



Westminster

- **Discussion about disclosure of commissions flares up:** The FSA decision not to force insurance brokers to disclose their commissions earned to customers, has led to criticism from the chief executive of Lloyd's, Nick Prettejohn. He called for more transparency in the way business was conducted in the London market. Currently, brokers only have to disclose commissions if their commercial clients demand to know. The FSA also announced that it had no plans to ban contingent commissions. It did announce plans to publish clearer guidelines for insurers and brokers on how to manage conflicts of interest which will be incorporated into its handbook. The proposed guidelines have been sent to the ABI and BIBA for consultation.
- **FSA investigates 4,000 unlicensed intermediaries:** A large number of secondary intermediaries have failed to register with the FSA by last month's deadline. The regulator is now investigating if the affected intermediaries have stopped selling insurance, have become appointed representatives or are selling insurance illegally.
- **Changes to Employers' Liability (EL) insurance come into force:** The new regulation exempts sole traders from taking out EL insurance. It will affect about 300,000 companies across the country and is expected to save them on average £250 a year. The change is a result of the government's review of Employers' Liability insurance which was carried out in 2003.
- **Government contemplates scrapping of Gambling Bill:** The Bill has attracted strong opposition from the media, the general public and backbench MPs. After several government modifications the proposed legislation now also faces opposition from the gaming industry which believes that it is no longer far-reaching enough and favours overseas operators over local industry players. The government recently announced the ban of the use of credit cards to buy gambling chips or play gaming machines in casinos. The Bill is currently before the House of Lords, but is not expected to be passed in time before parliament breaks up for the general election.
- **High court rules in pleural plaques case:** The case was brought by a group of insurers to stop workers who had been exposed to asbestos and developed pleural plaques on their lungs from claiming compensation. The judge found in favour of the claimants and awarded them a maximum payment of £7,000 each if they accepted this as a full and final settlement. The insurance industry is expected to pay out up to £1bn in pleural plaques related cases over the next 40 years.
- **Illegal fox hunters risk public liability cover:** Hunts that break the new law banning hunting wild mammals with dogs risk having their public

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liability cover withdrawn. The ABI has issued a warning stating that any illegal activity would lead to a rejection of claims. Hunts have also been advised to change their constitution deleting any objects or aims which mention the pursuit and killing of foxes as this could also lead to a rejection of claims.

- **House of Commons Committee criticises payment protection industry:** The Treasury Select Committee has called for an inquiry into payment protection insurance because it had heard evidence that the insurance was sold to people who were not eligible for claims payments. The Committee came to its conclusion while conducting an investigation into credit card charges
- **EU criticises UK for failing to alert it to food safety threat:** Premier Foods which has been affected by a food contamination issue reported the problem to the Food Safety Agency but the UK authorities in turn failed to advise the EU about the problem within the prescribed time frame. The case is seen as the biggest product recall case in UK history with more than 500 products being affected in 12 EU countries. A new EU Directive which came into force last month requires manufacturers, producers and distributors to be able to establish traceability at all stages and obliges them to recall or withdraw food from the market if it is not compliant with food safety requirements and to notify the competent authorities. It is not yet clear who will foot the bill for the product recall.
- **Scottish Executive publishes licensing law:** The new regulation, would make happy hours illegal and puts restrictions on the licensing process. It also tackles issues like

“irresponsible promotional activities” and underage drinking. Its aim is to try and break the link between alcohol misuse and drinking.

Brussels

- **VAT rules threaten insurance outsourcing industry:** The European Court of Justice delivered an opinion regarding the VAT status of administration activities provided to an insurer. It concluded that such activities are neither out of scope of VAT nor qualify as VAT exempted insurance transactions. According to the judgement, only the sales of insurance qualifies for the VAT exemption rules. The ruling could also affect wholesale brokers and companies that outsource their back-office activities to non-EU countries as the Commission was looking at changing “place of supply” rules. Industry experts believe, that the ruling could lead to a hike in insurance costs of up to 20%. UK Customs and Excise has announced that it will consult the industry before it implements any changes.
- **EU air passengers given more rights:** The new rules outlaw charging passengers with reduced mobility for any help they need. They also make it illegal to refuse boarding to a passenger because of a disability. In an attempt to increase passenger safety, the Commission has also announced plans to publish a list of all air carriers that have been banned from the EU airspace or whose movements are restricted over safety concerns.
- **European Parliament adopts Unfair Commercial Practices Directive:** The new Directive establishes rules against aggressive or misleading business to consumer marketing

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to facilitate cross-border trade. It defines and outlaws certain practices including “pressure selling” which includes implying that the consumer cannot leave the shop until they sign a contract, and misleading marketing.

- **Council adopts changes to Merger Directive:** The amended Directive extends the original Merger Directive which allows for deferred taxation of capital gains applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States to a larger range of companies. This will include certain co-operatives, partnerships, mutual companies, savings banks, funds and associations with commercial activity. It will also cover a new type of operation, known as a “partial division” or “split-off”, whereby an existing company transfers one or more of its branches to an existing or newly created sister company.
- **Services Directive under fire:** The draft Directive aims to cut administrative and regulatory barriers to cross-border competition in the provision of services. It covers all services provided to consumers and businesses except services provided by public authorities free of charge. It also does not apply to financial, telecommunications and transport services which are covered by separate legislation. The Directive would enable businesses to offer services in all 25 EU countries providing they abide by the laws of their home countries. It has drawn criticism from France and Germany, who fear that their standard of social protection will be driven down.

- **EU plans to review cross-border mortgage market:** The opening of the European mortgage market has been selected as a prime issue by the new internal market commissioner, Charlie McCreevy. The market is worth £2.75 trillion but only 1% of loans are cross-border. The commission will look at 48 recommendations which have been put forward by a group of financial experts. They include the harmonisation of differing national laws on mortgage credit and deed contracts as well as rules on consumer protection.
- **Commission discusses airline fuel tax:** EU finance minister’s have agreed to discuss plans to tax aviation fuel to relieve third world debt. Aviation fuel is currently exempt from tax. The plans are being opposed by low-cost air carriers and several member countries, including Spain, Greece and Finland.
- **Kyoto Protocol comes into force:** The agreement has been signed by 141 nations and commits industrialised countries to reduce greenhouse gas emissions by on average 5.2% below 1990 levels by 2012. It lacks the support of the USA. The UK agreed to a reduction of 12.5% and has already introduced a climate change levy. An EU-wide emissions trading scheme was launched in January this year.

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