

## A round up of policy events and news

### 1. Top story - General Election & Queen's Speech

#### **Queen's Speech – New legislative programme**

The Queen's Speech sets out the Government's legislative agenda, which this year consists of twenty six Bills. The first Conservative Queen's Speech since 1996 contains few surprises as the proposed legislation reflects the Conservative's pre-election manifesto commitments, such as a referendum on the UK's membership of the EU, no rises in national insurance, income tax or VAT over the next five years, and extending Right to Buy to housing association tenants. There are four constitutional Bills devolving power away from Westminster. A consultation will be held on the move to replace the Human Rights Act with a British Bill of Rights. Bills of interest include:

#### *Scotland Bill*

This Bill will deliver, in full, the Smith Commission agreement on further devolution to Holyrood, including responsibility for setting levels of income tax.

#### *European Referendum Bill*

The EU referendum was a key part of the Conservative's election campaign and this Bill will provide for a referendum of Britain's membership of the EU. The vote will take place before the end of 2017.

#### *Enterprise Bill*

The Enterprise Bill seeks to cut business regulation and enable easier resolution of disputes for small businesses.

#### *Bank of England Bill*

The purpose of the Bill is to strengthen further the governance and accountability of the Bank of England to ensure it is well-positioned to oversee monetary policy and financial stability.

For a full list of proposed legislation – [see appendix A](#).

#### **New ministers**

Following his party's election victory, Prime Minister David Cameron has named his ministerial team. George Osborne remains Chancellor, with Greg Hands replacing former Liberal Democrat MP Danny Alexander as chief secretary to the Treasury. David Gauke is Financial Secretary, whilst Harriett Baldwin is the City Minister. Ros (now Baroness) Altmann has been made Pensions Minister, having been named a peer. She takes over from Steve Webb. Ian Duncan Smith remains secretary of state for work and pensions. Sajid Javid is the new secretary of state for business, innovation and skills – Vince Cable's former post. Nick Boles keeps his roles as skills minister, with responsibility for apprenticeships.

For a summary of the Conservative's manifesto commitments read our *Election briefing*: [www.cii.co.uk/35263](http://www.cii.co.uk/35263)

## 2. Pensions

### Pensions update

For the full story on pension reform, see our regularly updated member briefing. [Click here](#)

### Pension Wise launch 6 April

The reforms went live in the new tax year on 6 April 2015. While detailed call volume data to Pension Wise and its delivery partners is still awaited; pension providers themselves have unsurprisingly received a flood of calls.

**Initial volumes** Data from the ABI released on 16 April revealed the following:

- ABI members received 229,932 phone calls between 7-10 April from customers enquiring about their decumulation choices. This equates to an average of 57,483 calls each day in that period. This is double the 2014 average daily call volume. Since that week, call volumes have fallen but were still well above the average; and
- Over 10,000 written and email requests were received each day, more than double the 2014 average.

Providers are reporting that consumers are asking much more detailed questions about their options, and one provider said they have applied and received FCA advisory permissions just to be cautious.

**Customer behaviour** The customers' actions vary widely according to initial anecdotal accounts from providers. Initial trade press coverage suggested that providers are seeing no clear trends:

- MoneyMarketing reported that some major providers including Standard Life and Royal London are seeing most of its customers accessing their pots to encash all or part of their savings, with popular reasons for the money being debt repayment, home improvement, and investing in other assets such as ISAs or property.
- Others saw wealthier demographics more interested in entering flexi-access drawdown arrangements. LV= noted that enquires of this nature doubled compared to the same period last year; while Hargreaves Lansdown said this subject took up about 42% of all phone calls it received on 7 April.

