FAIR BY DESIGN
Ending the extra costs of being poor

FINANCIAL CONDUCT AUTHORITY: GENERAL INSURANCE PRICING PRACTICES MARKET STUDY – CONSULTATION ON HANDBOOK CHANGES

JANUARY 2021

We welcome the opportunity to respond to the FCA's consultation.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Carl Packman: c.packman@barrowcadbury.org.uk

ABOUT FAIR BY DESIGN

Fair By Design is dedicated to reshaping essential services, like energy, credit and insurance, so they don't cost more if you're poor. People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, through pay day loans; and insurance, through higher premiums in deprived areas. This is known as the poverty premium.

We collaborate with industry, government, and regulators to design out the poverty premium.

Our Venture Fund provides capital to help grow new and scalable ventures that are innovating to make markets fairer.

Fair By Design was conceived by the Joseph Rowntree Foundation and Big Society Capital. The Barrow Cadbury Trust manages the Campaign, and Ascension Ventures manage the Venture Fund.

SUMMARY OF OUR RECOMMENDATIONS TO THE FCA

1. The government and the FCA should create a more joined-up approach on issues relating to insurance access and affordability in future.

2. The FCA should provide more detail for how it plans to monitor firms' use of datasets which may contain factors that could implicitly or potentially explicitly relate to race or ethnicity.

3. The FCA should investigate the underwriting practices of insurers to determine whether they are fair and reasonable. In particular, to look at whether these practices discriminate unnecessarily against protected characteristics of the Equality Act, as well as against other factors that affect low-income consumers. For example, on the basis of where a person lives.

4. The FCA should provide more information on which consumer segments it estimates will be most affected by higher costs as a result of its proposals on the price walking ban.

5. The FCA should clarify how it intends to monitor firms modifying their pricing practices, as a result of these changes, to make sure low income or vulnerable consumers are not directly penalised in the process.

6. The FCA should investigate the number of consumers whose insurance premiums will be so high (due to their particular circumstances) that other underwriting options should be considered to keep them affordable, similar to the way in which Flood Re was created.

7. The FCA should consider Inclusive Design as a way for firms to consider the value of products to their intended consumer group.

8. The FCA should monitor the degree to which firms might recoup the costs of customer service changes to meet proposed FCA guidance through higher customer premiums.

9. The FCA should oblige insurance firms to make their pricing methods more transparent for consumers, with the view of increasing more active engagement.

10. The FCA should monitor consumer price differentials data from firms. This would be in order to identify the degree to which certain consumer groups pay larger amounts for their insurance cover based on socio-economic status and/or protected characteristics than those considered "standard" customers.

11. The FCA should investigate the price differentials between those customers that pay for insurance on an annual and a monthly basis. This would determine whether those customers who choose/have to pay on a monthly basis are being penalised for doing so.

INTRODUCTION

Fair By Design welcomes the opportunity to contribute to this consultation.

We think the proposals for changes in the pricing practices of insurance firms are positive. But without addressing a number of issues concerning access and affordability there is a missed opportunity to make the proposed solutions effective. There is also a danger that a 'waterbed' effect will mean that the new distribution of charges/pricing will result in the poorest and most vulnerable encountering further increases in costs for insurance.

Above all, in the future we would like to see:

- A joined-up approach between the regulator and government on who has responsibility for the problems and how those problems should be addressed.
- Action to bridge social and regulatory policy by both the regulator and government so adequate interventions can be put in place.

Three practical ways to do this are:

1) The FCA should investigate the underwriting practices of insurers to determine whether they are fair and reasonable. In particular, to look at whether these practices discriminate unnecessarily against protected characteristics of the Equality Act, as well as against other factors that affect low-income consumers. For example, on the basis of where a person lives.
2) The FCA should work with government industry to develop more appropriate social policy interventions. For example, to investigate whether the successful Flood Re model could be employed to provide cover for those living on low incomes or in vulnerable circumstances who are excluded from other forms of insurance.

