



Royal Mews, St Georges Place, Cheltenham, Gloucestershire. GL50 3PQ  
Tel 01242 244499 Fax 01242 244445

## ACCOUNTANTS AND FSA COMPLIANCE OF GENERAL INSURANCE

**Vision introduces a range of specialist compliance services.**

### Accountants – Important considerations

The way accountants are allowed to handle insurance transactions is about to change. From 15 January 2005 insurance broking activities will become regulated by the Financial Services Authority. Dependant upon the level of activities within your business, you will need to re-examine the activities you undertake and decide upon the correct course of action.

Some firms may already be authorised directly by the FSA while the majority of firms will either have a Designated Professional Body (DPB) licence from their Institute or have decided not to conduct any form of regulated activity.

With the rules now about to change again, the following generic points should be borne in mind:

- It is a criminal activity to give investment advice (or advise upon general insurance contracts from 14 January 2005) unless either directly authorised or exempt from authorisation (such as via a DPB licence).
- Any firm that either recommends a specific insurance policy, collects premiums or deals with claims needs FSA authorisation or a DPB licence.
- Handling claims on behalf of clients requires authorisation or a DPB licence.
- Firms are required at all times to account to their clients for commission earned and obtain their prior agreement for any form of retention of these monies. Any additional fees will also fall into this category.
- The provision of information to clients is not regulated. This could include sending leaflets and proposal forms to clients so long as no recommendation is made. However, if the firm receives the completed proposal forms back and forwards them to the underwriter, the firm is "arranging" and will need to be authorised or have a DPB licence.
- In order to obtain a DPB licence for general insurance work, accountancy practices must be conducting such work as "non mainstream". In this regard it must be incidental to the professional activities of the firm.

In order to correctly handle general insurance transactions, and fee protection insurance specifically, it is important that accountancy firms examine the way they do business and ensure they are keeping on the right side of the law. Vision shall shortly make available more specific guidance to registered agents as well as compliance healthcheck services to reduce the risk in these areas.