

outlook



November 2014



Compensating consumers since 2001

CLAIMS AND COMPENSATION

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CHIEF EXECUTIVE'S STATEMENT



Mark Neale, Chief Executive

FSCS plays an important role in supporting financial stability. In any well-functioning market, financial firms must be able to fail as well as succeed. But orderly failure and resolution depend on an ability to protect consumers. That is where FSCS comes in.

In fulfilling its role, FSCS works closely alongside the regulators - the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) to ensure that our protection for consumers supports wider arrangements to resolve failing businesses.

This collaboration is well illustrated by a series of four papers which the PRA published on 6 October about future resolution arrangements for deposit-takers and for insurers. Two are particularly relevant to FSCS.

The first – dealing with the implementation of the EU Deposit Guarantee Scheme Directive (DGSD) to be implemented in July 2015 and continuity of access – sets out important changes to the scope of FSCS protection and to how that protection will be provided. Both are important. Our scope will broaden to protect what are known as “temporary high balances” such as the proceeds of house sales and other life events. This is a welcome extension of our protection. The PRA proposes a limit of £1 million for six months, or more for certain insurance payments with no time limit. We shall also protect deposits held by all businesses, not just SMEs.

As important, the PRA is proposing important changes to make it easier to provide continuity for depositors in a failure by transferring accounts from a failing firm to another provider. I have previously commented on the value of FSCS having the ability to provide continuity of cover. Losing access to a current account and to your deposits is a serious matter even it's only for a few days. So I particularly welcome the PRA's proposals which involve changes to firms' Single Customer View files and to the speed with which those files must be produced in a crisis.

We recognise, of course, that these changes may carry costs for firms and will want to understand firms' own assessment of the implications. FSCS stands ready to work with firms on whatever changes are agreed in the light of the consultation.

The second paper with direct implications for FSCS addresses the protection of policyholders. This too proposes important changes to the scope of FSCS protection in order to better protect consumers with long-term policies providing income in retirement or protection against death or disability. FSCS' current 90% limit on the protection of such policies would not only be administratively hard to apply, but would lead to immediate cuts in consumers' retirement income and protection benefits, with little prospect of being able to make that good. Again, we welcome this step which, if implemented, will support continuity for policyholders and confidence in long-term insurance products.

“In August, we gave an indication of the prospects for additional levies and I’m pleased to say that mid-way through the year, an interim levy is still unlikely.”

I encourage you to make your views on the various papers clear to the PRA during this consultation period, which ends on 6 January 2015. You can read more about the changes from an FSCS perspective on page 14. To view the papers, visit the Bank of England website.

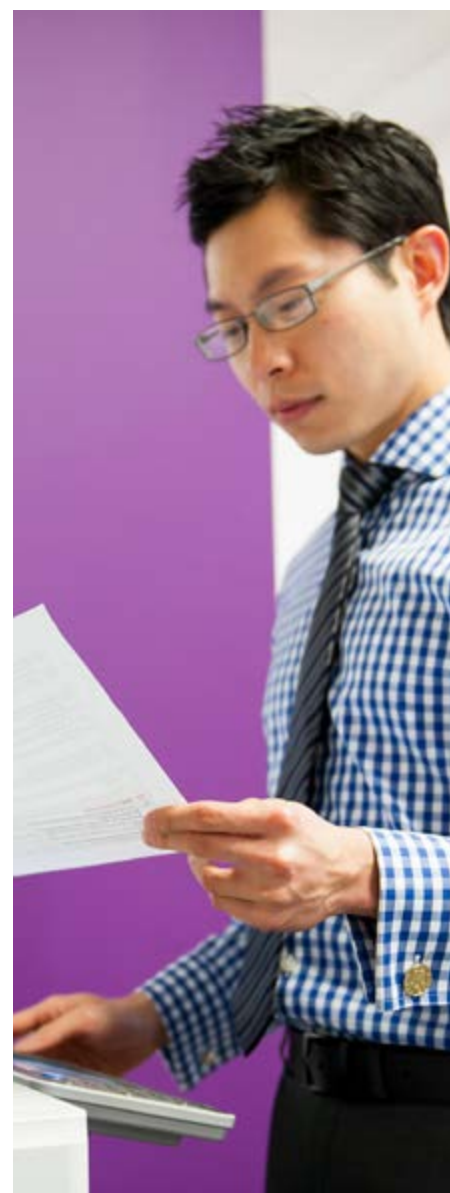
While looking to what lies ahead for FSCS is always important, it is also worth reflecting on how FSCS has performed over the first half of the year. In August, we gave an indication of the prospects for additional levies and I’m pleased to say that mid-way through the year, an interim levy is still unlikely. I did, however, caution that in the Life and Pensions Intermediation class there was a risk because of SIPP related claims. This remains; we are monitoring the situation closely and will update the industry should any developments occur. For the investment provision class, I am pleased to confirm that we are preparing refunds to those who met the cross subsidy levy in 2010/11 recoveries for Keydata – and we explain more inside. A full account of our recoveries work on Keydata will be published in due course.