### Secondary Annuities Market proposal

As part of his pre-Election Budget, George Osborne announced a call for evidence, around creating a secondary annuity market. The plan is to extend the new retirement flexibilities to people who have already bought an annuity. This would be available from April 2016. Individuals with an annuity (but not those receiving a pension from an occupational scheme) will, *with their annuity provider's permission*, be allowed to assign future instalments to a third party in return for either:

- a cash lump sum (subject to marginal income tax but not the current penal tax rate of 55%);
- a payment into a flexi-access drawdown policy; or
- a payment to buy a flexible annuity

The annuity contract remains unchanged other than payments going to the third party.

There had been doubt as to whether this would be taken forward if there had been a Labour administration. However, given the result, we expect development on this policy to continue. The call for evidence closes 18 June. [Click here](#)

### Pensions Regulator launches final guidance on transfers from DB to DC schemes

The Pensions Regulator has published its final guidance to assist trustees and managers of defined benefit (DB) pension schemes to manage member requests for transfers into defined contribution (DC) schemes and conversion of benefits within the same scheme. The final guidance aims to:

- explain the new requirement for trustees to check that members have obtained appropriate independent advice before transferring or converting ‘safeguarded benefits’ (such as DB benefits) to DC benefits;
- help trustees ensure they have appropriate processes in place to manage transfer requests;
- prompt trustees to consider the impact of transfer values as part of an integrated approach to risk management of their scheme;
- require trustees to provide clear information for members so that they can get independent advice on the best option for them. [Click here](#)

### 3. General insurance

#### FCA review of insurance claims handling for SMEs

The FCA has published the results of its thematic review into claims handling for SMEs. The review found the claims service is not consistently working in the interests of many businesses, resulting in a poor claims experience. Examples of poor practice included sub-standard communication with the claimant leading to delays in reaching a settlement, delays in the initial visit by loss adjusters and claimants feeling unclear about what actions they should take to minimise disruption to their business. The FCA plans to meet with firms and relevant bodies to discuss the review and consider what action might be required to improve the service to SME customers. [Click here](#)

#### FCA on premium finance in retail GI

The FCA’s thematic report into the provision of premium finance to retail general insurance customers has been published. This looked into whether general insurance intermediaries and insurers provide timely and appropriate information to their customers, when arranging or providing premium finance.

The review focused on the retail general insurance market and specifically the online purchase of private motor and household insurance products. The FCA reviewed 43 firm websites, looking at insurers and intermediaries’ online sales practices up to the point where the customer was required to input their payment details.

The FCA found that, where arranging or providing premium finance for their retail customers, many firms were not always meeting the FCA’s expectations in respect of ensuring customers are able to make informed decisions. The shortcomings are categorised into three main areas:

- firms do not always provide clear and appropriate information on payment options and the different costs associated with these choices;
- firms do not always provide appropriate information about the instalment option being offered; and
- firms arranging premium finance do not always take appropriate steps to provide sufficient clear and consistent information to ensure customers understand the role the firms are performing.

In addition, the FCA’s work identified a wide range of annual percentage rates (ranging from 0 per cent to in excess of 75 per cent) and credit broking fees. The FCA concludes that this highlights the need for customers to have appropriate information to compare pricing and understand the impact that the cost of finance has upon the overall cost.

The FCA expects firms to consider the issues it has identified: to assess (i) their compliance with the FCA’s principles for businesses, the insurance conduct of business sourcebook and, where relevant, the consumer credit sourcebook and the Consumer Credit Act (1974); and (ii) whether they are meeting the FCA’s expectations when providing premium finance to retail customers. [Click here](#)

### **Lloyd's market oversight supervisory plan 2015**

The Society of Lloyd's has published its first market oversight supervisory plan. The purpose of the supervisory plan is to provide managing agents with a high level summary of Lloyd's view of the key risks faced by the market in 2015, as defined by Lloyd's market oversight objectives, and a summary of how Lloyd's plans to supervise the market. The plan also aims to provide greater transparency about the corporation's work and to help managing agents anticipate deadlines and activities due to arise throughout the year. The plan also covers: strategic priorities related to supervision; Lloyd's approach to market oversight; and market conditions and related issues. [Click here](#)

