

January 2017

# INSURE

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# InSure

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## Brexit

### ABI calls for 'clear commitment' to a transitional implementation period following Brexit

The Association of British Insurers has [called](#) for the UK government to "make a clear commitment that it will seek an early agreement with our European partners on a high level transitional implementation period" following Brexit.

*ABI, 7 December 2016*

### ABI responds to Treasury Committee's Solvency II inquiry

The Association of British Insurers (ABI) has published a [summary response](#) to the House of Commons Treasury Committee inquiry into the new insurance regulatory regime under the Solvency II Directive (2009/138/EC). The enquiry was launched in October to explore the impact of the Solvency II Directive on the insurance industry and to investigate the options now available in light of Brexit.

*ABI, 17 November 2016*

## General Update

### IBA publishes Key Facts on UK Insurance and Long Term Savings industry

The Association of British Insurers has [published](#) a report setting out key facts concerning the UK Insurance and Long Term Savings industry. This confirms that the UK has the largest insurance industry in Europe and the fourth largest in the world, and it shows that in 2015, insurers paid out the equivalent of £131 million to customers every day under general insurance, long-term savings and pension policies.

*ABI, 22 November 2016*

### New LMA guide on uncertainty in catastrophe modelling

The Lloyd's Market Association (LMA) has [published](#) a new guide: 'Understanding Uncertainty in Catastrophe Modelling for Non-Catastrophe Modellers.' The guide is aimed at anyone who relies upon cat models but does not have a detailed understanding of the uncertainty contained within them.

*Lloyds Market Association, 4 January 2017*

### BIBA launches online portal on unrated non-life insurers

The British Insurance Brokers' Association (BIBA) has [launched](#) a new free-to-use online facility for its members that will help with their due diligence when considering whether to use unrated non-life insurers. The facility, the BIBA Litmus Test Report, was designed with the analytical support of Litmus Analysis and uses data from A.M. Best to present a number of key financial ratios for a number of unrated insurers most often used by BIBA members.

*BIBA, 21 December 2016*

### Society of Lloyd's publishes cyber-attack strategy

The Society of Lloyd's has [published](#) a paper setting out its "cyber-attack" strategy. Amongst other things, it aims to support the evolution of cyber-attack (re)insurance products and develop Lloyd's global brand for cyber-attack expertise.

*Society of Lloyd's, 21 December 2016*

### New Scheme from BIBA for businesses at risk of flood

The British Insurance Brokers' Association (BIBA) has [announced](#) the launch of a new commercial insurance scheme for businesses that will also include flood cover for many commercial premises and let properties located in areas at risk from flooding.

*BIBA, 5 December 2016*

## ABI identifies priority markets for trade expansion

The Association of British Insurers (ABI) has [identified](#) eight countries as priority markets as it looks to expand its opportunities to trade. These are China, India, Hong Kong, Indonesia, Japan, Malaysia, Singapore and South Korea.

*ABI, 21 November 2016*

## ABI launches new Trade Credit Insurance Guide

The Association of British Insurers (ABI) has published a new [guide](#) that showcases the value of trade credit insurance to business. The guide explains what credit insurance is, how it works and it provides details of the types of different policies available.

*ABI, 14 November 2016*

## EIOPA announces results of the 2016 EU-Wide Insurance Stress Test

EIOPA has [published](#) a press release announcing the results of the 2016 EU-wide Insurance Stress Test. The exercise involved 236 insurance undertakings at the solo level from 30 European countries with a market coverage of 77% in terms of the relevant business. On the baseline (pre-stress), results indicated that on an aggregated level undertakings were adequately capitalised from a Solvency II perspective. Insurance Europe has also [published](#) a response.

*EIOPA, 15 December 2016*

## EIOPA consumer trends report: December 2016

EIOPA has published its fifth yearly [report](#) on consumer trends, which identifies the following key developments in the European insurance market:

- ▶ new life insurance products (sometimes complex, with reduced or no guarantees) continue to be introduced into the market.
- ▶ Motor insurance complaints relate most often to claims handling and have decreased in several Member States, yet complaints related to the terms and conditions are on the rise in some Member States.
- ▶ Big data and consumer analytics in motor insurance (black boxes), life and health insurance (wearable technology) and household insurance (geo-coding and connected houses), allow the accuracy of risk assessments to be improved and the development of more tailored products, yet the availability and affordability of insurance for some consumers could also be affected.
- ▶ Big Data analytics are increasingly turning to a mobile phone application-based approach, offering, among other things, the possibility to improve insurers' relationships with their consumers, for instance by tailored selling and marketing campaigns or by expediting claims handling.
- ▶ travel insurance sales are increasing, but the number of related consumer complaints are also growing in several Member States.
- ▶ Fintech/Insurtech firms are increasingly present in insurance, very frequently via cooperation agreements with established insurers.