We continue to make great progress with our refreshed consumer awareness drive and provide a more detailed update on the latest phase of the campaign on page 15. We know from our research that building awareness of FSCS contributes to consumer confidence, therefore benefiting the industry. So the programme is at the heart of what FSCS is here to do.




This is not the sole area that helps to raise awareness. It works in tandem with our PR and stakeholder work, which I discussed in my recent blog post, and drawing heavily on support from the industry. I would encourage you to read my industry blog, Perspectives, as it’s a useful insight not only into the issues affecting FSCS, but its connection to the wider industry. A summary of some of my recent posts can be found on page 16.

We are also, of course, forging ahead with our investment in the modernisation of our claims handling – Connect – which will enable consumers to claim online and deliver important efficiency, scale and control benefits to FSCS itself as claims are dealt with electronically through a standard process. Our out-source partners, who handle the majority of claims, will work on the same platform. We now expect the new claims handling system to come on-stream next year. Meanwhile we have re-competed our claims handling framework and have identified our partners for the next few years. They are: Deloitte, Capita, First Source and Eversheds.











We take our commitment to transparency seriously and I hope that the industry finds the information this Outlook contains on our costs and claims statistics helpful.



LEVY UPDATE

 = Lower risk
  = Medium risk
  = Higher risk

Funding indicators for six months to 30 September

| Class | Status August 2014 | Status November 2014 | Comments |
|---|---|---|---|
| Deposits (SA01) |  |  | Lower credit union payments in 2014/15 |
| General Insurance Provision (SB01) |  |  | Lower compensation payments in 2014/15 |
| General Insurance Intermediation (SB02) |  |  | PPI costs in 2014/15 slightly greater than budgeted |
| Life & Pensions Intermediation (SC02) |  |  | RISK of SIPP related claims |
| Investment Intermediation (SD02) |  |  | Increased recoveries |

Compensation Update

In our Plan and Budget 2014/15, we projected total compensation costs forward to 30 June to reflect the fact that our annual levy only becomes payable from July. In effect, the element of our levy which covers compensation costs is based on a 1 July to 30 June year. Therefore

compensation costs that arise in the first quarter of the 2015/16 financial year will be covered by the annual (and if necessary interim) levies we raise in 2014/15.

As outlined in the table above, an interim levy is unlikely. However there continues to be a risk in the Life & Pensions

Intermediation class because of claims relating to the transfer of pension savings into SIPPs. You can find more information about this on page 7.

General Insurance Provision

| General Insurance Provision (SB01) | Forecast 2014/15 £m | Budget 2014/15 £m | Variance £m | Interim Levy Indication August 2014 | Interim Levy Indication November 2014 |
|------------------------------------|---------------------|-------------------|-------------|-------------------------------------|---------------------------------------|
| B/Fwd from 2013/14 | 62.1 | 51.8 | 10.3 | ✓ | ✓ |
| Claims | (103.9) | (121.0) | 17.1 | | |
| Recoveries | 4.8 | 4.0 | 0.8 | | |
| Mgmt Expenses | (3.9) | (5.0) | 1.1 | | |
| Levies | 71.0 | 71.0 | - | | |
| Surplus/Deficit | 30.1 | 0.8 | 29.3 | | |

Balva AAS (Balva)

Balva is a Latvian firm that 'passported' into the UK to provide property and liability insurance. The firm got into difficulty in 2013 and the Latvian Regulator appointed a liquidator to review the financial position of the firm.

