

A round up of policy events and news

1. Top stories

STOP PRESS Financial Advice Market Review 'call for input' published

The Treasury and FCA have published a joint consultation exploring what can be done to improve customers' access to financial advice. The Financial Advice Market Review (FAMR) was announced back in the summer and since then the scope of the review has been narrowed to focus on advice in relation to investing, saving into a pension and taking an income in retirement. It looks to establish whether advice gaps exist. Suggestions for widening access to advice include the creation of 'safe harbours' for either a particular type of advice or specific products, the implementation of a longstop and the growth of automated or robo-advice. The consultation closes 22 December with recommendations published in time for next year's Budget. [Click here](#)

Alongside the FAMR, the Treasury is consulting on how the public provision of free-to-client, impartial financial guidance should be structured to give consumers the information they need to make financial decisions. [Click here](#)

Whistleblowing rules published

The Financial Conduct Authority (FCA), alongside the Prudential Regulation Authority (PRA), has published new rules in relation to whistleblowing. These changes follow recommendations in 2013 by the Parliamentary Commission on Banking Standards (PCBS) that banks put in place mechanisms to allow their employees to raise concerns internally (i.e., to 'blow the whistle') and that they appoint a senior person to take responsibility for the effectiveness of these arrangements.

The new key rules on whistleblowing require a firm to:

- appoint a Senior Manager as their whistleblowers' champion
- put in place internal whistleblowing arrangements able to handle all types of disclosure from all types of person
- put text in settlement agreements explaining that workers have a legal right to blow the whistle
- tell UK-based employees about the FCA and PRA whistleblowing services
- present a report on whistleblowing to the board at least annually
- inform the FCA if it loses an employment tribunal with a whistleblower
- require its appointed representatives and tied agents to tell their UK-based employees about the FCA whistleblowing service. [Click here](#)

To read the CII's whistleblowing guide [click here](#)

2. General insurance

Strengthening individual accountability in insurance: SIMR, conduct rules and approved persons

The PRA and FCA have published a number of policy statements and consultation papers relating to the forthcoming Senior Insurance Managers Regime (SIMR). These latest publications seek to provide greater clarity by outlining the final

rules on most aspects of the new regime, as well as further proposals to introduce a streamlined approach for smaller insurers.

The new regime, first put forward in consultations launched in November 2014, is the result of changes required by the Solvency II regime and the regulators' intention to bring insurance into line with new banking supervision rules. The insurance regime (SIMR) is aligned with the banking one (SMR) for the most part, though it does not include the criminal sanctions faced by those in charge of banks.

The latest announcements cover:

- **The scope of the SIMR**, the identification of key functions, and the allocation of responsibilities to individuals.
- **A consultation on PRA rules for non-Solvency II firms**, including small insurers.
- **Changes to the scope of the FCA's approved persons regime**. These will ensure robust oversight and continued enforcement power over key individuals who can significantly impact the FCA objectives, whilst maintaining a proportionate approach.
- **Changes to the fitness and propriety assessments** of candidates for FCA regulated Significant Influence Function (SIF) roles to reflect the Solvency II framework and EIOPA guidelines.
- **New Conduct Rules** for approved persons in Solvency II firms to encourage appropriate behaviour by staff, in particular through an enhanced focus on treating customers fairly and responsible delegation by senior staff.
- **A timeline for the introduction of the changes**.

Andrew Bailey, Deputy Governor, Prudential Regulation, Bank of England and CEO of the PRA said:

"The simple principle that you can delegate tasks and work, but you cannot delegate responsibility for the safety and soundness and conduct of your firm must become embedded at all levels of banks and insurers. (These latest) publications provide the certainty for firms to implement all necessary changes to achieve this objective."

[Click here](#)

Following the publication of the final rules, the PRA and FCA have launched a joint consultation on the proposals for regulatory references. The consultation proposes changes to the way firms seek and provide references for certain roles. It closes on 7th December, with final rules published before the new accountability regime commences on 7 March 2016.

