the rules which are an ordinal scale in nature, as there is greater flexibility in how firms implement the requirements[15]

We scored elements which were required for inclusion on the renewal notice as hard

15   Ordinal data can be measured on a scale where we know that each level is higher than the level below but we cannot say by exactly how much better eg on a scale of 1 to 5 we know 5 is higher than 1 but we cannot say 5 is 400% better than 1.

implementation metrics. Table 10 outlines the range of potential scores and relevant guidance.

Table 10: Hard implementation metrics scoring approach for requirements of the rules[16]

Line of 6.5.1RR	Required for inclusion on the renewal notice	Scoring	
(3)(a)	This year's premium	1	Yes, is included
		0	No, is not included
(3)(b)	Last year's premium (with mid-term changes annualised where necessary)	1	Yes, is included
		0	No, is not included
(3)(c)(i)	Statement indicating that the consumer: "*should check that the level of cover offered by the renewal is appropriate for their needs*"	1	Yes, is included
		0	No, is not included
(3)(c)(ii)	Statement indicating that the consumer: "*is able, if they so wish, to compare the prices and levels of cover offered by alternative providers.*"	1	Yes, is included
		0	No, is not included
		Blank	More than 3 previous renewals (ie not relevant in this case)
(4)	Statement reading: "*You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around.*"	1	Yes, is included
		0	No, is not included
		Blank	Fewer than 3 previous renewals (ie not relevant in this case)

Source: FCA, ICOBS 6.5.1R

We scored presentation requirements as soft implementation metrics. This is because rules on presentation allow for more flexibility. We produced criteria and guidance for assessors to ensure a consistent approach to scoring how firms had implemented certain presentation requirements. Table 11 outlines the range of potential scores and relevant guidance.

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16   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

Table 11: Soft implementation metrics scoring approach for requirements of the rules[17]

Line of 6.5.1RR	Presentation requirements	Scoring	
(3)(b)	in a way that is consistent with the presentation of 3(a) so that they can be easily compared[18]	4	Same style and next to this year's premium
		3	Similar style and near this year's premium but not exactly.
		2	Similar style or near this year's premium, but not both.
		1	Not near this year's premium and differing style
		0	Obviously non-compliant (ie different pages and transparent colouring)
(3)(c)(i)	alongside 3(a) and 3(b)	2	Yes, right next to
		1	Near, but not right next to
		0	Not near (ie different page)
(3)(c)(ii)	alongside 3(a) and 3(b)	2	Yes, right next to
		1	Near, but not right next to
		0	Not near (ie different page)
		Blank	More than 3 previous renewals
(4)	appear alongside the matters required by 3(a), 3(b) and 3(c)(i)	2	Yes, right next to
		1	Near, but not right next to
		0	Not near (ie different page)
		Blank	Fewer than 3 previous renewals

Source: FCA, ICOBS 6.5.1R

We also scored communication standards as soft implementation metrics. Table 12 outlines the range of potential scores and relevant guidance.

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17   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

18   The overall clarity of presentation was assessed as part of the draw attention score. See Table 13 for more detail. The analysis here focused on consistency of the presentation.

Table 12: Soft implementation metrics scoring approach for overall communication standards[19]

Line of 6.5.1RR	The firm must communicate the information in (3) and (4):	Scoring	
(3)	in good time	2	Provided 4 weeks or more ahead of renewal date
		1.5	Provided within 2-4 weeks of the renewal date
		1	Provided within 1-2 weeks of the renewal date
		0.5	Provided within 1 week of the renewal date
		0	Provided after the renewal date or not at all
(5)(a)	clearly[20] and accurately[21]	4	This year's premium and last year's premium are entirely accurate
		3	This year's premium and last year's premium are accurate within 0-5%
		2	This year's premium and last year's premium are accurate within 5-10%
		1	This year's premium and last year's premium are accurate within 10-20%
		0	This year's premium and last year's premium are: not accurate within 20%
(5)(b)	in writing or another durable medium	1	*Durable medium* (see glossary definition)
		0	Not *durable medium* (see glossary definition)

