

**FSCS fees**

For brokers, the big disappointment of the new government. Last year's hike in the Financial Services Compensation Scheme levy was already in train by election day. There is little that the government can do short of overhauling how the levy calculated.

The FSA had promised a review of how the FSCS is structured, but backtracked at the end of last year, saying that it could not proceed until the EU had produced its own directive. However, the timetable for this is in the lap of the European Parliament and governments, which understandably have more pressing matters on their minds at the moment.

This lack of urgency has been the most troubling aspect of the government's handling of the issue. The upshot is potentially another big increase next year if, as many fear, Bradford and Bingley's liabilities get passed on to the scheme.

THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★

**Tax**

The insurance industry has been required to pay its share of the bill for cleaning up the UK government's battered books. Last year's emergency Budget saw the first hike in insurance premium tax for nearly a decade, from 5% to 6%. This is one stealth tax that seems to have paid off for the Exchequer, generating a 27% increase in revenues, according to recent HMRC figures. Insurance tax experts agree that the government will seek additional increases to help plug the UK's massive fiscal deficit.

"The government will be looking to find ways of taxing our industry. It's much easier than property," says Lanson director Richard Hobbs.

THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★



**Referral fees**

A referral fee ban was one of the key recommendation in 2009's Jackson Review. But the new government held off from implementing this particular proposal (which was not the case for the bulk of Lord Justice Jackson's proposals), with justice minister Jonathan Djanogly expressing public concerns that such a move could distort the market. Then in the early summer, the Legal Services Board advised the government not to ban referral fees.

But within a few days in June, everything changed when Jack Straw launched his high-profile call for a referral fee ban. Prime minister David Cameron swung behind Straw's call, prompting the Ministry of Justice's announcement earlier this month that it will be introducing a ban.

THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★



**MAY 2010  
General Election**

**JULY 2010**

**Compensation curb**  
Government announces that it is pressing ahead with shake-ups of 'no win, no fee' agreements and financial services regulation



**NOVEMBER 2010  
Levy review delay**

FSA chief executive Hector Sants announces indefinite delay to review of the FSCS, due to uncertainty over the timing of new insurance guarantee scheme Euro-directive

**FEBRUARY 2011**

**All in a name**  
Consumer and Protection Market Authority to be renamed Financial Conduct Authority, government announces

**MARCH 2011**

**Gender agenda**  
European Court of Justice ruling bans insurers from using gender as a factor when pricing policies

**APRIL 2011  
PPI backtrack**  
Banks climb down over judicial review of the FSA's handling of payment protection insurance complaints

**JUNE 2011  
Straw speaks**

Former justice secretary Jack Straw calls for referral fee ban

**AUGUST 2011  
Scrutiny of FCA plan**

Treasury select committee announces probe into the government's plan for a Financial Conduct Authority

**Year in politics:  
The Insurance Times verdict**

**JUNE 2010  
Regulation shuffle**  
Coalition agreement backs the abolition of the FSA



THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★

**Financial regulation**

The future of regulation was a dividing line between the Conservatives and the Liberal Democrats during the coalition negotiations. While the Conservatives wanted to scrap the FSA, the Liberal Democrats saw no need. The Lib Dems' Treasury spokesman Vince Cable put up a fight, but the Conservatives won.

On the big insurer side, the Prudential Regulation Authority and FSA chief executive Hector Sants was won over to the argument that insurers should be treated differently to banks.

There was concern that the new conduct regulator, which ministers wanted to call the Consumer Protection and Markets Authority, would be a Which? with power. The title was changed to the more even-handed Financial Conduct Authority (FCA).

Institute of Insurance Brokers president John Greenway says: "All the rhetoric is positive. They are saying that there should not be an imposition of costs that is disproportionate to the risk." The challenge now is to turn rhetoric into changes in the regulations with the FCA taking a similar tack to the FSA on many issues.

When the Financial Services Bill is considered by parliament the focus will inevitably be on the impact on the banks. The challenge for insurance is to make its voice heard in this context, Greenway suggests. But Groupama UK chief executive Francoise-Xavier Boisseau remains concerned that the new system will lead to duplication, and even worse, turf wars.