The CII has produced a full briefing on SIMR: <http://www.cii.co.uk/37798>

FCA policy statement on general insurance add-ons

Following an earlier consultation, the FCA has published a policy statement (PS15/22) on banning opt-out selling across financial services and supporting informed decision-making for add-on buyers. This includes feedback, final rules and guidelines.

The final rules and guidance in the policy statement do not differ significantly from those consulted on earlier this year. The rules banning opt-out selling will come into force on 1 April 2016. The policy statement also contains the finalised non-Handbook guidance which aims to improve the information that is provided to add-on buyers in the general insurance market. This guidance will be effective immediately and the FCA expects firms to have made the necessary changes by 30 September 2016.

The guidance clarifies the FCA's expectations around when add-ons could be introduced, how it could be made easier for customers to compare packages of primary products and add-ons and how price could be displayed for add-ons to aid customers' decision making. The FCA intends the guidance to apply broadly to general insurance add-on sales, although the focus in the guidance is on price comparison websites. [Click here](#)

PRA cyber resilience questionnaire for insurers

The PRA has written to insurers on the issue of cyber resilience. The regulator has requested firms complete a questionnaire to help the PRA understand firms' current policies and capabilities in this area.

The questionnaire consists of three main sections:

- Cyber security and resilience capabilities. The multiple choice and free text questions are designed to provide an overview of a firm's policies and capabilities in relation to cyber risk;
- Cyber insurance. This section is intended to collect information on the extent to which a firm is underwriting cyber insurance business, and the possibility of other lines of business to potentially be called upon to pay. Where a firm does not write any cyber-specific or general insurance business (which is likely to be the case for most life insurers), this section of the questionnaire can be left blank; and
- Conduct. This section of the questionnaire has been developed by the FCA and is intended to ascertain what confidential customer information firms receive (in relation to both cyber insurance products and more generally) and how this is handled and stored. [Click here](#)

Ministry of Justice: Review of Claims Management Regulation: terms of reference

HM Treasury and the Ministry of Justice have commissioned a fundamental review of the regulation of claims management companies (CMCs). This follows concerns from consumers and affected sectors, particularly financial services, that CMCs fuel speculative unmeritorious claims for compensation and create a significant social nuisance through unsolicited calls and texts, misleading marketing and high charges. The terms of reference outline the scope of the review.

Carol Brady, a non-executive director of the Claims Management Regulation Board and chair of the Trading Standards Institute, is leading the review which is due to be completed by early 2016.

The review may consider, but is not limited to recommendations on:

- Further reform of the existing regime, with new powers and resources provided to the CMRU;
- dual regulation between the CMRU and the Financial Conduct Authority (FCA);
- creation of a new independent regulator; or
- transfer of responsibility for regulation of CMCs to the FCA. [Click here](#)

3. Financial Advice

Economic Secretary to the Treasury Harriett Baldwin on robo-advice

Speaking at the FCA's robo-advice conference Harriett Baldwin outlined the government's ambition to be the leading FinTech centre in the world. She also shared her belief that technology could open up the advice industry to those who have not used it in the past. [Click here](#)

MiFID 2 - FCA minutes of meeting on implementation

The FCA has published the minutes of the latest meeting of the its Markets in Financial Instruments Directive (MiFID 2) implementation roundtable. The FCA noted four implementation challenges that had been raised in industry responses:

- policy concerns in relation to possible differences in the approach taken by the FCA and European regulators;
- technical challenges, notably around the scale and nature of system changes required to implement various requirements;
- uncertainty over key processes, in particular how equivalence determinations would be made, the process for applying for exemptions from position limits and how commercial firms would apply for authorisation; and
- interpretation, particularly in relation to the lack of certainty in relation to quoting obligations for non-equities, the boundaries between organised trading facilities and multilateral trading facilities and the concept of "target market".