## **4. Mortgages**

### **Mortgage Credit Directive – Policy Statement**

The FCA has published a Policy Statement setting out its final rules for implementation of the Mortgage Credit Directive (MCD) and the new regime for second charge mortgages. The MCD introduces a European framework of conduct rules for firms selling both first and second charge mortgages. The final rules largely come into effect on 21 March 2016. [Click here](#)

## **5. From the regulators (general)**

### **The FCA and innovation – Christopher Woolard, FCA**

Christopher Woolard, the FCA's Director of Strategy & Competition, has given a speech about the work of the FCA's Innovation Hub. The Hub's two main aims are to help innovators navigate regulation and to consider how changing policies or processes can encourage innovation. Since October, the FCA has received 170 requests for support and has provided support to just under half of those firms. A "call for input" will be announced in the autumn, which will ask for examples of regulatory barriers to innovation in digital and mobile. [Click here](#)

### **PRA issues variable paths for insurers' capital stress test scenario**

The Prudential Regulation Authority has issued variable paths for its H1 2015 stress scenario for insurers. The changes seek to incorporate developments in the macroeconomy over the second half of 2014. The H1 2015 stress scenario aims to give firms a consistent basis on which to confirm that their planned capital resources are sufficient to remain solvent and adequately capitalised in order to continue to write business throughout the capital-planning horizon (normally three to five years). [Click here](#)

### **FCA publishes consultation paper on capital resources for personal investment firms**

The FCA is consulting on the capital resources requirements for Personal Investment Firms (PIFs). The proposals for the majority of PIFs are to have capital resources requirements that are the higher of:

- a new minimum capital resources requirement of £20,000; and
- a new income-based requirement whereby PIFs must hold capital resources that are at least equal to 5 per cent of the relevant annual income amount earned in the previous year.

The consultation closes on 7 September and the FCA expects to publish its final rules later in this year. [Click here](#)

### **FOS annual review for 2014/2015**

The Financial Ombudsman Service has published its annual review. During 2014/15 the FOS resolved 448,387 complaints. Payday loan complaints rose by nearly a half whilst PPI complaints fell by a half. The number of complaints about insurance (excluding PPI) dropped from 31,213 to 30,080 as did cases involving pensions & investments (from 15,938 to 14,723). [Click here](#)

## 6. Europe & international

### MiFID 2 – ESMA consults on guidelines for assessment of knowledge and competence

The European Securities and Markets Authority (ESMA) has published a consultation paper containing draft guidelines specifying criteria for the assessment of knowledge and competence for those giving investment advice or information about financial instruments, covered by Markets in Financial Instruments Directive (MiFID 2). The guidelines are intended to enhance investor protection. The deadline for comments is 10 July 2015 and ESMA intends to publish final guidelines in Q4 2015. [Click here](#)

### The future of European market conduct regulation - Katja Würtz, EIOPA

Katja Würtz, Head of Cross-Sectoral and Consumer Protection Unit at the European Insurance and Occupational Pensions Authority has given a speech on the future of conduct regulation in Europe. Ms Würtz covered recent successes of EIOPA in this field including PRIPS and then went on to concentrate on the three main themes for the future: smart Conduct Regulation, which is risk-based and preventative; product Oversight and Governance; and, the 'digitalisation' of financial services. [Click here](#)

### EIOPA revises 2015 work programme

The European Insurance and Occupational Pensions Authority (EIOPA) has revised its 2015 work programme following a 7.6 per cent reduction in its budget. 31 products have been reduced in scope, 12 have been downgraded and 27 have been cut entirely from the work programme. Although Solvency II will remain the highest priority, EIOPA reports that cuts will also affect this project. [Click here](#)

