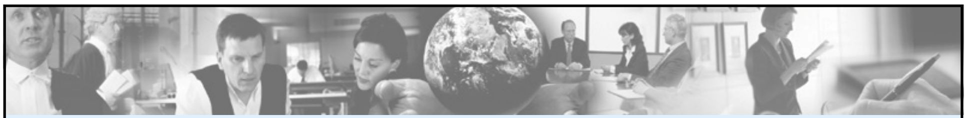

GI Consumer Duty and update

Branko Bjelobaba FCII
Regulation & Compliance Consultant

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Branko Ltd

FCA compliance consultants

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

British Insurance Brokers' Association

amii THE HEALTH ADVICE PROFESSIONALS

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Today's event

- Thank you to your LI for hosting
- Questions welcome!
- Please complete the feedback survey
- You will get the slides

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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
  - Premium Finance 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
- Consumer Duty and Product Governance are closely linked
- Please take up whatever professional help you need to ensure your business remains compliant

Today

1. Consumer Duty
2. Premium Finance
3. Product Governance
4. Multi-occupancy

1. Consumer Duty

Initial thoughts then?

- CD sets higher and clearer standards of consumer protection and requires firms to put their customers' needs first
- It is a new concept and an extension to existing regulation
- Individual staff members have a personal role
- Standards just evidence good practice and most of it we do already (hopefully!)
- Duty applies whether or not there is a direct relationship with the customer
- 600 firms have had a progress survey

Proportionality

The Duty applies in a reasonable way. The focus on good customer outcomes applies to all aspects of firms' operations and culture. All firms have a Duty to act to deliver good outcomes for their customers. What this means in practice will depend on key factors, including:

- The nature of the product or service. More complicated products are likely to need more attention than simpler or less risky products.
- The characteristics of a firm's customers. Where customers are more likely to have characteristics of vulnerability, for example, we would expect it to take additional care.
- The firm's relationship with its customers. Obligations under the Duty reflect the firm's role and ability to influence retail customer outcomes. We would expect firms to focus on harms that are reasonably foreseeable.
- The size of the firm. We do not expect a small firm to apply the same resources or processes as a large firm.

FCA FINANCIAL CONDUCT AUTHORITY

A new Consumer Duty

Feedback to CP21/36 and final rules

Policy Statement

PS22/9

July 2022

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

(The word “value” is mentioned 368 times)

One sentence…

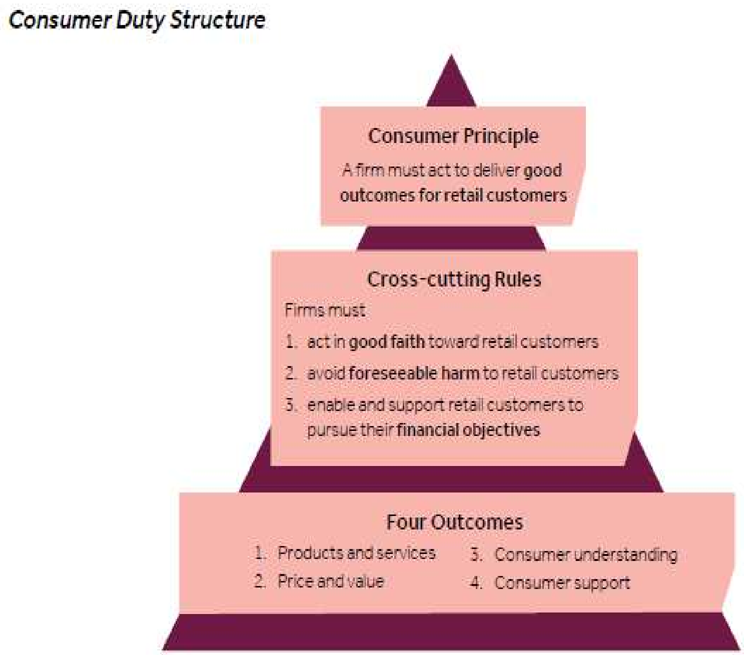
The duty introduces a new Principle, which requires firms “to act to deliver good outcomes for retail customers” when it comes to **<u>products, services, price, value, consumer understanding and support</u>**

FCA think…

- Customers are being sold products that they don't need, that cost too much and they experience poor service
- 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
- Government hardly impressed

What has to be done then?