Source: FCA, ICOBS 6.5.1R

In addition, line (5)(c) of the rules required firms to present information *"in a way that is accessible and which draws the consumer's attention to it as key information"*. To account for this, we also scored firms against whether the renewal notice drew attention to last year's premium and the mandatory disclosures. We did this by considering whether the information was laid out or presented in such a way that consumers, who may not be specifically looking for this information, would notice it more or less easily. For example, we would score renewal notices differently if the information was displayed clearly in a box compared to being included in the middle of a paragraph with other text. This is because the former is more likely to draw a consumer's attention than the latter.

Table 13 outlines the range of potential scores and relevant guidance for the draw attention element of our scoring approach. We scored firms on a scale ranging from 0 to 1 (with intervals of 0.1), as this metric is more subjective than others.

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19   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

20   The overall clarity of presentation was assessed as part of the draw attention score. See Table 13 for more detail.

21   To review accuracy, we compared the premium presented in the renewal notice to the premium provided to us in the firms records through DR1 for that transaction.

Table 13: Scoring approach for how much renewal notices drew attention to key information[22]

	Draw attention:
Scoring	A range from 0 to 1 (with intervals of 0.1) where: 0: Lowest possible score, the notice is unlikely to draw consumers' attention at all 1: Highest possible score, the notice is likely to draw consumers' attention extremely well
Factors considered	• Are the required price details and messages on the front page? • Are the required price details and messages towards the top of that page? • What is the size and style of font for the price details and messages and how does this compare to other font used in the notice? Are they less prominent, fainter or use different fonts? • Is tabling used for the required pricing and messaging? Does this help draw attention? • Are the price and message disclosure sections highlighted or coloured in a way that draws or detracts attention? • Are the relevant disclosures surrounded by white/clear space or by other text or objects? • Is the document cluttered? Does this detract from the consumers likely attention? • Is the colour monotone or overly bright throughout?

Source: FCA

Scoring approach

A team of FCA employees carried out the implementation assessment. Before assessing any renewal notices, each assessor reviewed guidance documents and examples which outlined the scoring criteria described above. Assessors reviewed and scored renewals notices, logging scores in a preformatted marking grid. In some cases, assessors provided additional comments on issues or characteristics of specific renewal notices that stood out.

At least 2 team members assessed each brand's renewal notices. Each assessor looked at different notices (eg 10 renewal notices each). Each assessor did not know the other assessor's scoring for renewal notices of the same brand. We followed this approach to ensure that assessments were objective and not influenced by another team member's view.

The implementation assessment was supported by an ongoing quality assurance (QA) process. This included moderating scoring between assessors and highlighting any notable variances in scoring. This was conducted in parallel with the renewal notice assessments. The QA was performed by individuals who were not assessing renewal notices (either for the specific brand or at all in the process). QA team members raised any inconsistencies found with the relevant assessors. This enabled subsequent discussion, review and, if needed, correction.

22   This table only considers the ICOBS 6.5.1R requirements. There are other relevant and applicable ICOBS requirements. These were not specifically assessed as part of this evaluation.

We communicated with firms to receive clarification on questions that we had after assessing the renewal notices. These tended to focus on prices, dates and how renewal notices were being generated by the firm. In response to our questions, firms provided us with information that we used to update and finalise our scores.

We also asked firms to inform us about the exact date when they implemented our rules and, therefore, changed their renewal notice formats.[23]

Finally, we cross-checked the findings from our assessment against existing issues known to our supervisory specialists, with a focus on any issues identified by our 2017 multi-firm work. Our findings were consistent with prior FCA knowledge.

Overall implementation score

We used the assessments of each individual renewal notice to produce an overall implementation score for each notice. This was our main measure of firms' implementation.