## 7. Forward look

### *Political*

**8 July** Budget statement

**16 July** Liberal Democrat leadership announcement

**12 September** Labour leadership announcement

### *Regulatory*

**June** FCA Policy statement to CP15/4, "Whistleblowing in deposit takers, PRA designated investment firms & insurers"

**June** FCA Policy statement to CP15/14, "Regulatory fees and levies; Rates proposals 2015/16"

**June** FCA Policy statement to CP15/7, "Proposed changes to our pension transfer rules"

**June** FCA Policy statement to CP15/3, "Buy-to-let mortgages – implementing the Mortgage Credit Directive"

**June** FCA Policy statement to CP14/30, "Improving complaints handling"

**June** FCA Policy statement to CP15/6, "Consumer credit – proposed changes to our rules and guidance"

**June** FCA Policy statement to CP14/29, "Guaranteed Asset Protection insurance: a competition remedy"

**July** FCA Policy statement to CP15/5, "Approach to non-executive directors in banking and Solvency II firms"

**September** FCA Consultation, "Review of the FCA's Pension and Retirement Rules and Future Work Plan"

**TBC** FCA Policy statement to CP15/15, "Changes to Approved Persons Regime for insurers not subject to Solvency II"

**Q2** FCA Policy statement to CP12/20 "Review of the client money rules for insurance intermediaries"

**Q2/3** FCA Policy statement to CP14/23, "Restrictions on the retail distribution regulatory capital requirements"

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Latest publications include:

### Thinkpieces

*Professional advisers should not fear the pension reforms*

Pensions expert (now Pensions Minister) Dr Ros Altmann discusses the opportunity the pension reforms present to the advice sector be able to demonstrate, to consumers, the value of financial advice.

[www.cii.co.uk/35670](http://www.cii.co.uk/35670)

*How can people with disabilities get a better deal from the insurance market*

An independent commission set up by Scope (the disability charity) describes how insurance for people with disabilities for such basic things as motor and travel can actually border on the prohibitive. [www.cii.co.uk/35446](http://www.cii.co.uk/35446)

*Problem gambling in your workplace: is this a risk you can ignore?*

EPIC, the problem gambling consultancy, considers the issue of pathological gambling in the workplace, especially in senior decision-making positions. [www.cii.co.uk/35721](http://www.cii.co.uk/35721)

### CII Skills Manifesto

Five points on improving skills in the UK for a new government to consider. [www.cii.co.uk/35077](http://www.cii.co.uk/35077)

### Pension reform – latest developments

Our latest briefing for members on the Government's pensions reforms covers the announcement of and details on PensionWise delivery, as well as Treasury and FCA actions from the last few months. <http://www.cii.co.uk/35238>

### The Social Value of Insurance

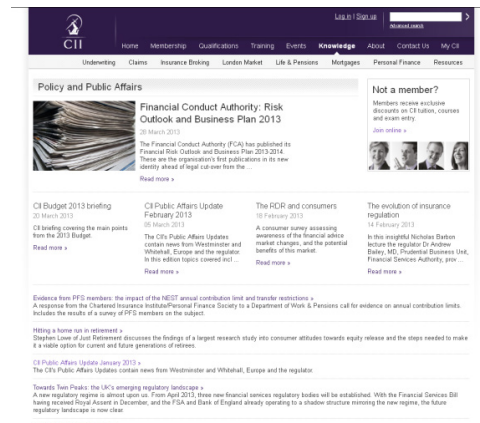
This series of papers considers the role of insurance in society, focusing in particular on the benefits it brings and risks it mitigates. <http://www.cii.co.uk/32307>

### General Election 2015: Wisdom of crowds

A selection of viewpoints from the sector for politicians to consider ahead of May's General Election. This remains relevant post-Election as policies are formulated. <http://www.cii.co.uk/35079>

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

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## Appendix A

### Queen's Speech 2015

**The Full Employment and Welfare Benefits Bill** will freeze working age benefits, tax credits and child benefit and reduce the level of the benefit cap. It will also create duties for ministers to report on job creation, apprenticeships and the Troubled Families initiative.

