



Delegated authority: outsourcing in the general insurance market

Our Thematic Review TR15/7 featured this infographic which explains delegated authority in the general insurance market

Financial Conduct Authority



TR15/7 - Delegated authority: Outsourcing in the general insurance market

Our findings

- 1 **Understanding obligations**
Insurers do not always appear to have fully considered their obligations in relation to delegating authority, which is a form of outsourcing
- 2 **Fair treatment of customers**
In many cases, insufficient focus and consideration has been given to how the interests of customers might be impacted by outsourcing
- 3 **Assuming responsibilities**
Intermediaries do not always appear to appreciate the extent of the product provider responsibilities they have assumed when designing insurance products
- 4 **Monitoring outcomes**
Insurers and intermediaries sometimes receive limited information and undertake little analysis of consumer outcomes

Our expectations

- 1 **Risk-based controls**
Insurers should always treat delegating authority as outsourcing and ensure they have effective risk-based controls
- 2 **Customer outcomes**
A customer's experience should not be affected by whether provision of the product involved one or multiple firms
- 3 **Allocating responsibilities**
Insurers and intermediaries should consider who is acting as product provider, clearly allocating responsibilities for product design and performance monitoring
- 4 **Appropriate monitoring**
Insurers and intermediaries should ensure appropriate monitoring and MI is in place to identify where customers may not be treated fairly

Next steps

Following on from this review, we will continue to engage with the insurance industry to address the issues we identified. We will do this by:

- 1 Providing individual feedback to firms included within the review and following up on specific issues identified
- 2 Engaging with relevant trade bodies to facilitate discussion of our findings, our expectations and how best to address the issues identified
- 3 Focusing on these issues in the course of our ongoing supervisory work
- 4 Considering how firms respond to forthcoming legislation and regulatory change, notably Solvency II, and the need for further work

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