The overall implementation score ranges from 0 to 100. It is calculated by taking a weighted sum of all the individual scoring components outlined in table 11 – 13 above and dividing by the weighted sum of the total potential scores.[24] We multiplied this figure by the draw attention score outlined in Table 13. Where a firm did not meet a hard implementation metric (Table 10), the overall implementation score defaulted to 0.

We then produced a brand-level implementation score (for each time-period) by taking the average of the 5 renewal notices received for the relevant period. We compared the mean and the median to see if the scores were influenced by any outliers (the mean is more likely to be affected by outliers).

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23 The econometrics Technical Annex contains further details on the date that firms applied our rules as this helps us to isolate and quantify the impact our intervention.

24 The weightings for each component reflected the findings from the RCTs in FCA Occasional Paper 12. For example, we gave premium disclosure greater weighting than information disclosure.

Section 4: Our findings

This section summarises the findings from our implementation analysis. We present the results for each market, in turn, by time-period. We separate our results by hard and soft implementation metrics.

We find differences between firms and over time in implementation, with overall patterns varying by market.

Hard implementation metrics findings

Table 14 presents our findings on whether the relevant disclosure elements from ICOBS 6.5.1R were included in the renewal notice for each brand (see Table 10). If a renewal notice did not include one, or more, elements, then this resulted in implementation score of 0 (as set out in Section 3).

Table 14: Brands which include all required disclosure elements from ICOBS 6.5.1R (total number of brands assessed in brackets)

Weeks assessed	Home (10)	Motor (14)	Pet (7)
Period 1: 25-31 March 2017[25]	10	12	5
Period 2: 1-7 April 2017	10	14	7
Period 3: 25-31 March 2018	10	14	7
Period 4: 1-7 April 2018	10	14	7

Source: FCA analysis of data collected from firms in our sample

We found that:
* all brands met the hard implementation metrics criteria during the week that the rules came into force
* in most cases, many brands had already implemented all the relevant disclosures on their renewal notices during the week before our rules came into force (ie 25-31 March 2017). We classified this as 'pre-implementation'.

Overall implementation score findings

The charts below present the overall implementation score over time for each brand by market (for clarity, we split brands into groups for the home and motor insurance markets).
* The 4 time periods for which we requested data are on the horizontal (x) axis.
* The overall implementation score, ranging from 0 to 100, is on the vertical (y) axis.

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25   Brands not including the relevant disclosures from ICOBS 6.5.1 on their renewal notices would not be deemed to be non-compliant as the rules only came into force on 1 April 2017. We have assessed them against the standards of ICOBS 6.5.1 for the purposes of our analysis.

- We present the median version of the average for the implementation scores for each brand's renewal notices assessed in each period. We used the median to limit the risk of outlier scores impacting our overall view, given we only assessed 5 notices a period.

Figure 1 and Figure 2 present average implementation scores for 10 brands in the home insurance market.

All brands in this market had included the required disclosures from period 1 (ie before the rules came into force in period 2).

The charts show mixed results in terms of implementation. The draw attention score (see Table 14) was the main difference (between brands and over time within brand) in how brands scored. Other factors influencing variation in implementation scores included differences in how brands presented statements encouraging consumers to check their cover and compare alternatives, and the presentation of last year's premium paid (see Table 11 and Table 12).

Headline findings for home insurance brands include:

- The lowest average implementation score was 8, whilst the highest average implementation score was 85.
- The average median implementation scores of the best and worst brands remained stable over all 4 time periods.
- In total, 6 brands had relatively stable implementation scores between periods 1 and 4 (this included 1 relatively low scoring brand and 3 relatively high scoring brands).
- There was a single brand whose implementation score improved between periods 1 and 2, though 2 brands showed a decline in implementation score between the same periods.
- Implementation scores improved significantly for 4 brands between periods 2 and 3 (ie between 2017 and 2018), with 2 further brands showing smaller improvements. There was a single brand whose implementation score fell (although this recovered in period 4).

