

Premium Finance Assurance

January 2024

With the Financial Conduct Authority (FCA) continuing to signal concerns about premium finance publicly, characterising it as a poverty premium, firms should be taking a step back to satisfy themselves that they are comfortable with their sales and distribution practices, pricing and fair value, and their approach to affordability and treatment of customers in financial difficulties.

At Sicsic Advisory, we believe that firms should be prepared to evidence why they are comfortable with their premium finance pricing and broader proposition, not least against the backdrop of rising insurance premiums, which could see both higher prices for consumers and increased demand as more customers struggle to pay for insurance upfront. In this environment, more customers won't pass affordability requirements, and those who do are more likely to become unable to afford the premium during the term.

We have a broad range of skills and experience to help your firm assess its premium finance offering across the full customer journey - from product design and pricing to sale and administration. Our team has built significant expertise in the design and implementation of products, and the supporting customer journey. We have experience in both insurance and consumer finance; working with a multitude of firms across the distribution chain. Premium finance has been a key topic in our general insurance pricing practices and Consumer Duty work we have been supporting clients with. We can use the insights we have gained from across the market to support you.

Our consumer credit specialists are on hand to challenge your approach to affordability and the treatment of customers in financial difficulties.

We'll start by reviewing your business model and how you generate revenues and distribute your products, and the risks attached to that model.

Which firms are involved in the provision and distribution of premium finance?

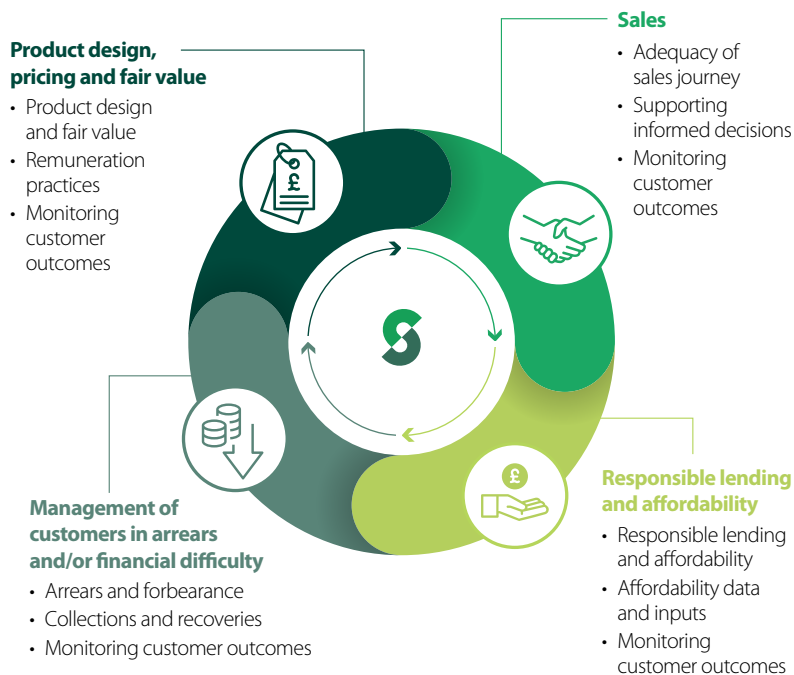
- Specialist credit lenders
- Insurers and brokers with their own in-house lender
- Insurers and brokers acting as credit brokers

FCA warnings on premium finance

May 2015	TR15/5: Provision of premium finance to retail general insurance customers
Jan 2020	Portfolio letter to personal and commercial lines insurers (creditworthiness and affordability)
Sept 2020	Portfolio letter to personal and commercial lines insurance intermediaries (CONC, customer information and demands and needs)
Oct 2020	Finalised guidance: Coronavirus and customers in financial difficulty: additional guidance for insurance and premium finance firms
Oct 2021	General Insurance Pricing Practices rules come into effect
Sept 2022	Our expectations on cost of living and insurance
Oct 2022	Consumer Duty webinar (fairness of premium finance costs)
Feb 2023	Implementing the duty in the general and pure protection sectors (premium finance and level of charges)
July 2023	Finalised insurance guidance on supporting customers in financial difficulty
July 2023	Matt Brewis at the Treasury Select Committee
Sept 2023	Portfolio letter for personal and commercial lines insurance (premium finance and fair value)

What you need to consider

We can ask the challenging questions and support you to answer them. We use our knowledge across the market to help you calibrate your approach. Our starting point is your business model and proposition to help identify potential areas of regulatory risk and customer harm.



How we can help

Advice on approach to design, implementation and oversight

- Product reviews and fair value assessments
- Customer communications
- Customer journey
- Sales practices
- Responsible lending and affordability
- Treatment of customers in financial difficulty
- Management Information

Assurance on your current approach

- Deep dive on specific aspects of the premium finance proposition (product and fair value assessment, affordability, sales practices, customers in financial difficulties)
- End-to-end review of premium finance proposition

Co-sourcing assurance services

- Working in partnership with you, we give you immediate access to wider skills and experience from our specialists with experience of helping similar firms. Our cost-effective, tailored service means you only pay for the skills when you need them.

Event-led support

- Regulatory engagement and interventions – we can help you to prepare for FCA visits and to respond to FCA correspondence or FCA action
- We can advise you about planned changes to your premium finance offering – including providing support for any FCA Authorisations processes such as Variation of Permissions

Premium finance is a highly regulated product that straddles two sectors, insurance and consumer credit, and is impacted by the requirements in both sectors. The key requirements are set out in the following sections of the FCA Handbook, in addition to the Consumer Credit Act (CCA):

- CONC
- ICOBS - specifically ICOBS 6A.5
- PROD4
- PRIN 2A (Consumer Duty)

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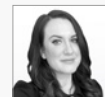
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