*EIOPA, 16 December 2016*

## GFIA publishes Annual Report

The Global Federation of Insurance Associations (GFIA), of which Insurance Europe is a member, has published its [Annual Report](#) for 2015-2016, which describes GFIA's areas of focus over the past 12 months. It also contains guest articles on some of the big issues for the global insurance industry, including international capital standard, systemic risk and financial inclusion.

*GFIA, 30 November 2016*

## Data Protection

### Study finds that 75,000 data protection officers will be needed in order to tackle GDPR

The International Association of Privacy Professionals (IAPP) has revised its [estimate](#) as to how many new data protection officers (DPOs) will be needed to implement the General Data Protection Regulation (GDPR), which is set to come into force in the UK in May 2018.

The IAPP initially estimated in a previous study that 28,000 DPOs would be required across the EU and the USA. The new estimation of 75,000 DPOs differs somewhat as it takes into account the amount needed worldwide. In terms of the number required in the EU, the study estimates this at 11,790.

Under GDPR public authorities and companies who are heavily involved in the collection of personal data or that handle sensitive data will be required to appoint a DPO at their own expense. The primary role of these DPOs will be to inform, advise on and monitor compliance with GDPR. Interestingly the study highlights the following areas to be the most affected: transport and logistics, hospitality, professional services, science and pharmaceuticals.

*The Privacy Advisor, 09 November 2016*

## New Legislation and Consultations

### Insurance Block Exemption Regulation to expire on 31 March 2017

The European Commission (EC) has [announced](#) that the Insurance Block Exemption Regulation (IBER) will lapse on 31 March 2017. The IBER exempts certain types of co-operation between insurers from the rule against antitrust practices set out in Article 101 of the Treaty on the Functioning of the EU (TFEU). The exemptions relate to (i) the exchange and/or aggregation of data in statistics and studies and to the (ii) joint insurance and/or reinsurance of risks in pools. The EC has concluded that these two remaining exemptions were no longer warranted because its Guidelines on horizontal cooperation should enable insurers to assess the conformity of joint compilations, table and studies with the antitrust rules. The EC will continue to monitor developments in the market to evaluate how insurers adapt to the change.

*EC, 13 December 2016*

### FCA consults on review of FSCS funding

The FCA has published a [consultation paper](#) on reviewing the funding of the Financial Services Compensation Scheme (FSCS), explaining that it intends to carry out a fundamental review of the FSCS levy. The paper emphasizes that the FSCS should be a fund of last resort. It proposes a range of options to change the funding of the FSCS and the coverage it gives consumers.

The deadline for responses to this consultation is 31 March 2017

*FCA, 14 December 2016*

### PRA extends deadline for consultation on market turning event in GI sector

The PRA has [announced](#) that it has extended the closing date for its consultation paper on dealing with a market turning event in the general insurance sector (CP32/16). The consultation period will now end on 9 January 2017.

*PRA, 22 December 2016*

### HM Treasury consultation on implementing new regulatory and tax framework for ILS

HM Treasury has published a [consultation paper](#) on implementing a new regulatory and tax framework for Insurance Linked Securities (ILS), which are often set up as Protected Cell Companies (PCC). This consultation forms part of the Autumn Statement 2016. HM Treasury seeks views on the following key areas:

- ▶ Directors' duties
- ▶ Reporting and accounts
- ▶ Audit requirements for PCCs
- ▶ The insolvency framework for PCCs

The closing date for responses is 18 January 2017.

*HM Treasury, 23 November 2016*

### PRA/FCA Joint consultation paper on ISPVs

The FCA and PRA have published a joint [consultation paper](#) on the authorisation and supervision of Insurance Special Purpose Vehicles (ISPV). The paper is relevant to all those wanting to obtain authorisation as an ISPV and introduces the following:

- ▶ Draft PRA supervisory statement and draft FCA statement describing regulators' expectations relating to content and quality of ISPV and Protected Cell Companies applications and ongoing compliance
- ▶ Proposed amendments to the PRA Rulebook
- ▶ Draft application form relating to authorisation and supervision of ISPVs
- ▶ Draft notification form for firms when they want to add new cells to an ISPV

The consultation ends on 23 February 2017.

