

3rd June 2010

The Inquiry Manager
PPI Remittal
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

Dear Sir

BIBA response to Competition Commission regarding the PPI point of sale ban

The British Insurance Brokers' Association (BIBA) is the UK 's leading general insurance organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA membership includes 1700 regulated firms. Insurance brokers and intermediaries distribute nearly two-thirds of all UK general insurance. In 2007, insurance brokers and intermediaries generated £1.5 billion of invisible earnings and they introduce £22 billion of premium income into London's insurance market each year.

BIBA is the voice of the industry, advising members, the regulators, the Government, consumer bodies and other stakeholders on key insurance issues. BIBA provides unique schemes and facilities, technical advice, guidance on regulation and business support and is helping to raise, and maintain, industry standards. BIBA works closely with the Chartered Insurance Institute to provide training to those working in the industry and actively participates in helping the industry and its customers deal with some of the major issues of the day.

BIBA members provide professional advice to businesses and consumers, playing a key role in identification, measurement, management, control and transfer of risk. They negotiate appropriate insurance protection tailored to individual needs and operate to a very high standard of customer service with the aim of ensuring peace of mind, security, financial protection and the professional advice required.

BIBA welcomes the CC provisional decision in relation to retail PPI. It is BIBA's view that PPI remains a valuable product to meet the protection requirements of customers. The broking distribution channel had minimal involvement in the mis-selling of PPI which led to the CC investigation, as the majority of sales were processed through lending organisations.

The practical issues faced to meet the CC proposed remedies in real life are

1. This route to market is new, and untested ie: achieving critical mass to ensure viability to underwriters.
2. Brokers are uncertain of the potential.
3. Insurers are cautious of the underwriting of such a policy and the real possibility of anti selection, ie: local businesses that may already be making job cuts.

4. Customers are not used to buying this kind of product on a standalone basis and do not undertake personal risk assessments to review future needs, tending to buy on the spur of the moment or when triggered by a financial purchase.
5. There is a need for a major education initiative for both sellers and buyers.

BIBA has listened to the CC remedies, the views of brokers, the FSA comments on TCF and historical mis-selling of PPI, and has worked hard for over 12 months with an experienced Creditor insurer and a BIBA member to deliver the type of optional, annually renewable and flexible protection solution the Commission is seeking.

BIBA believes that its members do now have an opportunity to play a major part in shaping the way this type of protection is sold. There is an alternative product to offer consumers which we have identified as 'Committed Payments' to include an 'Unemployment Cash Plan' and which can be promoted exclusively via the BIBA membership. The products are designed to meet the protection needs of any customers with debts to pay, by protecting their financial security and ensure their main monthly bills are paid, even when they may not be, for up to 12 months, together with a practical support package to assist with CV writing, interview skills, and professional legal advice.

Only time will tell if there is a viable market out there for these products, or whether, as some insurers and trade bodies fear, that 'no protection' will become the default position for most customers taking on new financial indebtedness. BIBA believes that increased competition will lead to better customer outcome.

BIBA would ask the CC for absolute clarity of the position of brokers who may enter into commercial agreements with lenders and would request that the POS ban is not extended to cover situations where lenders work with retained brokers to provide an expert protection referral service to their customers which will in turn help consumers to obtain the right policy.

Thank you for taking the time to consider our response. BIBA would be happy to discuss this response further with the Commission if required, please contact Steve Foulsham, Technical Services Manager on 020 7397 0234 or on foulshams@biba.org.uk or Peter Staddon, Head of Technical Services on 0207 397 0204 or staddonp@biba.org.uk

Yours faithfully

Eric Galbraith
Chief Executive

Direct Tel: 020 7397 0201
Direct Fax: 020 7626 9676
Email: galbraithe@biba.org.uk