



Association of British Insurers

# COMMERCIAL LINES AND LONDON MARKET INSURANCE SECTOR

**THE ABI  
WORKING  
FOR YOU**

# The ABI Working for you

**We know how important it is to champion our sector, to policymakers and regulators in the UK, EU and internationally. To support the continued success of insurers in commercial lines and the London market, the ABI makes the following commitments:**

- ✓ We will continue to push for a balanced regulatory environment combining stability and reliability with a reasonable compliance burden.

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- ✓ We will continue to advocate a competitive tax environment for UK-based insurance and reinsurance firms.

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- ✓ We will influence policymakers to deliver changes which benefit the commercial property and motor markets.

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- ✓ We will work with stakeholders to improve UK cyber security, and help facilitate the growth of the UK cyber insurance market.

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- ✓ We will align more closely with London and Lloyd's market firms and their representative bodies to promote the London Market group and ensure a joined up industry approach on important commercial issues.

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# About the ABI

The Association of British Insurers is the leading trade association for insurers and providers of long term savings. Our 250 members include most household names and specialist providers who contribute £12bn in taxes and manage investments of £1.8trillion.

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## THE ABI HELPS YOU GET THE INSIDE TRACK

We engage with UK, EU and international regulators and policymakers.

- ✓ ABI represents the UK at Insurance Europe - the EU wide insurance industry body looked to by policymakers to represent the industry perspective across the EU.
- ✓ Our expert UK Public Affairs Team works with all UK political parties to ensure the views and perspectives of insurers are heard. With hundreds of engagements with Ministers, shadow ministers, leading and backbench MPs, we ensure the work of our members is seen and heard.
- ✓ Our expert EU Public Affairs team is active in Brussels and Frankfurt to ensure views and perspectives of insurers are heard by politicians and officials in the European Parliament, European Commission and with EU regulators.

## THE ABI REDUCES THE COST OF INFLUENCE

UK insurers face regulatory, policy and public challenges – we can help you meet those challenges.

- ✓ UK and EU public affairs – our in house expertise reduces the need for our members to retain their own agencies.
- ✓ Regulation – we have 50+ meetings a year with our UK regulators covering the whole waterfront of issues.
- ✓ Our policy experts engage with senior officials across Whitehall to influence public policy and legislation.



## THE ABI GIVES YOUR BUSINESS A BIGGER VOICE

We amplify our member's views and policymakers in the UK, EU and internationally look to us for an industry perspective.

- ✓ Our experts and access means your voice, as part of the ABI, is heard in more places, more often.
- ✓ Speaking as a sector brings greater influence across regulators, media, Whitehall and Westminster.
- ✓ We have a more powerful story to tell about the contribution insurers make to society and the economy when viewed as an industry, than as individual firms.



## THE ABI GETS THE RIGHT PEOPLE TOGETHER

Regulators, politicians, policymakers and experts all engage with the ABI so they can reach our members and in response, give members an insight into their thinking and work programmes.

- ✓ Networking – we provide a range of opportunities through committees, informal networks and development programmes, such as Future Leaders, for members to meet and engage with each other and leading policymakers.
- ✓ Flagship policy events – with high level speakers including ministers and regulators exploring the key policy developments of the day.
- ✓ Private roundtables and dinners – we host private events so that members can talk directly to leading politicians, regulators and policymakers.



## THE ABI SUPPORTS YOUR BUSINESS NOW AND FOR THE FUTURE

We help our members prepare their business for change that comes from regulation and policymaking; with no conflicts of interest we can share best practice and take action to protect our members' interests.

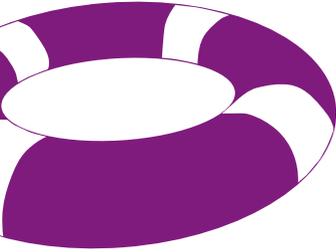
- ✓ Expert workshops – we hold member-only workshops with external experts on a range of insurance issues.
- ✓ Fraud – we are driving the fight against fraud through IFB and IFED.
- ✓ Early warnings – we share our insight into what's coming down the line and use our expertise to help you get ready.

## THE ABI KEEPS YOU AHEAD OF THE CURVE

Our industry statistics, analysis and expertise provides our members with essential insight into the industry.