Scope for work on access and affordability

Because the issue of access and affordability are so closely related to pricing practices we feel the FCA should address them in their final decision on general insurance pricing practices. Alternatively, the FCA could issue another opportunity for stakeholders to contribute insight and evidence on the matter. This would be in line with the FCA's own stated approach to addressing concerns about fairness in pricing[1] because:

- Insurance is an essential product
- It is used by (or should be accessible for) a significant group of consumers
- The poorest and least healthy/vulnerable are the ones most usually harmed by price discrimination
- Costs are not transparent and based on intrinsic characteristics which consumers often cannot change

[1] https://www.fca.org.uk/publication/feedback/fs19-04.pdf

- There is persistent concern reflected in consumers' attitude to trust of insurers[2].

Those who most often have the greatest need for protection in the form of insurance experience:

- not being able to afford appropriate insurance because they are deemed to be a higher risk;
- not being able to access insurance that meets their needs because they are 'non-standard';
- being locked out of insurance altogether;
- obtaining insurance at a price which penalises them for characteristics they cannot help, including, in many circumstances, being poor with a poverty premium.

While we think the main proposals in this consultation are positive, there are a number of issues that could potentially frustrate the ultimate outcome of providing access to insurance at a fair value for existing insurance customers.

On the suggested proposals on price walking, we want to see more assurances that firms will not try to recoup expected lost revenue through making access even more difficult for those with an insurable need. This could happen if firms placed further premiums on customers with the lowest incomes and in the most difficult vulnerable circumstances.

While we do want to see firms move to a model of fair pricing for insurance customers coming to renewal stage, we do not want to see this come at the expense of affordable insurance coverage for other consumers. Especially the poorest and most vulnerable.

We accept that there is an urgent need to address the price of insurance as a new customer compared with the price of that same cover at or after renewal stage. However there is also an urgent need to address the price differentials between different customers. By doing so would address the problem of the 'poverty premium' in insurance – where customers with the least available income will spend disproportionately more for insurance than those that are better off.

We know that the responsibility for enacting solutions for these problems will be split between government policymakers and the market regulator. In light of this, **the regulator and the government must ensure a joined up approach in future.**

In order for changes to pricing practices to be effective, we need for the regulator to investigate underwriting practices for existing customers and excluded consumers. We also need more clarity on how regulators and government can work together to form an appropriate social policy intervention to ensure low income or vulnerable consumers with an insurable need are not excluded (and left exposed to paying the extra costs of being

[2] For example: a 2019 survey of 1,000 consumers by technology provider Eptica found 3% of consumers placed the most trust in insurance companies in a ranking of service providers. Compared with the likes of food retailers (21%) and banks (12%). Furthermore, 10% labelled insurance firms as the least trustworthy.

uninsured[3]) from insurance, even if the market itself cannot stretch to serve these consumers (as a result of FCA changes to the market, or in general).

1. Do you have any comments on the proposed implementation period?

The onus will be on firms to prove one way or the other, but for us the proposals sound sensible.

2. Do you have any comments on the possible impact of our proposals on people with protected characteristics under the Equality Act 2010?

We note that in its October 2018 review of pricing practices in household insurance[4], the FCA raised a concern over the potential use of data based on race/ethnicity within firms' pricing models to produce different offered prices.

While the FCA found no evidence of direct discrimination they did find "that firms were using datasets (including datasets purchased from third parties) within their pricing models which may contain factors that could implicitly or potentially explicitly relate to race or ethnicity".

This runs counter to the spirit of the public sector Equality Duty (PSED) which requires public bodies to have due regard to the need to eliminate discrimination and advance equality of opportunity.

With the current proposals that the FCA are consulting on, firms will be expected to provide the following information to their regulator: a pricing information report containing pricing information set out in SUP 16.28.11R and SUP 16.28.12R. As stated in the consultation paper, "this information will be provided on an aggregate basis for each insurance product under investigation."

We are not wholly convinced that this information alone will be enough to determine whether firms are using datasets (including datasets purchased from third parties) within their pricing models which may contain factors that could implicitly or potentially explicitly relate to race or ethnicity.

Recommendation: the FCA should provide more detail for how it plans to monitor firms' use of such datasets, over and above the reminder on page 9 of the consultation paper that "firms … need to ensure that the data they use in pricing does not discriminate against customers based on any of the protected characteristics under the Equality Act 2010."

[3] Research carried out by WPI Economics has identified these extra costs as being an example of the "latent poverty premium": "where, if something goes wrong, low-income households face an unenviable choice of using credit or drawing down savings (where available), or either going without or adapting in ways that might ultimately be more expensive." (p.3, https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Insurance-and-the-poverty-premium-WPI-Economics-final.pdf)

[4] https://www.fca.org.uk/publication/thematic-reviews/tr18-4.pdf

Furthermore, we are concerned about what the data from insurance firms will **not** be able to tell us about discriminatory practices and issues around financial inclusion.