Due to lengthy delays in the assessment process in Latvia, FSCS met with the Latvian regulator and liquidator in June to establish whether the firm would resume paying claims from UK policyholders. When it became clear this would be unlikely, we declared the firm in default in July.

Despite having wider permissions, the firm only wrote liability insurance in the UK. It was on the Solicitors Regulatory Authority panel of insurers approved to write professional indemnity for lawyers in 2012/13. It also provided general liability insurance to small/medium enterprises.

The liquidator has appointed Caytons Solicitors and the Quest Partnership to act as its UK claims handling agents. FSCS are working with these firms to handle claims and provide compensation. To date we have paid £337k in compensation and confirmed eligibility for 105 policyholders.

The firm ceased writing new business in April 2013 and with the exception of a small number of run off cover policies for closing solicitor's practices that it had covered in 2012/13, all policies had lapsed by April of this year. There are therefore no return of premium claims to protect for this firm.

European Risk Insurance Company (ERIC)

ERIC is an Icelandic firm that passported into the UK to provide liability and property insurance. The firm wrote insurance for home owners and small businesses primarily through insurance brokers as its UK agents. It was also on the Solicitors Regulatory Authority panel of approved insurers for the 2011/12 year of account for providing professional indemnity cover to law firms.

ERIC was heavily dependent upon its UK agents to carry out business in the UK and most policyholders had little direct contact with the firm itself.

In February 2014, the Icelandic regulator withdrew the operating licence of the firm when it got into financial difficulties and appointed a resolution board to manage its affairs. Working with the resolution board, FSCS declared the firm in default in April 2014.

To date we have paid £2.19m in compensation against 216 claims and have confirmed eligibility for 508 policyholders.

In August and September the firm cancelled the majority of the unexpired policies of insurance. This will entitle approximately 4,000 policy holders to make a return of premium claim. We expect to process those claims in the final two quarters of 2014/15.

Milburn Insurance Company Limited (Milburn)

Milburn was a UK-based insurer specialising in property insurance for small commercial enterprises. It traded primarily through insurance brokers and policyholders often had little direct contact with the firm itself. Milburn primarily provided insurance cover in the UK market but also wrote some business in other EEA countries.

The firm ran into difficulties and in November 2013 and partners in Begbies Traynor were appointed as administrators to the firm. FSCS declared the firm in default in December 2013. We have been working with the administrators and their appointed claims handling agents, Certo Loss Adjusters, to provide compensation to policyholders for their indemnity claims. All policyholders with an open indemnity claim have been sent application forms and we have confirmed eligibility for 249 UK policyholders. To date we have paid out £1.5m against 191 claims.

We are working with the administrators to compensate eligible claimants as quickly as possible. FSCS has received further data from the administrators and we are reviewing this in order to make compensation payments relating to return of premiums. We believe the firm had around 12,000 policyholders, most of whom will be entitled to make a return of premium claim.

“The volume of payment protection insurance (PPI) mis-selling claims has been steadily declining, and has now levelled out to around 500 a month”

General Insurance Intermediation

| General Insurance Intermediation (SB02) | Forecast 2014/15 £m | Budget 2014/15 £m | Variance £m | Interim Levy Indication August 2014 | Interim Levy Indication November 2014 |
|---|------------------------|----------------------|----------------|--|--|
| B/Fwd from 2013/14 | 11.1 | 9.9 | 1.2 | ✓ | ✓ |
| Claims | (19.4) | (26.9) | 7.5 | | |
| Recoveries | 0.0 | - | 0.0 | | |
| Mgmt Expenses | (10.5) | (13.6) | 3.1 | | |
| Levies | 38.0 | 38.0 | - | | |
| Surplus/Deficit | 19.2 | 7.4 | 11.8 | | |

