

# HOLIDAY CANCELLATION & TRAVEL INSURANCE

## FSA INSURANCE REGULATIONS MADE EASY

From 1 January 2009, UK holiday businesses including hotels, guest houses and self-catering operators have been required to follow new travel insurance rules as set down by the Financial Services Authority (FSA). These will regulate the sale of travel insurance (incorporating Holiday Cancellation Insurance) sold alongside a holiday or other related travel (connected travel insurance or CTI).

In essence, this means that consumers who want to buy holiday cancellation or travel insurance from a third party will no longer be able to simply 'tick a box'. These legislative changes primarily affect travel agents, airlines, tour operators, ferry, coach and train companies, but they also affect holiday accommodation firms in the UK.

How travel businesses sell insurance has changed fundamentally and these businesses need to act now (if they have not already done so) to ensure they are correctly authorised or choose to work with an existing regulated firm which will address the regulations for them.

FSA regulation requires that appropriate systems and controls are in place and fully documented. There will be serious consequences for any business that sells travel insurance, or advises customers about insurance, if it is not authorised to do so.

But what does this mean in plain English and can the industry still benefit from travel insurance commissions without adhering to the complex compliance rules laid out by the FSA?

World First Travel Insurance is on hand to demystify the travel insurance conundrum and highlight just what the opportunities are, including a new way of selling travel insurance which has previously been left unexplored:

### 1. Be a passive introducer or reseller in association with an FSA regulated firm

Being a passive introducer or reseller (or, in FSA terms, an 'unregulated introducer') has many advantages as it means holiday establishments in the UK who want to protect their bookings against cancellation and make commission from distributing Holiday Cancellation leaflets can do so without introducing FSA regulations directly or signing any agreements to be authorised.

Just like being a regulated introducer (see option 4 below), you cannot directly sell CTI or advise your customers about insurance, but you can collaborate with regulated firms. You can let your customers know about the availability of travel insurance, leaving them to buy it direct. You can still earn commission for every sale and get on with your business whilst your insurer looks after the regulations.

The important point to remember as a reseller is that you cannot pass your customers' details to the regulated firm you work with (your Principal). As a passive introducer or reseller you can, however, distribute printed application forms and online promotions for holiday cancellation insurance and make the most of opportunities to encourage (without recommending) your customers to buy holiday cancellation insurance directly through the insurer you work with.

### World First's 'Trade Routes' Solution

- UK holiday businesses can get FREE holiday cancellation leaflets to distribute to their guests by calling 0845 90 80 555
- An online equivalent is also available for businesses who confirm their bookings by email and want an internet insurance presence

'Trade Routes' provides the tourism industry (including trade associations and tourist boards) with customised websites which maintain the industry brand enabling them to become Resellers. These industry partners can have an own-brand travel insurance website with a unique web address to which they can direct visitors. The service offers:

- Full quote and purchasing facilities
- Commission is flexible with rates up to 20%
- A dedicated contact centre where telephone calls and online requests can be answered in the industry partner's name
- Digital policy fulfilment is also completely branded
- Intelligent marketing assistance to help industry partners find the right touch points and make the most out of travel insurance and visitor best practice sales without the added regulatory headache.

**We worry about FSA regulations so you don't have to**

## **2. Become directly authorised by the FSA**

Becoming directly authorised and regulated by the FSA is the most costly and complex of all the options. However, it gives travel businesses the most control in how they sell insurance. This option is only likely to appeal to large multiples as it involves a direct application to the FSA to be supervised as a regulated firm in your own right. You will receive a set of permissions to undertake regulated activities, such as arranging and advising on contracts of insurance.

If your application to the FSA is successful, you will then be required to report all transactions and your financial position, whilst also demonstrating you have the appropriate systems and controls in place to monitor your activities and those of your staff.

Being directly authorised might mean you can sell other types of insurance (e.g. wedding, health insurance and so on), but the flipside is that you will need to maintain your own compliance manual detailing your organisational structure, client money controls, continuity plans and financial resources (i.e. in addition to procedure manuals for all sales compliance and complaints handling). You will be obliged to hold professional indemnity insurance and may also require an outside Compliance Consultant.

## **3. Become an Appointed Representative (AR)**

Your Principal will give you permission and take regulatory responsibility for your activities. Becoming an AR does not mean that you can avoid compliance with FSA regulations, but it does mean the Principal will take some responsibility and is likely to require that you sell their insurance products on an exclusive basis.

The Principal will need carefully documented evidence that you are following their procedures and controls, which will be subject to strict terms and conditions. You will need to put in place systems for sales scripts, training manuals for all staff, operational manuals and complaints handling. All brochures and websites will need updating to clearly state you are an AR of your Principal firm and, if permitted to handle client money, you'll more than likely need to keep it separate from any other money, whilst being subject to internal and possible external audits.

ARs can of course give advice and arrange the travel insurance for their customers. However, you'll need to get a lot more information from them, such as health problems (including those of relatives on whom the holiday plans depend) and activities they will be enjoying on holiday. Then, you will be required to record their answers – being careful to comply with Data Protection legislation which the FSA monitors – and effectively match the right policy to each individual traveller and any third parties for whom they are booking.

Even though a Principal firm takes responsibility for its AR, ensuring that customers are sold the right policy will still be your responsibility. If a customer complains, you will be scrutinised by the FSA, could face disciplinary or criminal proceedings and be sued if you are deemed not to have followed FSA regulations.

## **4. Become an Introducer**

Introducing is less onerous than becoming an AR, as you are effectively exempt from regulation other than being recorded on the FSA register as being associated with another regulated firm. As an Introducer Appointed Representative (IAR), your activities are much the same as those of an unregulated introducer and are strictly limited to distributing financial promotions such as leaflets and application forms or the web equivalent about travel insurance. The only major shift or change is that you can also pass customer contact details to your Principal, although you will have no control over what they do with this information.

Your Principal insurance firm must still formally appoint you and enter into a contract making you an Introducer whilst acting in accordance with FSA rules (including those for complaints) and any others imposed in relation to your contract as an Introducer.

Introducers cannot assist with an insurance application, advise about insurance or enter into discussions about specific insurance products and their benefits. You can, of course, tell customers they should always insure for all their holidays. Hotels and Guest Houses in the UK are probably best suited to becoming a passive introducer (see option 1) as this removes the need for any formal agreements with the insurance company.

- For information contact Martin Rothwell on 01404 548 661 or [martin@rothwellandtowler.co.uk](mailto:martin@rothwellandtowler.co.uk)
- For media information, please contact Sophy Norris on 01392 426 287 or [sophy.norris@flagshipconsulting.co.uk](mailto:sophy.norris@flagshipconsulting.co.uk)