

## A round up of policy events and news

### 1. General insurance

**Mark Carney comment piece on insurance** Governor of the Bank of England, Mark Carney, has written a comment piece in The Times newspaper in which warned insurers that he will hold their top executives accountable in the same way that he has cracked down on Britain's errant bankers. He said “*Integrity, honesty and skill are not optional, whether you run an insurance company, global investment bank or building society.*” [Click here](#)

**Speeches from the FCA's general insurance conference** The FCA has held a conference considering issues within general insurance. As part of the conference Martin Wheatley (CEO), Clive Adamson (Director of Supervision) and Christopher Woolard (Director of Policy, Risk and Research) all made speeches.

Mr Wheatley considered the conduct oversight in the London market and the challenges faced by the retail insurance market. [Click here](#)

Mr Adamson highlighted the FCA's purpose as conduct regulator, its approach to regulation and what it expects firms to be doing, in particular the need for firms to put consumers and market integrity at the heart of how they run the business. He also praised the Aldermanbury Declaration. [Click here](#)

Mr Woolard's speech focused on competition in the insurance market and how the FCA's competition remit will influence the relationship between the regulator, industry and consumers, and what this means for the general insurance sector. [Click here](#)

**FCA thematic review of conflicts of interest and intermediary remuneration in commercial insurance intermediaries** The FCA has published the findings from its thematic review of conflicts of interest and intermediary remuneration in commercial insurance intermediaries (TR14/9). The FCA found that:

- inherent conflicts within insurance intermediaries are not being properly managed. In some firms, the control framework and management information (MI) have not developed at the same pace as business models;
- the structure of some intermediaries' businesses and their sources of revenue created significant conflicts of interest, particularly where firms or groups fulfilled multiple roles in the distribution chain and acted as agent for both the customer and insurer in the same transaction; and
- few SME customers understood it was possible that their insurance intermediary may be conflicted.

The FCA is concerned that if conflicts are not properly managed, there is a risk that decisions are made in the interests of firms rather than their SME customers. As a result of its findings, the FCA is engaging with the firms involved in the review to address specific issues identified and also engaging proactively with the industry to enhance understanding of the findings, the rules and the FCA's expectations, via industry forums and trade bodies. [Click here](#) The CII has produced a member's briefing on the thematic review: <http://bit.ly/1kGeFMc>

**FCA thematic review findings on household and retail travel insurance claims handling** The FCA has published a thematic review report on insurers' management of claims relating to household insurance (both buildings and contents) and retail travel insurance (TR14/8). The review assesses the extent to which consumers as claimants were at the heart of insurers' businesses, claimant satisfaction levels and insurers' approaches to claims. The review included a survey of the Chartered Insurance Institute members. The FCA found that 64 per cent of all policyholders surveyed were satisfied or very satisfied with their experience, which the FCA described as "broadly positive". The FCA considers that the following seven areas should be regarded as key when considering how to increase customer satisfaction:

- recording and use of inbound claims calls (mainly household);
- communication and ownership throughout the claim;
- management of supply chains (household);
- the emergency assistance activities of travel insurers and the need for the right insurance;
- insurance relating to medical conditions (travel);
- consumer outcomes in long chains of delegation; and
- the clarity of product documentation.

The FCA plans to undertake thematic work later in 2014 to consider whether the expectations of commercial customers, in particular smaller businesses, are met in the claims process, where poor behaviours could lead to poor customer outcomes and could have a wider impact on trust in the market. [Click here](#)

**EIOPA discussion paper on conflicts of interest in direct and intermediated sales of insurance-based investment products** The European Insurance and Occupational Pensions Authority (EIOPA) has published a discussion paper on conflicts of interest in direct and intermediated sales of insurance-based investment products (EIOPA/14/061). The discussion paper focuses on the two issues on which the Commission has requested technical advice:

- criteria for identifying types of conflict of interest that might harm customers; and
- steps to be taken in identifying, preventing, managing and disclosing conflicts of interest.