The FCA's next MiFID conference is due to be held on 19 October 2015. [Click here](#)

4. Pensions

Economic Secretary to the Treasury announces next steps for Pension Wise

Following the launch of the government's Pension Wise guidance service in April the Economic Secretary to the Treasury, Harriett Baldwin, has announced that responsibility for delivery of the service will move from the Treasury to the Department for Work and Pensions (DWP) in March 2016. The move to DWP will not mean a change to the service itself or to its delivery partners, the Citizens Advice Bureau and The Pensions Advisory Service.

FCA consultation on pension reforms

The FCA has published a consultation paper (CP15/30) on the proposed changes to its pension rules to address the risks and challenges faced by consumers in the new pension and retirement income markets.

The consultation paper:

- sets out the FCA's expectations about how existing rules and guidance operate in the new environment;
- brings forward proposals for changes to FCA rules in the FCA's Handbook (including new requirements to help consumers shop around and rules on how firms should communicate with customers);
- asks for views on the range of information the FCA intends to examine as part of the follow up to its market study; and
- invites discussion on areas where the FCA may carry out further work.

The deadline for comments is 4 January 2016. [Click here](#)

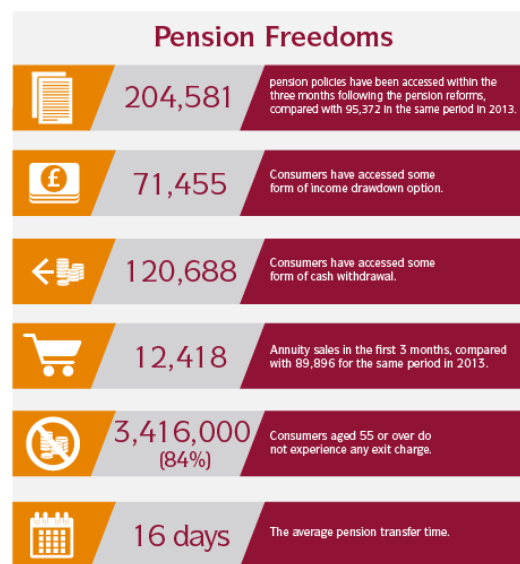
FCA pension freedoms data collection exercise: analysis and findings

The FCA has published a report setting out the results of data collected on the pensions and retirement income market. The data collection focused on:

- consumer access to pension freedoms;
- financial advice requirements and the treatment of insistent clients;
- pension transfer procedures; and
- exit charges.

The report found that over 200,000 pension policies have been accessed within the three months following the pension reforms, compared with 95,372 in the same period in 2013. Additionally, annuity sales have fallen from 89,896 for the same period in 2013 to 12,418 during the first three months of the reforms. The report

The Chartered Insurance Institute



shows that the majority of pension funds can be used to access the full range of options made available by the pension reforms and furthermore, that if a new contract is required, most funds will not have an exit charge. [Click here](#)

Workplace pensions: Update of analysis on Automatic Enrolment

The Department for Work and Pensions has published analysis of the impact of automatic enrolment on pension saving, the number of workers affected and the characteristics of these workers. Main findings include:

- 9 million workers are estimated to be newly saving or saving more as a result of Automatic Enrolment by 2018.
- £14 – 16 billion extra saving per year in a workplace pension as a result of Automatic Enrolment by 2019/20.
- Women, part-time workers, disabled people and those from an ethnic minority are less likely to be eligible; this is due to underlying labour market factors (such as earnings, working patterns and participation rates).
- Workers are more likely to be ineligible due to earnings criteria rather than the age criteria.

[Click here](#)

5. Mortgages

FCA call for evidence on mortgage sector competition

The FCA has published a Call for Inputs on competition in the mortgage market, providing an opportunity for those with an interest in the sector to help identify, in particular, potential areas where competition in the interests of consumers may not be working well and could be improved. Comments are required by 18 December with a feedback statement expected during the first quarter of 2016. [Click here](#)

The CII has produced a briefing on this: www.cii.co.uk/38340

6. From the regulators (general)

FCA statement on Payment Protection Insurance (PPI)

