

CONNECTED TRAVEL INSURANCE INSTRUMENT 2008**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 139 (Miscellaneous ancillary matters);
 - (c) section 156 (General supplementary powers);
 - (d) section 157(1) (Guidance);
 - (e) section 213 (The compensation scheme); and
 - (f) paragraph 17 (Fees) of Schedule 1 (The Financial Services Authority); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. This instrument comes into force on 1 January 2009.

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex C
Insurance: Conduct of Business sourcebook (ICOBS)	Annex D
Supervision manual (SUP)	Annex E
Perimeter Guidance manual (PERG)	Annex F

Citation

E. This instrument may be cited as the Connected Travel Insurance Instrument 2008.

By order of the Board
22 May 2008

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text unless otherwise stated.

- connected contract* a *non-investment insurance contract* which:
- (a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);
 - (b) has a total duration (including *renewals*) of five years or less;
 - (c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;
 - (d) covers the risk of:
 - (i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or
 - (ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider (“travel risks”) in circumstances where:
 - (A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business; or
 - (B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;
 - (e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);
 - (f) is complementary to the non-motor goods being supplied or service being provided by the provider; and
 - (g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

In this definition:

- (h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

- (i) a hire-purchase agreement within the meaning of section 189(1) of the Consumer Credit Act 1974; or
- (ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

- (i) “small business” means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);
- (j) “turnover” means the amounts derived from the provision of goods and services falling within the business’s ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>connected travel insurance contract</i>	a <i>non-investment insurance contract</i> which covers the risk of damage to, or loss of, baggage and other risks linked to the travel booked with the provider but does not otherwise meet the conditions in paragraph (d)(ii) of the definition of <i>connected contract</i> .
<i>connected travel insurance intermediary</i>	an <i>insurance intermediary</i> whose <i>permission</i> includes a <i>requirement</i> that it must not conduct any <i>regulated activity</i> other than <i>insurance mediation activity</i> in relation to a <i>connected travel insurance contract</i> .

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

FEES 4 Annex 1R – Activity groups, tariff bases and valuation dates applicable

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Part 2

...

Activity group	Tariff-base
...	...
A.19	<p>ANNUAL INCOME (a) the net amount retained by the <i>firm</i> of all brokerages, fees, commissions and other related income (eg administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to <i>insurance mediation activity</i> (or activities which would have been <i>insurance mediation activity</i> if they had been carried out after 13 January 2005 <u>or, in relation to <i>connected travel insurance contracts</i>, from 1 January 2009</u>) in relation to <i>general insurance contracts</i> or <i>pure protection contracts</i>;</p> <p>Plus ...</p> <p>Notes on annual income: (1) For 2004/05 and 2005/06 <i>firms</i> have supplied this data on their 'HSF1' or 'variation of permission' application form.</p> <p>...</p> <p>(4) Reference to a “<i>firm</i>” above also includes reference to any <i>person</i>, <u>including a <i>connected travel insurance intermediary</i></u>, who carried out activities which would be <i>insurance mediation activity</i> (in respect of <i>general insurance contracts</i> or <i>pure protection contracts</i>) if they had been carried out after 13 January 2005 <u>or, in relation to <i>connected travel insurance contracts</i>, from 1 January 2009.</u></p>

Annex C

Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

- 2.3.1 R A *firm* (other than a *connected travel insurance intermediary*) must establish on reasonable grounds that:
- (1) a reasonable proportion of the *persons* within its management structure who are responsible for *insurance mediation activity*; and
 - (2) all other *persons* directly involved in its *insurance mediation activity*;
- demonstrate the knowledge and ability necessary for the performance of their duties; and ...

Annex D

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Status disclosure exemption: connected travel insurance

- 4.1.5 R ~~[not used]~~ In relation to a *connected travel insurance contract*, a *firm* need only provide the procedures allowing *customers* and other interested parties to register *complaints* about the *firm* with the *firm* and the *Financial Ombudsman Service* or, if the *Financial Ombudsman Service* does not apply, information about the out-of-court *complaint* and redress procedures available for the settlement of disputes between the *firm* and its *customers*.

Scope of service

- 4.1.6 R (1) Prior to the conclusion of an initial *contract of insurance* (other than a *connected travel insurance contract*) and, if necessary, on its amendment or *renewal*, a *firm* must tell the *customer* whether:
- (a) it gives advice on the basis of a fair analysis of the market; or
 - (b) it is under a contractual obligation to conduct *insurance mediation* business exclusively with one or more *insurance undertakings*; or
 - (c) it is not under a contractual obligation to conduct *insurance mediation* business exclusively with one or more *insurance undertakings* and does not give advice on the basis of a fair analysis of the market.

...

...

5.2 Statement of demands and needs

Application: who? what?

- 5.2.1 R This section applies to:
- (1) an *insurance intermediary* in relation to any *policy* (other than a *connected travel insurance contract*); and

...

...