From currently unpublished research commissioned by Fair By Design carried out by the Personal Finance Research Centre, we note that "the risk of incurring insurance-based poverty premiums seems to be lower among people with protected characteristics, because people from BAME groups, lone parents, and people with disabilities, particularly those with mental health issues, were less likely to hold any insurance. Being uninsured may of course lead to worse detriment than paying over the odds.[5]"

Recommendation: The FCA should investigate the underwriting practices of insurers to determine whether they are fair and reasonable. In particular, to look at whether these practices discriminate unnecessarily against protected characteristics of the Equality Act, as well as against other factors that affect low-income consumers. For example, on the basis of where a person lives.

This would create the knowledge needed for informing the best and most appropriate interventions in the future. This will provide clarity on how far market interventions can address the problems poor and vulnerable people face in today's insurance market.

3. Do you have any comments on our proposal to apply the rules on which we are consulting to firms based in Gibraltar and firms in the temporary permissions regime?

The final rules and guidelines should apply equally to all UK customers, wherever the relevant firm is based. It is important that firms operating in the UK market (whether based in the UK or not) operate on a level playing field.

4. Do you have any comments on our proposal to ban price walking?

We support in general the proposals to make pricing fairer for all. We are concerned about firms enticing customers with cheaper starting rates for cover then increasing prices to these customers each year at renewal, resulting in some customers paying high prices relative to their cost to serve. We don't think this demonstrates signs of healthy competition and in fact can often be to the detriment of consumers.

The need for change in pricing practices

There is evidence that shows how price walking is having a negative impact on particular consumers which boosts the case for urgent regulatory intervention.

The FCA in their supporting research for this consultation found that of the "consumers who bought combined contents and building insurance, lower income consumers (with an annual income below £30,000) pay higher margins than those with higher incomes"[6].

[5] The Personal Finance Research Centre, The Inequality of Poverty: Exploring the Link Between the Poverty Premium and Protected Characteristics. Forthcoming publication.
[6] https://www.fca.org.uk/publication/market-studies/ms18-1-3.pdf (p.13)

This is only among those households able to obtain insurance. Research from the Joseph Rowntree Foundation found that "low-income households were less likely to have contents insurance, and that many of these had previously had a policy but had let it lapse due to financial constraints"[7].

In general, we are concerned by evidence that firms are regularly exploiting a customer's inertia or "disengagement" to raise prices over a certain period of time. In reality, this so-called inertia might be as a result of time-poverty, low confidence, or low capability/awareness. Indeed, as the now-familiar saying goes: "being a consumer should not be a full-time job". Exploiting this, as some firms in the insurance sector seemingly are, is evidently a practice to which any consumer can become vulnerable.

In their vulnerability strategy, the Competition and Markets Authority (CMA) looked at multiple factors that can contribute to negative consumer experiences (not just personal characteristics). They include: "'time poverty'; confidence in using the internet; and level of educational attainment are likely to affect consumers' ability to engage in certain markets"[8].

Though while we are addressing practices to which any consumer can become vulnerable, we are particularly concerned about those for whom price-walking and loyalty penalisation will hurt the most.

Following the submission of Citizens' Advice super-complaint, the CMA found that vulnerable customers may be particularly at risk from the loyalty penalty. Their report found that:

"the most vulnerable in our society can have even greater challenges engaging in markets, such as those on low incomes, people who struggle to use online services, or people with poor mental health who may avoid or fear change. This means they may be more at risk of paying the loyalty penalty, and may be least able to afford it. It is therefore important that the needs and capabilities of vulnerable consumers be taken into account when looking at tackling the loyalty penalty"[9].

We think this view carries across to this consultation paper, and forms the reason for why we believe there should be changes made to the pricing practices of insurance firms.

