



## **ABI Insurance Product Information Document Implementation Guide**

**Date of Publication: June 2017**

**Expiry date: June 2018**

### **Definitions:**

For the purpose of this Implementation Guide the following definitions apply:

- a) ABI means the Association of British Insurers;
- b) EC means the European Commission;
- c) EIOPA means the European Insurance and Occupational Pensions Authority;
- d) FCA means the Financial Conduct Authority;
- e) GIC means the ABI General Insurance Council Management Committee;
- f) IDD means the Insurance Distribution Directive;
- g) IPID means the Insurance Product Information Document;
- h) ITS means Implementing Technical Standards for the IPID.

### **Introduction:**

1. This Guide is intended to support ABI member insurers develop their approach to creating the IPID for different non-life products, in particular the sections of the document entitled 'What is insured', 'What is not insured' and 'Are there any restrictions on cover'. It is a voluntary Guide and is not a statement of industry best practice. The Guide will be withdrawn 12 months after its publication date.
2. The requirements arising from the IDD<sup>1</sup> are due to come into force on 23 February 2018. This includes the provision of an IPID for non-life insurance contracts. The IPID is intended to be a short, pre-contractual non-personalised summary document which includes the content determined by Article 20(8) of the IDD text.
3. Draft ITS for the IPID<sup>2</sup> were published by EIOPA on 7 February 2017. The draft ITS are subject to a 3-4 month scrutiny period by the EC. This Guide has been developed on the basis of the draft requirements in order to allow firms to incorporate the principles through the early stages of their development work. We will consider whether further updates are required in response to EU and UK regulatory developments.

---

<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0097&from=EN>

<sup>2</sup>

<https://eiopa.europa.eu/Publications/Technical%20Standards/Draft%20Implementing%20Technical%20Standards%20on%20the%20Insurance%20Product%20Information%20Document.pdf#search=Insurance%20product%20information%20document>

4. The FCA's Smarter Consumer Communications Feedback Statement (FS16/10)<sup>3</sup> challenged general insurers to simplify and demystify consumer communications to help drive a greater understanding of the key product benefits and limitations, enabling consumers to make informed decisions based on a broader range of considerations than price alone<sup>4</sup>. GIC agreed that the ABI's IDD working group would be best placed to consider how to take this forward in conjunction with the implementation of the IPID.
5. Article 6 of the draft ITS also specifies that the IPID shall be drafted in plain language<sup>5</sup>, facilitating the customer's understanding of the content of that document and avoiding jargon. This Guide is intended to support ABI members to use plain language and apply a coherent document structure to the IPID, for the benefit of their consumers.
6. The examples given within this Guide are illustrative, and should not be considered as prescribed wording for firms to use. The guide is intended to assist firms as they make their own judgements in developing IPIDs suitable for their target market and product range.

**Principle 1: The IPID should complement other product documentation and information presented through the sales journey.**

- 1.1 Article 3 of the draft ITS states that the IPID shall include a prominent statement immediately below the company name that complete pre-contractual and contractual information about the non-life insurance product is provided in other relevant documents<sup>6</sup>.
- 1.2 Cross references to the policy document should be limited in order to be effective. Firms should consider which additional information would be most important to the consumer<sup>7</sup> and highlight this within the IPID.
- 1.3 Section sub-headings may be used consistently within the IPID<sup>8</sup> and other policy documents, in order to enable consumers to cross-reference information readily. This approach is likely to be more appropriate for single-risk products where fewer sub-headings are used. Information about multi-risk products may need to be aggregated in order to fit within the IPID document size limit.

---

<sup>3</sup> <https://www.fca.org.uk/publication/feedback/fs16-10.pdf>

<sup>4</sup> FCA Smarter Communications FS16/10, 2.30, page 14

<sup>5</sup> Draft ITS for the IPID, Article 6, page 12

<sup>6</sup> Draft ITS for the IPID, Article 3, page 11

<sup>7</sup> FCA Smarter Communications FS16/10, 2.36, page 15

<sup>8</sup> Draft ITS for the IPID, Article 7, page 13

- 1.4 Within the IPID, information should be presented in a consistent manner across the ‘What is insured?’, ‘What is not insured?’ and ‘Are there any restrictions on cover?’ sections<sup>9</sup>.

