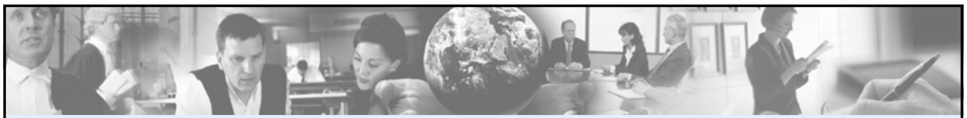


FCA Consumer Duty and GI update

Branko Bjelobaba FCII
Regulation & Compliance Consultant

Branko

Branko Ltd

FCA compliance consultants

* BIBA/AMII Compliance Manual
* Engaging Events
* Tailored Solutions

British Insurance Brokers' Association

amii THE HEALTH ADVICE PROFESSIONALS

Branko

Today's event

- Thank you to your LI for hosting
- Verbal and chat forum questions welcome
- Please complete the feedback survey
- You will get the slides
- Feel free to connect with me on LinkedIn

Learning outcomes…

By the end of this event you will have gained an insight into:

- What is Consumer Duty and core components of this
- Key GI issues
  - Pricing and Product Governance
  - Multi-occupancy insurances

Bear in mind…

- Today is not formal 'advice'
- It is an **<u>overview</u>** in my own words of the key issues
- Please take up whatever professional help you need to ensure your business remains compliant
- BIBA Compliance Manual will be updated shortly

Today

1. Consumer Duty overview
2. Pricing Rules
3. Product Governance
4. Multi-occupancy

(Worth noting that 1, 3 and 4 are for retail and commercial and 2 is for motor and home only)

1. Consumer Duty

Branko

FINANCIAL CONDUCT AUTHORITY

A new Consumer Duty

Feedback to CP21/36 and final rules

Policy Statement

PS22/9

July 2022

FINANCIAL CONDUCT AUTHORITY

Finalised Guidance

FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty

July 2022

91 pages PS
121 pages guidance
+
68 pages of
<u>new rules</u>

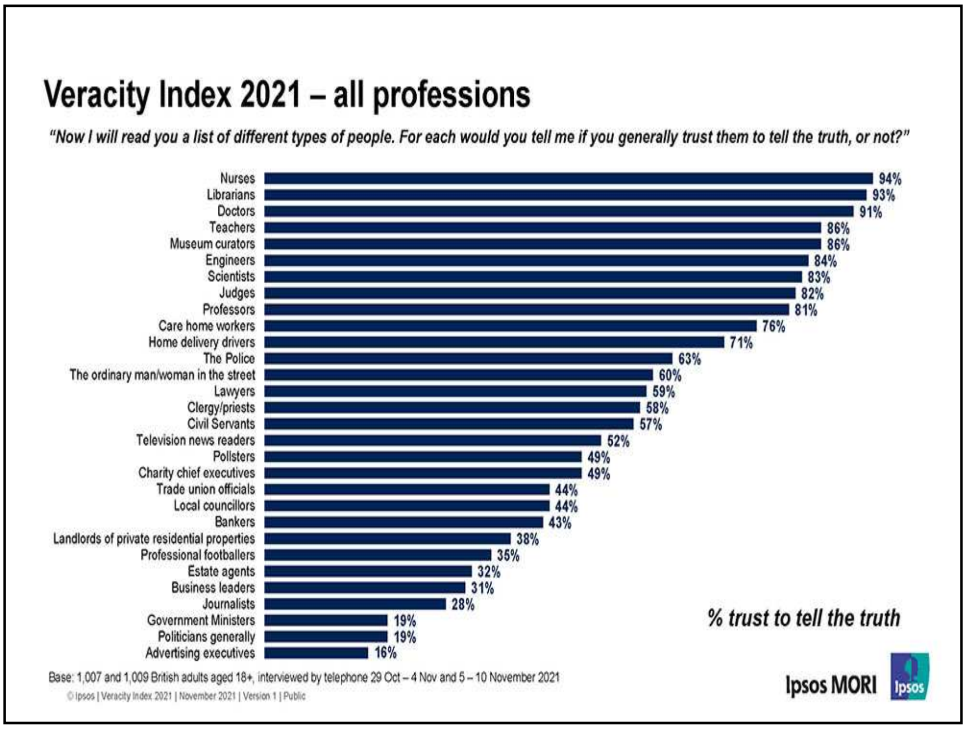
(The word “value” is mentioned 368 times)

