



Financial Services & Markets Bill Committee
House of Commons
London SW1A 0AA

30th September 2022

Dear Sirs,

Financial Services & Markets Bill (“the Bill”)

Summary

1. London and International Insurance Brokers’ Association (LIIBA) believes that there is a need to deliver more proportionate regulation of the London Insurance Market – a key export sector that delivers significant benefit to UK economy.
2. LIIBA therefore supports the introduction of a competitiveness objective for the regulators but believes they should be asked to “promote” competitiveness not merely facilitate it.
3. LIIBA would prefer that this be a primary objective for FCA but regardless of whether it is primary or secondary there must be mechanisms in place to ensure it is effective.
4. LIIBA would urge the Committee to introduce an appropriate accountability framework that will deliver the necessary cultural change at FCA to allow it to meet its new objective.

Main response

5. London and International Insurance Brokers’ Association (LIIBA) is grateful for this opportunity to provide evidence to the Committee considering the Financial Services & Markets Bill (“the Bill”).
6. LIIBA is the trade body for Lloyd’s brokers active in London’s specialty (re)insurance markets. Our members are responsible for introducing in the region of \$121 billion in premium to the market on behalf of a global client base – with two thirds of that business placed on behalf of overseas clients. Our members act on behalf of mainly sophisticated commercial businesses seeking insurance that is often only available in London given the depth of expertise concentrated here. As a whole, London insurance market contributes £39 billion annually to GDP, one quarter of the contribution of the City.
7. LIIBA has 152 groups of firms as members representing around 250 individual broking firms. 80% of these are SME businesses employing 50 or fewer staff. As a whole, London Market employees 48,000 people with 14,000 of these being outside London, many in areas that would be the focus of the levelling up agenda.

8. LIIBA members work with their clients through the whole risk management lifecycle. They provide expert consultancy services to help clients identify risk and then work with them to devise the best risk mitigation programme. Only a part of this will involve the purchase of insurance. The input from our members therefore creates more profitable, resilient and sustainable businesses throughout the global economy.
9. Our members are solo regulated by Financial Conduct Authority (FCA) and so the comments in this submission apply to its work.
10. LIIBA and its members recognise that a strong regulatory regime is part of the offering that attracts clients to the London Market. However, that regime must deliver a proportionate approach to our members if the regulatory burden is not to affect our international competitiveness. Our members work with sophisticated clients who generally have their own risk management departments. They are very far from being consumers in need of protection from a regulator. And yet, too often, FCA imposes the same levels of regulation on our members as it does retail insurance brokers selling personal lines business such as home and motor cover to members of the general public.
11. A competitiveness objective for FCA is therefore vital for the ongoing success of our market. Ideally this would be a primary objective such that FCA is forced to balance its activity between the necessary need to maintain market stability but not at the expense of actual activity within that market. However, whether primary or secondary, the key is that the objective is enforced and that it drives the necessary cultural change at FCA to deliver better regulatory outcomes. We agree with the conclusion of the recent House of Lords Business and Regulatory Committee inquiry which said that “there is a risk that [the competitiveness objective] could be ignored or have no material impact”. One crucial change to the Bill that would mitigate this risk is for the wording of the objective to be amended to compel the regulators to “promote” competitiveness and not merely facilitate it.
12. Currently we believe the Bill has insufficient provision to ensure that FCA is held to its competitiveness objective. The Bill could be enhanced with greater accountability measures to ensure that the regulators fulfil their objectives and that parliament has the necessary information to ensure they do:
 - a. The Bill should set out a clear reporting criteria for the regulators to follow in delivering the international competitiveness and growth objective. This would empower parliament to understand how the regulators are performing. Key to this, we believe, would be a requirement for FCA to regularly benchmark its regime against its international peers (we would suggest Switzerland, Singapore, Bermuda and the various regimes in United States of America).
 - b. The Bill could ensure more proportionate regulation by adopting a ‘Proportionality Principle’. By taking a more proportionate approach, it could actually allow the regulators to focus much more of their resources on keeping individual retail consumers safe.
 - c. The new Cost Benefit Analysis Panel - which is a positive reform - must have the necessary independence to undertake its job effectively.
13. LIIBA is a member of London Market Group (LMG) along with International Underwriting Association of London, Lloyd’s Market Association and Lloyd’s. We

have contributed to the detailed submission LMG has also provided the Committee and would strongly endorse the suggestions made within that.

14. London Insurance Market is a key sector for UK economy. We deliver the ability to manage risk that drives innovation, productivity and economic growth. We are also a significant export earner. Strong, appropriate regulation is at the heart of this. The Committee has an opportunity to ensure the Bill creates the mechanism to deliver a regulatory regime that supports our industry without imposing unnecessary and costly burdens on businesses.
15. We trust this submission is helpful to the committee. We should be delighted to discuss it in person if that would be useful.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Mr Croft', written in a cursive style.

Christopher Croft
Chief Executive
London and International Insurance Brokers' Association