The FCA is to consult, by the end of the year, on the introduction of a deadline by which consumers would need to make their PPI complaints or else lose their right to have them assessed by firms or by the Financial Ombudsman Service (the Ombudsman). The regulator intends to consult on a deadline falling two years from the date the proposed rule comes into force - which, subject to consultation, would not, we anticipate, be before spring 2016 – hence PPI consumers would have until at least spring 2018 to complain. [Click here](#)

FCA policy statement on consumer credit

The FCA has published a policy statement (PS15/23) containing final rules changing the consumer credit rules and guidance. In particular, the statement deals with the issues relating to credit broking, lending, financial promotions and debt. This follows consultation earlier this year. The majority of the changes in the consultation paper have been introduced, however the FCA has made some modifications. Further work is planned, for example in relation to credit broking and guarantor lending. The majority of the changes are due to come into force on 2 November 2015. In addition, it has published two “common misunderstandings” documents to help firms understand current rules on creditworthiness and affordability and what credit permissions they need. [Click here](#)

The Financial Regulation Reform agenda: What has been achieved and how much is left to do? - speech by Paul Fisher

In a speech at the American University Paul Fisher from the Bank of England discussed the Financial Regulatory Reform agenda. He said that the PRA is working to establish a new approach to supervision and that “*the main planks of the regulatory platform have been put in place and it is difficult to conceive of there being space to add many additional reforms to what is already a comprehensive design*”. As well as focusing on the banking sector, Mr

Fisher talked about developments within insurance, namely capital requirements. He said that assessing the minimum level of capital for insurers can be an even trickier business than for banks.

Along with capital and liquidity, firm governance is one of the most crucial aspects for a regulator. The introduction of the Senior Insurance Management Regime is testament to that. He concluded by saying that it will take until 2019 to get most current measures being worked on in force and that no system of regulation needs to evolve alongside business. [Click here](#)

FCA published rules on complaints handling

The FCA has published its final rules on complaints handling, following consultation. The rules include changes:

- extend the 'next business day rule', where firms can handle complaints less formally without sending a final response letter, to the close of three business days
- require firms to report all complaints
- raise consumer awareness of the ombudsman service, by requiring firms to send a 'summary resolution communication'
- prevent firms from charging existing customers premium telephone rates

In publishing the new rules the FCA reminded firms of the expectation on firms to identify and categorise complaints, ensuring that responsible members of staff are engaged at the right stage. [Click here](#)

FCA publishes guides on its new approach for supervision of fixed and flexible portfolio firms

The FCA has published two guides setting out its new approach to classification of firms for conduct supervision. Firms will now be classified as either flexible or fixed portfolio firms according to their size, market presence and customer footprint. Fixed portfolio firms require the highest level of supervision and are the smaller of the population of firms. The guides summarise the FCA's approach that will apply to the two different kinds of firms. The revisions aim to help the FCA to take a more sector-based approach to identifying risk and engaging more widely with market representatives.

Flexible portfolio firms [click here](#)

Fixed portfolio firms [click here](#)

7. Westminster & Whitehall

Enterprise Bill

The Enterprise Bill, which will incorporate 'apprenticeships' as a protected legal term in the same way as 'degree' is protected, has begun its passage through Parliament.

The Bill also has an impact on the insurance sector in that it proposes the introduction of a legal obligation for insurance claims to be paid within a 'reasonable timeframe':

The Bill contains measures to:

- introduce into every contract of insurance a requirement on the insurer to pay sums due within a reasonable time;
- ensure that the law incentivises insurers to pay within a reasonable time, and to promote payments within a reasonable time;
- give policyholders a legal right to enforce prompt payment of insurance claims; and
- provide for limited compensation to be payable by an insurer where a policyholder suffers additional loss because of the insurer's unreasonable delay in payment. To follow the progress of the Bill [click here](#)

Party conference season 2015

The annual party conference season has seen politicians setting out a number of policy positions in light of the changed political landscape following May's decisive General Election.

Conservative: David Cameron used his conference address to set out his agenda for the next five years in office, with a focus on tackling poverty, house building and confronting extremism. His pitch went wider than the conference hall, reaching out to the left on a number of issues including prisoner rehabilitation, whilst also reiterating the commitment to run a budget surplus by 2020. The Chancellor, George Osborne, unveiled the devolution of business rates to local councils and the creation of a National Infrastructure Commission.

