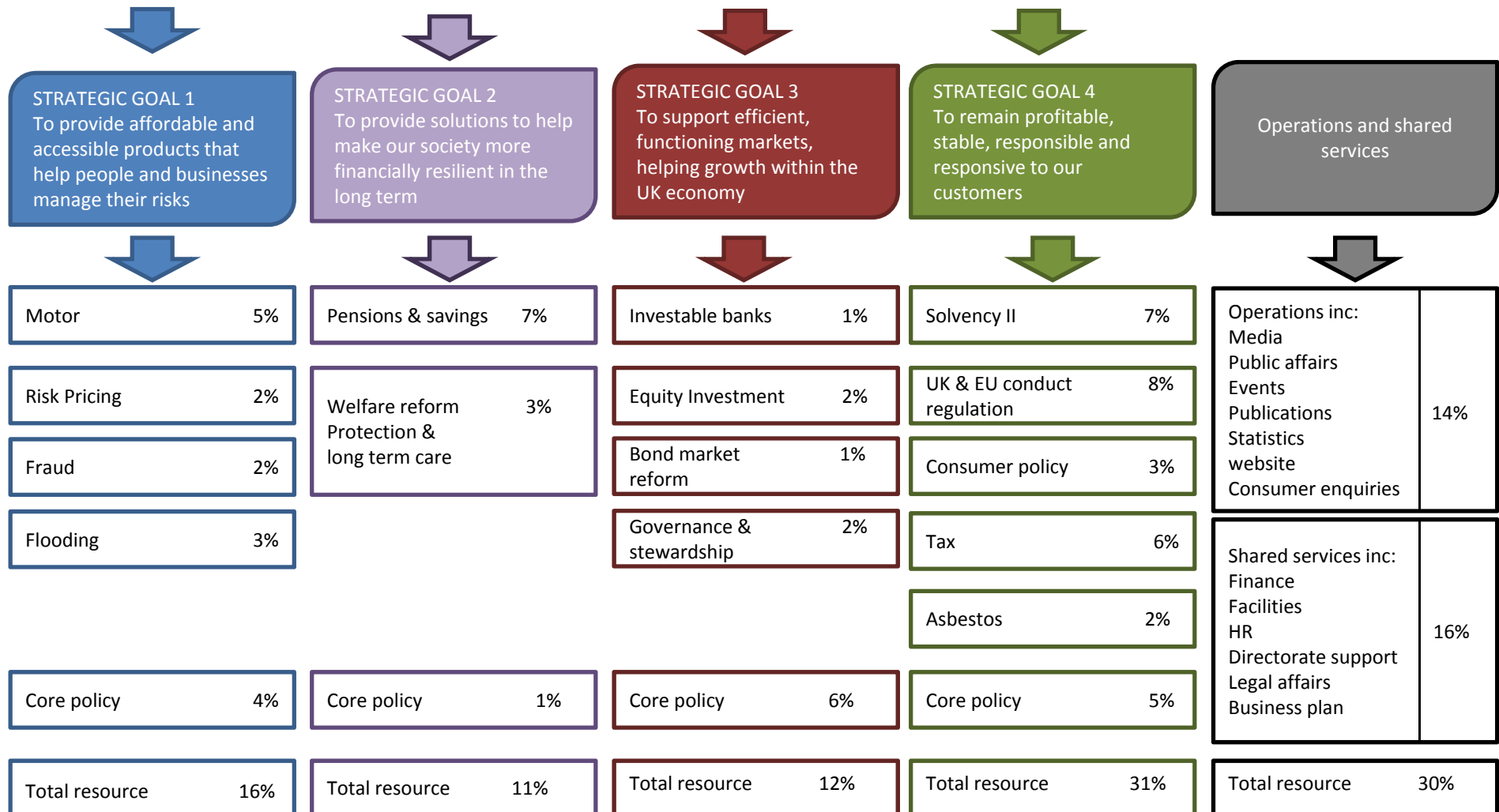


The role of the UK insurance industry

- The insurance industry provides products and services to help people and businesses manage risks and finances in the short and long term
- The insurance industry is a major employer and wealth creator; a UK world leader and a major exporter of services and expertise.
- The insurance industry is an important source of investment in the economy. It puts people's savings to productive use; as shareholders it plays an active role in ensuring companies are well run and sustainable.