TP 1 **Transitional Provisions**

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Series of events

- 6 R If, for a *connected travel insurance intermediary*, the application of any provision in this sourcebook is dependent on the occurrence of a series of events, the provision applies with respect to the events that occur on or after 1 January 2009.

Annex E

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text.

TP 1.5

- 1 R (1) A firm may, in the written contract with its introducer appointed representative, extend the scope of appointment to include:
- (a) receiving and forwarding to an insurer or insurance intermediary an application by a customer for a connected travel insurance contract together with any associated documentation; and
- (b) receiving client money from a customer in respect of a connected travel insurance contract, and holding that client money.
- (2) The extension of the scope of the appointment must apply only where the receipt of an application or of client money results from documentation given to a customer, where the deadline for submission of this documentation to the publishers for publishing was on or before 15 November 2008.
- (3) This rule applies until 31 December 2009.

Annex F

Amendments to the Perimeter Guidance manual

In this Annex, underlining indicates new text and striking through indicates deleted text.

Insurance mediation activities

2.9.19 G The exclusions in this group apply to certain *regulated activities* involving certain *contracts of insurance*. The exclusions and the *regulated activities* to which they apply are as follows.

- (1) The first exclusion of this kind relates to certain activities carried on by a provider of non-motor goods or services related to travel in connection with *general insurance contracts* only. The contracts must be for five years duration or less and have an annual premium of no more than €500. The contract must cover breakdown or loss of or damage to non-motor goods supplied by the provider or loss of or damage to baggage and other risks linked to certain travel services booked with the provider. ~~The travel services must be the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation, or must relate to attendance at an event organised or managed by the provider.~~ Where the travel services relate to an event, the exclusion does not apply if the party seeking insurance is an individual (acting in his private capacity) or a small business. A small business is a sole trader, *body corporate, partnership or unincorporated association* which had a turnover in the last financial year of less than £1,000,000 (but where it is a member of a group, the combined turnover of the group is used). Turnover means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on those amounts. There must not be any liability risk cover other than where this is ancillary to the main risk covered in a travel policy). The insurance must be complementary to the goods or services being supplied by the provider in the course of his carrying on a business or profession not otherwise consisting of *regulated activities*, and the policy must be in standard form. ...

...

...

Activities carried on by a provider of relevant goods or services

5.11.13 G Article 72B (see also *PERG 5.3.7G* (Connected contracts of insurance)) may be of relevance to *persons* who supply non-motor goods or provide services related to travel in the course of carrying on a profession or business which does not otherwise consist of carrying on *regulated activities*. ... In broad

terms, a 'connected contract of insurance' is a *contract of insurance* which:

...

- (2) has a total duration (including rights to ~~renewal~~ *renewal*) of five years or less;
- (3) has an annual ~~premium~~ *premium* (or the equivalent of annual ~~premium~~ *premium*) of €500 or less;
- (4) covers ~~the risk of~~:
 - (a) the risk of breakdown, loss of, or damage to, non-motor goods supplied by the provider; or
 - (b) ~~damage to, or loss of, baggage and other risks linked to the travel booked with the provider ('travel risks');~~

...

- 5.11.13A G (1) There are two types of travel risks covered by PERG 5.11.13G(4)(b). The first type covers damage to, or loss of, baggage and other risks linked to the travel booked with the provider where that travel relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business.
- (2) "Small business" means a sole trader, *body corporate*, *partnership* or unincorporated association which had a turnover in the last financial year of less than £1,000,000. But if the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group. Turnover means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.
- (3) The second type of travel risk is damage to, or loss of, baggage and other risks linked to the hire from the insurance provider of an aircraft, vehicle or vessel which does not provide sleeping accommodation.
- (4) PERG 5.11.13G(4)(a) does not apply to the hire of an aircraft, vehicle or vessel but does cover hire purchase and similar agreements.

- 5.11.14 G In the *FSA's* view, the liability risks referred to in *PERG 5.11.13G(5)* cover risks in relation to liabilities that the *policyholder* might have to others (that is, third party claims). ... travel *policies* which provide cover in respect of the *policyholder's* personal liability while travelling may fall within the

exclusion by virtue of *PERG* 5.11.13G(5), where sold as part of a package by event organisers ~~travel agents and other providers of services related to travel~~.

...

Passporting

- 5.12.13 G The effect of the *IMD* is that any *EEA*-based insurance intermediaries doing business within the Directive's scope must first be registered in their home *EEA State* before carrying on *insurance mediation* in that *EEA State* or other *EEA States*. ...

Registered *EEA*-based insurance intermediaries wishing to establish branches in the *United Kingdom* or provide services on a cross-border basis into the *United Kingdom* can do so by notifying their *Home State regulator* which in turn notifies the *FSA*. This enables the intermediary to acquire passporting rights for business within the Directive's scope (so excluding *insurance mediation activities relating to connected contracts or connected travel insurance contracts*) under Schedule 3 to the *Act* (*EEA passporting rights*) (see Schedule 3(13) and (14) of the *Act* as amended by the *Insurance Mediation Directive (Miscellaneous Amendments) Regulations 2003*). ...