

BPL Global- Written evidence (CIR0017)

House of Lords Industry and Regulators Committee: Commercial insurance and reinsurance regulation inquiry

Berry Palmer & Lyle Ltd (trading as "BPL Global") is a member of the London and International Insurance Brokers' Association ("LIIBA"). The company is solely regulated by the Financial Conduct Authority (FCA) in the UK, and is one of the London Market's leading brokers specialising exclusively in Credit and Political Risk Insurance ("CPRI"). BPL Global handles approximately US\$ 425m insurance premiums annually, and has over 100 employees globally, of which c.80 are based in London. BPL Global is wholly owned by its employees.

We have seen the response submitted by LIIBA to the House of Lords Industry and Regulators Committee.

We fully support and endorse LIIBA's comments and wish to make a few supplementary points of our own in this submission.

Is the UK regulatory framework appropriate for the commercial insurance and reinsurance sectors?

1. We agree with LIIBA that a strong, internationally respected regulatory regime in UK is a key factor that attracts client business to London.
2. By and large, the UK regulatory framework does distinguish between "Large Risk" insurance business (placed for corporate clients) and Retail business (placed for individual customers), and recognises the differences in risk profiles – and potential for consumer harm – between the two. Nevertheless, we agree with LIIBA's comments that in practice the FCA does not always apply these principles in a consistent or clear way.

To what extent do the Bank of England and Financial Conduct Authority apply and interpret regulatory policy in these areas in a proportionate manner and strike the right balance between regulation and competitiveness?

3. We note that LIIBA has commented in its submission that the FCA should be more precise in how it assesses and addresses the risks to its objectives, which can lead to inappropriate regulatory intervention and poor outcomes. We agree with this and, like LIIBA, we also

believe that the FCA needs to be more proportionate in the way it supervises activity relating to overseas clients which fall outside the jurisdiction of the UK.

4. The vast majority of CPRI business which BPL Global conducts is for banks and financial institutions, exporters and commodity traders. As such, they are sophisticated insurance buyers and do not require the same level of protections as retail customers.
5. Like many other insurance brokers, we will be applying for FCA authorisation later this year for the UK Branch of our French company, in order to service predominantly EU-based clients. As such, we will be operating under a dual-regulated "reverse branching" model (as discussed by LIIBA in its submission). It is concerning that LIIBA has reported the FCA is insisting on very significant governance mechanisms for such UK Branches when they are servicing sophisticated EU-based corporate clients outside the UK. This does not appear to be proportionate or risk-based, and we believe it is an example illustrative of the FCA not striking the right balance.

How do the activities of the UK's financial regulators affect the ease of carrying out commercial insurance and reinsurance business in the UK? What impact does this have on the availability and cost of insurance cover in the UK?

6. We would echo the comments made in LIIBA's submission and do not have anything further to add.

What is the status of the London Market's global competitiveness, and how is this impacted by different regulatory approaches in other territories?

7. While the London Market remains at the forefront of the CPRI market and is where the majority of our policies are underwritten, BPL Global is ultimately agnostic as to where insurance coverage is placed: as insurance broker, our primary role is to obtain the best pricing at the best terms from insurers for our global clients, wherever those insurers may be based, and we have global offices to facilitate this. We say this not to diminish the London Market as we want to see it thrive, and we agree with LIIBA's remarks that the PRA and FCA have an important and active role to play in promoting the London Market's competitiveness, akin to other global regulators. We agree that this could be aided by a new specific competitiveness and economic growth

objective but that it must also be accompanied by the right mindset and approach by the FCA in order to make a meaningful difference.

What improvements could be made to the regulation of commercial insurance and reinsurance in a post-Brexit context?

8. We would agree with the various recommendations made by LIIBA in its response but would add one further observation which we believe is at times lost by regulators when developing and/or amending supervisory frameworks: the law of agency.
9. In the CPRI market in which we operate, there are two primary participants: capital providers and policyholders. Accordingly, there are two sets of agency relationships: underwriters, who act as agent for the capital providers; and insurance brokers, who act as agent for the policyholders. The CPRI market is a very vibrant and competitive marketplace because of this clarity on the roles of market participants. These principles extend to other classes of insurance business within the London Market, and we believe that they should guide and inform changes to how firms are supervised; by doing so, we believe this will enhance the London Market's global competitiveness.

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