STRATEGIC GOAL 1: To provide affordable and accessible products that help people and businesses manage their risks

Motor

Long term outcome

Consumers can access motor insurance products at prices which reflect their risk while allowing motor insurers to achieve adequate return on capital

Medium term goals

- Achieve a sustained reduction in the cost of bodily injury claims by supporting reforms to the civil litigation system
- Driving licence and training system reformed for young drivers
- Enhance data sharing to improve the accuracy of underwriting and help industry mitigate fraud
- Preserve industry's ability to risk price on factors such as age and postcode
- Ensure the telematics market works well for customers and insurers.

Flooding

Long term outcome

Widespread access to flood insurance is available for customers in a system that is commercially viable to insurers

Medium term goals

- Long term, sustainable agreement made with UK government and devolved governments covering future flood risk management and provision of flood insurance
- Government commitment to investment in flood defences returns to the trajectory set out in the optimum scenario of the Environment Agency's Long Term Investment Strategy.
- Restrictions remain on development in areas of flooding and are not diluted through the government planning reforms

Fraud

Long term outcome

Insurance fraud is reduced as much as possible in order to maintain an effective market and to protect honest customers from picking up the bill for fraudulent claims.

Medium term goals

- Greater and better coordinated sharing of intelligence to counter fraud.
- Improved enforcement against known fraudsters
- People less willing to commit insurance fraud

Risk Pricing

Long term outcome

Insurers are able to use risk pricing characteristics to maintain a competitive, effective and innovative market in the interests of fair treatment of all consumers.

Medium term goals

- The insurance market is supported by a regulatory regime that allows insurers to use appropriate risk pricing characteristics
- Consumers with one or more legally protected characteristics, such as age, can access appropriate insurance cover, in particular for motor and travel

STRATEGIC GOAL 1: To provide affordable and accessible products that help people and businesses manage their risks

Core policy work

- Specialist lines
- Workplace health
- PMI
- Financial crime
- Fire policy
- Liability issues
- Resilience policy
- Simple products
- IP Statement Review
- Genetics
- Medical reports

STRATEGIC GOAL 2: To provide solutions to help make our society more financially resilient in the long term

Pensions

Long term outcome

More people save more for retirement and are actively engaged in how they take their retirement income. The market has a diverse range of providers offering choice and value for money products and services

Medium term goals

- Build consumer and policymaker confidence in DC pension savings by continually raising standards
- Pension reform is implemented successfully
- People choose the right retirement income options for them and industry delivers products which respond and meets those needs
- EU pensions agenda supports and maintains positive UK pensions reform including auto enrolment

Core policy work

- Bulk-insured pensions
- Pension transfers
- Annuity set-up delays
- Pensions fraud
- SIPPs
- EU pensions reform
- Non-disclosure Code update
- Over 50 Plans

Welfare reform, protection and long term care

Long term outcome

Consumers are more engaged with the requirements to become financially resilient throughout their life and the industry delivers quality protection products that meet their needs.

