

**Thematic review of general insurance intermediaries’
professional indemnity insurance
Financial Conduct Authority (FCA)
RPC rating: **validated****

Description of the measure

The FCA undertook a review to assess the extent to which a sample of 186 firms’ professional indemnity insurance (PII) policies complied with the FCA’s Handbook requirements. The review identified three specific areas requiring FCA clarification of existing rules; minimum policy limits, financial sub-limits for Financial Ombudsmen Service (FOS) awards and suitability for insurers’ exclusion.

Impacts of the measure

The assessment explains that that a total of 5,249 firms would be affected by the requirements. All firms are required to be familiar with the thematic report; the FCA estimates that this will impose familiarisation costs totalling £519,000 -- £500,000 on intermediaries and £19,000 on product providers.

The FCA has also identified costs to compliant firms in three further areas.

- Estimated costs of £36,000 for redrafting and reprinting documents where terms relating to the suitability of insurers do not comply with the revised guidance.
- Costs to firms that were under-insured because previous guidance was unclear. As a result of the review, the FCA found that three firms had inadequate cover. It estimates that a further five intermediaries would have inadequate cover and would, therefore, incur costs as a result of the clarification. Based on the costs to firms sampled, the FCA has estimated that the total ongoing cost of compliance to the eight firms that had previously misinterpreted the guidance will be £93,000 per year.
- Removal of “suitability of insurer” exclusions. The FCA estimates the cost of this to be zero as insurers did not charge any additional premium to have these exclusions removed.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.2 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

The FCA has provided sufficient information via a link and a footnote on firms' support for the above estimates. The assessment would have benefited from providing a summary of business support for the estimates within the body of the assessment.

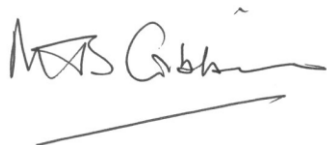
The submission is appropriately concise, but could have been drafted more clearly, minimising the use of jargon.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.2 million
Business net present value	-£1.4 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.2million
Business Impact Target (BIT) Score ¹	£1.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.