

A round up of policy events and news

1. Top stories

FCA – Chief Executive

Andrew Bailey had been appointed CEO of the Financial Conduct Authority. He is currently the Deputy Governor for Prudential Regulation at the Bank of England and Chief Executive Officer of the Prudential Regulation Authority. He is expected to take up the role in July 2016, and will replace Tracey McDermott (current Acting CEO). [Click here](#)

Pensions exit fee cap announced by Chancellor

The Chancellor George Osborne has announced a cap on charges faced by people looking to access their pension pot. A duty is to be placed on the Financial Conduct Authority (FCA) to cap early exit charges for those eligible to access the pension freedoms. The new duty, introduced through legislation, will form part of the response to the government's pension transfers and exit charges consultation, and will help people take full advantage of the new flexibilities. [Click here](#)

The Insurance Distribution Directive implemented

The Insurance Distribution Directive (IDD) - previously known as the Insurance Mediation Directive (IMD-2) - has been passed by the EU legislative process after debates over nearly four years. Member states now have until January 2018 to adopt the directive into national legislation. The final text marks a significant change from the 2002 Insurance Mediation Directive it will replace, and even the original IMD-2 proposal first tabled by the European Commission in 2012. It sets out consumer protection provisions in insurance, including expanding the scope to include direct sellers, and uplifting professional standards. Like the IMD, the new Directive is a minimum harmonisation EU Directive, allowing member states to set higher standards ("gold plate") if they see fit. This allows the UK to maintain its rules on, for example, retail investment advisers under the RDR. [Click here](#)

To read the CII's latest EU briefing [click here](#)

Insurance Fraud Task Force

The final report of the Insurance Fraud Task Force, chaired by former Law Commissioner David Hertzell, has been published. The report covers the scale and impact of fraud, regulatory and legal frameworks and what has already been done to tackle fraud and makes a range of targeted recommendations, that aim to:

- tackle fraudulent activity ranging from organised or premeditated crime to opportunistic fraud, with the overall objective of ultimately reducing costs for consumers.
- improve consumer trust in the insurance sector and raise the public profile of insurance fraud as a criminal activity;
- encourage greater use of data sharing and collaboration between the insurance sector and regulatory bodies to better prevent organised insurance fraud; and
- reflect and support the government's intentions to clamp down on unnecessary whiplash claims, which are a major source of fraud, and strengthen regulation of claims management companies.

The Government and relevant trade associations and professional bodies will review the recommendations and feed back over the next several months. The report refers to the CII's *Made Simple* campaign as one example of addressing public perceptions. [Click here](#)

To read the CII's briefing on the Task Force's report [click here](#)

2. General insurance

The approved persons regime for insurers not subject to Solvency II

The FCA has published a policy statement (PS15/31) on the final rules on changes to the approved persons regime for insurance firms not subject to Solvency II – this follows consultation last year. These firms are referred to as non-Directive firms (NDFs). The FCA is not proposing any significant changes to its approach following the feedback it received on its consultation paper – though the definition of small NDFs has altered. The FCA is adopting the PRA approach that only assets held in relation to the regulated activities of a firm will be considered for the purposes of classifying a firm as a small NDF or large NDF. The new rules come into force on 7 March 2016. [Click here](#)

For the CII's briefing on the Senior Insurance Mangers Regime [click here](#)

Big Data in General Insurance consultation

The Financial Services Consumer Panel has published its response to the FCA's consultation on 'Big Data in general insurance', which closed in January. The panel's submission outlines their concern that the insurers' increased use of personal data to inform risk and pricing strategies has potential to have a significant impact on access to the market for certain consumers. [Click here](#)

To read to CII's response to the FCA's consultation [click here](#)

ABI & BIBA launch a Code of Good Practice to help vulnerable customers

The Association of British Insurers and the British Insurance Brokers' Association have launched a joint Code of Good Practice to help insurers and insurance brokers recognise and help potentially vulnerable customers, who may need extra support when renewing motor and home insurance policies. Under the Code participating insurers and brokers will:

- Ensure staff are adequately trained to recognise and understand potentially vulnerable customers at renewal and be able to offer flexible options to help address needs (where necessary).
- Periodically review legacy policies to, where possible, identify vulnerable customers to ensure they are aware of any more suitable alternative products now available.
- Ask potentially vulnerable customers at renewal if their current policy and renewal terms meet their needs, and make clear the importance of reviewing their cover.
- Consider if additional communication, for example a telephone call, is needed to help vulnerable customers through the renewal process.
- Ensure that the customer's options, and how they can exercise them, are always clearly set out.