1. Has it been designed well?
2. Do consumers understand it?
3. Is it priced correctly
4. Does it provide fair value?
   I. Product itself
   II. Services provided by the broker and anyone else?
5. Does it work?
6. How are consumers supported?
7. Are you behaving the best way possible?



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

CD does not extend to reinsurance, large risks and group insurances

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]

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

The Four Outcomes
(evidence of delivery will be needed)

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

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 products and services** and undertake regular value assessments with sharing of information between manufacturer (typically the insurer) and distributor(s). To incl premium finance/fees/charges/add ons. Are benefits commensurate with the costs?
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. (Bear in mind the Supreme Court's criticism over the covid claims debacle and wordings…)
4. **Consumer Support** - products can be used as expected, benefits are being realised and they do not face unreasonable barriers e.g. claim, make changes, cancel or switch (incl the method of engaging)

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)
- **From 31 July 2023** (closed products 12m later) you will need evidence that the product was expected to deliver a good outcome and that foreseeable harm was anticipated and addressed
- Monitor performance against original expectations and advise customers as to what they need to do (if relevant)

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So where should you be?

- What does your implementation plan look like?
- Gap analysis looking at:-
  - Senior management awareness/commitment
  - Culture and reward
  - The new Principle
  - The three cross cutting rules
  - The four outcomes
  - Third parties incl ARs
- Think of the MI you will collate
- Board level updates

