

Thematic review of principals and their appointed representatives in the general insurance sector

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

A principal is a firm, authorised by the FCA, that has accepted responsibility in writing for the regulated activities of an unauthorised person called an appointed representative (AR). By doing so, the principal accepts responsibility for anything the AR has done or omits to do. The FCA has undertaken a review to assess the extent to which principals understand and comply with their regulatory responsibilities.

The review found significant shortcomings in the control and oversight of ARs by many principals, but did not impose any new regulations to address them. However, the FCA expects all principals to familiarise themselves with the report and to undertake a gap analysis to check compliance with existing regulations.

Impacts of the measure

The assessment explains that a total of 1,668 firms have appointed representatives and hence would be affected. The FCA estimates a total familiarisation cost of £215,000 for the 1,668 firms and a total cost of £3 million as a result of the expectation that firms will carry out gap analyses.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.4 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

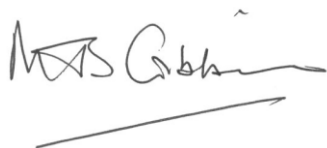
The FCA has provided sufficient information via a link to its separate Cost Benefit Analysis (CBA) to allow the RPC to confirm the EANDCB figure. The assessment would have been improved by a summary of the evidence underpinning the estimates within the body of the assessment.

Regulator assessment

| Classification | Qualifying regulatory provision |
|--|---------------------------------|
| Equivalent annual net direct cost to business (EANDCB) | £0.4 million |
| Business net present value | -£3.2 million |

RPC assessment

| Classification | Qualifying regulatory provision |
|---|---------------------------------|
| EANDCB – RPC validated ¹ | £0.4million |
| Business Impact Target (BIT) Score ¹ | £2.0 million |



Michael Gibbons CBE, Chairman

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