The deadline for comments is 22 July. [webpage](#)

**PRA insurance related consultations** The Prudential Regulatory Authority (PRA) has published two insurance related consultations. The first, "Subordinated guarantees and quality of capital for insurers" (CP9/14), seeks views on a draft supervisory statement outlining the PRA's expectations for insurers in relation to subordinated guarantees. The consultation closes on 11 July 2014. [Click here](#)

The second, "Valuation risk for insurers" (CP10/14), covers a draft supervisory statement on the PRA's expectation for insurers in relation to the rules on valuation of financial assets. The statement will apply to all PRA-authorized insurers. The consultation closes on 11 July 2014. [Click here](#)

**Lloyd's issues new framework for enforcement sanctions and costs** The Society of Lloyd's has published a market bulletin covering its new framework for setting sanctions and costs orders in Lloyd's enforcement proceedings. Lloyd's can bring enforcement proceedings in respect of misconduct against those subject to its enforcement jurisdiction. The new framework is intended to provide greater transparency regarding the sanctions. [Click here](#)

## 2. FCA Post RDR Review and related issues

**FCA launches RDR disclosure guidance for firms** The FCA has published an assessment tool and supporting guidance to enable firms to review their disclosure documents against the key disclosure requirements of the RDR. Firms are encouraged to use this template and it will be used to assess firms' disclosure when the FCA carries out the third cycle of its RDR thematic review, which starts in mid-July.

Follow the links for the [assessment tool](#) and [supporting guidance](#)

**FCA reviews how fund charges are set out** The Financial Conduct Authority (FCA) has published the findings from its review of how fund charges are presented. The FCA found examples of firms who provided their customers a consistent, combined charge figure across all relevant documents and platforms, but said there were still examples of firms referring to different charge figures across multiple documents, making effective comparisons difficult. The FCA has therefore recommended that firms must present their fund charges clearly and consistently. [Click here](#)

## 3. Innovation in financial services

**Making innovation work for firms and consumers - speech by Martin Wheatley (FCA)** Martin Wheatley, Chief Executive of the FCA, has given a speech on the FCA's role in making innovation work for firms and consumers. Among other things, Mr Wheatley commented on ways in which the FCA is engaging with the industry to ensure it is aware of emerging concerns. He also identified three particular areas on which the FCA is focusing its thinking in response to concerns raised by firms: identifying and resolving advice-related challenges; granting waivers to product disclosures that do not follow FCA guidance to the letter; and a project to support industry-wide innovation from start-ups to mass market with new models ("Project Innovate"). [Click here](#)

## 4. Consumer Credit

**FCA reporting requirements for authorised firms** The FCA has published reporting requirements for firms authorised to carry out regulated consumer credit activities. Authorised firms will be required to begin reporting information to the FCA online on a regular basis – either six monthly or annually. The reporting regime takes effect from 1 October 2014 but does not apply to a firm with an interim permission. [Click here](#)

## 5. Money Advice Service

**HM Treasury to review Money Advice Service** HM Treasury has launched an independent review of the Money Advice Service (MAS). The review will look at how effective and efficient MAS is being providing customer education and advice and will recommend any changes to its approach and delivery models. The review will be led by Ms Christine Farnish, former chair of Consumer Focus. [Click here](#)

## 6. Legislation

**Queen's Speech** The State Opening of Parliament saw the Queen announce 11 new pieces of legislation, including a Pensions Tax Bill and a Private Pensions Bill. A fuller briefing is attached at the end of this CII Public Affairs Update.

## Forward Look

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

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

**11 June:** Treasury consultation on changes to retirement options closes (annuities etc)

**25 June:** CII/Age UK financial services commission – final event

**18 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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Latest publications include:

**Risk returns: Political risk for the financial sector** Cicero, in association with the Chartered Insurance Institute, has produced a report examining the big political trends facing the financial sector ahead of the next General Election. <http://bit.ly/1i8wVJF>

**Queen's Speech 2014** The State Opening of Parliament saw 11 new pieces of legislation announced. <http://bit.ly/1ndNAjg>

### FCA Thematic review on commercial insurance intermediaries and conflicts of interest

The regulator's thematic review assessing whether insurance intermediaries serving SMEs can effectively identify and mitigate conflicts of interest. <http://bit.ly/1kGeFMc>

**Review of banking standards** Sir Richard Lambert's review of Banking Standards has published its findings and recommendations. <http://bit.ly/1nP91Gk>

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

The CII is the world's leading professional organisation for insurance and financial services, with over 112,000 members in 150 countries. We are committed to maintaining the highest standards of technical expertise and ethical conduct in the profession through research, education and accreditation. Our Charter remit is *to protect the public by guiding the profession*.

