

Dear Member

As recently reported in Claims Focus we have for some months been in discussion with the FSA regarding their view of the activities of claims preparation or loss assessing in respect of those of our members undertaking these activities. We have put certain points of view to them and have sought to distinguish between the activities of administration and performance of the insurance contract as set out in the Insurance Mediation Directive.

Our discussions with the FSA have been friendly and constructive. However the bottom line is that after careful consideration, the FSA consider the activities of claims preparation/loss assessing to be regulated activities as envisaged by the Insurance Mediation Directive and as such those individuals or firms carrying out such activities require FSA authorisation.

Without going into huge amounts of detail the FSA consider these activities to be part of assisting in the administration and performance of the contract as stated in article 2.3 of the Insurance Mediation Directive as confirmed by the FSA's own general guidance on the matter. You can access the FSA's general guidance by going to www.fsa.gov.uk/handbook/legal_instruments/2004/2004_01.pdf. Section 5.7, which can be found at page 146 in that document.

What do members who require authorisation have to do? First thing to do is to go to the FSA website www.fsa.gov.uk and on the homepage go to "resources" under which you will find details of various forms that need to be completed. You then need to click on the application pack (part 4 permission) icon and this will take you to page that takes you through how to apply for part 4 permission. You then need to click on the mortgage and general insurance pages link and that page will take you through the authorisation process.

Applications can be made on-line and, most importantly it is in each individual's interests to make an early application which means applying before 31 May 2004. Why is this important? To qualify for the early application discount which is substantial, particularly in the cases of small firms defined as those with an annual income of less than £1 million.

Below are links to two documents:-

- Firstly FSA fact sheet 6 which details the regulatory jigsaw and how it all fits together www.fsa.gov.uk/mgi/factsheets/fsa_6_guide_p7.pdf

and

- Summary of policy statement 180 – Fees for mortgage firms and insurance intermediaries which detailed the fees being charged by the FSA http://www.fsa.gov.uk/mgi/mgi12_newsletter.pdf

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