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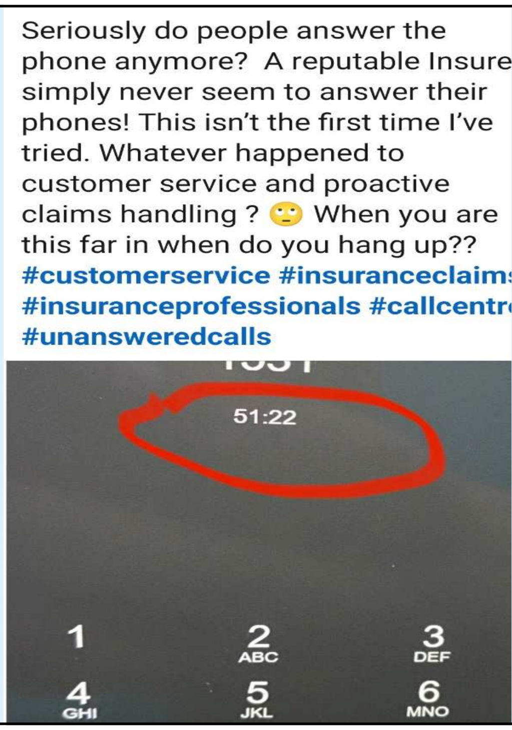
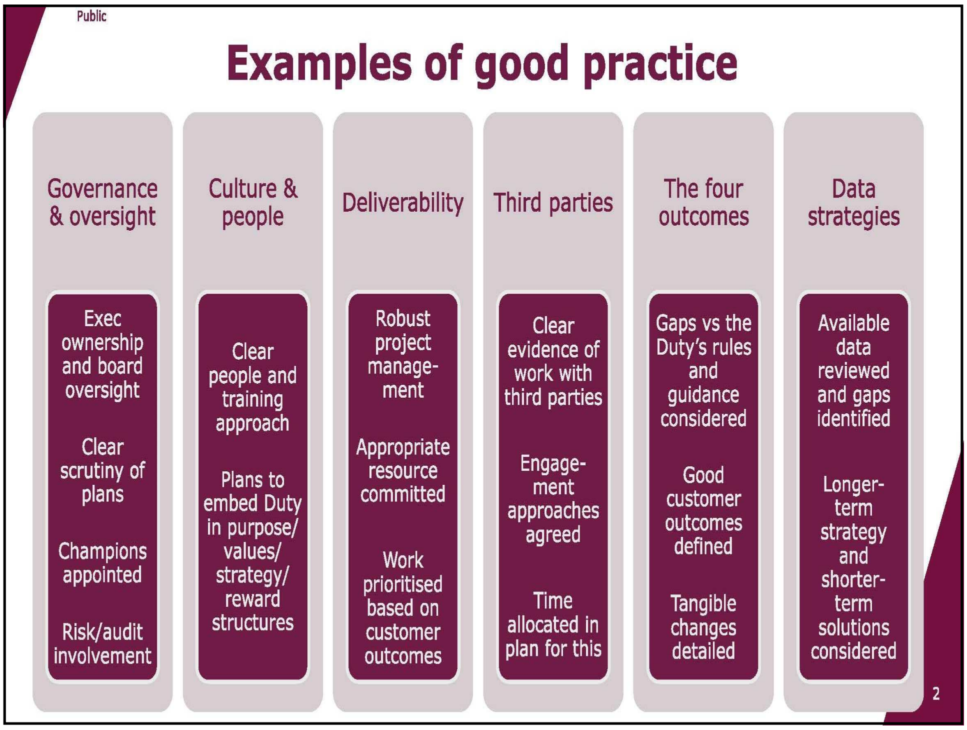
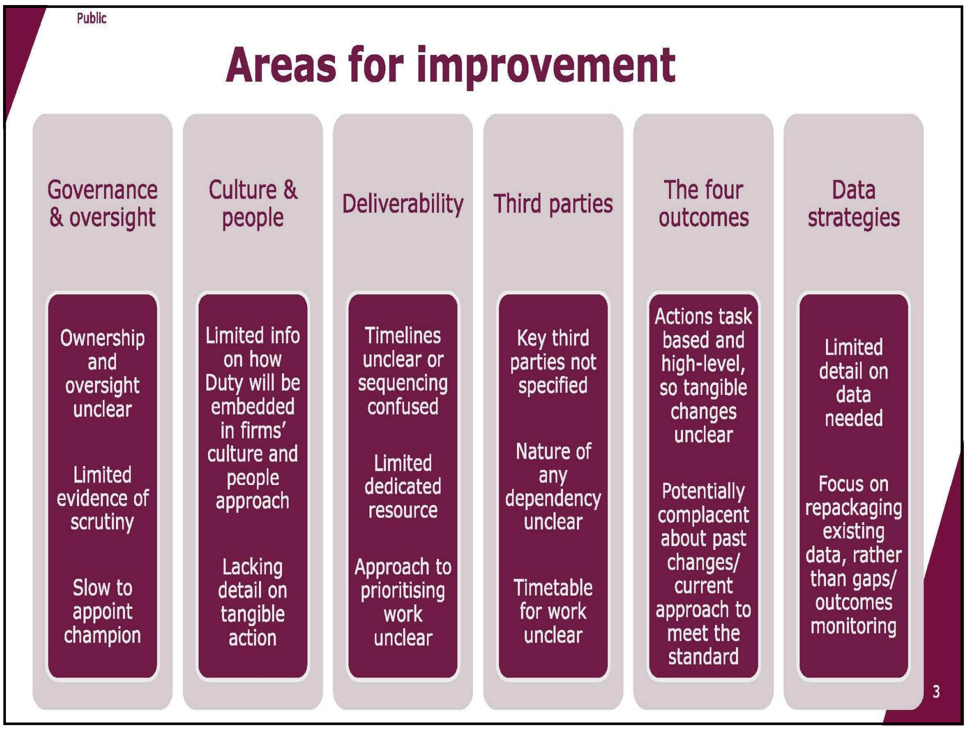
Examples of MI