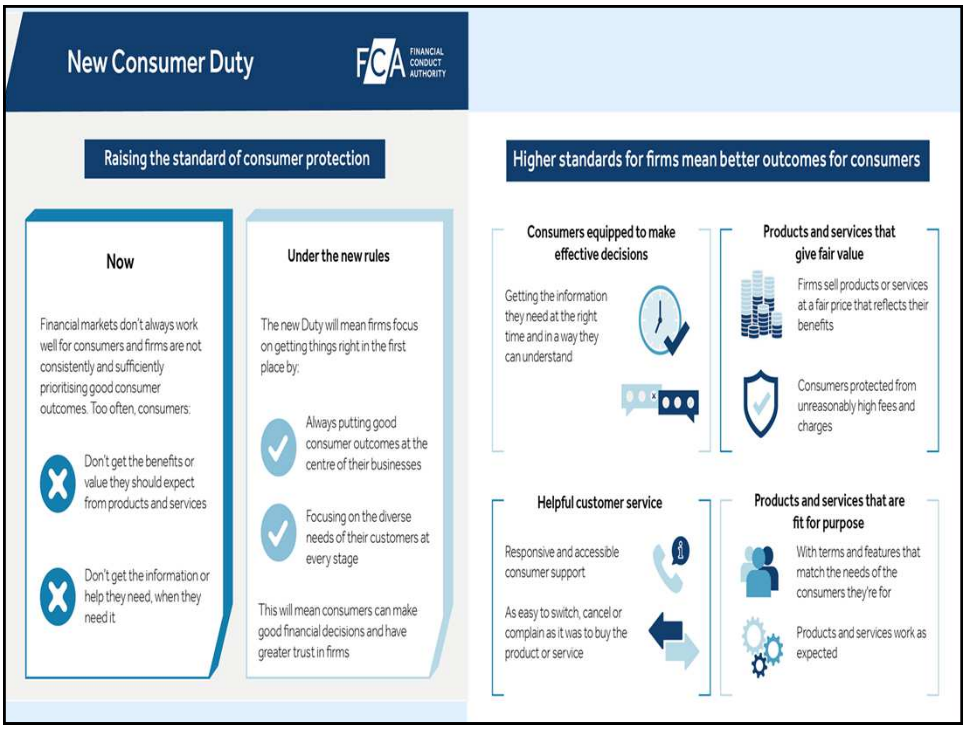
Who?

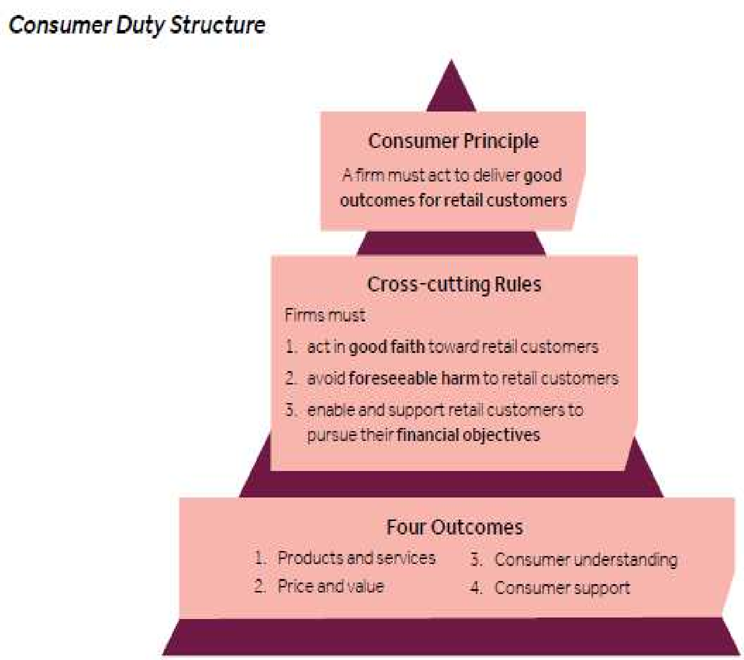
- Does not apply to the distribution of group insurance policies or the extension of these policies to new members
- However, will apply in respect of the manufacturing of group insurance policies where the end-user is an individual

Why and how

- Customers can experience poor service, be paying too much and investments may not perform in line with original expectations
- Pressure on FCA to get tough and CD will give FCA intrusive and proactive powers to do so
- Still negative perception of the sector with customer feedback being far from receptive
- Despite TCF and the customers best interests rule (acting honestly, fairly and professionally) the expected change in culture has not happened
- Lack of trust abounds
- Government hardly impressed