The Code is voluntarily and came into effect in January. Insurers and brokers will have 12 months to prepare for its commitments. The ABI and BIBA will produce a report one year from its publication to assess its influence and impact. [Click here](#)

The ABI, BIBA and the Government have also agreed to continue an agreement that came into force in 2012 to improve transparency and access to insurance for older customers. Under the agreement, if an insurer or insurance broker is unable to offer cover to an older motorist or traveller because their age is above any upper age limits they

have, then they will automatically refer the customer to an alternative provider who can meet their needs or to a dedicated signposting service.

Government funding for driverless cars

Eight new projects have been awarded £20 million in funding to research and develop enhanced communication between vehicles and roadside infrastructure. The projects are the first to be funded from the government's £100 million Intelligent Mobility Fund. One of the projects will focus on how data about accidents should be collected and used. [Click here](#)

Diffuse Mesothelioma Payment Scheme Levy 2015/16

The Government has announced a reduction in Diffuse Mesothelioma Payment Scheme Levy. In 2015/16 it will be £23.2m, down from £32m in 2014/2015. The TUC General Secretary Frances O'Grady has voiced her disappointment at the reduction and has called on the Government to maintain the levy at last year's rate.

3. Financial Advice

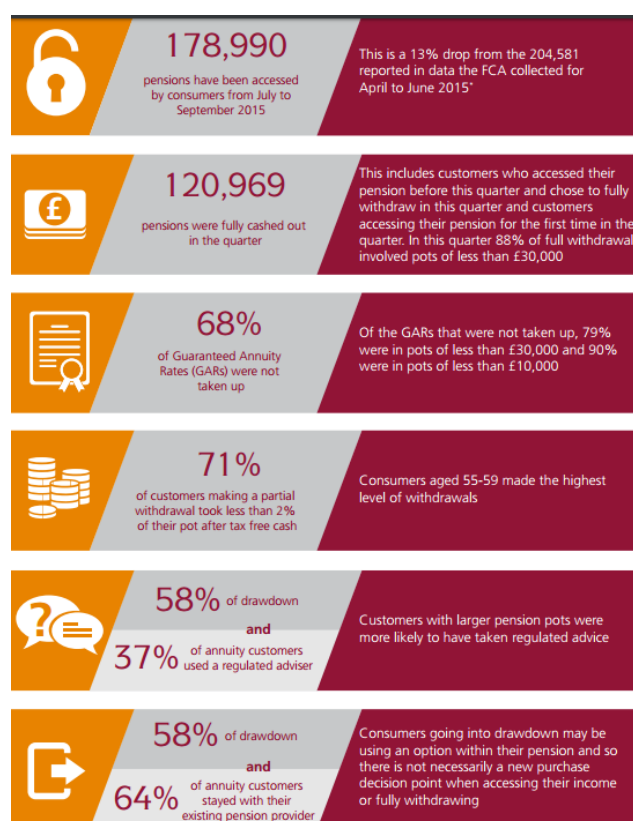
FCA consults on social investment

A call for input has been launched by the FCA, asking stakeholders for evidence on whether there are any regulatory barriers to the development of social investments. Financial advisers in particular have been asked to respond as the regulator is keen to understand advisers' experience advising their clients on social investments. The consultation closes on 14 March. [Click here](#)

4. Pensions

FCA retirement income market data

The FCA has published retirement income market data covering July to September 2015. The data shows that 178,990 pensions were accessed by consumers to take an income or fully withdraw their money as cash. Overall, 120,969 pensions were fully cashed out. Customers' use of regulated advisers differs across each product type and by pension pot size. The highest levels of adviser use were for customers going into drawdown (58%). Across all products and withdrawals, consumers with larger pots were more likely to have used a regulated adviser. [Click here](#)



Work and Pensions Select Committee - Pension freedom guidance and advice inquiry update

The Government has responded to the House of Commons Work and Pensions Select Committee's report on Pension freedom guidance and advice inquiry. The response has been welcomed by the Committee's chair Frank Field MP as evidence that the Government is listening in relation to pensions policy. However, he says there is more to come out of the various pieces of ongoing research and that the committee will continue to monitor these. [Click here](#)