Figure 1: Average (median) implementation score by brand over time in the home insurance market (1)
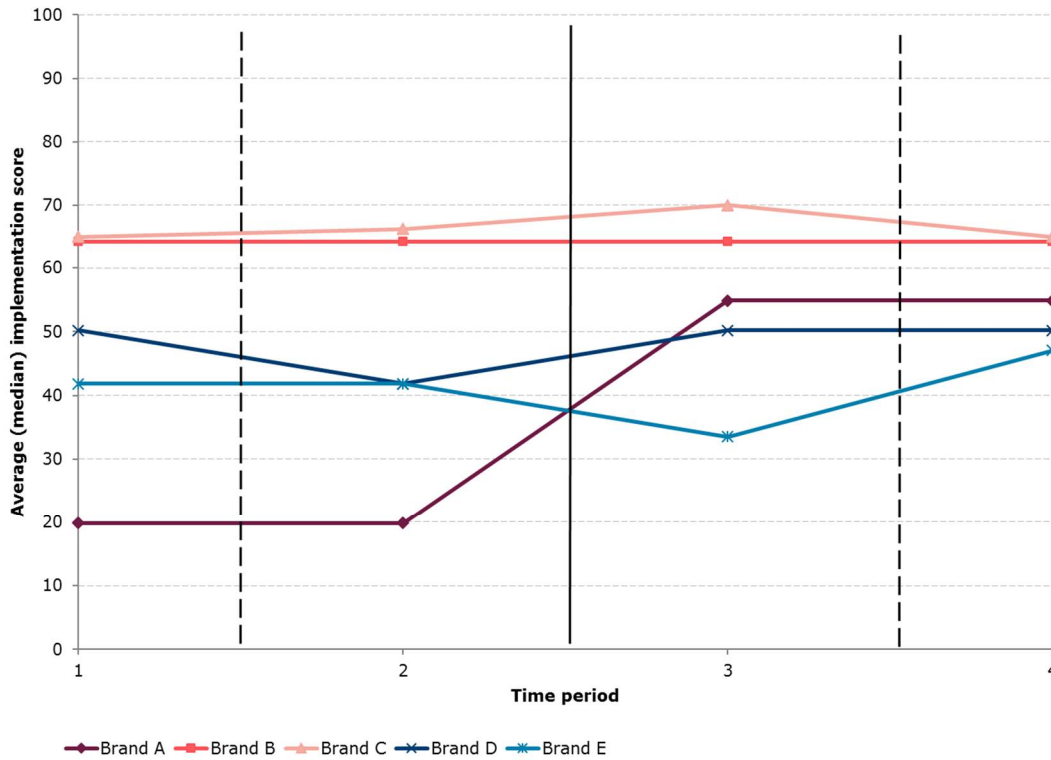
Source: FCA analysis of data collected from firms in our sample