Veracity Index 2021 – all professions
"Now I will read you a list of different types of people. For each would you tell me if you generally trust them to tell the truth, or not?"
Nurses 94%
Librarians 93%
Doctors 91%
Teachers 86%
Museum curators 86%
Engineers 84%
Scientists 83%
Judges 82%
Professors 81%
Care home workers 76%
Home delivery drivers 71%
The Police 63%
The ordinary man/woman in the street 60%
Lawyers 59%
Clergy/priests 58%
Civil Servants 57%
Television news readers 52%
Pollsters 49%
Charity chief executives 49%
Trade union officials 44%
Local councillors 44%
Bankers 43%
Landlords of private residential properties 38%
Professional footballers 35%
Estate agents 32%
Business leaders 31%
Journalists 28%
Government Ministers 19%
Politicians generally 19%
Advertising executives 16%
% trust to tell the truth
Base: 1,007 and 1,009 British adults aged 18+, interviewed by telephone 29 Oct – 4 Nov and 5 – 10 November 2021
© Ipsos | Veracity Index 2021 | November 2021 | Version 1 | Public
Ipsos MORI
Ipsos


New Consumer Duty
FCA FINANCIAL CONDUCT AUTHORITY
Raising the standard of consumer protection
Now
Financial markets don't always work well for consumers and firms are not consistently and sufficiently prioritising good consumer outcomes. Too often, consumers:
Don't get the benefits or value they should expect from products and services
Don't get the information or help they need, when they need it
Under the new rules
The new Duty will mean firms focus on getting things right in the first place by:
Always putting good consumer outcomes at the centre of their businesses
Focusing on the diverse needs of their customers at every stage
This will mean consumers can make good financial decisions and have greater trust in firms
Higher standards for firms mean better outcomes for consumers
Consumers equipped to make effective decisions
Getting the information they need at the right time and in a way they can understand
Products and services that give fair value
Firms sell products or services at a fair price that reflects their benefits
Consumers protected from unreasonably high fees and charges
Helpful customer service
Responsive and accessible consumer support
As easy to switch, cancel or complain as it was to buy the product or service
Products and services that are fit for purpose
With terms and features that match the needs of the consumers they're for
Products and services work as expected



New Principle 12

- A firm must act to deliver **good** outcomes
  - what the customer wanted from the product
  - ensure they have a “no regrets” purchase

The scope for “customer/consumer” does include most forms of commercial business to incl SMEs (an excl for large risks and group commercial remains)

Cross-cutting rules

1. **firm must act in good faith**
   - Being honest, fair and open
2. **firm must avoid foreseeable harm**
   - Consider the product design, terms, marketing and communications to identify possible causes of harm
   - Take action to reduce (or highlight) the potential harm that might occur over the lifetime of the product, including new harms that are identified post-sale
3. **firm must enable and support customers to pursue their financial objectives**
   - Enabling customers to make good decisions by considering their immediate and longer-term objectives
   - Providing clear information for the customer to aid their decision-making
   - Recognise behavioural bias and likely level of understanding

Branko℠

The Four Outcomes

1. Products and Services
2. Price and Value
3. Consumer Understanding
4. Consumer Support

Branko℠

1. **Products and Services** - provide a product that meets the needs of the identified target market, both new sales and existing customers. Distribute the product via appropriate channels, for example, considering if it can be sold with or without advice
2. **Price and Value** - ensure customers get fair value from their product and services and undertake regular value assessments. With sharing of information between the manufacturer (typically the insurer) and distributor
3. **Consumer Understanding** - providing the right information at the right time, so that it can be understood and enable decisions that support good outcomes. Test whether the communications drive the right actions
4. **Consumer Support** - customers can use products as expected, realise the benefits and not face unreasonable barriers e.g. make changes, cancel or switch

Branko

What does this mean?

- Regular product reviews and fair value assessments will apply to all products (open and closed)
- Pricing Practices introduced an annual review (for GI this is on a forward-looking basis only)
- What about life policies sold 10/15/20+ years ago – are they still able to deliver a good outcome? Are any comms timely, informative to enable good decision-making?
- **From 31 July 2023** (closed products 12m later) you will need evidence that the product was expected to deliver a good outcome for the customer, that foreseeable harm was anticipated and addressed
- Monitor performance against original expectations and inform the customer and advise them what actions are to be undertaken

Branko

What should you be doing?