- Outcomes of product reviews/manufacturer value assessments to incl PF and fees (this is key)
- Readability of policy documentation
- Complaints data - why, how addressed, redress paid, what can improve post complaint, etc
- Claims data - volumes, frequency, quantum, declinatures, loss ratios, interaction with service partners, time taken, etc
- Cancellations/lapses/re-broking - reasons
- Customer feedback/scores/surveys/social media
- Vulnerable customer data/monitoring of sales
- Ensuring TC is up to date




Public
Examples of good practice
Governance & oversight
Exec ownership and board oversight
Clear scrutiny of plans
Champions appointed
Risk/audit involvement
Culture & people
Clear people and training approach
Plans to embed Duty in purpose/ values/ strategy/ reward structures
Deliverability
Robust project manage-ment
Appropriate resource committed
Work prioritised based on customer outcomes
Third parties
Clear evidence of work with third parties
Engage-ment approaches agreed
Time allocated in plan for this
The four outcomes
Gaps vs the Duty's rules and guidance considered
Good customer outcomes defined
Tangible changes detailed
Data strategies
Available data reviewed and gaps identified
Longer-term strategy and shorter-term solutions considered
2


Public
Areas for improvement
Governance & oversight
Ownership and oversight unclear
Limited evidence of scrutiny
Slow to appoint champion
Culture & people
Limited info on how Duty will be embedded in firms' culture and people approach
Lacking detail on tangible action
Deliverability
Timelines unclear or sequencing confused
Limited dedicated resource
Approach to prioritising work unclear
Third parties
Key third parties not specified
Nature of any dependency unclear
Timetable for work unclear
The four outcomes
Actions task based and high-level, so tangible changes unclear
Potentially complacent about past changes/ current approach to meet the standard
Data strategies
Limited detail on data needed
Focus on repackaging existing data, rather than gaps/ outcomes monitoring
3

And for individual members of staff - new Conduct Rule 6

<u>**You**</u> must act to deliver good outcomes for retail customers - this means dealing with customers honestly, fairly, openly and consistently meeting the customer's reasonable expectations

(As a firm consider what training is needed to ensure staff have the necessary skills, tools and confidence to act in the best interests of the customer)

2. Premium Finance

insuranceage Top 75 Brokers Insight Voices Regulation Technology Product Hub Market access Data & Rankings Events

Newell runs a broker dealing with SME, based in Ossett, Yorkshire. He said: “We’re swallowing it because people are having a tough time as well with bills.”

He added: “We’re not destitute. We’ve still got a margin on top, it’s just eating into our margin.

“There has to be a balance. Some of the rates I’ve seen from other brokers – they are just whacking it on. They’re eye-watering. Some brokers are putting eight or nine per cent on top. We work on quite a thin margin.

“We like to keep ours at 9.95%. We’re hoping there’s only one more rate rise left this year before they start dropping. Fingers crossed.”

RELATED

FCA threat of premium finance crackdown rises amid ‘fairness’ concerns

The Financial Conduct Authority has a list of concerns about premium finance, with two of its most powerful figures in

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

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To consider

- Is the PF consistent with your obligations across the FCA Handbook and the customer's best interests rule?
- Specifically 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)

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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 and are you taking on board cost of living/vulnerability issues?**

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3. Product Governance

FCA's beef?

- Products had to be assessed as providing fair value by 30 September 2022 and if this was not done, **they can no longer be sold**
- Rules were published on 28 May 2021 (effective 1 October 2021) and insurers left things far too late (thus more work from brokers)
- Generic online statements are not enough and you can't assume all is OK without asking what brokers do themselves to impact value
- Massive variations in insurer output and many have not done all that was needed
- We are disappointed with the progress made

Brokers need to…

1. Assess impact of any distribution arrangements and whether these provide/enhance fair value
2. Obtain manufacturers value assessments
3. Provided manufacturers with all relevant information to enable them to assess whether your fees/charges, add-on products, finance costs and distribution arrangements impact fair value

Scope

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

Enhancing value

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

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

(2) the type and quality of services

(3) the expected total price to be paid 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

(b) the **overall cost to the firm** and any other components of a package

(c) the **individual elements** of the total price including:

(i) the **insurance product** (including any additional features)

(ii) any **additional products** (including retail premium finance)

(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 distribution arrangements support, and will not adversely affect, the intended value of the product

Information to use/share?