**Example A: Consistent information**

‘What is insured’	Personal items away from your home...
‘What is not insured’	Laptop computers...
‘Are there any restrictions on cover’	Away from home cover limit £1500
	Away from home excess £150

**Principle 2: Technical terms should be avoided or explained in plain English.**

- 2.1 Technical insurance terms should not be included within the IPID as far as possible<sup>10</sup>. Where necessary, and where space permits, it may be beneficial to provide a simple description of the term before it is presented so that consumers are engaged.
- 2.2 Ambiguous and unclear words or phrases should be avoided or explained.

**Example B: Technical terms (illustrative purposes only)**

If you are involved in an accident which causes damage to another person or vehicle, we will pay the cost of any damage you are legally responsible for (known as Third Party Liability).

**Auto renewal** – Your policy cover will be renewed and payment taken unless you contact us to stop it before the renewal date.

**Courtesy Car** – You will receive a courtesy car while your car is being repaired following an accident. It is **not** provided if your vehicle is stolen or written off. It is **not** guaranteed to be a vehicle of similar size or specification.

**Legal Expenses/Uninsured Loss Recovery** – Access to legal advice and to cover the legal costs of claiming compensation following an accident that was not your fault.

---

<sup>9</sup> Draft ITS for the IPID, Article 7, page 13

<sup>10</sup> Draft ITS for the IPID, Article 6, page 12

**Principle 3: Information included within the IPID should be determined based on both product performance data and consumer understanding.**

- 3.1** The maximum page limit<sup>11</sup> and minimum font size<sup>12</sup> applied by the ITS necessitate that firms exclude certain information they currently include within policy documents and, where applicable, policy summaries. Firms will therefore need to determine which information is prioritised within the IPID based on a range of factors.
- 3.2** Priority for inclusion within the IPID should be given to the core product components<sup>13</sup>, which may be determined based on the compulsory requirements of the product (for example, the minimum liability cover required for motor insurance policies), by high claims volumes and values, or costs which customers may struggle to fund in the absence of cover.

**Example C: High Value Medical Claims in Travel Insurance**

ABI statistics show that in 2015, travel insurers paid out £365 million, equating to £1 million a day, to 494,000 individuals and families who needed help when they were abroad.

The main cost of claims was for emergency medical treatment, with insurers paying out over £196 million to cover travellers' medical expenses and repatriation. More than 166,000 travellers claimed for medical treatment.

An annual travel insurance policy costs an average of just £33, while the average medical expenses claim was more than £1,200, and average cancellation claim £800. In total, insurers also paid out £128 million to 160,000 individuals and families to cover the cost of cancelling their holiday.

The above statistics indicate that cover for medical treatment is a core product component that should feature clearly and prominently in the IPID.

- 3.3** Insurers should also consider which product features may be likely to be of particular interest to consumers within their intended target market.

---

<sup>11</sup> Draft ITS for the IPID, Article 4, page 11

<sup>12</sup> Draft ITS for the IPID, Article 5, page 11

<sup>13</sup> Draft ITS for the IPID, page 9-10

#### **Example D: Baggage cover in Travel Insurance**

Insurers paid £16 million to 87,000 people to cover the cost of lost baggage and money whilst travelling. As highlighted in example C, travel insurers' pay out significantly more for emergency medical treatment than lost baggage, however baggage cover may nonetheless be a product feature important to customers.

Therefore a travel insurance product that includes baggage cover should highlight this on the IPID, and one that doesn't should highlight the exclusion.

- 3.4** The IPID also provides an opportunity to tackle common misconceptions consumers may have of the product. These may be identified with reference to complaints volumes, declined claims and consumer enquiries.

#### **Example E: Wear and Tear Cover in Home Insurance**

##### **Will insurance cover damage that is caused when things wear out?**

Home insurance policies will not cover wear and tear. They are meant to cover damage caused by sudden and unexpected events, not things wearing out, breaking down or failing because they have not been maintained properly. It is important that you look after your home and possessions and maintain the property well as home insurance is not a substitute for proper maintenance.

- 3.5** Other product features with low claims volumes and severity may be excluded from the IPID entirely, unless they are considered to act as a key product differentiators in line with Principle 4 (below).

#### **Example F: Freezer cover**

Most standard home insurance policies include freezer contents cover if the freezer breaks down or the power is disconnected accidentally. However, claim volumes are typically low, so firms may determine that this does not require inclusion.