The Committee has also published the Financial Conduct Authority's response to its report. [Click here](#)

Secondary annuity market announced for 2017

Treasury minister Harriett Baldwin has announced that from 6 April 2017 people will be able to sell their annuity. Following consultation the Government has said that tax restrictions for people looking to sell their annuity will be removed, giving five million people with an existing annuity, and anyone who purchases an annuity in the future, the freedom to sell their right to future income streams for an upfront cash sum. Details announced include the introduction of a comprehensive consumer protection package to ensure people make informed decisions about their savings. The Pension Wise service will be extended to cover the secondary annuity market and those with annuities worth above a certain threshold will be required to seek independent financial advice (this is being implemented via the Bank of England and Financial Services Bill – see later). [Click here](#)

5. Mortgages

Mortgage Credit Directive: Minor changes to FCA rules and guidance

The FCA is consulting on proposed Handbook changes, particularly to the Perimeter Guidance manual (PERG) and Glossary of terms, as well as on changes to rules and guidance in the Mortgage and Home Finance: Conduct of Business sourcebook (MCOB). The consultation closes 15 February. [Click here](#)

6. Banking

FCA and PRA investigations into HBOS senior managers

The FCA and the PRA have announced investigations into certain former HBOS senior managers to decide whether they should face enforcement action. This follows recommendations made in the regulators' review into the failure of HBOS (see below). [Click here](#)

7. From the regulators (general)

Memorandum of understanding: FCA & CMA

The FCA and the Competition and Markets Authority (CMA) have established a memorandum of understanding on the use of concurrent powers under consumer protection legislation. It sets out the role of each authority, and explains their intention to work together towards the shared purpose of making financial markets work well for consumers. [Click here](#)

FCA take action in relation to insurance scheme failures

The FCA has fined five individuals and two firms a total of £15.5m, in addition to banning four of those individuals, for significant integrity and competence failings. The FCA found that Shay Reches performed the CF1 (Director (AR)) controlled function at Coverall Worldwide Limited (Coverall), with responsibility for a managing general agent, Aderia UK Limited, (Aderia) and conducted regulated activities, which were central to setting up and operating these insurance schemes, despite not being approved by the FCA to do so. In doing so, Mr Reches recklessly directed payments of insurance premiums to parties other than the insurers and reinsurers responsible for paying claims, increasing the risk that policyholders' claims would not be paid. This misconduct contributed to the failure of several insurance schemes as well as to three insurers going into administration. As a result, the Financial Services Compensation Scheme (the FSCS) has had to pay substantial claims, totalling £12.7m as at the end of 2015. Action was also taken against Colin McIntosh, Millburn Insurance Company Limited (Millburn), Coverall, Robert Bygrave, Andrea Sadler, Wayne Redgrave and Bar Professions Limited (Bar).

8. Europe & international

MiFID II roundtable

The FCA has published the minutes from latest Markets in Financial Instruments Directive and associated Regulation (MiFID 2) implementation roundtable. Key points included:

The Chartered Insurance Institute

- the FCA is expecting greater clarity on a possible delay to the date of application of the whole of MiFID 2 in the course of January 2016;
- it remains unclear whether any legislative proposal from the European Commission will include substantive changes to the Level 1 text, as well as changes to dates;
- the FCA noted that there is still no clarity on whether the Commission will propose a delay to the transposition deadline, currently 3 July 2016, as well as the date of application. The FCA stated that it will seek to provide clarity on the MiFID rules to those impacted as soon as possible, but stressed the importance of keeping momentum going despite the potential delay;
- during discussions on MiFID 2 preparations, several associations noted that while there is still proactive engagement with MiFID 2 from large firms, some smaller firms are falling back. Larger firms are pushing on as they recognise the scale and extent of the work required for readiness;
- it was noted that firms are keen for clarity in transposition and implementation dates for operational and system-build reasons;
- the FCA expects progress shortly on the adoption of the Delegated Acts and the technical standards;
- the FCA explained that the first FCA consultation paper on UK implementation of MiFID 2 (CP15/43) was "largely legal carpentry" with limited discretion for domestic interpretation, and welcomed feedback on the inclusion in the consultation paper of a draft "MiFID guide";
- the FCA confirmed that its transaction reporting guidance will be replaced by the EU's transaction reporting guidelines, which have been published for consultation by the European Securities and Markets Authority (ESMA);
- the FCA stated that, as set out in CP15/43, it expects to publish a further consultation paper in H1 of 2016;
- ESMA continues to work on level 3 materials but these are unlikely to be published until later in 2016, once the implementing measures have been approved; and
- ESMA has issued three sets of guidelines on cross selling, complex debt instruments and structured deposits, and assessment and knowledge of competence.