**OCTOBER 2010  
Defences wash-out**  
Comprehensive spending review slashes flood defence spending by one third

**Flood protection**

After years of hard graft, the industry had achieved substantial flood defence spending commitments from Labour, only to see the pledge washed away in the subsequent public spending squeeze.

Floods minister Richard Benyon raised hopes at last year's Conservative party conference when he told an ABI fringe meeting that flood protection was an "absolute priority" for the coalition. However, the comprehensive spending programme, published just few months later, saw the flood defence budget slashed.

IIB president John Greenway hopes that the government's new infrastructure investment plan includes flood defence projects.

In line with its Big Society initiative, the government has said that flood projects will be much more reliant on match funding from the private and voluntary sector, but finding these partners could be challenging.

Councils are under an even bigger financial cosh than the government, while putting money into flood schemes will not make financial sense for developers unless they have a big enough scheme.

The government's new National Planning Policy Framework, currently the subject of fierce criticism from countryside campaigners, is an added complication. The laudable intention behind the framework is to streamline the hundreds of pages of central planning guidance into one 52-page document. But taking out this many pages involves a loss of detail, including the previous government's rules to curb flood plain development.

THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★



**MAY 2011  
Referral fees fan**  
Legal Services Board recommends against a ban on referral fees

THE INSURANCE TIMES VERDICT  
Coalition rating:  
★★★★★

**Jackson Review**

The Jackson Review was one of many piece of unfinished business that the coalition inherited. Labour had sat on the report for nearly six months. "They were always going to have problems because they are on the union payroll," says AXA Commercial claims and underwriting director David Williams.

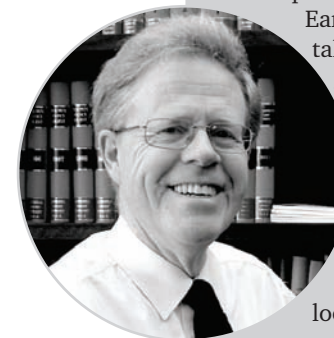
The new government took action on the Jackson recommendations within a couple of months, its proposals for clamping down on 'no win, no fee' litigation fitting neatly with the government's wider agenda to clamp down on what it saw as the excesses compensation culture.

Lord Young's compensation culture review gave added impetus to the implementation of the review's recommendations, even though the peer himself fell by the wayside after some ill-advised comments to an under-cover reporter.

Earlier this year, the Ministry of Justice published legislation taking forward the bulk of Jackson's proposals, albeit with the glaring exception of a ban on referral fees.

The bill is now progressing through Parliament, but is likely to encounter stiff opposition from the personal injury claimant lobby. Meanwhile justice minister Jonathan Djanogly's efforts to pilot the bill through the House of Commons is potentially complicated by conflict of interest allegations stemming from his family's stake in a Lloyd's business.

Nevertheless the government, with Labour's Jack Straw, looks unlikely to be dissuaded from its declared course of action.



**SEPTEMBER 2011  
Motor inquiry**  
The Office of Fair Trading announces investigation into motor insurance and government's decision to ban referral fees



**SEPTEMBER 2011  
Party conferences**



**What's next?**

**Legal Aid, Sentencing and Punishment of Offenders Bill**  
This bill, which implements the government's 'no win, no fee' overhaul, is being considered by the House of Commons, with a view to becoming law by summer. It still has to go through the House of Lords, where peers are expected to give its provisions a rougher ride.

**Draft Financial Services Bill**  
The bill, which takes forward the Conservatives' pledge to overhaul the FSA and create a new structure, is currently a draft. It will be scrutinised by a parliamentary committee in the autumn, with the full legislation due to be introduced later this year. Past experience of financial services law suggests it is likely to be heavily revised before it becomes law.

**Financial Services Compensation Scheme review**  
The FSA promised to review the structure of the FSCS in 2009. But in November, the FSA's Hector Sants announced it was being suspended pending the production of a new directive governing insurance guarantee schemes by the EU.