**Principle 4: The IPID should allow consumers to compare products by prominently highlighting key differentiators.**

- 4.1** Core product information that is either mandatory, or varies very little by provider (e.g. motor fire and theft cover), should be presented concisely, in order to allow space to describe features or exclusions which may differentiate the product from others available on the market. Consistent features and exclusions may be identified by benchmarking, use of existing market intelligence reports, or other external sources.
- 4.2** Differentiators may include, but are not limited to:
- a.** Benefits, product features and/or exclusions which are not generally included within other comparable policies;
  - b.** Benefits and/or exclusions with cover limits which may be higher or lower than other policies;
  - c.** The level of excess applied to individual risks, where there is no standard excess for all aspects of cover offered by the product;
  - d.** Product features which are optional, but which may be offered as standard by other providers.

**Example G: Accidental Damage in Household Insurance**

Many policies provide limited accidental damage as standard (e.g. accidental breakage of fixed glass in buildings or furniture, accidental damage to toilets, cisterns and other fittings, and accidental damage to underground pipes and cables).

Home insurance policies can include limited accidental damage as standard, with the option to purchase extra accidental damage cover. However there are also products that exclude all accidental damage cover, which has to be purchased as an optional extra and others which include full accidental damage as standard. As such, the variation of how this cover is offered in the market would support that Accidental Damage should be explained in the IPID.

**Example H: Windscreen Cover in Motor Insurance**

Some providers will offer specific windscreen cover as standard, others may present it as an optional extra for which you'll have to pay an additional fee, and some policies may offer no windscreen insurance at all.

**Principle 5: Explanations of risks and exclusions may be best presented using broad sub-headings and scenario based descriptions.**

5.1 Consumers may also benefit from broad sub-headings being used within key sections of the IPID. Article 7 of the draft ITS provides that the use of sub-headings is permitted, where necessary<sup>14</sup>.

**Example I: What is covered – Motor Insurance (partially complete)**

**What is insured?**



Cover for you

- ✓ Driving other cars (third party cover only)

Cover for your car

- ✓ Damage as a result of an accident
- ✓ Repair or replace broken glass

Cover to other people

- ✓ Your legal liability to other people arising from an accident

5.2 For some products, consumers may find it easier to understand what is insured by the policy if the benefits and exclusions are grouped by insurable event within the IPID. Describing the circumstances which may result in a claim, before describing the possible outcome, may lead to higher levels of engagement.

**Example J: Scenario descriptors**

If you are in an accident that was your fault, we will:

If you become ill on holiday and need emergency medical treatment, we will:

---

<sup>14</sup> Draft ITS for the IPID, Article 7, page 13

**Principle 6: Optional aspects of cover may be presented within the IPID under certain circumstances.**

- 6.1** It is assumed that add-ons which meet the FCA Sourcebook definition of a ‘Policy’ will be presented within a separate IPID from the primary product.
- 6.2** Optional covers may be included within the IPID, if clearly flagged as such, but are not necessarily required to be. Firms may consider the following when determining whether to include cover options:
- a.** High sales volumes;
  - b.** Whether other providers typically include the cover as standard;
  - c.** A consumer expectation that the cover would be included, even where it is commonly an option or exclusion;
  - d.** Uncommon options which may prompt consumers to select that product.
- 6.3** Article 5 of the draft ITS establishes that information provided about add-ons and optional covers, if any, shall not be preceded by ticks, crosses or exclamation marks. The IPID is not intended to be personalised for individual consumers<sup>15</sup>.
- 6.4** It is likely that variable cover limits would be best presented elsewhere in the customer journey in order to be shown in a clear manner. Information about variable limits may be included within the IPID where this would assist the consumer’s understanding of the product<sup>16</sup>, or where they may act as a significant differentiator.
- 6.5** Products which have overlapping cover but differ significantly are likely to be considered as separate products and warrant individual IPIDs. This would apply to the following:
- a.** Third party only; third party fire and theft; and comprehensive motor policies;
  - b.** Buildings only; contents only; and combined household policies;
  - c.** Single trip; and annual travel policies;
  - d.** Pet accident only; maximum benefit; lifetime and time-limited policies.

---

<sup>15</sup> Draft ITS for the IPID, Article 5, page 11

<sup>16</sup> FCA Smarter Communications FS16/10, page 30