The next roundtable will be on 22 February 2016. [Click here](#)

First MiFID 2 consultation published

The FCA has launched its first MiFID 2 consultation (CP15/43). It primarily covers wholesale markets issues, including new trading venues, trading transparency and controls over algorithmic and high frequency trading. It also covers changes to the scope of the application of our Principles for Businesses. [Click here](#)

EIOPA consumer trends report

The European Insurance and Occupational Pensions Authority (EIOPA) has published its fourth consumer trends report. The report provides an overview of trends in Member States that have led, or may lead, to consumer detriment in the insurance and pensions markets. EIOPA has identified the following key trends relating to insurance:

- advanced analytics of consumers' characteristics and 'Big Data' allow products to be better adapted to the needs of consumers. At the same time, certain privacy concerns and segmentation strategies need to be carefully monitored;
- more efficient management of potential conflicts of interest is needed. This trend is heightened by the increasing complexity of some insurance products; and

- training and professional competence requirements need to improve for insurance intermediaries to protect consumers' interests.

Some points raised in previous reports remain significant including consumers not always receiving sufficiently clear and understandable information. Motor insurance claims management was once again highlighted. EIOPA may issue an in-depth thematic review on claims management, with a focus on the motor insurance sector.

Following the report, EIOPA will develop guidelines on product oversight and governance arrangements by insurance undertakings and insurance distributors. It may also develop guidelines for the assessment and the supervision of cross-selling practices. EIOPA has also said that it will conduct a thematic review on monetary incentives and remuneration between providers of asset management services and insurance undertakings. [Click here](#)

EIOPA stress test for occupational pensions

EIOPA has carried out to the first EU-wide pension stress test. The objectives of the stress test were to produce a comprehensive picture of the European occupational pensions' landscape; to test resilience of defined benefits (DB) and hybrid pension schemes against adverse market scenarios and increased life expectancy; to identify potential vulnerabilities of defined contribution (DC) schemes; and to reveal areas that require further supervisory focus. The report concludes that the flexibilities within the UK pensions sector mean there is only a limited link between pension schemes and financial stability. Alongside these flexibilities, high quality risk management and strong employer covenants are key for the resilience of UK schemes. [Click here](#)

European Commission consults on retail financial services products

The European Commission looking at financial services from the perspective of European consumers in order to boost competition, transparency and choice. The Commission is looking to identify the "unjustified barriers" that consumers face when they want to use financial services across borders. One of the Commission's key goals is to make it easier for companies to offer financial products at the retail level in other Member States. The deadline for comments is 18 March 2016. [Click here](#)

Packaged Retail and Insurance-based Investment Products (PRIIPs)

Insurance Europe has voiced concern about the "unrealistically short period" for implementation of the key information document (KID) for packaged retail and insurance-based investment products (PRIIPs). Although it supports the aim of the PRIIPs Regulation, it has identified only three to four months between the publication of the final regulatory technical standards (RTS) defining key elements of the KID and its legal implementation (December 2016). Insurance Europe has called for a one-year extension of the PRIIPs Regulation application date. [Click here](#)

9. Westminster & Whitehall

Bank of England and Financial Services Bill

The Bank of England and Financial Services Bill is continuing its passage through Parliament. Having been debated in the House of Lords it has now passed to the House of Commons. The Bill contains a number of significant provisions including expanding the scope Pension Wise so that it can offer guidance to those with a relevant interest in an annuity, such as annuity holders considering selling the income from their annuities to a third party on the secondary market. The Bill also places a requirement on the FCA to make rules to require certain authorised persons (to be specified in rules made by the FCA) to check that an individual with an annuity of a specified type or value, who is considering transferring or dealing with the income stream from that annuity on the secondary market, has taken appropriate financial advice. In addition the Bill also makes provision to extend the regime which regulates the conduct of people working in banks and certain investment firms (described in FSMA as "relevant authorised persons") to cover those working in any institution which is authorised to carry out regulated activities under FSMA. [Click here](#)

The Bill is about to undergo scrutiny by a Public Bill Committee. Written evidence can be submitted to the Committee. The first meeting will take place on 9 February and it will stop taking evidence on 23 February.