1. Understand what the Consumer Duty means for your business
2. Final rules have been published
3. Identify firm-specific examples of good and bad practice to provide context
4. Brainstorm:
    1. Good outcomes
    2. Value
    3. Communications
    4. Monitoring
    5. Governance and oversight
5. What must be done now those enhancements which can be introduced later

Branko℠

Cont…

6. Who will lead this little gem of a project
7. Consider the MI and evidence you would need to demonstrate that "good outcomes" are being delivered.
8. Would conducting customer research help you to understand your position and to achieve positive outcomes?
9. Board level updates
10. Network with the CII and PFS members and engage with your trade bodies

Branko℠

2. Pricing Rules

Scope

- **Motor + home + additional products sold alongside (incl premium finance but not monthly renewable contracts)**
- Firms to offer a renewal price that is no higher than the ENBP for that customer through the same sales channel
- Insurers and intermediaries involved in price-setting (any involvement in setting the gross price paid for the core product or any element of that premium or the price of additional products)
- Brokers that determine their own remuneration (net rates) or impose fees
- Gibraltar based firms also included

Further…

- Price-walking is banned
- Applies also to closed books (what is now the most equivalent product)
- FCA will use anti-avoidance measures
- Senior Managers to personally attest (and report to the FCA) annually that pricing models comply
- Records of pricing considerations to be kept
- Existing customers to benefit just as much as new customers from any discounts

Incentives

Type of incentive	Must be reflected in ENBP?
Toys	No
Carbon off-setting	No
A percentage chance to win back the premium	No
Points in a retail loyalty scheme	Yes
Retail vouchers	Yes
Cashback	Yes
A free add-on	Yes
One month free	Yes
A monetary discount on the premium	Yes
A percentage discount on the premium	Yes

The examples in the table above are not exhaustive, as it is not possible for us to anticipate every type of incentive that firms may offer their customers in the future. We expect firms to make reasonable judgements based on the rules and the similarity of other incentives to those in the table.

ENBP - Equivalent New Business Price

If NB commission is reduced/given away this needs to be considered when determining ENBP

Attestation

FINANCIAL CONDUCT AUTHORITY

Subject: General Insurance Pricing Rules - Compliance with ICOBS 6B Attestation – to be completed by 31 March 2022

Firm Name (Firm's name placeholder)

FRN: (FRN placeholder)

For the attention of the Senior Manager attesting compliance with the Pricing Rules under ICOBS 6B (published in PS21/5 and updated in PS21/11) or notifying that the Pricing Rules do not apply

Attesting compliance with the requirements in ICOBS 6B effective 1 January 2022

Please find a [placeholder for link] to the attestation which your firm must complete by 31 March 2022 as required by ICOBS 6B.2.60R. If your firm does not carry out any pricing activities as described in ICOBS 6B.1.1R, then you are requested to provide a nil response as set out below under s165 FSMA

Sent via email (not RegData) with first one sent by 31 Mar 2022

Branko

Interesting…

- A firm must notify the FCA if it becomes aware that any other firm in the distribution chain is not or may not be complying with the rules in this chapter (ICOBS 6B2.45R)
- Existing renewal disclosures apply and a firm should not communicate with a customer of longer tenure in a manner which is likely to discourage them from shopping around and records need to be kept to evidence this
- Fees for renewing customers cannot be higher (and what are these actually for?)

Branko

Premium Finance (retail)

- Cost of finance at renewal should be no higher than if at NB but cost can vary between customers due to credit risk
- Explain cost with/without PF and state PF cost
- Statement more expensive to use PF
- Duration of policy and PF if different
- Customer to make an active election
- PF you provide and the remuneration you receive must not conflict with the customer's best interests rule to act **honestly, fairly and professionally**
- Regular review of arrangements

To consider

- Is the PF consistent with your obligations in the FCA Handbook and the customer's best interests rule?
- PRIN 1, 6 and 8 - integrity, TCF and management of conflicts of interest
- This incls APR uplift, remuneration or inducements offered or accepted from providers (cash, commission, goods, hospitality or training)
- Broker fee waived if instalment plan is the insurer's own one? Discount therefore?

Issues

- You will need to compare the insurer's premium finance options (if any) with your own standalone provider and offer the cheapest or disclose the fact that you will only offer the most expensive
- If you up the APR or your margin then you need to tell the customer you are doing this
- If you only have one provider you should tell the customer that they could finance the premium cheaper elsewhere
- Is what you earn fair and why did you select that arrangement?

Branko

3. Product Governance

Branko

Email: InsuranceSectorProjects@fca.org.uk

FCA FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

29 July 2022

Dear Sir/Madam,

Product Governance and Fair Value – General Insurance and Pure Protection

Background

In May 2021, we published Policy Statement 21/5 (updated in PS 21/11) setting out our final rules on insurance pricing and the enhanced product governance. These were designed to improve competition and ensure firms offer fair value products to consumers.

The enhanced product governance rules came into force on 1 October 2021, and apply to manufacturers and distributors of all general insurance and pure protection products (except contracts of large risks or reinsurance contracts).

In August 2021, we conducted a market survey which assessed firms' readiness to comply with the final rules. Following this work, we sent a letter to all insurance intermediary firms with general insurance permissions setting out that we expected those firms to:

- establish whether it was a manufacturer or distributor of general insurance or pure protection products (excluding contracts of large risks or reinsurance contracts);
- assess the impact of the enhanced product governance rules on the firm; and

FCA's beef?