Payment Protection Insurance (PPI)

The volume of payment protection insurance (PPI) mis-selling claims has been steadily declining, and has now levelled out to around 500 a month (against a high of 2,000 a month). Claims management company activity in this sector remains high, accounting for around 70% of the claims we receive. However, the complexity of claims has increased, which requires greater information gathering and investigation. Despite this, over 95% of claims are being completed within the 90 day target.



Life and Pensions Intermediation

| Life and Pensions Intermediation (SC02) | Forecast 2014/15 £m | Budget 2014/15 £m | Variance £m | Interim Levy Indication August 2014 | Interim Levy Indication November 2014 |
|---|---------------------|-------------------|-------------|-------------------------------------|---------------------------------------|
| B/Fwd from 2013/14 | 12.5 | 8.8 | 3.7 | ⬆️ | ⬆️ |
| Claims | (39.5) | (37.4) | (2.1) | | |
| Recoveries | 0.5 | | 0.5 | | |
| Mgmt Expenses | (6.3) | (3.8) | (2.5) | | |
| Levies | 33.0 | 33.0 | - | | |
| Surplus/Deficit | 0.2 | 0.6 | (0.4) | | |

Claims relating to advice to transfer to Self-Invested Personal Pensions (SIPPs)

FSCS has continued to see increasing numbers of claims against independent financial advisors that are no longer trading. These claims have been in relation to advice these firms have given to transfer funds from existing pension schemes to Self-Invested Personal Pensions (SIPPs). In many cases the SIPP fund was then invested in non-standard asset classes, many of which have become illiquid.

FSCS's experience of these claims is consistent with warnings published by the

FCA in relation to SIPPs and its concerns about the conduct of some firms.

To date, FSCS has received more than 500 claims, primarily against the following firms which were all declared in default by FSCS in July 2014: TailorMade Independent Limited, 1 Stop Financial Services, Kynaston-Carnoustie Financial Consultancy Limited and Crawford Scott Limited.

To establish whether a claimant is eligible for compensation, FSCS will consider the advice given by the advising firm. Determining losses suffered by investors is likely to be complex. This is particularly

so where the claims involve both pensions and investment advice, and where some of the assets are difficult to value. To pay compensation, FSCS needs to be satisfied the firms in default can be held legally liable for the losses suffered by the claimant. We may consider making interim payments of compensation where we are not yet able to account for all elements of a claimant's loss.

In light of the complexities of these claims, we cannot yet say how much compensation FSCS will pay in relation to SIPPs during 2014/15. We will provide more information as soon as we are in a position to do so.



Investment Intermediation

| Investment Intermediation (SD02) | Forecast 2014/15 £m | Budget 2014/15 £m | Variance £m | Interim Levy Indication August 2014 | Interim Levy Indication November 2014 |
|----------------------------------|---------------------|-------------------|-------------|-------------------------------------|---------------------------------------|
| B/Fwd from 2013/14 | 53.8 | 22.9 | 30.9 | ✓ | ✓ |
| Claims | (159.5) | (132.4) | (27.1) | | |
| Recoveries | 17.3 | 12.4 | 4.9 | | |
| Mgmt Expenses | (16.6) | (14.8) | (1.8) | | |
| Levies | 112.0 | 112.0 | - | | |
| Surplus/Deficit | 7.0 | 0.1 | 6.9 | | |

Catalyst Investment Group Limited (Catalyst)

Catalyst was declared in default by the FCA on 4 October 2013. The firm had a key role in promoting funds backed by ARM Asset Backed Securities SA, a company which was itself placed into provisional liquidation on 9 October 2013. Following an analysis of Catalyst's role as distributor of the ARM bonds and the financial promotions for which Catalyst was responsible, FSCS decided that Catalyst may be liable for ARM investors' losses in many cases. FSCS started inviting claims against Catalyst in March 2014.