Labour: The Labour conference represented the first real test of Jeremy Corbyn's leadership and with delegates on their best behaviour the expected arguments and splits did not materialise. Corbyn's conference speech played to the hall and did little to reach out to the wider electorate, whereas John McDonnell, the Shadow Chancellor, looked to build credibility by promising to tackle the deficit and the creation of an Economic Advisory Committee made up of leading economists.

Liberal Democrats: The conference was in reflective mood, revisiting the party's work in government and how much was being unpicked by the Conservative administration. Looking to the future, in his first speech as leader, Tim Farron positioned his party at the centre of the new political landscape, and appealing to disillusioned Labour supporters. He also made pledges on housing and renewable energy.

8. Europe & international

Gabriel Bernardino on the implementation of Solvency II

Gabriel Bernardino, EIOPA chairman, has given a speech to a conference in Ljubljana, on the implementation of Solvency II. He described it as EIOPA's top priority and said that EIOPA would be watching for any material unintended consequences of Solvency II implementation, especially if they have a negative impact on consumers. EIOPA will monitor the following areas:

- the possible consequences on long-term investment by insurers and the asset risk calibration in Solvency II. EIOPA will work on the review of the calibration in due course considering the new data that will be available;
- the impact on product availability, especially in the current low interest rate environment; and
- in the context of the own risk and solvency assessment (ORSA), the way the Solvency II system of governance is implemented in different Member States, including the use of due proportionality.

Mr Bernardino also stated that EIOPA will be very attentive to national practices and will monitor the capacity and independence of national authorities using all the tools assigned to it under EU law, including through peer reviews.

[Click here](#)

9. Appointments

FCA – Chief Operating Officer

The FCA has announced the appointment of Georgina Philippou as COO. She is currently acting Director for Enforcement and Market Oversight and will take up her new role in November 2015

FCA - Director of Supervision: Investment, Wholesale and Specialist

Megan Butler has joined the FCA on secondment from the Prudential Regulation Authority (PRA) to take the role of Director of Supervision - Investment, Wholesale and Specialist. Ms Butler began her role in September and will be with the FCA for a year.

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Latest publications include:

SIMR, conduct rules, approved persons

A briefing covering the forthcoming Senior Insurance Managers Regime (SIMR), changes to conduct rules and the reformed approved persons regime. www.cii.co.uk/37798

Pension freedoms: the unfolding picture at six months

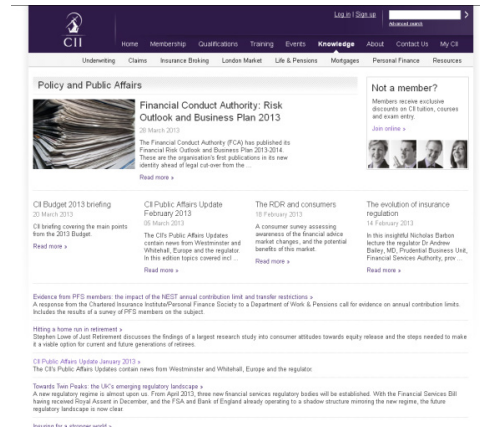
The Chancellor's pension flexibilities came into force in April 2015, and the first six months have passed, revealing some issues about product availability, encashment rates, and access to professional advice. Our briefing provides the key details. <http://www.cii.co.uk/38353>

Social value of insurance: Income protection insurance: protecting families, taxpayers and the economy

The latest in our social value of insurance series explains how protection insurance already removes some burden from the welfare state, but could be improved. Visit our social value landing page to read this and the other papers in the series www.cii.co.uk/32307

FCA call for evidence on mortgage sector competition

A briefing covering the FCA's 'Call for Inputs' on competition in the mortgage market. <http://www.cii.co.uk/36305>



This update has been produced by the CII Group's Policy and Public Affairs team.

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