Medium term goals

- A new framework for Social Care is agreed that creates demand and a clear market opportunity for insurance and savings products to fill the gap
- Build consumer and policymaker confidence in protection products by continually raising standards

STRATEGIC GOAL 3: To support efficient, functioning markets, helping growth within the UK economy

Investable banks

Long term outcome

Banks remain attractive to both debt and equity investors

Medium term goals – to be finalised but likely to focus on following areas

- interaction of regulatory structures / reforms
- impact on likely cost of funding for businesses inside ring fence and outside ring fence
- ability of banks to achieve viable cost structures and timing
- consequences for investor appetite
- implications for real economy

Equity Investment

Long term outcome

Net equity issuance is positive

IPOs and secondary capital raisings become cheaper and more efficient

Medium term goals – to be finalised but likely to focus on following areas

Regulatory constraints on equity investment eased

More high quality, well-priced IPOs come to market

- agreement with investors/banks on improved practice
- possible changes to listing/index criteria

Secondary market issuance practice reviewed / facilitated, consistent with continued minority protection

Governance & stewardship

Long term outcome

Companies have effective governance which supports long term shareholder value and investment

Medium term goals

- Improved reporting by Boards
- Continued adherence to remuneration guidelines

And others to be finalised but likely to focus on following areas

- role of insurers as longer term active investors
- possible structural measures to facilitate longer-term engagement
- board structure and effectiveness
- role of auditors / accounting standards

Bond market reform

Long term outcome

Maintenance/enhancement of efficient, liquid market

Medium term goals – to be finalised but likely to focus on following areas

- Possible structural reforms through regulatory initiatives
- Risks of distortions (from regulation, QE or otherwise)
- Widening of bond markets to serve corporates better
- Standardisation as a means to commoditise debt markets
- Infrastructure as an asset class

Core policy work

- Special bond committees
- Remuneration/IVIS

STRATEGIC GOAL 4: To remain profitable, stable, responsible and responsive to its customers

Solvency II

Long term outcome

An updated capital model which enables insurers to continue offering affordable insurance products to consumers; acting as long term investors and operating the annuity market

Medium term goals

- Level 1 framework delivers appropriate solutions for long term products and 3rd country equivalence
- Delayed implementation of Solvency II is successfully managed

Consumer Policy

Long term outcome

To ensure ABI's policy priorities across the board have improved consumer outcomes at their heart; that industry practices and products deliver positive consumer experiences and outcomes; there is greater trust and confidence in the industry and increased demand and persistency for products and services.

Medium term goals

- Industry is proactive in identifying and taking action on emerging consumer risks and recognised as such
- Industry takes a lead on development and delivery of consumer focused initiatives such as Simple Products.
- ABI influences MAS to have a positive impact on consumers behaviours, attitude and relationship with financial products and services

UK & EU conduct regulation

Long term outcome

UK and EU regulation creates an environment where insurers can thrive and consumers can be confident of good outcomes

Medium term goals

- Insurance markets and conduct regulation work to deliver public policy goals
- Regulation is focused on promoting effective competitive markets which deliver products that meet consumer needs
- EU and UK regulation are appropriately aligned
- Regulation of distribution and remuneration policies is proportionate and focused on key conduct risks
- Regulation of wholesale markets is proportionate and doesn't add unnecessary costs

Asbestos & industrial diseases

Long term outcome

Consumers who are making asbestos- and industrial disease-related claims experience a fast and efficient system that minimises costs and administration for insurer

Medium term goals

- Complete establishment of ELTO
- Pleural plaques compensation is contained to Scotland and Northern Ireland and is manageable and efficient
- Compensation for mesothelioma is quick and efficient for the consumer and industry

STRATEGIC GOAL 4: To remain profitable, stable, responsible and responsive to its customers

Tax

Long term outcome

UK maintains and builds its position as a world-leading insurance centre and leading global financial centre.

Tax incentives are effective in supporting people to save and plan for the long term.

