

By email to: [cp25-12@fca.org.uk](mailto:cp25-12@fca.org.uk)

Shimla Rizan  
General Insurance and Pure Protections, Risk and Policy  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

2 July 2025

## **AFM Response to CP25/12: Simplifying the insurance rules**

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
  - Express our support for several of the proposals within the consultation, and
  - Encourage the FCA to go further in simplifying its rulebooks.

### About AFM and its members

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not-for-profit basis). The mutual insurance sector manages the savings, pensions, protection and healthcare needs of over 26 million people in the UK and Ireland, collects annual premium income of over £23 billion, and employs nearly 23,000 staff<sup>1</sup>.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically result, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses<sup>2</sup> and to take account of corporate diversity<sup>3</sup>. Further, the Government have committed to double the size of the mutual sector as part of their agenda to grow the UK economy. FCA and PRA have been issued secondary competitiveness and growth

---

<sup>1</sup> ICMIF and AFM, 2023: <https://financialmutuals.org/wp-content/uploads/2023/10/UK-Market-Insights-2023.pdf>

<sup>2</sup> Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

<sup>3</sup> Bank of England and Financial Services Act 2016, section 20  
<http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

objectives which should inform how they examine the impacts of regulation on mutual firms.

#### Introductory comments

4. We welcome this consultation seeking to simplify the insurance rules by removing duplicative rules and reporting requirements. Broadly, we feel that the proposals will help to achieve this objective.
5. Our members are especially supportive of the proposed removal of the requirement to review non-investment insurance products at least every 12-months. We feel that this will alleviate unnecessary administrative burden across a significant segment of insurers, including mutuals such as our members. As noted in the consultation's cost and benefit analysis, this will provide insurers with the appropriate flexibility to allocate their time more towards products which have a greater underlying risk.
6. We would encourage the FCA to continue to explore opportunities to simplify the insurance rulebooks. Firms now must reference ICOBS, PROD, and the Consumer Duty rules alongside other regulatory requirements. This can cause confusion where different components of rules are expected to be applied to the same products. Take for instance, an insurer offering life policies which is expected to apply the PROD 4.2 rules relevant to product governance, but the price and value rules under the Duty. Where possible, we would encourage the FCA to streamline its rules into a more simplistic framework to minimise the administrative compliance burden.
7. We have responded below to the specific questions raised in the consultation which are relevant to our membership. We would welcome the opportunity to discuss further the issues raised by our response and are happy to be included in the published list of respondents.

Yours sincerely,

A handwritten signature in black ink that reads "Stephanie Blenko". The script is cursive and fluid.

Stephanie Blenko  
Head of Policy  
Association of Financial Mutuals

## AFM responses to questions raised in the consultation

**Question 1: Do you agree with our proposed new definition to identify contracts and customers excluded from our regulatory protections and its scope?**

We offer no comment.

**Question 2: Do you have any concerns about our proposal that have not been covered in this chapter?**

We offer no comment.

**Question 3: Do you agree with our proposed rule changes related to co-manufacturing arrangements, including that these should apply to all non-investment insurance products (both retail and commercial)?**

We support this proposal. Some of our members have co-manufacturing arrangements in place currently; this proposal would offer them greater flexibility in structuring the arrangements and greater clarity and confidence that they are able to meet regulatory requirements where they are the lead manufacturer.

Further, we imagine that this increased flexibility and clarity would encourage firms to consider establishing new co-manufacturing arrangements in the future.

**Question 4: Do you agree with the proposed rule and guidance related to the Bespoke contract exclusion, including that it should be available to all non-investment insurance products?**

We support this proposal. Some AFM members serve niche sectors of the market and affinity groups and as a result, may have cause to create a bespoke contract for a single client. In these instances, the proposed exclusions would help to ease administrative burden.

**Question 5: Do you agree with our proposal to remove the 12-month minimum review frequency requirement under PROD 4.2 and PROD 4.3?**

We strongly support this proposal. We understand from our members that annual product reviews take time and resource yet are not necessary for every product they offer. Some products have very few changes year-on-year, if any at all, meaning that a new review every 12 months adds little insight to their assessment of a product's fair value. Removing this requirement is a helpful step in alleviating regulatory burden.

**Question 6: Do you agree with our proposal to require firms to determine the appropriate review frequency based on the potential for customer harm arising from risk factors associated with the product?**

We agree with this proposal. Removing the requirement to review non-investment insurance products every 12 months will provide our members with more flexibility to review their products as they see fit, ensuring that they deliver good value for money to

their customers. Our members offer a wide range of products, some of which carry more inherent risk than others. The proposals will allow our members to make informed decisions about how to allocate their resources based on how often a review is necessary for any given product, ultimately leading to better value for customers' money.