1. Customer research (direct engagement with customers at sale and claims stage)
2. Claims information (frequency, acceptance rates, average payouts, disputed, etc - is the policy doing what it should, i.e. paying out?)
3. Public information (social media, etc - is it being received well/customers experiences?)
4. Distribution arrangements - remuneration and its impact and the levels/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) 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)

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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;

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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

- What value do the existing distribution arrangements provide to the end customer and what does each party in the chain 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 **this will include arrangements with property managing agents and persons not regulated under FSMA**

In a nutshell

- Joint obligation - insurer and broker
- Agree what roles each party has 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 **extra** value do these provide?

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Home > Data > General insurance value measures data - July to December 2021

General insurance value measures data - July to December 2021

Data | **Published:** 25/11/2022 | **Last updated:** 25/11/2022

Print this publication

Share

Quick tip
Highlight content for instant share

Following a successful pilot, we publish value measures data for a wide range of general insurance (GI) products for July to December 2021.

The value of insurance products for consumers continues to be an important area for us given cost of living increases and is a central feature of the incoming Consumer Duty. Firms must ensure that their products offer fair value to consumers.

This is a first set of data and we will continue to analyse trends over time. General insurance is an important product for consumers and by and large provides essential protection to consumers at fair value. However, we are concerned about how the current picture presented in the data appears to compare with firms stating that virtually all products are providing fair value.

Chapters

1. What the data shows
2. Our expectations
3. Consumer Duty

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Quick tip
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1. What the data shows

We have looked at claims costs as a proportion of premium. At an aggregated product level (where a minimum of 5 firms reported data):

- Claims costs as a proportion of premium range from 5.21% for GAP Insurance (Add on) to 65.95% for Motorcycle (all).
- For some products, add-ons have on average lower claim costs as a proportion of premiums, compared to the corresponding standalone product.
- We note that products with the lowest % of premiums paid out in claims included GAP Insurance (Add-on and standalone), Travel insurance (various), Excess Protection Insurance (Add-on) and Personal Accident Insurance (Add-on).

Users of the data can filter the firm specific information by product to explore the distribution of value measures across different firms.

This is a first dataset, covering a 6-month period. Future datasets will cover 12-month reporting periods and give a fuller picture of product value, also better reflecting wider factors such as seasonality.

Download GI value measures July to December 2021 (XLSX)

View the GI values measures tables

Chapters

1. What the data shows
2. Our expectations
3. Consumer Duty
4. Why we are publishing
5. What the data includes
6. Explaining the data
7. Data tables

More on GI values

General insurance value measures

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Quick tip
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2. Our expectations

Firms must ensure that their products offer fair value to consumers and take the value measures data into account when assessing fair value. Where value metrics indicate potentially poor value, we expect a firm's Board and senior management to strongly challenge whether its products are offering fair value to consumers.

Firms must assess the value of their products, considering, among other things, the nature of the product, including the benefits that will be provided, their quality, and any limitations (for example in the scope of cover, exclusions, excesses, or other features). In our thematic review of the general insurance distribution chain (TR19/2), we also found that consumers may not always receive fair value because of parties in distribution chains earning high (and potentially excessive) levels of commission.

Our product governance requirements for General Insurance products stipulate that firms should now have carried out value assessments of their products. Firms should refer to FCA rules and guidance in Chapter 4 of the Product Governance (PROD) sourcebook.

We will ask some of the firms offering potentially lower value products to consumers, according to the value measures data, to explain the value of these products and the outcome of the firms' fair value assessments.