For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services and insurance that we cover, please see: [www.cii.co.uk/insight](http://www.cii.co.uk/insight).

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## Queen's Speech 2014

### Summary

The Queen's Speech 2014 set out the government's proposed legislative programme for the year in the run up to the next General Election – covering 11 new pieces of legislation. Ministers are calling this a “pro-work, pro-business and pro-aspiration” programme. Key areas of reform include pensions, criminal justice, corruption in politics, and energy.

Of greatest interest to financial services are the two pensions bills:

- **Pensions Tax Bill:** will implement the changes to pensions saving announced in the Budget.
- **Private Pensions Bill:** paves the way for “defined ambition” collective pension schemes.

Further information can be accessed via: <https://www.gov.uk/government/topical-events/queens-speech-2014>

### General overview

The lead up to the 2014 Queen's Speech has been dominated by claims that the Coalition Government has run out of steam and is running a ‘zombie’ administration. With the date of the next General Election already known, the Government has the time to pursue a full legislative programme – and the very knowledge of an upcoming election and the dynamic of a coalition administration has meant trading to ensure that both the Conservatives and Liberal Democrats are seen to have their own ‘wins’. Other commentators have made the point that the economic recovery is not reliant on legislation and that the economy should be the main focus for the Government.

The Queen's Speech announced 11 new pieces of legislation and three draft Bills – unsurprisingly the smallest programme since the run-up to the last General Election. Moves to reform pensions, criminal justice, corruption in politics, and energy provide the Government with ammunition to counter the accusation of being bereft of ideas. In addition, several pieces have been carried over from the previous session, including the Consumer Rights Bill.

Though the list of Bills is unlikely to set the voting public's pulses racing, there is enough in there of significant interest for financial services. The Pensions Tax Bill and Private Pensions Bill look to revolutionise retirement saving and funding – implementing the measures outlined in this year's Budget (in particular around annuities and the tax environment) and allowing for the new ‘collective defined contribution’ schemes. Both pieces of legislation will be watched closely by the financial world.

## Proposed legislation – Bills of interest

### Pensions Tax Bill

The Pensions Tax Bill will implement the changes to pensions saving and retirement funding announced by the Chancellor in this year's Budget – providing people with greater freedom and choice over how to access their defined contribution pension savings.

The main elements of the Bill are:

- introducing a new tax framework that removes restrictions to the way individuals can access their defined contribution pension savings, and allows them to access their savings subject to their marginal tax rate
- removing the previous restrictions the government placed on how people are able to access their money, and give individuals the freedom and choice to access their pension as they see fit
- introducing anti-avoidance provisions, to prevent individuals taking advantage of the new flexible arrangements for tax avoidance purposes

*The CII's briefing on the Chancellor's pensions reforms is available by following the link: <http://bit.ly/OUypiy>*

### Private Pensions Bill

The Private Pensions Bill seeks to allow for innovation in the private pensions market by giving greater control to employees. It will provide wider choice, with the introduction of “Defined Ambition” pensions that encourage greater risk sharing between parties and allowing savers to have greater certainty about their retirement savings. This is based on the current Dutch pensions model.

The Bill seeks to:

- make provisions for a new legislative framework in relation to the different categories of pension schemes. It would establish three mutually exclusive definitions for scheme type based on degrees of certainty in the benefits that schemes offer to members
- define schemes in terms of the type of ‘pensions promise’ they offer to the individual as they are paying in. A scheme would be categorised as a Defined Benefit (DB) scheme, a Defined Ambition (shared risk pension scheme) scheme or a Defined Contribution (DC) scheme, corresponding to the different types of promise – full promise about retirement income, a promise on part of the pot or income or offering no promise at all

**Collective benefits:** The Bill looks to enable ‘Collective schemes’ that pool risk between members and potentially allow for greater stability around pension outcomes. It would also contain a number of measures relating to the valuation and reporting requirements for collective schemes.

**Rationale:** Defined Contribution pensions - where individual scheme members bear the risks of longevity, inflation and investment returns - currently dominate the UK pensions market. Defined Benefit pensions - where the employer bears the risks by promising a pension usually related to salary - are in decline. Defined Contribution pensions can be the right product for many savers, but outcomes will be less certain and more volatile than those with Defined Benefit Pensions.