Enterprise Bill

The Enterprise Bill has begun its passage through the House of Commons, having completed its passage through the House of Lords. The Bill covers a host of measures to boost productivity. Of most interest are the measures to implement the Law Commissioners' recommendations around the late payment of insurance claims. The Bill also looks to protect the term 'apprenticeship', giving it the same legal footing as the term 'degree'. [Click here](#)

Parliamentary Flooding inquiries

The Environment Food and Rural Affairs Committee is to undertake an inquiry into future flood prevention in England following severe flooding this winter. The inquiry will focus on four areas: predicting the future, protecting communities and infrastructure, managing water flow and planning for floods. The closing date for the submission of evidence is: 15 March. [Click here](#)

In addition, the Environmental Audit Select Committee has launched an inquiry into Government policy and action on flooding. It will focus on whether the Government's approach is 'joined-up', and the extent to which cooperation across Government on this matter is successful. [Click here](#)

10. Appointments

FCA NEDs

The FCA has appointed four new Non-Executive Directors: Bradley Fried (Chief Executive Officer of the Kirsh Group), Baroness Hogg (former Chair of the FRC), Ruth Kelly (former Labour Treasury Minister) and Tom Wright (Group Chief Executive of charity Age UK). All four take up their roles on 1 April. They replace Sir Brian Pomeroy and Amanda Davidson (stepping down 31 March 2016), and Mick McAteer (stood down 31 December 2015).

The Pensions Advisory Service

Museji Ahmed Takolia CBE has been appointed Chair of The Pensions Advisory Service (TPAS). Mr Takolia has held the role of Chair of the Members Panel at NEST – the National Employment Savings Trust.

11. Upcoming events

7 March SIMR and SM&CR regimes comes into force

8 March CP15/43 MiFID 2 Consultation 1 closes

17 March Chancellor makes his annual Budget speech to Parliament

17 March Response to Financial Advice Market Review published

March/April FCA business plan & risk outlook published

April Implementation of MiFID directive – FCA consultation

TBC Referendum on EU membership (July or September 2016 appear the most likely dates)

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Latest publications include:

The last generation: The Paris climate change conference and its implications for insurance

An expert analysis into the issues and agreements made at the Paris climate change conference and their implications for insurance.

<http://www.cii.co.uk/39538>

Insurance fraud task force

A briefing summarising the findings and recommendations of a task force looking into insurance and claims fraud.

<http://www.cii.co.uk/39545>

Disruptive Influences: Technology, politics and change in the financial sector

'Disruptive Influences: Technology, politics and change in the financial sector' looks at the new risks emerging from this new wave of digital change and what challenges this offers for public policy regulation and wider society.

<http://www.cii.co.uk/39427>

Apprenticeships – employer guide

The CII's Public Affairs updates contain news from Westminster and Whitehall, Europe and the regulator. This issue covers a number of announcements by the PRA and FCA, whistleblowing rules and a wrap up of the political party conference season. <http://www.cii.co.uk/18849>

CII response to Financial Advice Market Review

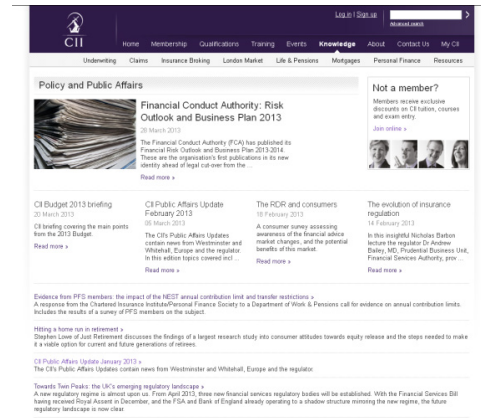
To read the CII's submission to the Treasury and FCA visit: www.cii.co.uk/39253

Insurance Distribution Directive (IDD) passed and MiFID-2 nears UK implementation

Our latest European financial services update provides details of MiFID-2 implementation and the EU Retail Financial Services Green Paper. <http://www.cii.co.uk/39266>

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. <http://www.cii.co.uk/37798>



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

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