On the FCA's proposed changes

On the specific proposed changes, we agree with colleagues at the Money and Pensions Service (MaPS) where they point out that:

"those customers who are likely to see the greatest benefits and savings are those who have tended to be loyal to firms, and therefore may have been subjected to price walking. Whilst there are various reasons which may explain a particular customer's loyalty to a firm,

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[7] http://www.jrf.org.uk/sites/default/files/jrf/migrated/files/spr348.pdf (p.9)

[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782542/CMA-Vulnerable_People_Accessible.pdf (p.7)

[9] https://assets.publishing.service.gov.uk/media/5c194665e5274a4685bfbafa/response_to_super_complaint_pdf.pdf (p.7)

available evidence shows that vulnerable customers … and low income customers … are overrepresented in this group."

We think the proposed changes are proportionate and serve to help a section of the insurance customer base who have historically been the most heavily penalised by pricing practices.

There are potential risks to the FCA's proposals which we will address.

The FCA's modelling predicts potential higher costs for those who have previously changed insurance provider as a way of securing a lower cost compared to staying with their existing provider. While the FCA says this will be reasonably small, it would be useful for the FCA to identify and provide public information on who among consumers this is likely to affect. This will inform stakeholders on how they feel the regulator should proceed with protections (including potentially price protections, and/or a cap) for consumers.

Recommendation: The FCA should provide more information on which consumer segments it estimates will be most affected by higher costs as a result of its proposals on the price walking ban.

In the event that those most affected by this are lower income consumers or vulnerable groups, the FCA should consider a price cap and/or models of pooled risk (e.g. Flood Re) to ensure important insurance cover doesn't become so much more expensive to be unaffordable, which would then greatly risk that household losing their cover altogether.

The reason for why this would be a proportionate measure in this circumstance is because these households are likely to have the least financial flexibility to take on higher costs, and are the ones that stand to lose the most by not having access to insurance cover.

We are also concerned that there is nothing formally in place to stop firms from recouping lost revenues in other ways that might result in expensive or unaffordable insurance cover for certain consumers. Or result in pricing some consumers out of the market altogether.

As we point out above, while we do want to see firms move to a model of fair pricing for those insurance customers coming to renewal stage, we do not want to see this come at the expense of affordable insurance coverage for other consumers.

Recommendation: the FCA should clarify how it intends to monitor firms modifying their pricing practices, as a result of these changes, to make sure low income or vulnerable consumers are not directly penalised in the process.

The regulator should be mindful of a situation where firms look at more opaque areas of pricing like insurance for pre-existing conditions, with a view to increase the costs of premiums. There is a risk that these changes for firms could mean that they become less inclined to provide for unprofitable segments of the population (even less than they already currently are).

With this risk there is also an opportunity here for a joined up approach by the market regulator and the government: namely, that if the FCA intervenes in this market in such a way that results in costs rising in a socially unpalatable way (e.g. for people with certain conditions, illnesses, or who live in certain areas), then this may be seen to indicate that the market cannot adequately serve some consumer segments. This will either necessitate the need for other market interventions (e.g. price caps), or solutions involving the government (e.g. the state underwriting insurance for insurance companies to provide to particular groups of consumers, or the introduction of pool sharing products such as Flood Re).

Recommendation: the FCA should investigate the number of consumers whose insurance premiums will be so high (due to their particular circumstances) that other underwriting options should be considered to keep them affordable, similar to the way in which Flood Re was created.

The meaning of "fair value"

The FCA uses the term "fair value" in its consultation paper. But "fair" in this context could mean fair on outcomes as well as on price. It's important to make the distinction. Just because the price is fair doesn't mean the outcome will be (e.g. the cost to insure someone with a risk-based pricing model might be high, which in turn would mean insurance becomes unaffordable).

As WPI Economics has previously said on this matter, "it's important to note that pricing by risk, even if that leads to low-income households paying more, is not itself a market failure (in the technical economic sense); it is an outcome from the market operating efficiently and allocating risk well. This does not mean that it is an outcome we should not try to change, but we should diagnose the issue carefully before identifying solutions."[10]

If the FCA are limiting themselves to a definition of "fair" which only looks at price, not affordability, then that will naturally lead to a situation where many households are unable to afford insurance cover.

Insurance is an essential product (i.e. a product that households cannot afford to do without, in the case of motor insurance legally so). Not having insurance can lead to extra costs[11]. Therefore, every effort should go into ensuring insurance is obtainable on the grounds that it provides potential financial savings for households and can prevent people falling into problem debt.