- Products have to be assessed as providing fair value by 30 September 2022 and if this is not done, they can no longer be sold
- Insurers have had since 1 October 2021 and have left things far too late (thus more work from brokers)
- Generic online statements not enough and you can't assume all is OK without asking what brokers do to impact on value
- Many had not done all that was needed
- We are disappointed with the progress made

Branko

What do brokers need to do?

1. Assess impact of distribution arrangements and whether these provide/enhance fair value
2. Engage with manufacturers to obtain their value assessments
3. Provide manufacturers with all relevant information to enable them to assess whether broker charges/fees, add on products, finance costs and distribution arrangements affect fair value

- Potential for serious consumer detriment

3 month extension…

The circumstances that must be met for this forbearance to apply are:

1. The distributor has identified the impact that the distribution arrangements have on the value of the product by 30 September 2022 and has completed any identified remedial action as a result of its assessment.

2. The distributor has complied with any requests from the manufacturer for information specified in PROD 4.3.10BR.

3. The distributor is able to demonstrate that they received the manufacturer's value assessment too late for them to be reasonably expected to meet their obligations by 30 September 2022.

The above forbearance in relation to understanding the manufacturer's value assessment does not affect distributors obligations to comply with the rest of PROD 4.3. If a distributor identifies that a product is not providing fair value and this has been caused by the distributor's distribution arrangements, including its remuneration arrangements, the distributor must take appropriate remedial and mitigating action under PROD 4.3.11AR, which may include, where appropriate, redress.

Branko Bjelobaba FCII • You

FCA GI consultancy and enjoyable training | Compliance Manual | Comment...

3w • Edited •

So, we have just two months to go before insurer value assessments have to be completed (30th September) but many brokers are telling me that that insurers are still not sending out the forms/requests to ascertain what brokers are doing themselves that could alter product value which they then need to consider in the round to assess overall product value. ...see more

Adam Townley ACII and 47 others — 7 comments · 2 shares

Like | Comment | Share | Send

5,220 impressions — View analytics

insuranceage

Experts warn of 'huge threat' and no 'get out of jail' card in FCA letters

The rules then?

Scope

- **Retail + <u>commercial</u> + pure protection + additional products sold alongside (incl premium finance)**
- Firms to consider the value that a product is likely to offer throughout the life of the product - at inception, through the initial insured period and at subsequent anticipated renewals
- And if fair value cannot be demonstrated they need to stop marketing and distributing it
- To consider target market, testing and distribution channel <u>and</u> **legacy products**

Where?

1.4.7 R *PROD* 4 applies to a *firm* with respect to activities carried on from an establishment maintained by it, or its *appointed representative*~~,~~:

(1) (for all insurance products and *pathway investments*) in the *United Kingdom*; and

(2) (in addition, for *non-investment insurance products*) overseas, in relation to an insurance product that is, or will be, marketed or *distributed*, or there are policies under the product that remain in force, in the *United Kingdom*.

[**Note:** in respect of (1), article 7(2) of the *IDD*]

contracts of large risks

(in *ICOBS* and *PROD*) *contracts of insurance* covering risks within the following categories, in accordance with the *UK* provisions which implemented article 13(27) of the *Solvency II Directive*:

(a) *railway rolling stock*, *aircraft*, *ships* (sea, lake, river and canal vessels), *goods in transit*, *aircraft liability* and *liability of ships* (sea, lake, river and canal vessels);

(b) *credit* and *suretyship*, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;

(c) *land vehicles* (other than *railway rolling stock*), *fire and natural forces*, other *damage to property*, *motor vehicle liability*, *general liability*, and *miscellaneous financial loss*, in so far as the *policyholder* exceeds the limits of at least two of the following three criteria:

(i) balance sheet total: €6.2 million;

(ii) net turnover: €12.8 million;

(iii) average number of *employees* during the financial year: 250.