To date, FSCS has received almost 4,000 claims against Catalyst and has already settled

1,800 claims with compensation of around £26m. In total, FSCS expects to pay around £60m in relation to Catalyst claims during 2014/15. In addition to processing claims received, FSCS is also working closely with ARM Asset Backed Securities SA's provisional liquidators, BDO LLP, to maximise recoveries from that company.

City Equities Limited (City Equities)

City Equities was a stockbroker which was placed into special administration on 11 October 2013 and declared in default on the same day. Since that time FSCS has seen increasing numbers of claims received in relation to alleged negligent advice given by the stockbroker, particularly advice given

to clients to invest in shares listed on the AIM Market. To date FSCS has received in excess of 700 such claims with decisions expected by the end of 2014/15. FSCS will accept claims for compensation where there is evidence that City Equities gave negligent investment advice or failed to ensure that the investments it recommended was suitable for the requirements and objectives of its clients. It is too early to say what the overall compensation will be for claims against City Equities, and additional information will be provided once it is available.

Deposits

| Deposits (SA01) | Forecast 2014/15 £m | Budget 2014/15 £m | Variance £m | Interim Levy Indication August 2014 | Interim Levy Indication November 2014 |
|--------------------|------------------------|----------------------|----------------|--|--|
| B/Fwd from 2013/14 | 14.0 | 9.3 | 4.7 | ✓ | ✓ |
| Claims | (4.1) | (5.6) | 1.5 | | |
| Recoveries | 0.6 | 0.1 | 0.5 | | |
| Mgmt Expenses | (14.8) | (19.5) | 4.7 | | |
| Levies | 16.0 | 16.0 | - | | |
| Surplus/Deficit | 11.7 | 0.3 | 11.4 | | |

In addition to the above, the deposit class makes levy payments in respect of the legacy failures where FSCS has outstanding loans with HM Treasury. The balances on each loan as at 30 September 2014 and the interest accrued up to that date are set out below:

| Loan in respect of: | Adjusted principal outstanding at 01.10.14 £m | Interest accrued for 2014/15 £m |
|--|---|---------------------------------------|
| Bradford & Bingley Plc | 15,654.5 | 218.3 |
| Landsbanki Islands hf - Icesave | 345.8 | 4.7 |
| Kaupthing Singer & Friedlander Limited | 204.9 | 3.3 |
| Heritable Bank Plc | 12.3 | 0.2 |
| London Scottish Bank plc | 62.1 | 1.0 |
| Total | 16,279.6 | 227.5 |

The amounts above have been adjusted to reflect a capital repayment of £299m made by FSCS on 1 October 2014.

As detailed in our industry news release of 10 May 2013, FSCS is charged interest on each of the above loans based on the higher of a LIBOR-based amount and the relevant

gilt-based rate notified by the Debt Management Office (DMO). Because of the size of the loan, a relatively small change in interest rates can have a significant effect on the amount payable. The gilt based loan rate applicable to Bradford & Bingley has fallen over recent months below our forecast for the year.