Chapters

1. What the data shows
2. Our expectations
3. Consumer Duty
4. Why we are publishing
5. What the data includes
6. Explaining the data
7. Data tables

More on GI values

4. Multi-occupancy

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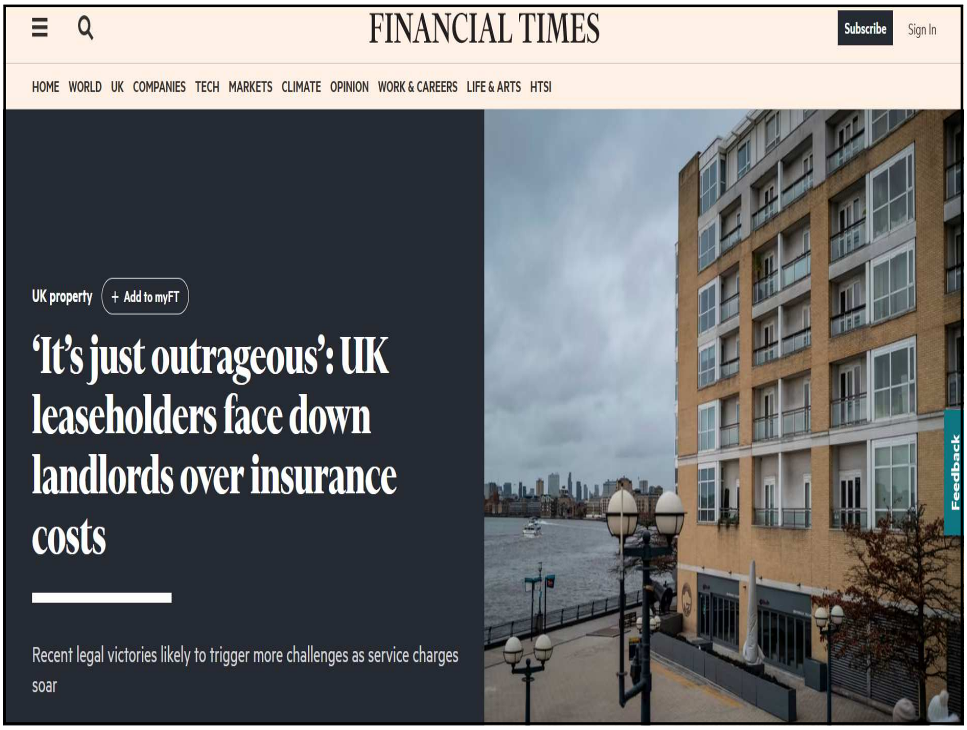
"There is a **huge insurance scandal** coming down the track with what has been going on with managing agents and leaseholders. It is **absolutely outrageous**; they are just ripping people off."

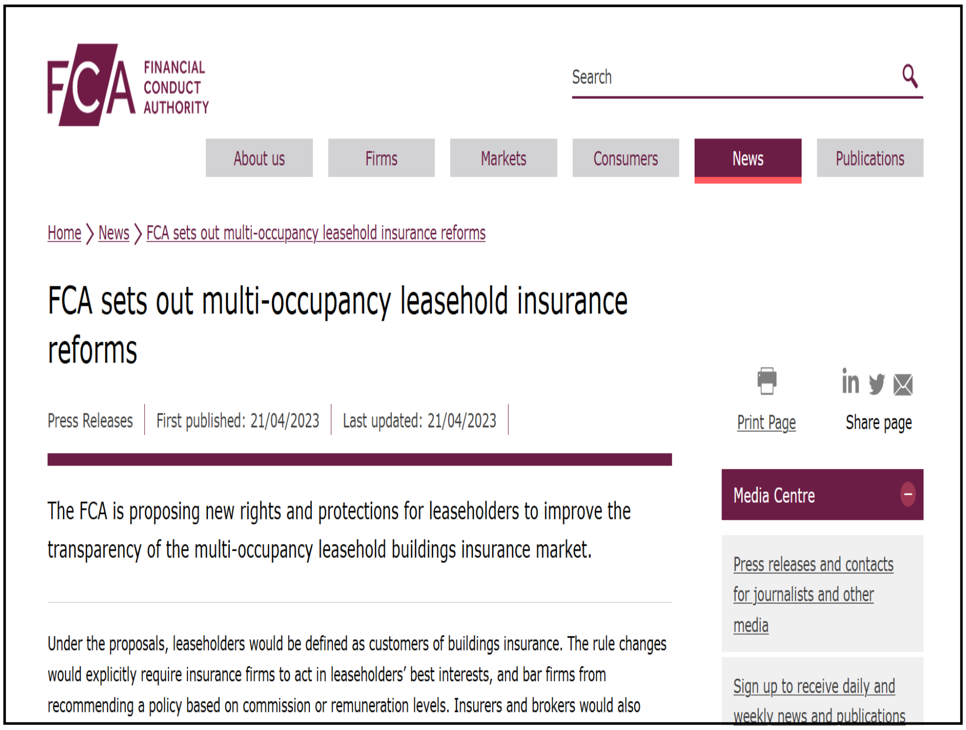
"That is why the issue of control of insurance costs is fast becoming a **critical battlefield** in excessive charges for leaseholders, who are forced to pay towards a group insurance policy but have no control to, as it were, "go compare" which is the best insurance policy to choose."

