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Pet insurance - dispelling the myths!

For some vets, the new pet insurance regulations due to come into force on 14th January 2005 mean getting buried in a minefield of red tape which is onerous and timely for the practice. For others, the answer and subsequent approach is actually quite simple if you think **lifelong** pet insurance!

The new regulations state that any person selling a general insurance product must either be directly authorised by the Financial Services Authority (FSA)¹ or undertaking the sale on behalf of someone directly authorised by the FSA. In reality, what does this mean? Well, one key question to ask yourself as a practice, is do you actually **sell** insurance? The answer is no, you don't! As a profession, you don't sell, to a lesser or greater extent you **promote** insurance.

So, why get wrapped up in regulation red tape when you don't need to? Practices wishing to continue to **promote** insurance have four options available for consideration:

1. To become a Principal, directly authorised by the FSA in its own right.
2. To become an Appointed Representative (AR).
3. To become an Introducer Appointed Representative (IAR).
4. To be a Non-authorised practice.

Fear not, simplicity is the name of the game and it is easy to whittle down these choices even further without getting embroiled in the techno jargon! Option one, for example, is a status that is probably best suited to the insurance companies – not most vet practices! A Principal will deal directly with the FSA and can sell, advise & promote insurance as well as collect premiums etc.

Becoming an Appointed Representative (AR) is also onerous for both parties – the tendency for very short termination clauses in such contracts is testament to this fact. As well as enduring the Principal's on-going

programme of training, monitoring and auditing, and fulfilling the FSA's solvency requirements through the Principal, an AR practice must gain authorisation for and appoint an Approved Person responsible for the practice's insurance mediation.

Although the Principal will be responsible for the practice's regulated insurance activity, responsibility **cannot** be taken away from the Approved Person and they will have personal, lifetime liability for FSA censure and fines for regulatory breaches whilst they are the practice's Approved Person.

Similarly, there seems little advantage to practices by becoming an Introducer Appointed Representative (IAR) over and above remaining Non-Authorised. Like AR status, IAR requires a formal contract between the Practice and the Principal, but over and above the Non-authorised remit, would only allow the Practice to pass on client details to the Principal and complete or forward application forms for pet owners – neither of which is necessary with **lifelong** pet insurance.

A Non-Authorised Practice is the least burdensome choice for vets. Why? Because the regulation sees pet insurance as 'Incidental to your Business' and you can encourage owners to insure in line with **lifelong's** Terms of Business without engaging in an insurance activity regulated by the FSA.

lifelong's Terms of Business permit practices to introduce and support the concept of pet insurance generally, pass on to pet owners and display pet insurance leaflets and other marketing materials in practice – in short just what practices have very effectively done with **lifelong** over the last five years – no more.

Practices cannot give advice, recommend one policy over another, or actively try to sell pet insurance. But, even as an AR for one insurer, you could not criticise other providers' policies unless an AR for those companies as well.

For **lifelong** practices there are no additional resources needed in order to work with insurance and there is no requirement for practices to hold records, have staff trained or be involved in insurance mediation. What's more, **lifelong** has no application forms and policies can only be purchased over the phone or via the web. Simple!

The **lifelong** approach to pet insurance embraces these new changes and means practices can still work with insurance without getting embroiled in onerous regulatory requirements and without engaging in an insurance activity regulated by the FSA.

Practices wishing to know more about the simple **lifelong** approach should contact the veterinary helpdesk on **0800 038 83 87** or email: vets@pinnacle.co.uk.

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1. The Financial Services Authority is the organisation set up by the government under the Financial Services and Markets Acts 2000 (FSMA) to regulate firms that undertake financial services in the UK.