

## TR16/6

# Principals and their appointed representatives in the general insurance sector – and follow-up work

### Our findings

- 1 Risk assessment**  
 Many principal firms could not show that they had considered the risks of appointing ARs, to their business or to customers
- 2 Understanding obligations**  
 Many firms did not seem to understand the extent of their regulatory responsibilities for their ARs' activities – the actions of the AR are treated as actions of the principal
- 3 Oversight and control**  
 Most of the principals in our samples could not consistently demonstrate that they had appropriate oversight or effective control of their ARs' regulated activities
- 4 Mis-selling and detriment**  
 This led to real risks for customers, with examples of mis-selling and detriment where principals failed to enforce compliance with relevant rules

### Our expectations

- 1 Effective risk management**  
 Principals should assess how appointing ARs would impact their business and have appropriate frameworks to manage the risks arising from their ARs' activities
- 2 Compliant arrangements**  
 Principals should ensure ARs are solvent and suitable, and put in place appropriate contractual arrangements which provide a basis for effective supervision
- 3 Effective control and monitoring**  
 Principals should have adequate resources to effectively control and monitor their ARs, and to enforce compliance with relevant rules, including PRIN and ICOBS
- 4 Customer outcomes**  
 Principals should be able to demonstrate that customers buying insurance products from their ARs are no less likely to receive fair outcomes than if they had bought the product from the principal itself

### Actions

- 1** We took early intervention action with seven firms – agreeing voluntary requirements to their regulatory permissions which stop them taking on new ARs
- 2** We provided feedback to the 14 firms in our thematic review and 6 firms in the multi-firm work, and have followed up on the issues identified using the full range of regulatory tools
- 3** We sent a Dear CEO letter to relevant firms with ARs in the sector and expect firms to review their AR activities in the context of our report and take action to address any shortcomings
- 4** We will continue to engage with the industry, including via relevant trade bodies, to discuss our findings and how they can be addressed
- 5** We will maintain a focus on principals and their ARs in our supervisory work to assess progress