[Note: article 13(27) of the *Solvency II Directive* and article 2(1)(16) of the *IDD*]

Enhancing value

- Value means the relationship between the total price to the end customer and the quality of the products and services
- A firm must not use a distribution channel unless it is able to demonstrate clearly that the channel results in fair value (PROD 4.2.32A R)
- Certain profit optimisation practices may not offer fair value - auto-renewals, use of PF, fees/charges (what are these for?), chains, etc
- Intermediaries to review distribution arrangements (to incl remuneration arrangements) <u>at least every 12 months</u>

Branko

(1) the <u>nature of the product</u> including the benefits that will be provided, their quality, and any limitations

(2) the <u>type and quality of services</u> provided to customers

(3) the <u>expected total price</u> to be paid by the customer when buying or renewing the insurance product, and the elements that make up the total price. This will need to include consideration of at least the following:

(a) the pricing model used to calculate the risk premium:

- (i) for the initial policy term; and
- (ii) any future renewal

(b) the overall cost to the firm of the insurance product (including the underwriting and operating of the product) and, where relevant, any other components of a package

(c) the individual elements of the expected total price to be paid by the customer including, but not limited to the price paid for:

(i) the insurance product, including any additional features which are part of the same non-investment insurance contract

(ii) any additional products, including retail premium finance, offered alongside the insurance product

(iii) the distribution arrangements, including the remuneration of any relevant person in the distribution arrangements, and including where the final decision on setting the price is taken by another person)

(4) how the <u>intended distribution arrangements</u> support, and will not adversely affect, the intended value of the product

Branko

Information to use?

1. Customer research (direct engagement with customers to ask how things went)
2. Claims information (frequency, acceptance rates, average payouts, disputed, etc - is the policy doing what it should?)
3. Public information (social media, etc - is it being received well?)
4. Distribution arrangements – remuneration and its impact and the levels or quality of service provided by any person within the chain

Further…

- Firms to review all products at least every 12 months (starting 1 October 2021 and more frequently if a product has a higher risk of generating harm)
- **Value assessment to be undertaken to include distribution strategy and how this influences value (incl remuneration awareness for the chain where this has an impact) and distributors to have an involvement in this**
- Amend distribution process if this results in harm
- Remind that assessment of D&N is continual

Senior Managers

- A firm's governing body has ultimate responsibility for product governance arrangements
- It must ensure that the firm complies
- FCA remind firms that they must have a Senior Manager responsible for compliance with the regulatory system to incl product governance and pricing
- It should be clear which SM has responsibility for these areas (check your SoR)

Branko

Fair value for non-investment insurance products: distribution arrangements

4.2.14N R A *firm* must, as far as reasonably possible, ensure the distribution arrangements for a *non-investment insurance product* avoid or minimise the risk of negatively impacting the fair value of the insurance product or package. This includes, but is not limited to:

(1) avoiding or reducing the risks arising from:

(a) any remuneration of a party, or parties, involved in the distribution arrangements increasing, directly or indirectly, the total price paid by the *customer* without adequate monitoring or oversight of the nature, level and fairness justification for their inclusion; or

(b) providing discretion to another person to set the final price, for example through a net pricing arrangement, without adequate monitoring or oversight of the final price paid by the *customer*;

(2) ensuring that appropriate arrangements will be in place to identify if the actions of another person involved in the distribution arrangements would adversely affect the value of the insurance product or package; and

(3) reducing the scope for the overall effect of any distribution arrangements to detrimentally affect the value of the products or package including where the cumulative effects of the remuneration of multiple parties unreasonably add to the overall price paid by the *customer*.

4.2.14O G (1) Where the *firm* is considering the effects of the distribution arrangements on value it should consider whether the additional costs of any individual party in the arrangements that add to the total price paid by the *customer* deliver any, or a proportional, additional benefit. If not, *firms* should consider how they can be satisfied that the arrangements are consistent with their obligations to be able to clearly demonstrate fair value to the *customer*.

4.2.14P R A *firm* must obtain from any person in the distribution arrangements all necessary and relevant information to enable it to identify the remuneration associated with the distribution arrangements to allow it to assess the ongoing value of the product, including at least:

(1) the type and amount of remuneration of each person in the distribution arrangement where this is part of the *premium* or otherwise paid directly by the *customer*, including in relation to *additional products* (other than where this relates to another *non-investment insurance product* for which the *firm* is not a *manufacturer*);

(2) an explanation of the services provided by each person in the distribution arrangements; and

(3) confirmation from any *firm* in the distribution arrangements that any remuneration is consistent with their regulatory obligations including *SYSC* 19F.2 (IDD remuneration incentives).

Must provide on request…

4.3.10B R For the purposes of *PROD* 4.3.10UK, a *distributor* must provide on request to a *manufacturer* of a *non-investment insurance product*:

(1) information on the *distributor's* remuneration in connection with the distribution of the insurance product;

(2) information on any ancillary product or service that the *distributor* provides to the *customer* (including insurance add-ons, non-insurance *additional products* and *retail premium finance*), which may affect the *manufacturer's* intended value of the insurance product; and

(3) confirmation that the distribution arrangements are consistent with the obligations of the *firm* under the *FCA Handbook* including in particular in *SYSC* 10 (Conflicts of interest) and *SYSC* 19F.2 (IDD remuneration incentives).