"…spent £1.6 million in secret insurance commissions…this is potentially **corruption**…excessive costs have been paid that run into thousands of millions across the UK."



Zurich has told leaseholders it is "working to reduce the commission paid where premiums have significantly increased" but did not have permission to disclose information on charges and said it continued to operate "within the current regulatory environment"

AXA said it had been working with authorities to "develop regulation around commission within the insurance industry"



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Home > News > FCA sets out multi-occupancy leasehold insurance reforms

FCA sets out multi-occupancy leasehold insurance reforms

Press Releases | First published: 21/04/2023 | Last updated: 21/04/2023

Print Page   Share page

The FCA is proposing new rights and protections for leaseholders to improve the transparency of the multi-occupancy leasehold buildings insurance market.

Under the proposals, leaseholders would be defined as customers of buildings insurance. The rule changes would explicitly require insurance firms to act in leaseholders' best interests, and bar firms from recommending a policy based on commission or remuneration levels. Insurers and brokers would also

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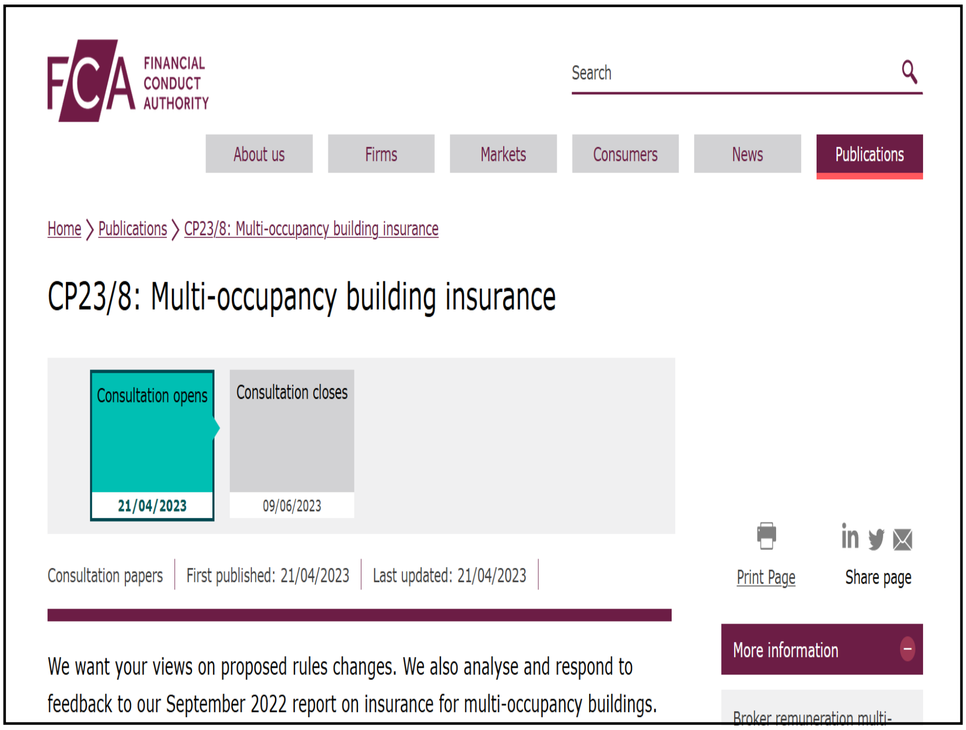
Multi-occupancy