**Question 7: Do you agree with the proposed consequential change that only the lead manufacturer should be responsible for producing the ICOBS disclosure documents (applicable to insurers and managing agents), where a lead is appointed?**

We offer no comment.

**Question 8: Do you agree with the proposed rule changes related to the EL notification and reporting requirements? Is there other guidance that we should include on circumstances that are unlikely to amount to a significant breach?**

We support the proposals, although they will not have a significant impact on our membership. One member offers EL insurance and declares their policies through ELTO. Nonetheless, we support removing the reporting requirements to the FCA in order to eliminate duplication.

**Question 9: Do you agree with our proposal to remove the prescriptive minimum 15 hours training and development (and associated monitoring and record keeping requirements) for non-investment insurance and funeral plan firms? Please explain your answer.**

We support this proposal. The current regulation sets a very strict Continuing Professional Development (CPD) requirement across many different individuals involved in the distribution of non-investment insurance products, regardless of their actual degree of involvement in selling the product. Even for those who are heavily involved in distributing the product, the specific learning components are not always relevant, as the consultation points out.

Relaxing this requirement would provide firms with the flexibility to provide staff with training that is appropriate for their specific role, both in content and time commitment.

**Question 10: Are you aware of instances where requirements imposed by local regulators duplicate or exceed those imposed by us? Please provide examples.**

We offer no comment.

**Question 11: Do you have views on whether we should restrict ICOBS and/or PROD 4 to business with UK insurance customers or risks? Please explain your response and set out the basis of why you consider this would be justified.**

We offer no comment as the vast majority of our members' customers are UK residents.

**Question 12: Please provide us with estimates on what the expected financial impact (including either to increase or decrease in costs) would be to your firm if we were to disapply ICOBS and/or PROD 4 in relation to non- UK business.**

We offer no comment.

**Question 13: Please provide us with estimates on what expected financial impact (including either to increase or decrease in costs) would be to your firm if the scope of the Duty were to follow the revised scope of ICOBS and PROD 4. Please also explain whether your answer is different depending on whether Principles 6 and 7 continue to apply.**

We offer no comment.

**Question 14: Should any restriction be based on the customers habitual residence, the state of risk, or both?**

We offer no comment.

**Question 15: Are there any other ways of determining the customer's location that we should consider?**

We offer no comment.

**Question 16: Are there any instances of products which are manufactured for, and distributed to, both customers in the UK and overseas? How should the ICOBS and PROD 4 rules deal with such situations?**

We offer no comment.

**Question 17: How should the rules apply where the customer changes from being a UK to a non-UK customer (or vice versa) during the term of the contract?**

Only a small percentage of our members' customers move overseas having taken out an insurance policy while living in the UK. Due to how infrequently the issue would arise, and how small many of our members are to begin with, it would be impractical to implement two different processes for UK and non-UK customers. However, larger firms with larger numbers of customers moving overseas may have the means and the justification to do so.

The FCA may consider taking a pragmatic approach by implementing an optional rule that where a customer moves outside of the UK, firms need not adhere to the rules, but they may do so if they wish.

However, the FCA would need to clearly define at what point the firm could consider the customer to no longer be residing in the UK. Otherwise, there is a risk of customers who might only be a temporary non-resident losing out on customer protections that the FCA intends to apply to them.

**Question 18: Are you aware of any instances where the changes we have set out would lead to a gap in regulatory protections for consumers and SME customers? For example, are there any jurisdictions which rely (for consumer protection) on UK firms being subject to our rules in relation to business in their jurisdiction?**

We offer no comment.

**Question 19: Would there be any adverse consequences for the UK insurance industry arising from the changes we have set out? For example, do you think limiting the scope of our conduct rules would affect trust and confidence in, and therefore potentially the competitiveness of, UK firms?**

We are not aware of any adverse consequences that would result from these proposals.

**Question 20: Do you agree with our considerations around the rules applicable to the insurance products discussed above? If not, please provide your reasoning.**

We offer no comment.

**Question 21: Please provide us with estimates on what the expected financial impact (including either to increase or decrease in costs) would be to your firm if we were to remove the product-specific rules discussed above. Please provide the impacts in relation to each of the rules.**

We offer no comment.

**Question 22: Are there any product-specific rules that you think no longer meet their intended purpose and should be reviewed? If yes, please explain why.**

We offer no comment.

**Question 23: Do you think we should remove the minimum 12-month product review requirement for funeral plan manufacturers? Please explain your response.**

We offer no comment.

**Question 24: Please provide us with estimates on what the expected financial impact (either to increase or decrease in costs) would be to your firm if we change the minimum product review requirement for funeral plans?**

We offer no comment.