We recognise that the market cannot always guarantee fairness in the way we would define it, namely as a fair price and fair outcomes. Which brings us back to our previously mentioned recommendation that we want to see more clarity on how the regulator and the government will work together to decide responsibilities (or, in other words, where the

[10] https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Insurance-and-the-poverty-premium-WPI-Economics-final.pdf

[11] See above the definition of "latent poverty premium"

market can stretch so far to realise solutions, and where the state needs to step in – as it has previously done with Flood Re[12]).

In our view, in order to achieve real fairness (including good outcomes) for insurance customers, particularly those on low incomes, we would need to address the issue of risk-based pricing. However, this is not formally in scope for this consultation.

Either this needs to put in to scope for this work, or the regulator create an adjacent set of proposals where it is in scope. If not, the solutions to fix the problem of pricing in general insurance will remain only partially satisfactory.

Gaps in insurance coverage: another serious pricing practice

While the issue of price walking is a very serious one, we feel it must be considered at the same time as another pricing problem: the gaps in coverage for people that have an insurable need but are unable to afford insurance cover.

Many issues on access that consumers experience today include:

- facing much higher premium rates as they are deemed to be a higher risk;
- not being able to afford appropriate insurance as they are deemed to be a higher risk;
- not being able to access insurance that meets their needs properly (policy exclusions); and
- being locked out of insurance altogether.

Previous research has shown that for lower-income households in particular, personal preference, perceived irrelevance, and affordability can prevent them from even considering insurance and savings products. This leaves households exposed to the consequences of events like burglary or fire[13].

We know that for some types of insurance, factors that affect risk profiles (the basis of pricing in insurance) may be correlated with low income. For example, postcodes that are high-crime areas may be disproportionately likely to have low income residents. Low income residents may also be less likely to have protective features that could reduce premiums such as a burglar alarm, or a strong lock, particularly if they are renting and the landlord has no incentive to install such measures[14].

In short, low income consumers are often priced out of the insurance market. Since these issue of access and inclusion are so closely related to pricing practices we feel the FCA should address them in their final decision on general insurance pricing practices. Alternatively, the FCA could issue another opportunity for stakeholders to contribute insight and evidence on the matter.

[1212] https://www.floodre.co.uk/

[13] https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf p.26

[14] Information collected by WPI Economics. Here: https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Insurance-and-the-poverty-premium-WPI-Economics-final.pdf

6. Do you have any comments on our proposals to address practices that aim to frustrate the intended outcomes of the pricing remedy?

As we have already mentioned we are not satisfied that there will be no unintended consequences where someone's insurance cover becomes unaffordable as a result of some of the proposed changes.

There is nothing in the proposals that would stop firms from raising the price of insurance cover for some consumers, rendering that insurance cover unaffordable, and certain consumers becoming uninsured – risking exposure to what has previously been termed the "latent poverty premium."[15]

12. Do you have any comments on our proposal to enhance the product governance requirements concerning product value?

In the market study interim report, the FCA has said they are considering making changes to the Product Governance Sourcebook (PROD) rules. The suggested changes included (among other things): "requiring firms to consider the value of the product to the target market".

One way that we at Fair By Design see firms considering the value of products to their intended consumer groups (in the market, to customers, and consumers more widely) is through Inclusive Design. Inclusive Design describes a process of designing products and services around the actual lived experiences of a cross-section of consumers, to ensure their everyday needs are considered in the product iteration process. Also, that the biases of product/service designers are challenged in the process.

Recommendation: The FCA should consider Inclusive Design as a way for firms to consider the value of products to their intended consumer group.

Fair By Design has forthcoming guidebooks for how regulators and firms can engage with Inclusive Design. **We would be happy to discuss further this method with the FCA.**

19. Do you have any comments on our proposals to require firms to provide consumers with a range of accessible and easy options to stop their policy from auto-renewing?

In principle we agree that consumers should be provided with easy options to stop their insurance policy auto-renewing. This has typically been seen as one of the more complex parts of engagement with an insurance provider. If competition in the market is working well, and firms are customer-focused and competitive, then they shouldn't be concerned by making it easier for consumers to cancel policies.

[15] "where, if something goes wrong, low-income households face an unenviable choice of using credit or drawing down savings (where available), or either going without or adapting in ways that might ultimately be more expensive." (p.3, https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Insurance-and-the-poverty-premium-WPI-Economics-final.pdf)

We also agree with the Financial Inclusion Commission that it "might well be that it is more important that the renewal process maintains important cover than encourages shopping around, if the result might be that cover is discontinued or not available from a new insurer."