*FCA and PRA, 23 November 2016*

## PRA consults on cyber insurance underwriting risk

The PRA has issued a [consultation paper](#) on a draft supervisory statement on cyber insurance underwriting risk (CP39/16). This sets out the PRA's proposed expectations in relation to the ability of firms to exercise prudent management of cyber insurance underwriting risk. The paper follows from the thematic work carried out by the PRA between October 2015 and June 2016 which highlighted several risks faced by the insurance industry in relation to cyber underwriting risk.

The consultation closes on Tuesday 14 February 2017.

*PRA, 14 November 2016*

## EU postpones PRIIPs Regulation

On 8 December the Council of the EU [announced](#) that it has adopted a Regulation postponing the application date of the Regulation on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs) (Regulation 1286/2014). The PRIIPs Regulation will now apply from 1 January 2018 instead of 31 December 2016.

*EU, 8 December 2016*

Regulation (EU) 2016/2340 postponing the application date of PRIIPS Regulation was then [published](#) in the OJ on 23 December 2016.

*Official Journal of the EU, 23 December 2016*

## Joint Committee of ESAs responds to European Commission on proposed amendments to PRIIPs rules

The Joint Committee of the European Supervisory Authorities (ESAs) (the EBA, ESMA and EIOPA) has [published](#) a letter sent to the European Commission on the proposed amendments to the draft regulatory technical standards (RTS) it submitted to the Commission under the Regulation on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs) (Regulation 1286/2014). The letter discusses the amendments to the performance scenarios proposed by the Commission.

*ESAs, 22 December 2016*

## Council of EU progress report on proposed EDIS Regulation and banking union

The council of the EU has published a [report](#) (dated 25 November 2016) from the Presidency to Delegations on both the proposed Regulation establishing the European deposit insurance scheme (EDIS) and the European Commission communication on completion of the banking union. The Council has also published a [correction](#) to the report.

*Council of EU, 2 December 2016*

## EIOPA on European recovery and resolution framework for insurers

The European Insurance and Occupational Pensions Authority (EIOPA) has published a [press release](#) and a [Discussion Paper](#) on potential harmonisation of recovery and resolution frameworks for insurers.

*EIOPA, 2 December 2016*

## Insurance Europe letter to EC on EU services card

Insurance Europe has [written](#) a joint letter to the European Commission to express concerns about aspects of its anticipated legislative proposal for an EU services card, which is expected to introduce a standardised "proof of insurance" document and to require insurers to provide information on their customers' track records. Insurance Europe and other signatories consider that this would be difficult to achieve given the diversity of insurance regimes across Member States.

*Insurance Europe, 8 December 2016*

## IAIS seeks feedback on draft stakeholder engagement plan

The International Association of Insurance Supervisors (IAIS) has published a draft [stakeholder engagement plan](#) and is asking for feedback. Comments are required by 31 December 2016.

*IAIS, 23 November 2016*

## Regulatory Developments

### FCA final guidance on fair treatment of long-standing life insurance customers

The FCA has published [finalised guidance](#) on the fair treatment of long-standing customers in the life insurance sector. The guidance sets out the actions that the FCA believes life insurance firms should consider taking to treat their closed book customers fairly.

*FCA, 9 December 2016*

### FCA statement on PPI

In its Consultation Paper 16/20 (August 2016), the FCA published proposals for rules and guidance on payment protection insurance complaints (PPI). This included proposed rules and guidance concerning a deadline for PPI complaints, and on how firms should approach PPI complaints, following the Supreme Court's judgment in *Plevin vs Paragon Personal Finance Limited* [2014] UKSC 61. A proposed timetable was set out in the consultation paper; the FCA will [now make](#) a further announcement in Q1 2017.

*FCA, 9 December 2016*

### FCA thematic review on general insurance intermediaries' PII

The FCA has carried out a [thematic review](#) on the general insurance Professional Indemnity Insurance (PII) market for intermediaries. The report from the review concludes that in the majority of cases, firms were able to find appropriate cover with the right levels of policy limits and excess. However, in the report the FCA expresses significant concerns about exclusion clauses that reduce the coverage of the policies to levels below the minimum requirement set out in the Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU).

*FCA, 5 December 2016*

### PRA policy statement on insurers' PRA fees and FSCS levies for 2017/18

The PRA has issued a [policy statement](#) (PS37/1) setting out a transitional approach to PRA fees and Financial Services Compensation Scheme (FSCS) levies for insurers in the 2017/18 fee and levy year.