Medium term goals

- Minimise compliance burden from Foreign Account Taxation Compliance Act "FATCA"
- Reform and simplification of VAT regime
- Individual tax reliefs and tax treatments on insurance and pensions are fair to consumers

Core policy work

- Scotland
- Financial inclusion
- Fund sectors
- Data protection
- Systemic risk
- IP statement review
- Accounting standards
- IAIS and international regulatory agenda
- UK prudential regulation
- FOS

Motor – what does success look like?	Progress November 2012
A reduction in fixed legal costs in the RTA portal and an extension of the claims limit to £25,000 is secured by end of 2012	At risk. Ministry of Justice have consulted but no decisions have been made. Civil Procedure Rules Committee meeting on December 7. Lack of progress raised with the Secretary of State
The LASPO Act is effectively and fully implemented by April 2013	See above. The ABI's application to re-open the decision in Simmons v Castle was successful and avoided a 10 percent uplift on general damages for CFA funded cases commencing before 1 April 2013, saving the industry £300 million
Public, Parliamentary and Government support for the industry's proposals on whiplash is secured by mid 2013	Potential industry public policy proposals to be considered by members in October / November
Wide coalition of support mobilised to campaign for reform of the driver testing and training regime by end Q2 2013	Significant progress made over Party conference season with ABI publication and proposals receiving significant Parliamentary and media attention. Campaign strategy developed.
Secure access to the DVLA database at a proportionate cost for motor insurers by 2014	DVLA tender process complete; DVLA build costs reduced by £2.7m. Cabinet Office and DfT approval required before proceed to build. Remain confident of early 2014 delivery date.
Industry telematics strategy agreed with recommendations to IDIB by Q2 2012	IDIB agreed strategy. Work underway to develop standards on type and accuracy of data collected, protocol of sharing incident data, and good practice guide.

Risk Pricing – what does success look like?	Progress November 2012
Agreed industry positions on risk pricing by product and risk factor by June 2013	Discussions held at the ABI Board, GIC and other committees provided a high level steer on this work. Positions and actions for the key problem areas now being drafted for agreement with ABI committees.
Insurers comply with the agreement on genetics and insurance	Most ABI member firms called upon to complete the exercise have done so. Confirmation of the remainder due for completion by the end of November.
The Equality Act secondary legislation is implemented with no changes in relation to the use of age in risk pricing by the end of December 2012	Confirmed through secondary legislation passed in October 2012. Self-regulation through the ABI-BIBA-Government agreement on sign-posting and referral is being implemented. Age UK and Which? research highlighting some issues with arrangements. Work underway to address this.
The Equal Treatment Directive is strengthened and the provisions (a) give legal certainty that insurers have a right to continue to use age and disability when pricing and designing insurance products, and (b) are legally robust to minimise the risk of a legal challenge (similar to the Test Achats case in the Gender Directive).	The ABI continues to work with UK Attache, HMT and Govt Equality Office and to feed into Insurance Europe's work with the Presidencies and other stakeholders. Agreement on the proposed Directive is not expected within the current Presidency.

Fraud – what does success look like?	Progress November 2012
Achieve 42% take-up of the Insurance Fraud Register across the GI membership by 2014	Workshops are currently being held to enable 'early adopters' insurers to participate. A 'sweep-up' workshop for potential members will be held during December.
Robust 'business as usual' IFR governance arrangements are effected by end November 2012. No legal challenges are made of the Register.	The User Agreement is being finalised. ToR for the IFR Steering Group and User Group are being drafted. The project is on schedule to deliver business as usual governance arrangements by 1 November.
A proportionate data protection landscape that does not inadvertently hinder insurers' legitimate data sharing to combat fraud	ABI continues to lobby intensively at both the national and European levels. ABI holds the chair of an influential data protection group presenting a united 'City of London' position.
IFED cases are regularly filtering through the court system by the end of 2012 with custodial sentences achieved by early 2013	IFED recently secured its first custodial sentence. The case is one of six convictions, along with 49 cautions. Over 200 arrests have been made to date.