**The Enterprise Bill** will cut business regulation and enable easier resolution of disputes for small businesses. It will also introduce a cap on public sector redundancy pay and business rate appeals reform.

**The National Insurance Contributions/Finance Bill** will ensure that tax rates, VAT and National Insurance will be frozen for the next five years.

**The Childcare Bill** will increase free childcare to 30 hours a week, for families where all parents are working, for 38 weeks of the year.

**The Housing Bill** will extend Right to Buy to housing association tenants. It will increase the supply of Starter Homes and simplify the neighbourhood planning system.

**The Energy Bill** will establish the Oil and Gas Authority as an independent regulator of the industry and will allow local planning authorities to have a greater say over onshore wind farms in their area.

**The Immigration Bill** will bring in a number of measures to increase the removals and deportations of illegal immigrants. It will also reduce the demand for skilled migrant labour and address the exploitations of low-skilled workers.

**The Trade Unions Bill** will introduce a 50 per cent turnout threshold for union strike ballots and require 40 per cent of members to vote if strike action is to take place in some essential public services. It will also address the intimidation of non-striking workers and introduce an opt-in process for the political funding by trade unions.

**The Education and Adoption Bill** will strengthen the Government's intervention power over inadequate schools to push them towards becoming sponsored academies. It will also allow the introduction of regional adoption agencies.

**The Cities and Local Government Devolution Bill** will provide new primary legislative powers to devolved powers and budgets to local areas. It will also make provision for elected mayors with extended powers in areas that wish to have them.

**The High Speed Rail (London-West Midlands) Bill** will provide the Government with the legal powers to construct and operate phase 1 of HS2.

**The Scotland Bill** will devolve further powers to the Scottish Parliament, including control of income tax, air passenger duty and borrowing.

**The Wales Bill** will devolve further powers to the National Assembly for Wales, including over certain energy projects, transport regulation and voting for 16 and 17 year olds.

**The Northern Ireland (Stormont House Agreement) Bill** will establish a Historical Investigations Unit to deal with unsolved Troubles related cases, an Independent Commission for Information Retrieval and a Troubles focused Oral History Archive.



**The European Union Referendum Bill** will allow an in/out referendum on the UK's membership of the European Union to be held.

**The Extremism Bill** will extend Government and law enforcement powers to tackle extremism. In particular it will provide a new power to the Home Secretary to ban extremist groups.

**The Investigatory Powers Bill** will increase the ability of law enforcement and intelligence agencies to access online communications.

**The Policing and Criminal Justice Bill** will continue reforms to the police, specifically in areas related to bail, mental health, child protection, freedom of information, misconduct cases, efficiency and effectiveness.

**The Psychoactive Substances Bill** will ban the production, distribution, sale and supply of new psychoactive substances.

**The Armed Forces Bill** provides the legal basis for recruitment and discipline of the armed forces. An armed forces Bill is required every five years to maintain the armed forces.

**The Bank of England Bill** will strengthen the governance and accountability of the Bank of England and will help it to fully implement the recommendations of the Warsh review.

**The Charities (Protection and Social Investment) Bill** will protect charities from abuse strengthening the Charity Commission's ability to act in such cases.

**The Votes for Life Bill** scrap the 15 year time limit on British citizens voting overseas, therefore allowing British expats to vote in UK and European parliamentary elections for life.

**The European Union (Finance) Bill** will bring in to force the 'Own Resources Decision', which will give UK approval of the financing aspect of the seven year EU Budget deal. It will also preserve the UK's rebate and prevent new EU-wide taxes or new types of Member State contributions applying.

**The Buses Bill** will allow local areas with directly-elected Mayors to take responsibility for bus services in their area.

**The Draft Public Service Ombudsman Bill** will aim to reform and modernise the Public Service Ombudsman sector by absorbing the Parliamentary Ombudsman, the Health Ombudsman, the Local Government Ombudsman and potentially the Housing Ombudsman.