Little cracker here…

4.3.6D G The following evidential provision provides examples of arrangements the *FCA* considers will breach *PROD* 4.3.6AR.

4.3.6E E (1) A *firm's* distribution arrangements including any distribution strategy it sets up, should not result in:

(a) the *firm* receiving a level of remuneration which does not bear a reasonable relationship to the *firm's* actual costs, or their contribution, level of involvement or the benefit added by them, to the arrangements for the distribution of the product, including where the *firm* provides little or no benefit beyond that which the *customer* would receive if they obtained the insurance product through another distribution channel;

Branko

LMA9197 - Product Value - Information Exchange Template

The Product Value – Information Exchange Template is designed to assist product Manufacturers and Distributors in meeting the requirements of the FCA PROD rules (PROD 4.2.29 R and PROD 4.2.14 P) relating to information exchange which are shown in the blue boxes below.

Manufacturers and Distributors

The term "Manufacturer" refers to a firm substantially involved in creating, developing, designing and/or underwriting a contract of insurance. As such, managing agents/insurance companies will always be product manufacturers. They may be co-manufacturers with a Distributor when the Distributor also meets the definition.

Generally a Distributor will be some form of intermediary, either authorised or exempt by the FCA. A Distributor would also include introducers.

Requirements and Responsibilities

The fair value assessment is the responsibility of the Manufacturer of a product, which will typically be the insurer unless otherwise agreed with the intermediary in a formal agreement.

ONEROUS Issues

- Do the existing distribution arrangements add any value and what does each party do to enhance value?
- Are such arrangements unnecessarily complex which might mean customers are at greater risk of not receiving fair value?
- Firms must not use a distribution channel unless it results in fair value and regular reviews now needed
- Commercial business is included so **<u>this will include arrangements with property managing agents and persons not regulated under FSMA</u>**

Branko

In a nutshell

- Joint obligation - insurer and broker
- Agree what role you have in the manufacturing and/or distribution process
- Understand if what you do adds or detracts from the value of the product
- Is there anyone else in the chain and if so
  - what do they do?
  - how much do they get paid for it?
  - is this fair?
  - how does any of this add value to the end customer?
- Brokers to incl net rated and what fees/charges are for - what **<u>extra</u>** value do these provide?

Branko

4. Multi-occupancy

Branko

FCA FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

28 January 2022

Dear CEO

Insurance costs for multi-occupancy buildings

You will know of the continuing concerns of parliamentarians, consumer groups and others about the rising cost of insurance for apartment blocks and similar multi-occupancy buildings, with significantly increased costs being passed on to residential leaseholders and other affected property owners. This is contributing to financial difficulties for many of them; a key indicator of vulnerability.

Multi-occupancy

- Increasing costs being passed to leaseholders and tenants (retail customers at the end of all of this despite the policyholder being a commercial customer)
- FCA expect adequate resources incl knowledge and expertise to provide an appropriate service
- Intermediaries (and anyone else involved in the distribution) should not adversely affect the value of the product/are insurer commissions excessive
- Does the commission you receive (and the PMA) bear a reasonable relationship to the benefits the services provide and the costs incurred? Higher premiums mean more commission but what <u>extra</u> is being provided?
- Refusal to disclose commissions

Branko

Share Tweet in 0

Upper tribunal rejects second attempt at dumping £355,000 Virgin Active gym debt onto the leaseholders' service charges at prime London Docklands site

Christodoulou's Yianis Group also criticised for corporate restructuring to nobble section 24 court appointed management

★ **Christodoulou's insurance broker Reich, which is Financial Conduct Authority regulated, ordered to disclose spreadsheet showing any commissions baked into premiums following Communities Secretary Michael Gove ordering joint FCA / Competition and Markets Authority probe into spiraling leasehold insurance costs**

Judge Martin Rodger QC dismayed by the billionaire freeholder's 'extremely unattractive' approach to tribunal

UK Parliament

Early Day Motions

UK Parliament > Early Day Motions > Financial Conduct Authority and leaseholders property insurance commissions

Financial Conduct Authority and leaseholders property insurance commissions

EDM 1121: tabled on 24 March 2022

Tabled in the 2021-22 session.

This motion has been signed by 1 Member. It has not yet had any amendments submitted.

Motion text

That this House demands that the Financial Conduct Authority (FCA) requires its regulated entities to disclose to residential leaseholders all commissions, remuneration, other fees and excessive costs associated with property insurance premiums paid by the leaseholders; asks the FCA to note the unfair delays and unnecessary costs in the two and a half years of hearings involving Reich Insurance Group and Canary Riverside Estate Management and Octagon Overseas Limited; and asks Government to make sure leaseholders are given details without having to apply for the information or to go to the tribunal.