2014/15 Levy Split between compensation and management expenses

| Year 2014/ 2015 | Funding-class/ Fee Block | | Annual Levy | | | Legacy Failure Levy Compensation Costs (prior to 2013/14 classes as manage- ment expenses) £m | Total Levies Announced in the Year | | | |
|-----------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------------|---------------|--|---------------------------------------|------------------------------|--------------|--------------------------|
| | | | Compensation Costs £m | Management Expenses £m | Total £m | | Compensation Costs £m | Management Expenses £m | Total £m | Levy Thresholds £m |
| | SA01 | Deposits | (0.95) | 16.95 | 16.00 | 845.00 | 844.05 | 16.95 | 861.00 | |
| | SB01 | General Insurance Provision | 68.60 | 2.40 | 71.00 | | 68.60 | 2.40 | 71.00 | |
| | SB02 | General Insurance Intermediation | 22.15 | 15.85 | 38.00 | | 22.15 | 15.85 | 38.00 | |
| | SC01 | Life & Pensions Provision | (0.29) | 0.29 | - | | (0.29) | 0.29 | - | |
| | SC02 | Life & Pensions Intermediation | 28.94 | 4.06 | 33.00 | | 28.94 | 4.06 | 33.00 | |
| | SD01 | Investment Provision | (0.48) | 0.48 | - | | (0.48) | 0.48 | - | |
| | SD02 | Investment Intermediation | 99.77 | 12.23 | 112.00 | | 99.77 | 12.23 | 112.00 | |
| | SE02 | Home Finance Intermediation | 1.24 | 0.76 | 2.00 | | 1.24 | 0.76 | 2.00 | |
| | | Base Cost | | 4.00 | 4.00 | | - | 4.00 | 4.00 | |
| | TOTAL | | 218.99 | 57.01 | 276.00 | 845.00 | 1,063.99 | 57.01 | 1,121 | |



Financial summary for six months to 30 September

| Management Expenses | YTD Actual £m | YTD Budget £m | 2014/15 Forecast £m | 2014/15 Budget £m |
|--|------------------|------------------|------------------------|----------------------|
| Continuing Operations | 14.8 | 16.0 | 32.9 | 31.7 |
| Outsourced Services | 5.7 | 6.0 | 11.2 | 11.5 |
| Total Continuing Operations | 20.5 | 22.0 | 44.1 | 43.2 |
| Strategic Change Portfolio | 7.5 | 12.9 | 17.2 | 16.3 |
| Total Operations and Investment Expense | 28.0 | 34.9 | 61.3 | 59.5 |
| Financing & Major Recoveries Expenses | 4.6 | 7.6 | 11.3 | 15.2 |
| Total Management Expenses Levy | 32.6 | 42.5 | 72.6 | 74.7 |

FSCS currently forecasts that our management expenses will be within our budget for 2014-15.

We do, however, expect to spend more than budgeted for in some areas, with offsetting savings in others. Specifically, we expect to spend more on our strategic change investments over the course of the year, mainly because of delays to the Connect programme which will now go live in 2015.

Against that, we expect spending on recoveries and on our revolving credit facility to be lower than budgeted for in the light of current levels of spending.