- Leaseholders, despite paying for the insurances were not considered as customers
- Commissions rose by 46% and £80m shared
- Fair value not considered - intermediaries (and anyone else involved in the distribution) should not adversely affect the value of the product
- Does the commission you receive (and the PMA) bear a reasonable relationship to the benefits/services provided and the costs incurred? Higher premiums mean more commission but what extra is being provided?
- Reforms published 21 April 2023



Proposed changes?

- Leaseholders to be defined as customers
- Firms have to act in their best interests
- More information to be provided incl up front commission disclosure
- Immediate ban on commission payments to PMAs, freeholders, landlords and other third parties unless fair value can be evidenced

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FINANCIAL CONDUCT AUTHORITY

Multi-occupancy buildings insurance – broker remuneration

April 2023

What’s been said?

- GWP went up 56% (review - 3 years 9 months)
- Broker commission up 46%
- Brokers were often unable to articulate what insurance related services or benefits of value were provided by the parties sharing commission
- Inadequate evidence to show that they deliver fair value (due to deficiencies in their product value assessment work, shortcomings in their recording and analysis of their own costs) and insufficient scrutiny of the commissions they pay to others
- More work to produce appropriate disclosures to meet the information needs if the proposals become rules

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Department for Levelling Up, Housing & Communities

Rt Hon Michael Gove MP
Secretary of State for Levelling up Housing & Communities
Minister for Intergovernmental Relations
2 Marsham Street
London
SW1P 4DF

Nikhil Rathi
Chief Executive
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

19th April 2023

Dear Nikhil,

Broker remuneration for buildings insurance in multiple-occupancy residential buildings

Thank you for your report detailing the findings of your investigation of broker commissions for buildings insurance in multiple-occupancy residential buildings. I am grateful to you for agreeing to my request that you investigate further my serious concerns about the role of commissions in significant premium increases. Regrettably, the report compounds those concerns.

I was, in all candour, outraged by your findings. You have found that broker remuneration has risen by nearly 40% in the last three years, with £80m of commissions are going to other parties – and that brokers are unable to provide any evidence to demonstrate that this represents fair value. Despite this, they are happy to load these unwarranted and opaque costs on innocent leaseholders. We must continue to shine a light on these unfair practices, and to improve the operation of this market. Leaseholders are being badly let down. This must not continue.

I will be writing to the British Insurance Brokers' Association to express my consternation that these practices remain, given the detrimental impact on leaseholders and to seek their members' commitment to rectify them with immediate effect.

Your report strengthens my resolve to ban property managing agents, landlords and freeholders taking commissions on buildings insurance and replace with transparent fees. I see that the market has so far disregarded your open letter of January 2022, which made clear that leaseholder needs should already be a consideration. In that light, I welcome your intention, subject to consultation, to formalise the rights of leaseholders in a product's fair value assessment and ask that any resultant rules changes are implemented by the Autumn.

I believe the FCA should take immediate enforcement action against those brokers and managing agents that cannot demonstrate their commissions represent fair value, where they are regulated by the FCA and by RICS. Third-party commissions are inflating the cost of covering insurance placement and handling fees. Managing agents should be completely transparent about where service charges go. By Summer Recess, please send me an update on enforcement action and clarify how managing agents' behaviour will be directly addressed by the FCA under your powers, and those delegated to RICS.

What have we covered?

You should have gained an insight into:

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

Thank you for listening

Questions please

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