

FSB Response to Draft Guidance for Insurers and Intermediaries

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the FCA's consultation regarding draft guidance on the regulator's expectations for insurers and insurance intermediaries when handling claims and complaints for business interruption policies during the test case.

FSB is the UK's leading business organisation. It exists to protect and promote the interests of smaller businesses and the self-employed. FSB is non-party political, and with around 165,000 members, it is the largest organisation representing small and medium-sized businesses in the UK.

Small businesses – those with less than 50 employees - make up 99.3 per cent of all businesses in the UK. Medium-sized businesses are another 0.6 per cent of businesses in the economy. SMEs therefore are 99.9 per cent of all businesses in the UK, and make a huge contribution to the economy. They contribute 51 per cent of private sector output, amounting to £1.9 trillion annually, and employ 60 per cent of the private sector workforce.

Response to Draft Guidance

FSB welcomes the publication of the FCA's guidance setting out the regulator's expectations for insurers and insurance intermediaries throughout the life span of the test case.

The intention of the document is sufficiently clear, that is to bring non-defendant insurers along as the test case progresses and ultimately to ensure that policyholders are well informed.

Offers to Settle

We particularly welcome the section which asks insurers to communicate the *'implications of accepting or rejecting an offer made on a full and final settlement basis'*. Small businesses should be made aware of the possible repercussions of accepting a settlement before the test case has been decided.

Definition of 'Intermediaries'

The only matter left for clarification is the definition of *'intermediaries'* which does not appear in the regulator's list of definitions for this guidance.

Referring back to the regulator's recent guidance for firms on product value, although admittedly the objectives of the two guidance differ measurably, our understanding has been that the term referred to brokers with binders or MGAs. We would welcome clarification on this point.

Statement as to the binding nature of the test case judgment

The small business community would also welcome a plainly worded statement setting out the implications of the test case including communication as to which insurers will be bound by the outcome of the test case and for whom the outcome would merely constitute guidance. The statement should also reference how the

outcome might be used to decide cases before alternative resolution mechanisms such as the Financial Ombudsman Service.

We are aware that the above forms part of the regulator's recent update regarding the test case. Given that a large majority of aggrieved policy holders are SMEs we hope that the regulator concedes our view that the subject merits a separate statement for the benefit of smaller business who are less acquainted with these processes. The FSB will communicate the same through our streams.

We acknowledge the regulator's efforts to resolve these matters and await a response.

Thank you for considering our response to this consultation. If you would like to discuss any of the points further, please contact me via my colleague Damilola Ojuri, Senior Policy Advisor, on 0207 592 8127 or Damilola.Ojuri@fsb.org.uk.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G Lovatt'.

Gary Lovatt

National Lead, Insurance

Federation of Small Businesses