Figure 2: Average (median) implementation score by brand over time in the home insurance market (2)
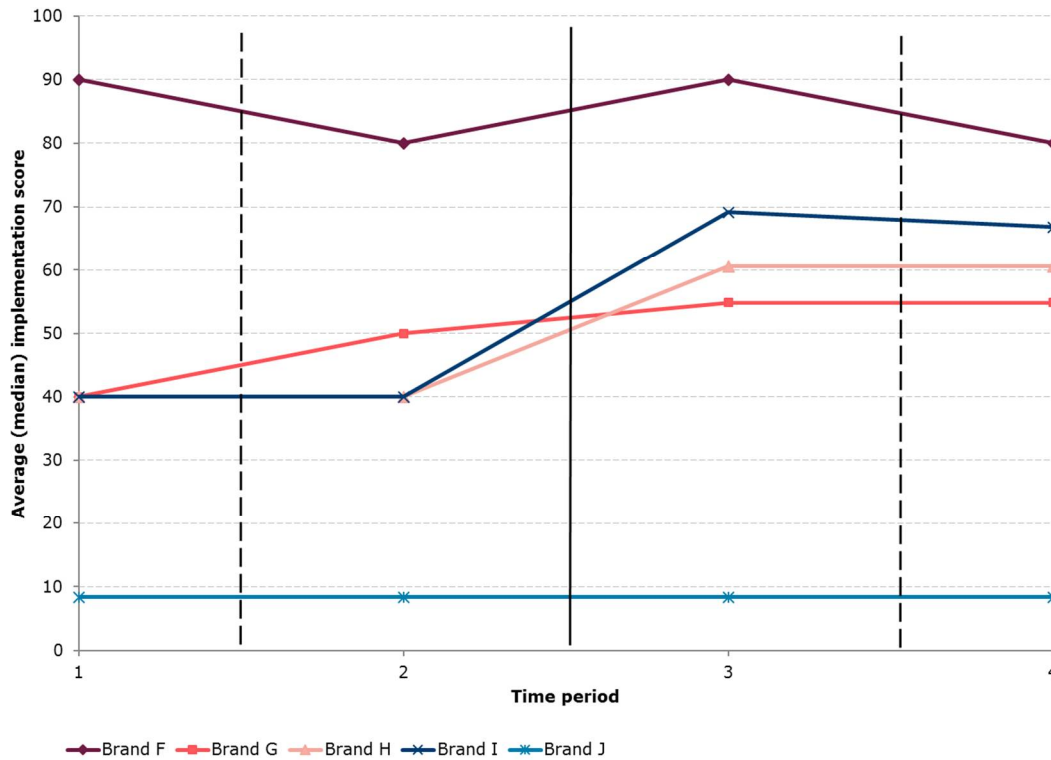
Source: FCA analysis of data collected from firms in our sample

Figure 3 and Figure 4 present average implementation scores for 14 brands in the motor insurance market.

Unlike the home insurance market, 2 motor insurance brands had not included the required disclosures in period 1.

The charts show mixed results in terms of implementation, though there are some notable differences when comparing these results to those above for home insurance brands.

Much like home insurance implementation scores, the draw attention score was the main difference (between brands and over time within brand) in how brands scored. Other factors influencing variation in implementation scores included differences in how brands presented other disclosures.
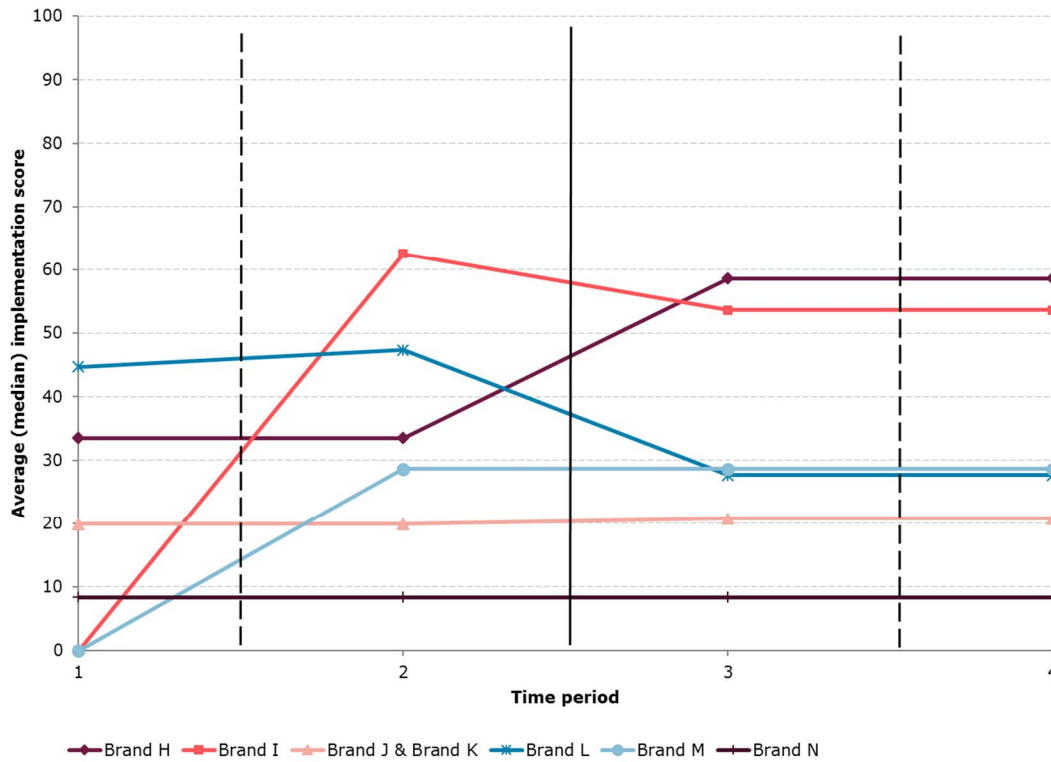
Headline findings for motor insurance brands include:

- The lowest average implementation score was 0, whilst the highest average implementation score was 69.
- A single brand had an average implementation score of 0 between periods 1 and 4, which was due to a draw attention score of 0.
- In total, 6 brands had relatively stable implementation scores between periods 1 and 4 (4 of these brands were relatively low scoring brands).
- There were 2 brands that improved their implementation scores significantly between periods 1 and 2; neither firm included all of the hard implementation metrics in period 1.
- Implementation scores improved for 2 brands between periods 2 and 3 (ie between 2017 and 2018).
- There were 4 brands whose implementation scores fell between periods 2 and 3, with one of these brands showing a significant decline.
- A single brand's implementation score fell between periods 3 and 4.

Figure 3: Average (median) implementation score by brand over time in the motor insurance market (1)
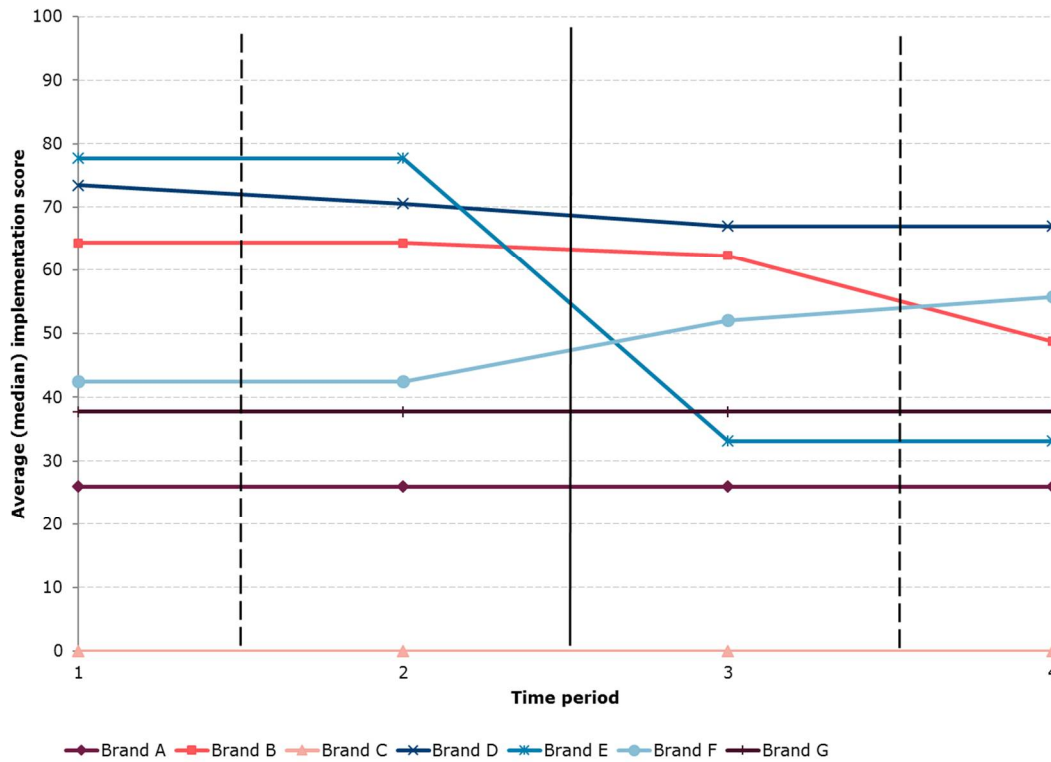
Source: FCA analysis of data collected from firms in our sample