RECOVERIES

Major bank defaults

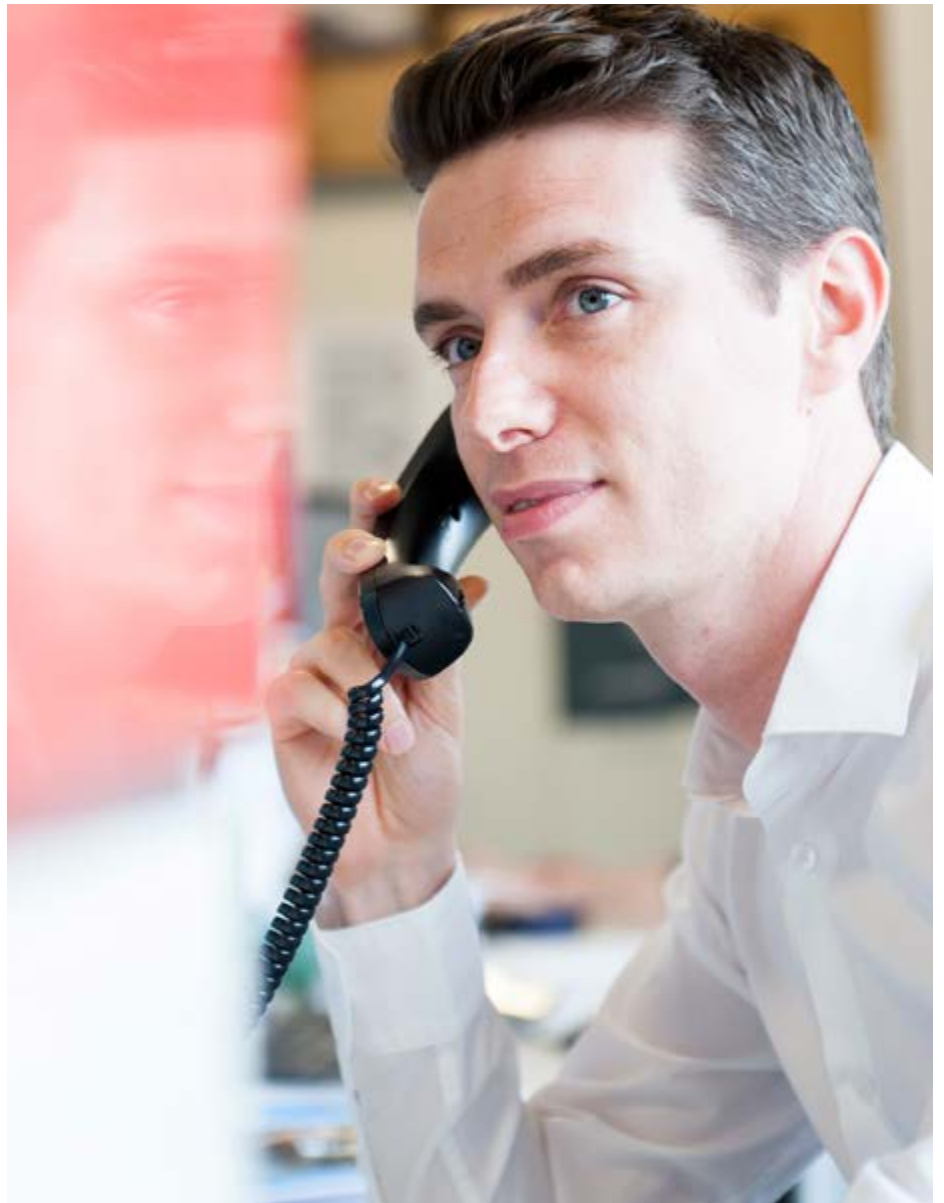
FSCS continues to be active as a creditor of all the failed estates. We continue to receive dividends in respect of our claims which are used to reduce the borrowing that FSCS incurred with HM Treasury to fund compensation for consumers at the time these banks failed. Recoveries totalling £240.8m were made from these estates in the last financial year (2013/14). As at 30 September, a further £12m has been recovered in 2014/15.

Bradford & Bingley (“B&B”)

The run-off of the B&B business continues, with UK Asset Resolution overseeing the business on behalf of HM Treasury. While B&B forecast repayment of the FSCS claim in full, the timing of repayment remains uncertain. We receive updates from the company on the progress of the wind down of its business.

Dunfermline Building Society

FSCS's liability to HM Treasury will not be finalised until the end of the resolution process, but the Scheme's last financial statements contained a provision of £552m (discounted for the time value of money) based on the latest information available at that time. FSCS and HM Treasury are working on the calculation of the cap to FSCS's contribution to the cost of resolution. As we said in our annual report, we expected HM Treasury to request an interim payment of £100m by 1 October 2014. We have since paid this and included it as part of our levy with the annual interest charges.



“ We continue to pursue recoveries where it is reasonable and cost effective to do so and these significant amounts demonstrate that our recoveries strategy is working ”

Keydata and Lifemark Recoveries

Significant recoveries have been made across Keydata and Lifemark. We continue to pursue recoveries where it is reasonable and cost effective to do so and these significant amounts demonstrate that our recoveries strategy is working. We will publish an account of the Keydata recoveries action in due course, once all the material steps have been completed.

Keydata

FSCS's court proceedings against IFA firms in connection with the sale of Keydata Investment Services products are continuing. The number of defendants involved in the proceedings has reduced very significantly since the commencement of the proceedings and is now around 150. In particular, this reflects concluded commercial settlements, which have to date achieved recoveries significantly in excess of the costs incurred in the litigation.