Leasehold Reform (Disclosure and Insurance Commissions) Bill [HL]

[AS INTRODUCED]

CONTENTS

INSIGHT

Insurance sector can no longer turn 'a blind eye' to property cover commission impact on leaseholders

By Saxon East | 6 April 2022

Industry experts and campaigners feel the FCA is not doing enough to protect leaseholders from opaque commission practices in property insurance

Insurance Times

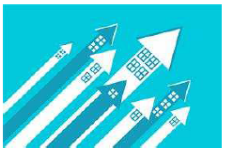
Proposed Leasehold Reform bill a 'red flag' for industry over property insurance commission disclosures

By Yiannis Kotoulas | 29 July 2022

'Millions of people' could be insured 'for a lot less', says financial compliance firm principal

The Leasehold Reform (Disclosure and Insurance Commissions) Bill – which would mandate compulsory commission disclosure by landlords – was presented as a private members bill to the House of Lords earlier this month (14 July 2022).

Introduced by Lord Kennedy of Southwark, the bill would also prevent landlords recovering service charges from their leaseholders if they failed to comply with their disclosure obligations.



Read more… Insurance sector can no longer turn 'a blind eye' to property

While private member bills rarely make their way into law, the fact that members of Parliament have begun to agitate for this issue is further evidence of the way the wind is beginning to blow for the insurance sector.

Sent to 17 insurers and 26 brokers

FINANCIAL CONDUCT AUTHORITY

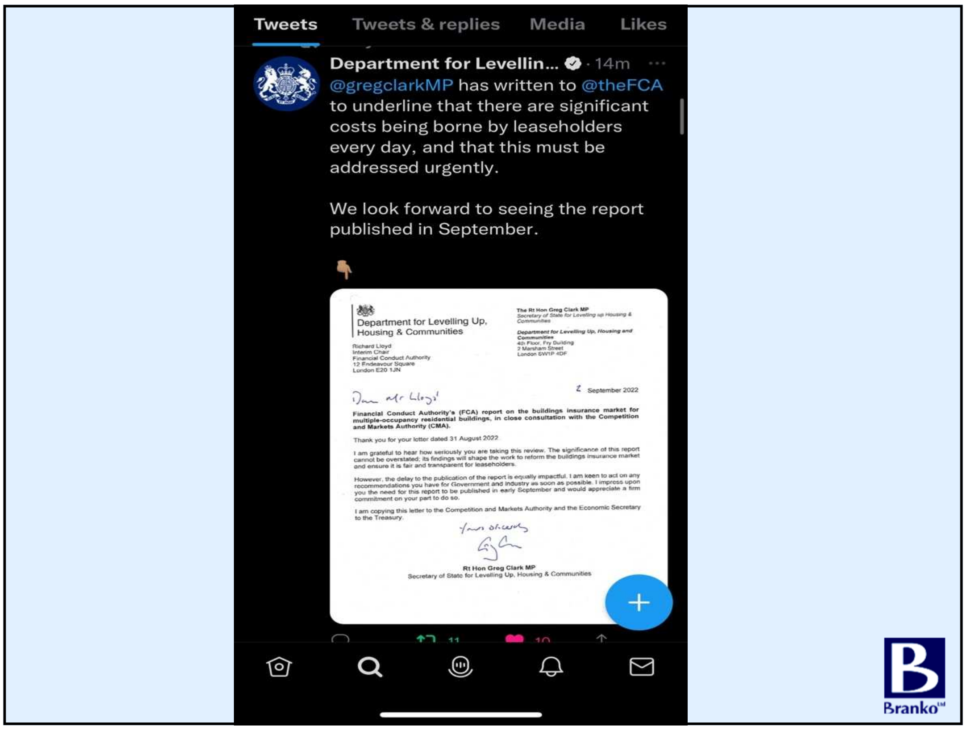
Introduction

Insurance for multi-occupancy buildings review – Information Request

Firm Name:
FRN:

Your firm has been selected to be included in a review the FCA is undertaking.

The review is considering the supply of property owners insurance for multi-occupancy buildings, given concerns around how this market is operating and whether it is causing harm to those bearing the costs of this insurance, often the residents and leaseholders. This is a particular issue for those buildings with unsafe or flammable cladding that has been fitted widely over the last two decades, or where other material fire safety defects may exist.



What have we covered?

You should have gained an insight into:

- What is Consumer Duty and core components of this
- Key GI issues
  - Pricing and Product Governance
  - Multi-occupancy insurances

Branko

Thank you for listening

Questions please

www.branko.org.uk

(0800) 619 6619

Branko