Flooding - what does success look like?	Progress November 2012
Agreement with Defra and HMT on Flood Re by the end of November 2012 and successful transition to the new scheme by June 2014	Otto met Danny Alexander on 4 th Oct. Productive discussion. Ministerial meeting with Danny Alexander and Owen Paterson planned for end of October. We continue to work up further details of the operating model with members.
Agreement from Ministers from the Devolved Administrations to the Flood Re solution.	Met the Welsh and Northern Irish Ministers to discuss Flood Re, with encouraging reactions. Scotland meeting to be arranged for late 2012
Successful reputation management if no agreement on Flood Re	Met stakeholders (National Flood Forum, Morpeth Group, Council of Mortgage Lenders etc.) to maintain positive relationships.
Significant cross-party and stakeholder support for greater investment in flood defences by end 2013	This will become an increasing focus from 2013 onwards as focus turns towards the next spending review.
Flood risk management budget increased at the next comprehensive spending review.	This will become an increasing focus from 2013 onwards as focus turns towards the next spending review.
The Environment Agency publishes details of developments going ahead against their advice, and reduces the number of cases where they are not informed of the outcome.	The Environment Agency continues to report this on an annual basis. The number of developments proceeding against their advice remains low, but more information is needed on those of which they are not informed.

Pensions – what does success look like?	Progress November 2012
<p>Agreement with FSA, tPR, DWP, IMA, NAPF on protocol on charges by Q4 2012. The protocol sets out a clear roadmap for charges and cost transparency over the next three years. DWP does not impose a charge cap. ABI delivers a web tool supporting employers in understanding the impact of charges on employees' pension pot.</p>	<p>First meeting of external working group held on 16 October and agreement reached on way of working and broad principles. Two further meetings before Christmas, with first draft of protocol discussed at second meeting. Project Group with members set up to support ABI's policy development. We have LTSLIC clearance to deliver a simple web tool and have developed a draft specification with an ABI member.</p>
<p>ABI's Code of Conduct for Retirement Choices is implemented successfully by end 1 March 2013.</p>	<p>Members are on track for implementation on 1 March 2013. We will consult shortly on our transparency proposals.</p>
<p>Legislation for workable small pots solution introduced in Q2 2013</p>	<p>We are influencing DWP's Policy Engagement Group to ensure that the primary legislation creates an appropriate legislative framework for the introduction of pot follows member.</p>
<p>New regulatory regime established by tPR supports good member outcomes and avoids inappropriate regulation of contract-based provision by end 2013.</p>	<p>ABI pulling together views on tPR's principles and features for workplace DC schemes in preparation for their consultation in December. We also clearly articulated our interpretation of providers' legal duties in the maintaining contributions framework and will respond to their consultation by 6 December.</p>

Welfare reform, protection & long term care – what does success look like?	Progress November 2012
<p>Social Care Bill ties down local authority duties on financial advice and sets out the framework on the Dilnot settlement by Q2 2014</p>	<p>Sec of State reiterated govt. commitment to £35k cap but little further substantive progress on amount. Responded to the Draft Bill consultation. In discussion with DH about the social care funding framework including voluntary and universal cap models, and the role of advice</p>
<p>100% of direct to consumer Over 50 plan providers implement the ABI guidance by April 2014</p>	<p>Agreement reached on the scope of guidance. Launch planned in November, supported by a commitment to publishing industry data to support transparency.</p>

Investable banks – what does success look like?	Progress November 2012
Industry agree policy positions on impact of regulatory reform on attractiveness of banks for debt and equity investors	Specialist (sell side bank analyst) engaged to help in review. Target completion date 30 Nov 2012
Others to be agreed following further policy development	

Equity Investment– what does success look like?	Progress November 2012
To be agreed following policy development	

Bond market reform– what does success look like?	Progress November 2012
To be agreed following policy development	

Governance & stewardship – what does success look like?	Progress November 2012
Agree industry policy on wider governance and stewardship issues	Working group set up to review structures of shareholder engagement
Updated Principles of Remuneration are agreed and promoted	Board meeting to discuss in Nov 2012
UK comply or explain approach and voluntary approach to diversity on Boards is maintained through the EU Corporate Governance Action Plan	Announcements on EU Corporate Governance Action Plan and EU plan on Diversity expected in November 2012
Remuneration aspects of the Enterprise and Regulatory Reform Bill and new requirements on Remuneration Reporting enter legislation without significant modification	Briefing document on Labour amendments sent to Ministers, shadow Ministers and the Bill Committee.