*PRA, 16 December 2016*

### EIOPA guidelines on dialogue between insurance supervisors and auditors

EIOPA has [published](#) a Final Report setting out guidelines on "facilitating an effective dialogue between insurance supervisors and statutory auditors". The Guidelines will become applicable from 31 May 2017. They follow a public consultation launched by EIOPA on 1 February 2016 on draft guidelines that were adopted by the Board of Supervisors. The Final Report includes an overview and summary of the main conclusions of the Public Consultation and it sets out the final text of the Guidelines.

*EIOPA, 12 December 2016*

### FSB updates list of G-SIIs

The Financial Stability Board (FSB) has published an updated [list](#) of global systemically important insurers (G-SIIs). This includes the following British insurance companies: Aviva plc and Prudential plc.

In a related [press release](#), the FSB has confirmed that the International Association of Insurance Supervisors (IAIS) is continuing to work on its G-SII assessment. The FSB expects to receive a work plan and timelines for this in the first quarter of 2017.

*FSB, 21 November 2016*

### IAIS paper on approach to supervising intermediaries' conduct

The International Association of Insurance Supervisors (IAIS) has published an [application paper](#) on approaches to supervising the conduct of intermediaries to ensure skill, care and diligence. The paper sets out ideas which members may want to consider and they follow on from a survey of the approaches of 60 members.

*International Association of Insurance Supervisors, 15 November 2016*



## Solvency II

### Companies Act 2006 (Distributions of Insurance Companies) Regulations 2016

The above [regulations](#) amend Part 23 of the Companies Act 2006 to define more specifically the amount available for distribution by a long-term life insurance business, following implementation of the Solvency II directive.

*Legislation.gov.uk, 8 December 2016*

### PRA FAQs on regulatory reporting under Solvency II

The PRA has published a [FAQs document](#) on regulatory reporting under the Solvency II Directive to help insurers with questions they may have when submitting Solvency II information.

*PRA, 19 December 2016*

### PRA consultation on Solvency II transitional measures

The PRA has [published](#) a consultation paper on the maintenance of the "transitional measure on technical provisions" under the Solvency II Directive (2009/138/EC) (CP47/16). The consultation closes on 15 March 2017.

*PRA, 15 December 2016*

### PRA consultation on firms investing in illiquid assets under Solvency II

The PRA has [published](#) a consultation paper on its expectations in respect of firms investing in illiquid, unrated assets within their matching adjustment portfolios under the Solvency II Directive (2009/138/EC) (CP48/16). The consultation closes on 14 March 2017. The PRA intends to implement its proposals in the second half of 2017.

*PRA, 15 December 2016*

### PRA policy statement on consolidating Solvency II directors' letters

The PRA has issued a [policy statement](#) on consolidating Solvency II directors' letters, which provides feedback on the response received to its May 2016 consultation paper. Each of the supervisory statements are set out in the Appendices 1-7.

*PRA, 25 November 2016*

### PRA on NSTs under Solvency II

On 16 December the PRA updated its "Solvency II: Reporting of National Specific Templates – CP37/16" [webpage](#) to give notice that it has withdrawn consultation paper (CP37/16) on the reporting National Specific Templates (NSTs). This was due to the PRA receiving information that a number of firms plan to report in XBRL-enabled excel format for financial year-end 2016. The PRA said it would carry out the following separate consultations:

- ▶ Proposals for reporting of NSTs for financial year-end 2016 and future years, using excel templates designed using XBRL principles
- ▶ Proposals for the future reporting of NSTs

*PRA, 16 November 2016*

The PRA then issued a new [consultation paper](#) (CP40/16) on the reporting format of NSTs and reporting clarifications under Solvency II. The NSTs contain information that is considered to be specific to the UK market and supervisory approach. They are in addition to Solvency II annual and quarterly reporting.

*PRA, 17 November 2016*

The PRA subsequently published a [policy statement](#) on the reporting format of NSTs and reporting clarifications under Solvency II.

*PRA, 19 December 2016*

### EC adopts Implementing Regulation on calculation of technical provisions and basic own funds

The European Commission has [adopted](#) Implementing Regulation laying down information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September until 30 December 2016 in accordance with the Solvency II Directive (2009/138/EC). The Annexes to the Implementing Regulation set out the technical information to be used by insurance and reinsurance undertakings when making the relevant calculations.