Figure 4: Average (median) implementation score by brand over time in the motor insurance market (2)

Source: FCA analysis of data collected from firms in our sample

Figure 5 presents the overall implementation scores for 7 brands in the pet insurance market.
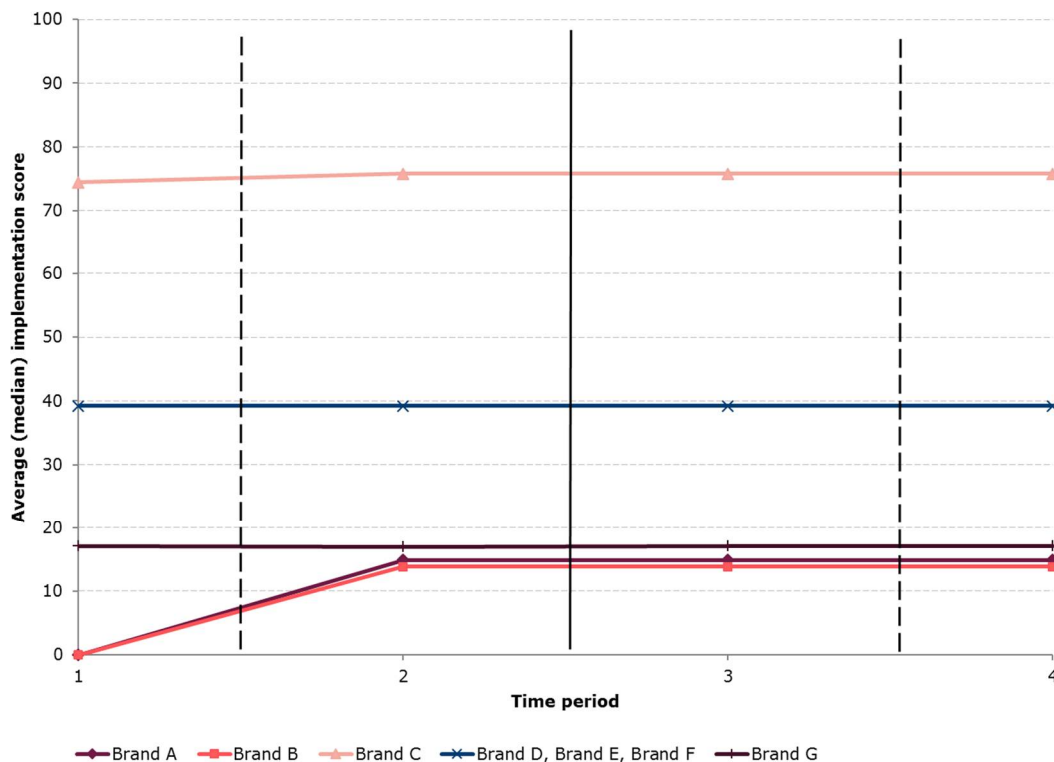
There were 2 brands that did not include the required disclosures in period 1.

As with the other markets, the draw attention score was the main difference (between brands and over time within brand) in how brands scored. Presentation of other disclosures featured as a secondary factor in explaining differences between firms' implementation scores.

Headline findings for pet insurance brands include:

- The lowest average implementation score was 9 whilst the highest average implementation score was 75.
- In total, 5 brands had relatively stable implementation scores between periods 1 and 4 (this included 1 relatively low scoring brand and 4 relatively high scoring brands).
- There were 2 brands that improved their implementation scores significantly between periods 1 and 2; neither firm included all of the hard implementation metrics in period 1.

Figure 5: Average (median) implementation score by brand over time in the pet insurance market

Source: FCA analysis of data collected from firms in our sample

FCA