Solvency II– what does success look like?	Progress November 2012
Third country equivalence that maintain a viable capital treatment for European insurers' US subsidiaries.	Some realisation at EC level that the insurance industry being a net exporter means the EU has a lot to lose by taking a hard line. EU-US regulatory dialogue working group published its draft report in October – allowing policy makers to understand the different approaches to regulation. Main sticking point remains the use of collateral for reinsurance in the US and the differences in group supervision. Not expecting a resolution until the final discussions on Omnibus 2.
A workable capital framework for annuities.	Long Term Guarantee impact assessment set to start at the end of November. We have engaged with HMT and FSA as well as EU institution and Insurance Europe to increase the number of options tested for the “narrow” matching adjustment which is deemed to be applied to UK type annuities.
Contract boundaries : allowance of future profit in future premium for unit linked business	This is a Level 2 points which is not going to be reopened before the Level 1 has been finalised.
Grandfather existing use of hybrids; EPIFP to be included in Tier 1.	The current framework allows grandfathering for hybrid but we need to remain attentive to the way the FSA will choose to transpose/applies what is allowed under SII. This issue is currently dormant as it is related to the transposition phase.
A workable reporting framework.	Many industry suggestions on the quantitative reporting templates have been taken on board by EIOPA. Some areas remain potentially problematic, such as the look-through approach. We are currently working with asset managers and data vendors in order to come up with practical solutions within the next semester.
With groups in mind, EIOPA broker an approach to the interim period that is as consistent as possible across Europe	EIOPA board meeting late Oct will discuss.
PRA set out the arrangements for the interim period including IMAP/ICA dynamic, to provide clarity to the markets and to investors	<p>CEO's meeting with FSA highlighted how they intended to deal with the delay in the implementation of SII.</p> <ul style="list-style-type: none"> • FSA keen to move towards ICA+ • SII internal model will be encouraged for ICA (if more than 40% ready) • The ORSA will also be required <p>Overall this sounds like a reasonable approach however we will have to make sure that the application remains sensible.</p>

UK & EU conduct regulation – what does success look like?	Progress November 2012
ABI influences FCA’s vision and approach to conduct regulation particularly that FCA recognises delivery of public policy goals and positive consumer outcomes within core remit	ABI ‘Way Ahead’ document well-received by FSA and influenced content of ‘Journey to FCA’ document; Developing action plan for delivery of ABI conduct commitments. ABI promoting amendment to Financial Services Bill; ‘Journey to FCA’ document identified consumers getting products that meet their needs as key outcome
RDR is implemented smoothly and delivers benefits to consumers including facilitating access to advice and investments products	FSA issued Dear CEO letter on inducements; FSA/industry in ongoing debate re consultancy charging; ABI and FSA published consumer guides to RDR
MiFID2/IMD2 do not undermine the RDR and auto-enrolment or add disproportionate costs/barriers to distribution/sales of insurance	European Council/Parliament amendments to MiFID allow retention of RDR; Commission proposal includes exclusion for auto-enrolled pensions. ABI working with HMT, FSA and Insurance Europe to promote amendments on execution-only (life) and remuneration disclosure (GI)
FCA approach to regulation is proportionate and subject to checks and balances; is rigorous in its approach to market analysis and approach in wholesale does not reflect retail mindset.	Government introducing backstop check on FCA usage of early warning notices; ‘Journey to FCA’ outlines high-level approach to markets – will feature in ABI response
EU data protection regulation doesn’t add unnecessary costs, and allows insurers to practice risk-pricing and share data to prevent fraud	ABI promoting amendments in European Parliament; Maggie Craig chairing cross-City working group

