

STOP PRESS



Insurance Compliance Services Ltd, Deakins Park, Deakins Mill Way, Egerton, Bolton, BL7 9RW
Tel: 01892 539600; Email admin@insurancecompliance.co.uk

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Despite the London wholesale broker market being given a relatively clean bill of health in a recent FCA review, the regulator continues to delve into the pricing and selling practices of the general insurance market. The regulator has now reported issues with distribution chains that can lead to customers purchasing inappropriate products or paying over the odds. All those involved from underwriters down to customer-facing sellers and any intermediaries in between are expected to act in the customers' best interests. The question firms might ask is whether it is in customers' best interests to risk stifling innovation and restricting availability.

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Distribution chain report – firms must consider value of the products and services provided to consumers - FCA 10 April 2019

The FCA is warning General Insurance (GI) firms about manufacturing, sales and distribution approaches that can lead to customers purchasing inappropriate products, paying excessive prices or receiving poor service. In a new report (TR19/2) the regulator has set out the key findings from thematic work on the general insurance distribution chain. Looking at travel, tradesman or GAP/motor ancillary insurance, possible examples of harm to customers were found, including:

- Customers paying potentially excessive prices due to parties in the chain receiving remuneration which appeared to significantly exceed the costs incurred in distributing the products. This was most prevalent where insurance was linked to another non-financial purchase, such as a car or a holiday.
- Customers buying potentially unsuitable products, due to issues with either the distribution or sales approaches in place.
- Customers not receiving the services they needed and experiencing poor outcomes, for example when making claims or complaints. This was most common where firms delegated authority to another party.

The FCA is now consulting on new guidance for product manufacturers and distributors and has written to the CEOs of every authorised GI firm, calling on them to act immediately to identify and mitigate any shortcomings. This is relevant to all GI products. Firms must consider the value the customer receives from the firm's products and services, and have appropriate systems and controls to manage their activities and mitigate any risks posed to customers. The FCA will be undertaking further coordinated supervisory work in this area, and says it will not hesitate to use its full range of regulatory tools to intervene.

ABI response: Hugh Savill, Director of Regulation at the Association of British Insurers, said: "The FCA's report is based on findings in a limited range of products, which make up a tiny part of the large GI market. The majority of customers, buying direct, from a broker or from a comparison website, should not be concerned with these findings. People continue to get good value, quality products from their insurers, which help them protect their homes, vehicles and livelihoods. There are clearly remaining problems in some distribution chains, and it is very important that these are addressed."

FCA Report: <https://www.fca.org.uk/publication/thematic-reviews/tr19-02.pdf>

FCA CEO letter: <https://www.fca.org.uk/publication/correspondence/dear-ceo-letter-fca-expectations-of-general-insurance-firms.pdf>

Brexit delay update - FCA 11 April 2019 & 29 March 2019

Whilst FCA plans for a possible no-deal Brexit on 12 April were shelved, the instruments and guidance that would apply in the event the UK leaves the EU without a deal or an implementation period have been finalised. The FCA has been working to deliver a transition that is as smooth as possible. Most of the instruments have been made under powers given to the FCA under the EU (Withdrawal) Act and have been approved by the Treasury. The final instruments are largely unchanged from the near-final versions, which were published in February. The most significant change is that the instruments now commence on 'exit day', rather than on a specific date. The FCA has also confirmed that it intends to preserve the existing regulatory treatment in relation to Gibraltar and Gibraltar-based firms in line with its statement published on 20 December 2018.

In a speech delivered at the City and Financial, 4th UK Financial Services Brexit Summit in march, Nausicaa Delfas, Executive Director of International at the FCA, said that even though Parliament has voted against 'no deal', the possibility of a hard exit remains, unless something else is decided – and as such, it is important that the FCA and industry retain their preparedness for all scenarios. She stated: "Whilst there is still uncertainty – I remain certain of two things that endure:

- Our extensive preparations for all scenarios, including the possibility of a hard exit.
- Our strong foundations for the future, and our commitment to London maintaining its position as a successful global financial centre."