- ✓ Our expert staff are on hand to provide members with their insights and knowledge across both individual markets and the broader policy and regulatory environments including UK and EU politics, G20 and OECD, FCA, PRA, EIOPA.
- ✓ Data – we publish 85 data collections across the industry each year
- ✓ Newsletters – we provide weekly conduct regulation and public affairs updates, monthly bulletins on Prudential and European developments and the latest news on specialist areas and product lines.
- ✓ External policy groups – ABI represents our industry on key policy groups and keeps members informed about the latest developments.
- ✓ Well connected – our expert staff use their connections and networks to promote the sector and give you the latest developments, first.

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## COMMERCIAL PROPERTY

### Fire risk

We are lobbying for building regulations to be reviewed to ensure new build constructions are more resilient to fire through an increased use of high integrity fire detection systems, and for sprinklers to be mandatory in large warehouses.

### Riots

We have led lobbying on the Riot Damages Bill to ensure the reviewed legislation continues to allow insurers to recover costs for riot claim payouts.

### Flooding

Throughout the last 18 months the ABI has continually highlighted claims progression data to Government for the thousands of commercial properties affected by the winter 2013/14 floods and storms. This has demonstrated to government and media the real value of insurers in helping businesses get back on their feet.

## TRADE CREDIT INSURANCE

### Enterprise Finance Guarantee

The ABI successfully demonstrated the value of the trade credit insurance market at a time when the Government's Enterprise Finance Guarantee pilot threatened to encroach into the market. The Government's pilot ended with the outcome that the existing competitive insurance market is working well.

## THE INSURANCE ACT

### Modernising Insurance Law

The ABI engaged with the Law Commission on the Insurance Act, ensuring that the reforms were delivered in the clearest possible terms, minimising the risk of satellite litigation and clarifying the new division of responsibilities.

## LIABILITY

### Cyber Insurance

The ABI has formed a cyber insurance working group to bring expert industry views together on emerging cyber policy challenges. Using this knowledge, we have already begun to engage with the PRA on cyber as they increase the focus on the topic and have worked with the Cabinet Office to clarify and streamline the interface between Government and industry.

### Noise Induced Hearing Loss

Our policy and research published in 2015 has directly influenced the Lord Chancellor to ask the Civil Justice Council to examine how a regime for fixed legal fees for NIHL cases (and potentially other types of cases) might work and how the handling of NIHL claims might be improved. Recommendations are due in early 2016.

### DWP/ABI Mesothelioma scheme

Through the ABI, insurers have put in place an industry-wide database to improve the tracing of historic policies and funded a mesothelioma payment scheme for those who are unable to find a compensator. The parameters of the scheme were developed by the ABI and the Government, and the ABI lobbied to ensure the Government took account of the likely costs on active insurers – many of whom have had no exposure to asbestos related liabilities – and the impact on business.

### Motor/Personal Injury

The ABI led the campaign to reduce costs in the compensation system for personal injury motor claims and our lobbying led to significant reductions in fixed recoverable legal costs through the Claims Portal. The ABI successfully defended this progress against the claimant lobby judicial review, securing the reduction in costs and saving the industry £300 million. The ABI has been closely involved in the establishment of MedCo and continues to lobby for more action to curb the cost of whiplash claims.



## TAX

### OECD Base Erosion and Profit Shifting (BEPS) legislation

The ABI has lobbied both the OECD and UK Government to ensure the industry is not inadvertently impacted by the outcomes of the BEPS Action Plan. One of the original proposals (BEPS Action 7) was that there would be a taxable presence where insurance premiums were collected by certain agents. Following the ABI lobbying this proposal has been withdrawn.

### Diverted Profits Tax

The ABI lobbied for changes to the proposals (known as the Google tax) and when the legislation was finalised there were significant improvements from the draft. HMRC also published DPT guidance which includes examples of common insurance business models which help clarify the circumstances where DPT may be in point for insurers.

### Insurance premium tax increase

Insurers have been given a temporary relaxation in how they file their IPT returns to HMRC, following representation by the Association of British Insurers (ABI). The ABI met with HMRC and Treasury officials to explain the challenges being faced by insurers having to implement this change at relatively short notice.

## FRAUD

### Insurance Fraud Taskforce

The ABI will work with members and other stakeholders within the insurance sector to consider and take forward recommendations made by the Insurance Fraud Taskforce. As an early recommendation, the ABI has agreed to take the lead in reviewing the cross-sector good practice guidance on application fraud to be published prior to the end of the year.