Consumer policy – what does success look like?	Progress November 2012
ABI provides credible evidence and research on hollowing out and value for money in retail home and motor product offerings. By end of Q2 2013.	ABI has established a task-and-die member group to support this work, and will shortly consult the group in setting a project plan.
A Simple Products framework, accreditation body and process is operational and supported by the insurance industry; and at least some member firms are offering “simple” branded life assurance products. By end of 2013.	ABI has responded to the Sergeant interim report. As the secretariat to the Sergeant Steering Group, ABI is producing a summary of the 42 replies to be considered by the Steering Group when they meet on 31 October. Final Report due by the end of February 2013.
Influence on MAS web content and significant uplift in volume of traffic to consumer content on ABI website; improvement in measures of engagement by end Q3 2013	Website redesign on track for launch Q1 2013. ABI is building MAS engagement and working together at various levels, with particular emphasis on MAS business planning, MAS consumer product guides, website tools, sharing consumer insight, and working together on policy issues.
Successful implementation of the Consumer Insurance Act by April 2013.	Members have agreed a set of questions they want intermediaries to use for customer disclosure. ABI working with aggregators, intermediaries and software houses to promote use of the question sets.

Tax – what does success look like?	Progress November 2012
UK exemption from FATCA for pensions and existing policies agreed by July 2013.	The UK Government consultation on the implementation of Intergovernmental Agreement runs until 23 rd November 2012. The ABI will be actively engaging with the Government during the consultation period .
The outcome from the consultation on the EU White Paper on VAT on financial services is supportive of the exemption on financial services to be removed - by December 2016.	Progress stalled under both the Danish and Cypriot Presidencies. The ABI are attempting to get this issue on the agenda of the incoming Irish Presidency by both direct (the ABI are meeting the Irish Presidency in mid November) and indirect (through Insurance Europe) lobbying.
Refreshed strategy agreed on retaining VAT reliefs for outsourcing and intermediation by the end Q1 2013,	The refreshing of the strategy will be discussed at the next Indirect Tax Panel meeting on 12 th December 2012.
New corporate life insurance tax regime is fit for purpose - by Q4 2013.	The ABI are continuing to engage with HMRC on the transitional rules.

Asbestos & industrial disease - what does success look like?	Progress November 2012
Manual tracing service and Technical Committee complement ELTO database searches by 2014	Scoping underway for both to be trialled with meso claims in early 2013.
Insurers are compliant with FSA regulations supporting ELTO by 2014	At risk; collection of ERNs at 30%. ABI/ELTO working with FSA and DWP to link industry compliance with access to the HMRC ERN database.
No commitment by political parties to extend pleural plaques compensation to England & Wales in run up to general election – by 2015	Previous and current Governments gave assurances they would not overturn <i>Rothwell</i> judgment. Meso reforms should remove any pressure on plaques.
Pleural plaques compensation process in Scotland & Northern Ireland minimises costs	Practice direction agreed in Scotland to process claims quickly (over100 to date). Very few claims arising in Northern Ireland.
Successful passage of legislation underpinning the untraced mesothelioma scheme by end 2013	First policy tranche delivered to DWP to inform draft legislation; preparation underway for Parliament seminar in November and other lobbying activity
First payments made by the untraced meso scheme by mid-2014	Successful industry seminar engaged industry on 2 year meso programme; infrastructure for Meso company established being developed.
Agreement on pre-action protocol, fixed costs and inclusion in LASPO for all mesothelioma claims by mid-2013 in England & Wales; agreement in Scotland and Northern Ireland by 2014	Policy detail supporting PAP and fixed costs provided to MOJ. Civil Justice Council considered both at recent meeting. Continued lobbying of DWP and MOJ to produce timescales around all three elements.