

Chairman's Christmas Message & Review of 2018



I think we were all aware 2018 was going to be a challenging year for insurers, providers of healthcare services and intermediaries alike.

There was just too much happening from a regulatory, legislative and political perspective for it to be anything else.

We ended 2017 expecting to have to meet the requirements of the Insurance Distribution Directive (IDD) by 23rd February 2018, only for that to be delayed by the EU, as they came to appreciate the magnitude of such a piece of legislation was undeliverable within their initial timeframe. The revised date of October 2018 gave us time, although it did not reduce the burden of compliance.



It is worth reflecting on four key Conduct of Business requirements the IDD makes as part of its general principles on how we should deal with our customers:

- To act honestly, fairly and professionally in the best interest of customers
- Communicate in a way which is clear, fair and not misleading with a further requirement to ensure marketing materials are clearly identified as such
- Remuneration of a distributor or its employees, and performance management of employees, must not conflict with the duty to act in a customer's best interests
- Introduction of a new "customers best interest rule".

I responded to each of the FCA Consultation Papers on behalf of AMII members as your Executive Chairman, ensuring our voice and opinion was heard.

IDD continues to present some challenges for us, mainly around consistency and application. I am hopeful as an industry we will work collaboratively to ensure they can be resolved during 2019.

In March 2018 we held our Conference and AGM again at Stadium MK. Our Compliance Consultant Branko Bjelobaba asked us the question "Are you ready for GDPR?", which, of course, in the main we were not. But at least we had the comfort of knowing nor was Parliament as they struggled to come to terms with the new Data Protection Bill spawned by GDPR. As a result, it would be 23rd May 2018 before the Bill received Royal Assent.

For me, GDPR was akin to the Millennium Bug which we were all told would see the end of IT as we knew it as 31st December 1999 ticked over into the new millennium. There were IT 'specialists' popping up everywhere putting the fear of God into all of us if we didn't engage their services at hugely inflated costs. In the end it was all a damp squib...fortunately!

Such was the feared impact of GDPR that we had the great and the good of the insurance industry, especially the insurers, locked in darkened rooms trying to come to terms with what it meant and how to apply it. For ease and consistency we needed a single, coherent and consistent approach, however, varying complexity and interpretation meant we got numerous new processes and protocols.

You will recall we had Garreth Cameron from the Information Commissioners Office as our Keynote Speaker in our November 2017 Health and Wellbeing Summit to shine a beam of light on GDPR for all of us, only to find he had gone by the time we needed him, and certainly before the implementation date.

However, I think we have more than survived GDPR and the new Data Protection Act by using good old pragmatic common sense to resolve the problems, irrespective of which side of the house you are on.

Throughout 2018, we have continued to be at the forefront of the IPT debate, lobbying at every opportunity and making sure our voice was heard. We were delighted when the Chancellor announced there would be no increase in IPT during his Autumn Statement, and equally as delighted to hear he was changing to an annual Budget.

HM Treasury feedback has always been that if we can prove the additional financial burden on the NHS (through policies cancelled directly as a result of increases to IPT greater than the value of the taxation derived) then HM Treasury were likely to take greater notice. Unfortunately, AMII does not have the financial resource to commission market research of this nature, so I was delighted Alex Perry and his team at BUPA picked up the gauntlet and commissioned that research by CEBR to demonstrate the point.

As a result of the research, we now know increases in IPT contributed to more than 200,000 consumers cancelling their policies in the three prior years. Every 1% increase in IPT results in 31,500 cancelled policies, adding an additional £21.46m in cost to the NHS. The cost to the NHS over the prior decade was estimated to exceed £1bn.

Given those numbers it seems irresponsible to penalise those who are taking responsibility for their own health, and that of their employees, by imposing a significant tax burden by way of IPT.

An opinion poll of 2,000 people found 63% said health insurance allows others to access NHS treatment earlier and 55% view it as important in relieving pressure on the NHS.

We are calling on the Government to commit to stability for IPT in relation to healthcare during this Parliament, however long that might be, by freezing the rate of IPT on healthcare spend.

Furthermore, we are asking the Government to reappraise how health insurance and cash plans are treated in the fiscal system in line with other zero-rated insurance products such as life cover or critical illness.

We must remain active and vigilant in our lobbying around IPT. I met recently with Martin Shaw, CEO of the Association of Financial Mutuals, with whom we share some members. We are currently considering how best to adopt a unified approach moving forward. More of that in 2019.

Until recently, your Executive Team and I had taken a decision not to talk about the elephant in the room...Brexit!

However, we feel it is now essential to encourage the Government to get on with it, whatever 'it' is. The delay in confirming whether we are in or whether we are out, either with a deal or no deal, is now negatively impacting on consumer confidence with a knock-on effect to employers. We need to see the Government take some key decisions quickly and trust the people of the United Kingdom to pull together, as they have always done, to make a success of the consequences.

Finally, I just wanted to say how overwhelmingly positive the feedback has been following our recent Health and Wellbeing Summit held at One Great George Street. Personally, I think the combination of speakers and the depth of knowledge and passion demonstrated by each – but none more so than Jonny Benjamin and Neil Laybourn, not forgetting Jonny's dad, Michael – made this the best Summit to date. Thanks to one and all for your feedback. It gives us a lot to live up to in 2019.

On behalf of your AMII Executive Team, General Secretary Michael Payne and I would like to wish you, your colleagues and your families our best wishes for the festive season and a healthy, happy and prosperous 2019.

Best wishes

A handwritten signature in black ink, appearing to read 'Stuart Scullion', written over a horizontal line.

Stuart Scullion

AMII Executive Chairman

December 2018