

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal: Mobile phone insurance – follow-up review

Lead regulator: FCA

Date of assessment: 24 February 2017

Commencement date: 10 December 2015

Origin: Domestic

Does this include implementation of a Cutting Red Tape review? No

Which areas of the UK will be affected? Whole of UK

Brief outline of proposed new or amended regulatory activity

This review which was undertaken in December 2015 was a follow up to our thematic review ‘Mobile phone insurance – ensuring a fair deal for consumers (TR13/2) which was carried out and published prior to the Enterprise Act requirements coming into force (May 2015).

The review was intended to assess the extent to which 14 firms (including both insurers and insurance intermediaries) had responded to TR13/2 and specifically, whether they had taken action to address the key findings and expectations outlined in TR13/2.

The scope of the review did not encompass anything new in terms of examining the mobile phone market or firms compliance with our rules, beyond that already covered by TR13/2. The review was not intended to set new standards by introducing new or additional rules, guidance or expectations on firms or provide an interpretation of existing rules or guidance.

Which type of business will be affected? How many are estimated to be affected?

The firms primarily affected will be general insurers and intermediaries involved in the provision of mobile phone insurance products, of which there are approximately 60.

Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2015	10/12/15	10	0.004	0	0

Please set out the impact to business clearly with a breakdown of costs and benefits

Note: for all cost estimates below we have assumed the changes will be applied by experienced compliance staff at an estimated rate of £48/hour. The 2016 Robert Half salary guide estimates that a compliance manager in the risk and compliance function of a financial services company based in London earns between £70,000 and £104,000 per annum. Based on working 8 hours per day for 260 days each year our rate equates to £100,000 per annum and is therefore considered a suitably prudent figure for the purposes of our estimates.

The report is 3,823 words long which, at a reading speed of 100 words a minute*, would take 40 minutes to read. Therefore we estimate the total familiarisation costs as 60 firms x £32 = **£1,920**.

Remediation Costs

The thematic review identified that there was still a significant range of practices and outcomes within the MPI market regarding firm compliance with FCA requirements and factually reported the results of this non-compliance.

Whilst the report documented examples of behaviours and practices which were identified through the review, the report is a factual translation of our basic rules and requirements, highlighting where firms within the sample population have been failing to meet these existing requirements.

No new expectations, requirements or obligations were included in the report as a result of the limited scope of the review. As full compliance is assumed when establishing the impacts of regulatory requirements, any costs incurred by firms to bring themselves to a compliant standard are not included. Therefore we have estimated a cost to business of **zero**.

* "EFTEC (2013), "Evaluating the cost savings to business from revised EA guidance – method paper".

Please provide any additional information (if required) that may assist the RPC to validate the BIT Score.

Link to Robert Half salary centre:

<https://www.roberthalf.co.uk/news-insights/salary-centre-2016>