FCA Link to documents and Press Release: <https://www.fca.org.uk/news/press-releases/fca-confirms-proposals-event-no-deal-brexit>

FCA speech: <https://www.fca.org.uk/news/speeches/brexit-and-beyond>

FSCS ensures Qudos customers receive replacement policies - FSCS 10 April 2019

The FSCS has been working with brokers to transfer around 165,000 Qudos motor and pet insurance policies to new insurers. Since the collapse of the Danish-based insurance company in December 2018, FSCS has secured alternative insurance cover for these motor, guaranteed asset protection (GAP) and pet insurance policyholders. More than 117,000 affected eligible warranty and GAP policyholders will have received a replacement policy from Tobell or Car Care Plan Ltd (CCP) that matches the level of cover provided by their Qudos policy and ensures uninterrupted cover for their vehicle. Just over 45,000 affected eligible motor and motor add-on policyholders will have received a replacement policy from Adrian Flux Insurance Services Group. The new insurer is Trinity-Lane Insurance Company Ltd. FSCS has also been working with Trent-Services (Administration) Ltd to replace just over 900 eligible pet insurance policies.

Update – medical conditions and access to travel insurance - FCA 4 April 2019

The regulator has been working with stakeholders to explore different options for signposting people with pre-existing medical conditions (PEMCs) to travel insurance providers that are able to provide them with suitable insurance. Since the FCA issued the first Feedback Statement it on its call for input on "access to insurance" it has refined its understanding of the issues consumers with PEMCs are facing; for example, being declined travel insurance, dealing with exclusions for PEMCs and receiving quotes which may be unexpectedly high. Options are now being considered for new rules to support the effective delivery of improved sign-posting across the market which will be consulted on in due course. The FCA announcement said; "Alongside progressing work on a signposting service we will produce a user-friendly guide to travel insurance for consumers with PEMCs. We will work with our

stakeholders, in particular charities and consumer organisations to ensure that consumers can access this guide easily. This will help consumers with PEMCs to understand pricing, exclusions and how to obtain travel insurance that best meets their needs."

Claims management companies enter FCA regulation - FCA 1 April 2019

The FCA began regulating the claims management industry from 1 April. All claims management companies (CMCs) in England, Scotland and Wales will now have to demonstrate they meet and maintain minimum standards set by the FCA. All existing and new CMCs will need to apply to the FCA for authorisation. More than 900 CMCs have registered for 'temporary permission' to continue operating while they go through the FCA authorisation process.

The new FCA regime aims to boost consumer protection and the professionalism of the sector by driving up standards in the industry. The FCA wants CMCs to be trusted providers of high quality, good value services that help consumers pursue legitimate claims for redress. New FCA requirements will benefit consumers by ensuring that CMCs give people the information they need to make informed decisions. The new FCA requirements include:

- due diligence on lead generation and rules to prevent firms encouraging customers to make fraudulent, frivolous or vexatious claims or claims which have no good basis
- providing clear, upfront information to customers about the fees they charge and the services they will provide
- giving customers a summary document about the services they will provide before the customer signs a contract
- telling customers about free alternatives such as the Financial Ombudsman Service (FOS) or the Financial Services Compensation Scheme (FSCS), including in advertising
- recording and retaining customer telephone calls for a year after their final contact with a customer will reduce the chances of high pressure sales techniques and support robust resolution of customer complaints

Complaints about CMCs can now be brought directly to the Financial Ombudsman Service, and those already with the Legal Ombudsman are being transferred across.

ABI comment: James Dalton, Director, General Insurance Policy at the Association of British Insurers, said: This crackdown on the compensation cowboys is long overdue. For too long, too many people have been pestered by unwanted calls, texts and emails from firms that often try to encourage dishonest compensation claims, at the expense of honest customers. This tougher regulation should weed out the rogue firms, and provide anyone thinking of using a firm with important information, including fees they may have to pay, and other free alternatives available to pursue a genuine claim."