Recommendation: the FCA should monitor the degree to which firms might recoup the costs of customer service changes to meet proposed FCA guidance through higher customer premiums.

This is particularly where a firm has to increase its customer contact centres' capacity as a result of proposed changes.

Finally, options to improve consumer engagement (e.g. stopping their policy from auto-renewing) must follow on from consumer empowerment. And consumer empowerment can only be achieved when firms make it easy for consumers to understand their processes.

One way of doing this is through simple product descriptions. We know this has historically been lacking.

Research from Consumer Focus in 2011 found that degree-level education was necessary to understand a high street bank's loan agreement and PhD level to understand payment protection insurance details[16]. Other research by Which? in 2012 criticised the time it would take consumers to read the terms and conditions of standard bank accounts for the main providers[17].

Another way to achieve consumer empowerment is through firms making their pricing processes more transparent.

The FCA Occasional Paper 17 found:

"Individual insurance customers often struggle to understand why insurers are treating them as high risk. While insurers gather individual details, these are analysed with reference to statistics for groups of people with similar characteristics. The statistical analyses, usually based on the insurers' own customer base, are used to create algorithms into which an individual's data is entered to make the risk assessment. The nature of statistics means that they describe a range of possible outcomes, typically summarised as an average. A single individual is unlikely to be exactly average and so the pricing of their policy may not reflect the exact risk they pose, only that for the insurance segment as a whole"[18].

From the same paper: "Given the current lack of transparency about the way insurers determine risk-based prices, it is impossible for consumers or the bodies that represent them to know whether the pricing is fair".

[16] Cited in the FCA Occasional Paper 8: Consumer Vulnerability, https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf (p.45)
[17] ibid
[18] https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf p.98

Transparent models for pricing methods are, in our view, the best way to provide options for consumers to engage with their providers, including stopping their policies from auto-renewing.

Recommendation: the FCA should oblige insurance firms to make their pricing methods more transparent for consumers, with the view of increasing more active engagement.

21. Do you agree with our proposal to apply the auto-renewal measures to all types of general insurance?

Yes we do.

22. Do you agree with our proposed scope for the reporting requirements?

There is already a wealth of available information that suggests some groups pay disproportionately more than others for their insurance cover[19]. This information alone demonstrates that the market might not be working adequately to provide affordable cover for all consumers. The FCA should collect this kind of information from firms themselves.

Collecting and making public such information from firms would be a springboard to investigating the degree to which the FCA should intervene and where the government is better placed.

Recommendation: the FCA should monitor consumer price differentials data from firms. This would be in order to identify the degree to which certain consumer groups pay larger amounts for their insurance cover based on socio-economic status and/or protected characteristics than those considered "standard" customers.

24. Do you agree with the list of metrics we propose to ask firms to report? Q25: Are there any other metrics we should consider asking firms to report?

The FCA states in their consultation paper:

"The proportion of customers paying high and very high premiums, defined as a premium 1.5 times to 2 times (high) or more than 2 times (very high) the average across the product. Firms would be required to report the percentage of their customers, by product, paying premiums considered high and very high. This information would show where some customers may be paying more than average for their product and whether paying above average is linked to tenure. For example, if the data shows that in one of a firm's books of business, more longstanding customers pay high or very high premiums than shorter-tenure customers, we might want to explore this further with the firm. We would seek to assess this metric alongside average expected claims costs or average claims ratio."

[19] See for example: https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Insurance-and-the-poverty-premium-WPI-Economics-final.pdf; https://www.smf.co.uk/commentary_podcasts/why-are-low-income-consumers-paying-for-the-cost-of-crime/; https://fairbydesign.com/insurance-poverty-premium/ (forthcoming).

We would support this move to identify which customers are paying very high premiums for their insurance cover. But it's what can be done with this information that counts. Our view is this information should be used to determine whether the market is working sufficiently to provide affordable insurance for low income or vulnerable consumers with an insurable need.

Recommendation: the FCA should investigate the price differentials between those customers that pay for insurance on an annual and a monthly basis. This would determine whether those customers who choose/have to pay on a monthly basis are being penalised for doing so.