*EC, 11 November 2016*

The [Regulation](#) was published in the OJ on 16 November 2016.  
*Official Journal of the EU, 16 November 2016*

## ECON comments on review of methodology to derive ultimate forward rate

The European Parliament Committee on Economic and Monetary Affairs (ECON) has published a [letter](#) it has sent to the European Insurance and Occupational Pensions Authority (EIOPA) concerning the review of the methodology to calculate the ultimate forward rate under Solvency II. The letter provides comments on:

- ▶ Timing of the review
- ▶ Impact assessment
- ▶ Phasing-in and annual changes

The focus is on the timing of the review rather than criticism of the underlying calculation proposed.  
*European Parliament's Committee on Economic and Monetary Affairs, 16 November 2016*

## EIOPA on symmetric adjustment of equity capital charge for Solvency II

The European Insurance and Occupational Pensions Authority (EIOPA) [published](#) technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of November 2016.

EIOPA subsequently published technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of [December](#) 2016.  
*EIOPA, 7 December 2016 and 9 January 2017*

## EIOPA technical information for Solvency II RFR term structures

The European Insurance and Occupational Pensions Authority (EIOPA) has [published](#) technical information on the relevant risk free interest rate (RFR) term structures with reference to the end of November 2016.

Technical information relating to RFR term structures is used for the calculation of the technical provisions for (re)insurance obligations. The technical information was calculated according to the coding released on 30 September 2016.  
*EIOPA, 7 December 2016*

EIOPA subsequently [updated](#) the technical documentation of the methodology to derive the RFR term structures.  
*EIOPA, 22 December 2016*

Then on 9 January EIOPA published new [technical information](#) on the relevant RFR term structures with reference to the end of December 2016.  
*EIOPA, 9 January 2017*

## EIOPA consults on SCR standard formula under Solvency II

The European Insurance and Occupational Pensions Authority (EIOPA) has [published](#) a discussion paper on its review of specific items in the Solvency II Delegated Regulation ((EU) 2015/35) (EIOPA-CP-16/008).

The paper addresses overarching aspects of the solvency capital requirement (SCR) standard formula, such as simplified calculations, reducing reliance on external credit ratings, treatment of guarantees, and risk mitigation techniques.

The consultation period ends on 3 March 2017.  
*EIOPA, 8 December 2016*

## EIOPA reports on LTG and equity risk measures under Solvency II

The European Insurance and Occupational Pensions Authority (EIOPA) has [published](#) its annual report detailing its findings from an analysis of the impact of the long-term guarantee (LTG) measures and the equity risk measures under Solvency II.  
*EIOPA, 16 December 2016*

## EIOPA opinion on information related to use of transitional measures in calculating technical provisions

The European Insurance and Occupational Pensions Authority (EIOPA) has [published](#) its opinion (EIOPA-BOS-16/243) on the disclosure of information related to the use of transitional measures in calculating technical provisions under the Solvency II Directive (2009/138/EC).

In the opinion, EIOPA clarifies that, to comply with the principles of public disclosure and with Chapter XII of Title I of the European Commission Solvency II Delegated Regulation ((EU) 2015/35), the SFCR, group SFCR or single SFCR should contain the information necessary to reflect the estimated impact of the decrease of the portion of the adjustment performed on the first day of the next financial year in the technical provisions, the minimum capital requirement (MCR), the solvency capital requirement (SCR) and eligible own funds to cover the capital requirements.

*EIOPA, 21 December 2016*

## EIOPA reports on the use of limitations and exemptions from regular supervisory reporting

The European Insurance and Occupational Pensions Authority (EIOPA) has [published](#) a report providing information on the use of limitations and exemptions regarding the submission by insurance and reinsurance undertakings of regular supervisory reporting under the Solvency II Directive (2009/138/EC) (EIOPA-BoS/16-293).

*EIOPA, 23 December 2016*

## Fraud

### "Ghost broker" ordered to pay back £17k

A man who admitted to setting up over 100 [fraudulent](#) car insurances policies has been sentenced and ordered to pay back £17,000 or serve nine months in prison. The man had set himself up as an unauthorised insurance broker and taken out a total of 113 insurance policies on behalf of customers. He had provided false details to get lower premiums as a result of which the customers were uncovered. The details of the scam were passed to the Insurance Fraud Enforcement Department in February 2015 when an insurer grew suspicious upon noticing that the same bank account was used to set up a large number of policies.

*IFED News, 21 November 2016*

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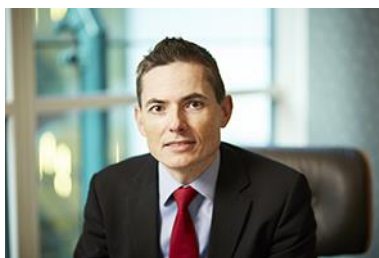
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