## REGULATION – PRUDENTIAL

### Solvency II

The ABI has been working this year to ensure that finalised policy on Solvency II is reflective of the political agreement reached in Brussels, and that the PRA's interpretation of this policy results in the intended level playing for UK firms. In particular, the ABI secured changes to the UK's secondary legislation for Solvency II, ensuring that firms can apply the transitional measures as expected by basing the transition on this year's ICA regulatory position. The PRA has also confirmed they will take into account the full use of these transitional measures in their supervision, including when considering payment of dividends.



### Global Capital Standards

Two out of the three global capital standards being developed by the International Association of Insurance Supervisors (IAIS) now have the blessing of the G-20. The ABI's focus is on ensuring that the third of the measures, the Insurance Capital Standard (ICS) is designed appropriately, and does not adversely impact on Solvency II.

### International Financial Reporting Standards (IFRS)

Insurance companies apply IFRS in reporting their financial results to the markets. Two IFRSs matter especially: IFRS 9 (Financial Instruments) and IFRS 4 (Insurance Contracts). The first is new and has to be applied from 2018. A replacement for the second is still in development. Reflecting their asset/liability management practices, insurers will need to apply both together. Otherwise their financial reporting may be distorted, which could give a false impression to investors, and this would introduce significant operating complexity. ABI lobbying has contributed to the official European Financial Reporting Advisory Group (EFRAG) advising, exceptionally, the European Commission, that from 2018 insurers should be permitted, but not required, to use IFRS 9 until IFRS 4 is replaced.

## REGULATION – CONDUCT

### FCA Thematic Review: SME Claims Handling

Following the FCA's publication of the thematic review into claims handling for SMEs in May 2015, the ABI held a workshop with members and the FCA thematic review team to discuss the findings in more detail. The discussion focused on SMEs being central to the insurer's processes, the chain of responsibility and underinsurance. Following on from this, the ABI has been working with BIBA on their draft broker guide on underinsurance, with members responding positively to this document and providing technical feedback which BIBA has integrated into the final document. Following this guide, the ABI has worked with BIBA on developing a consumer focused guide on underinsurance, to be completed by the end of 2015.

## REGULATION - EUROPE

### The Insurance Distribution Directive (IDD)

This legislation will update the Insurance Mediation Directive (IMD) 2002, which sets out the current framework for regulating EU insurance brokers, agents and other intermediaries. The ABI has lobbied throughout the process and our work has ensured that the definition of "large risks" in the IDD is consistent with Solvency II. We successfully negotiated the exemption of "large risks" from: information requirements, including the provision of the Insurance Product Information Document (IPID), remuneration disclosure, strict product governance rules and advice standards for execution only sales. This means commercial lines providers will not have to face overly burdensome and potentially duplicative requirements, which could have added to the providers' costs and could have added barriers to the sales process.



### General Data Protection Regulation

This Regulation will regulate how firms can access, process, share and store personal data. Since the publication of the European Commission proposal in January 2012, the ABI has commented on over 5,000 tabled amendments, with particular goals as follows:

- ✓ ensure that rules on profiling should not prohibit or restrict the ability of insurers to conduct risk assessment on the basis of the information provided, in order to determine the appropriate level of insurance cover and price for the individual.
- ✓ delete the provisions on data portability, or at least ensure this right does not promote anti-competitive behaviour or undermine intellectual property.
- ✓ ensure the ‘right to be forgotten’ does not apply where there is a contractual relationship and the data is needed for the performance of the contract, where there are legal or regulatory requirements to retain data, or where there is a need to retain data for fraud detection and prevention purposes.



### Insurance Block Exemption

The ABI has been arguing for a full renewal of the Insurance Block Exemption Regulation for joint tables and studies, and insurance pools, as the European Commission prepares its decision on whether to renew the IBER in 2017. The IBER allows (re)insurers to benefit from an exemption to the prohibition of anti-competitive arrangements set out in the Treaty, thus providing legal certainty for insurers to enter into certain agreements which have positive effects on prices and coverage.

### Compulsory insurance

The ABI continues to lobby against the introduction of unworkable compulsory insurance provision in European legislative proposals, such as for medical devices, GMOs, environmental liability and remotely piloted aircraft systems.







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**For more information**

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