

## A round up of policy events and news

### 1. Pensions & annuities

**FCA's thematic review of annuities, competition study launched** The FCA has published the findings of its thematic review into annuities. The report indicates that some parts of the annuities market are not working well for some consumers and that 80 per cent of the consumers who purchase their annuity from their existing provider could get a better deal on the open market. The FCA also commissioned a report reviewing existing research about consumer behaviour and engagement to better understand how this affects the choice of annuity.

As a result of the findings, the FCA will conduct a market study into retirement income to assess competition in this market. This is to gain an understanding of why consumers do not shop around. The FCA will also conduct further supervisory work looking at how pension provider sales teams conduct themselves when selling annuities to existing customers. This will include retention teams who try and keep existing customers. The FCA aims to publish its interim findings in summer 2014 and its final report within 12 months. [Click here](#)

**FCA's thematic review of annuity comparison websites** As part of the FCA's thematic review of 13 annuity comparison websites to assess their fairness, clarity and compliance with its rules, the FCA has published proposed guidance (GC14/1). The proposed guidance aims to make clear the FCA's expectations of firms, improve the level of compliance across the sector, level the playing field for firms and ultimately lead to better consumer outcomes. It sets out what the FCA would expect to see on annuity comparison websites to ensure that they are fair, clear and not misleading. The deadline for submitting feedback to the proposed guidance is 14 March 2014. [Click here](#)

**FCA on transition management firms** Following a review of the transition management sector, the FCA has found that firms broadly met the Regulator's requirements. The sector is responsible for the transfer of over £165 billion of assets that are invested in pensions and other large funds between investment managers, markets and products annually. However, the review did point out that the quality and effectiveness of controls, marketing materials, governance and transparency varied across firms and recommended that firms need to ensure all of these meet the requirements of the FCA. [Click here](#)

### 2. Insurance news

**Action taken against 200 claims firms** In the past year more than 200 licences have been removed from claims management companies (CMCs) which have failed to comply with industry standards. New statistics show the Claims Management Regulation Unit at the Ministry of Justice revoked 200 licenses last year, taking the total of closed firms to more than 1,100 since the start of regulation in 2007.

**Law Commission** The Law Commission and Scottish Law Commission's joint review of insurance contract law is expected to publish their final report later this year. Before publishing the full text of the legislation, the Law Commissions have published draft clauses covering the duty to make a fair presentation of the risk in business insurance contracts, fraudulent claims, late payment of claims, and a short provision repealing the remedy of

avoidance for breach of the duty of utmost good faith. *(Please note the consultation on the draft clauses has now closed)* [Click here](#)

### 3. RDR & retail investments latest

**FCA review of sales incentives at retail financial services firms** The FCA has published an update on its thematic review on the risks to customers from financial incentive schemes (TR14/4). Although identifying significant improvements at many firms, the FCA has highlighted a number of areas in which it believes better management is needed across the industry:

- checking for spikes or trends in the sales patterns of individuals to identify areas of increased risk;
- doing more to monitor poor behaviour in face-to-face sales conversations;
- managing the risks in discretionary incentive schemes and balanced scorecards, including the risk that discretion could be misused;
- monitoring non-advised sales to ensure staff who are incentivised to sell do not give personal recommendations;
- improving oversight of incentives used by appointed representatives; and
- recognising that remuneration that is effectively 100 per cent variable pay based on sales increases the risk of mis-selling and managing this risk.

Although the FCA does not propose to make changes to its rules at this time but has indicated that financial incentives will remain a priority in 2014. [Click here](#)

**RDR – FCA review of implementation of the platform rules** As part of the Retail Distribution Review (RDR) the FCA has conducted a thematic review of implementation of the platform rules, which are due to come into force on 6 April 2014. The FCA has concluded that, overall, platforms seem well prepared for the introduction of the new rules. Ahead of the new rules the FCA has indicated that there remains the need for good consumer communications. [Click here](#)

### 4. Regulators and related bodies - announcements

**Insurance and the ombudsman – new challenges - speech by Tony Boorman (FOS)** Tony Boorman, chief ombudsman and interim chief executive, Financial Ombudsman Service (FOS), has given a speech to the Insurance Institute of London about what an insurer should know about its customers. Main points included: consumer expectations around accurate internet recommendations for insurance purchases; impact of comparison sites and consumers' view of price as the only differential; and the impact of insurers failing to reward consumer loyalty. [Click here](#)

### 5. European & international latest

**ESMA opinion on MiFID practices for firms selling complex products** The European Securities and Markets Authority (ESMA) has published an opinion on practices to be observed by investment firms when selling complex financial products to investors. This follows concerns relating to the suitability and appropriateness of complex products accessible to retail investors. [Click here](#)

**Consumer protection and financial services** The European Parliament has published a study containing a number of recommendations on consumer protection aspects of financial services. The overarching recommendation is that consumer protection in the area of financial services should be strengthened and consumers' financial capabilities should be raised. The recommendations are addressed to policy-makers at the EU and national level, and EU and national financial sector regulators. [Click here](#)

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## Appointments

The Financial Conduct Authority (FCA) has appointed **James Kelly as an adviser in the wholesale banking and investment management division within Supervision**. A former managing director at Goldman Sachs and UBS, James will bring with him significant industry experience. In his new part-time role, James will advise the team on supervisory strategy and bring to bear his in-depth knowledge of the investment banking sector.

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## Forward Look

**TBC:** FCA consultation paper on "Mortgage Credit Directive and transfer of second charge mortgages".

**TBC:** FCA policy statement on "A new capital regime for Self-Invested Personal Pension (SIPP) operators".

**TBC:** FCA consultation paper on "Review of the client money rules for insurance intermediaries and feedback to CP12/20".

**February/March** FCA policy statement "Detailed proposals for the FCA regime for consumer credit".

**19 March:** Budget

**1 April:** The Competition and Markets Authority to be launched and officially succeed the key responsibilities of the Competition Commission and the Office of Fair Trading.

**22 May:** Local and European election

**14 Sept:** Scottish independence referendum

**Sept/Oct:** Political party conference season

**Q3/4:** FCA policy statement on "Transposition of Solvency II" – parts 1 & 2.

**Q3/4:** FCA policy statement to CP 11/23 on "Solvency II and linked long-term insurance business".

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

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