



# Jersey Financial Services Commission

## THEMED EXAMINATION PROGRAMME 2010 PAYMENT PROTECTION INSURANCE (“PPI”)

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#### 1 Introduction

- 1.1 Officers of the Jersey Financial Services Commission (the “**Commission**”) carried out themed on-site examinations during the second quarter of 2010, of seven general insurance intermediaries to assess the management of PPI sales in Jersey.
- 1.2 As with all on-site examinations, a business is assessed in terms of its performance against the relevant Laws, Orders, Codes of Practice and its own policies and procedures. The objective in publishing summary findings from a programme of themed examinations is to share experiences as to how different firms seek to meet the requirements of the regulatory regime and to highlight the difficulties that are sometimes encountered.

#### 2 Purpose

- 2.1 The purpose of this paper is to summarise the key findings of the visit programme to provide assurance that insurance intermediaries are operating in compliance with the specified regulatory requirements and Laws. The visit programme was designed to:
  - 2.1.1 Assess risks and related controls, policies, procedures and processes;
  - 2.1.2 Ensure the collation of sufficient evidence to support visit findings;
  - 2.1.3 Obtain a greater understanding of entities’ activities in order to focus current and future visits on higher risk areas; and
  - 2.1.4 Ensure that existing information was used to direct the visit, review the resolution of any previous visit issues and obtain assurances over any deficiencies highlighted through off-site reviews.

### **3 Scope**

- 3.1 The examinations included an assessment of the assessed entities’:
- 3.1.1 compliance with the Financial Services (General Insurance Mediation Business (Client Assets)) (Jersey) Order 2005 (“**GIMB Client Assets Order**”); and
  - 3.1.2 conduct of PPI business.
- 3.2 The assessment also considered sections of the Codes of Practice for General Insurance Mediation Business where appropriate e.g. record keeping and complaint handling.

### **4 Process**

- 4.1 A review was undertaken of the information and documentation held by the Commission that was relevant to the proposed scope of the examination. Officers of the Commission then conducted a series of on-site examinations. Following that, letters were issued specifying recommended remedial action, as agreed with the respective intermediaries, and the timetable for the completion of this.

### **5 Observations**

- 5.1 The following observations were compiled from the examinations:
- 5.1.1 Three of the insurance intermediaries (43%) provided staff with inducement payments for the sale of PPI. The inducements provided appeared appropriate, with no evidence that the payments encouraged mis-selling.
  - 5.1.2 The rate of commission earned as a result of PPI sales was largely consistent across the insurance intermediaries and appeared to be reasonable when considered against commission rates historically earned by intermediaries for this type of product.
  - 5.1.3 In total, the seven insurance intermediaries received 17 complaints in the 12 month period prior to the examinations, an average of 2.4 complaints per entity, which was not considered to be unreasonably high.
  - 5.1.4 At the time of the visit program none of the insurance intermediaries visited provided single premium PPI, a product not currently available to consumers in the UK following agreement between insurance intermediaries and the Financial Services Authority. This agreement does not apply in Jersey but with the withdrawal of single premium products by insurers in the UK it appears to have made single premium policies unavailable in Jersey.

### **6 Specific areas identified as requiring attention**

- 6.1 The following areas required attention by the entities examined:
- 6.1.1 Two of the insurance intermediaries (29%) did not inform customers that they offer PPI on a non-advised basis.

- 6.1.2 One insurance intermediary (14%) had insufficient procedures for the handling of complaints and one did not adequately follow its established complaints procedure.
- 6.2 The Commission wrote to the entities referenced above and requested that they take remedial action, which included changes to their policies and procedures, to address these matters. All remedial actions have now been completed.

## 7 Overview

- 7.1 It was apparent that many of the insurance intermediaries visited had implemented recent improvements to their systems and controls for the provision of PPI, which was reflected in a lack of significant findings.
- 7.2 The information gathered during the on-site examinations would indicate that no specific action beyond that detailed above is required and the Commission does not propose implementing any consequent changes to the current regulatory regime applicable to intermediaries involved in the sale of PPI.
- 7.3 Any comments on the contents of this paper would be welcomed. The Commission would also be happy to address any concerns or questions that the reader may have in this respect. Any such communications should be addressed to:

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