The Government believes this Bill is needed to encourage new ‘Defined Ambition’ pensions, in the middle space between Defined Contribution and Defined Benefit pensions that share more of the risk between parties.

**The Budget:** The Budget announced new flexibilities for members of Defined Contribution schemes. To help people make decisions that best suit their needs everyone with DC pensions will be offered free and impartial guidance via a guidance guarantee, on the range of options available to them at retirement. This Bill will legislate so that all individuals with a Defined Contribution pension in the UK approaching retirement will be offered guidance.

Depending on the outcome of the HM Treasury Freedom and Choice in pensions consultation, the Bill would allow the Department for Work and Pensions (DWP) to either bring forward legislation to implement a ban on all transfers out of private sector DB schemes or not.

It would also allow us to bring forward legislation to ban transfers out of unfunded public sector DB schemes as announced in the Budget.

## Other Bills of interest

### **Social Action, Responsibility and Heroism Bill (England and Wales)**

The Social Action, Responsibility and Heroism Bill could be of interest to insurers in respect of changes relating to liability. It provides new legal defences for people who are sued after intervening in emergencies or acting to protect the safety of others. When considering negligence and breach of duty cases, courts will have to consider the "wider context" of defendants' actions, including whether they behaved responsibly and "for the benefit of society" or had taken "heroic action" to help people in danger with no regard to their own safety.

### **Draft Riot (Damages) Act Bill**

This draft piece of legislation looks to reform the Riot (Damages) Act by changing the way compensation is paid to individuals and businesses that experience loss or damage to property during riots. This includes the establishment of a Riot Claims Bureau.

## Bills of interest carried over from the last session

### **Consumer Rights Bill**

The Consumer Rights Bill sets out a framework that consolidates in one place key consumer rights covering contracts for goods, services, digital content and the law relating to unfair terms in consumer contracts.

<http://services.parliament.uk/bills/2014-15/consumerrights.html>

### **Deregulation Bill**

A bill to make provision for the reduction of burdens resulting from legislation for businesses or other organisations or for individuals; make provision for the repeal of legislation which no longer has practical use; make provision about the exercise of regulatory functions. It also includes changes to apprenticeships.

<http://services.parliament.uk/bills/2014-15/deregulation.html>

### **Finance (No. 2) Bill**

This Bill follows this year's Budget, amending the law relating to the National Debt and the Public Revenue, and making further provision in connection with pensions and finance.

<http://services.parliament.uk/bills/2014-15/financen02.html>



## Appendix A

### Full list of legislation proposed by the Queen's Speech

The following 11 Bills have been announced:

The **Small Business, Enterprise and Employment Bill** will support small businesses, set deregulation targets and introduce a new statutory code and an adjudicator for public house tenants.

The **National Insurance Contributions Bill** will simplify the collection of class 2 national insurance contributions.

The **Infrastructure Bill** will bolster investment in infrastructure and reform planning law. It will also enhance energy security in the UK by opening up access to shale and geothermal sites.

The **Pension Tax Bill** will give individuals greater discretion over the use of their retirement funds.

The **Private Pensions Bill** will give employees greater control over their pension funds.

The **Childcare Payments Bill** will help working families with childcare costs.

The **Modern Slavery Bill** will strengthen the powers to prevent slavery and human trafficking and support for victims of such crimes.

The **Social Action, Responsibility and Heroism Bill** will ensure courts consider the context of a person's actions if they have acted heroically or for the benefit of others.

The **Service Complaints Bill** will improve the complaints system in armed forces by creating an ombudsman.

The **Serious Crime Bill** will tackle child neglect, organise crime and strengthen powers to seize the proceeds of crime.

The **Recall of MPs Bill** will allow voters to trigger a by-election when an MP is found of serious wrong doing.

There are also three new draft Bills:

The **Draft Governance of National Parks (England) and the Broads Bill** will provide for direct elections to the National Park authorities in England.

The **Draft Riots (Damages) Act Bill** will reform the way compensation is paid to individuals and companies.

The **Draft Protection of Charities Bill** will protect charities from abuse by people in England and Wales.

*CII Group Policy & Public Affairs  
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