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# FCA warns insurance firms over product governance rules deadline

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Insurance firms may not be ready to implement new product governance rules there to ensure insurance provides fair value, according to a review published today by the Financial Conduct Authority (FCA).

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Part of the FCA's ongoing work to ensure consumers receive fair value, [the review](#) looked at how firms designed, sold and reviewed their products to ensure they met the needs of their customers.

The findings show that some firms had made good progress in meeting the FCA's existing rules and guidance on product governance and value, issued in 2018 and 2019, as well as against temporary guidance on product value, issued in response to Covid-19 last year.

However, too many firms are not fully meeting the FCA's standards. In addition, many firms are likely to be unprepared to meet new [enhanced rules on product governance](#), which come into force on 1 October 2021. These new rules are part of a wider package of remedies introduced by the FCA to tackle the loyalty penalty and ensure that firms focus on providing fair value to all their customers.

The review found weaknesses including:

- Insufficient focus on customers, outcomes and product value, including when considering value in the context of Covid-19
- Shortcomings in governance and oversight of products

As an example, it was not always clear firms have adequate processes in place to assess whether intermediary remuneration (such as how much a broker is paid) bears reasonable relationship to the costs or workload to distribute the product as set out in previous guidance and required under the rules applicable from 1 October 2021.

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The FCA's enhanced product governance rules were introduced following its [General insurance pricing practices market study](#) which found home and motor insurance markets were not working well for consumers, particularly loyal customers. The rules are designed to ensure that firms have processes in place to deliver products that offer fair value to customers (all non-investment insurance contracts, not only home and motor insurance).

## Notes to editors

1. Multi-firm review: [General insurance product value and coronavirus \(Covid-19\) Guidance – update](#)
2. The FCA's policy journey on GI pricing, governance, reporting and value:
  - [Product Intervention and Product Governance Sourcebook \(PROD\)](#) (2018): introduced as part of the implementation of the Insurance Distribution Directive (IDD).
  - [FG 19/5 - The GI distribution chain: Guidance for insurance product manufacturers and distributors](#) (2019): sets out further clarity on FCA's expectations of firms in the General Insurance (GI) and pure protection sector.
  - [Covid-19 temporary product value guidance](#) (2020): sets out the FCA's expectations on firms to review their product lines to consider the impact of Covid-19
  - [Insurance and coronavirus \(Covid-19\): our expectations of firms](#) (2020): sets out further clarity on the FCA's expectations of insurance firms.
  - [General Insurance value measures reporting and publication](#) (2020): sets out new rules to for firms to report and publish data on value measures, alongside new product governance requirements.
  - [PS21/5 - General insurance pricing practices market study](#) (2021): sets out a package of measure to improve competition and ensure firms offer fair value products

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