Following settlements with the previously selected set of six lead case defendants, FSCS has been working to select new lead case defendants to represent the defence case on behalf of all remaining defendants. During this period, FSCS has also achieved a substantial number of settlements with defendants nominated as lead case defendants, and against other defendants more generally. After a case management conference in July 2014, a further selection process took place and the Court has now ordered that a further group of 17 defendants act as Lead Case Defendants.

At a case management conference on 7 November 2014, the Court made further directions for the conduct of the case.

Lifemark

FSCS involvement in the issues arising from the failure of Lifemark S.A. is nearly concluded. FSCS received total payments on account from the trustee in the region of 12.5% of the nominal value of the issued Lifemark bonds, with a further payment expected later in the year. FSCS has already distributed funds to the majority of Lifemark claimants with compensable losses over £30,000 whose claims were assigned to the Scheme. It is now working to make payments to those who have not yet received payments due to a range of case-specific complexities. We expect to be in a position to make an announcement as to the allocation of the recoveries remaining between the affected levy payer classes (investment provision and investment intermediation) very shortly. The recoveries received from Lifemark will be less than the original investment value, but as explained previously will be substantially greater than would otherwise have been the case without FSCS's action.



POLICY

The PRA published three consultation papers (CP) and a discussion paper at the beginning of October as part of a wider resolution and resilience agenda. The CPs on depositor protection and policyholder protection impact directly on the work of FSCS. In addition, a CP on implementing ring-fencing requirements under the Banking Reform Act 2013 and a discussion paper on operational continuity in resolution have also been published.

Responses to all the papers are due by 6 January 2015.

Depositor Protection CP and the Deposit Guarantee Scheme Directive

The Deposit Guarantee Scheme Directive (DGSD) was published in the Official Journal of the European Union in July 2014. Member states have 12 months to comply with most elements of the Directive. There are elements of the DGSD that are mandatory and others which allow member states some flexibility. The PRA's CP on depositor protection includes the required changes to implement the DGSD and outlines the approach the UK proposes to take.

The main changes required under the DGSD include:

- A 'pre-fund', which HM Treasury confirm will be raised and managed via the bank levy.
- Risk-based levies for deposit firms. Member states have until May 2016 to introduce risk-based levies.
- Extension of eligibility to include most corporates (i.e. medium and large firms).

- Faster payout – seven working day deadline for payment to depositors, as from 2023, with a phased introduction period.
- Temporary high balances – coverage for balances above £85,000 in certain circumstances up to £1m (or more for certain insurance payments) and for up to six months (or for an unlimited time).
- Consumer disclosure - mandatory standard disclosure for all deposit firms across the EEA.
- Deposit Guarantee Schemes (DGS) will have the right to request information from firms.
- Stress testing and peer review – the requirement for a DGS to run a stress test every three years, with a peer review led by the European Banking Authority (EBA) every five years.
- Home/host state cooperation and payout – depositors at branches set up by credit institutions in another member state shall be repaid by a DGS in the host state on behalf of the DGS in the home state.

Policyholder protection

The CP on Policyholder protection aims to enhance the existing compensation scheme. The proposals provide increased cover for certain policies.

Current FSCS compensation limits for insurance claims are set at 100% for certain compulsory insurances and 90% for all other insurance, both life and general, with no upper limit. The PRA proposes increasing protection to the higher limit of 100% of the claim for:

- claims made under a contract of professional indemnity insurance;
- claims arising from death or incapacity due to injury, sickness or infirmity of the policyholder; or
- products where the benefits falling due are payable in the form of income or other regular payments, such as annuities;

The CP also addresses the issue of liability of successor firms. The CP provides that where a successor firm has assumed the responsibilities of a firm previously, but no longer, authorised by the PRA, FSCS will protect policyholders where the insured event which gave rise to the claim occurred before the successor firm took responsibility. Policyholders are not covered if the insured event occurred after the transfer of policies to the successor firm. If the successor firm is authorised by the PRA, claims would be covered by FSCS in the normal manner.

Mirroring the powers FSCS has for deposits claims, the CP proposes that FSCS will be entitled to automatic assignment (and/or subrogation) of policyholders' rights against insurers or any third party once claims have been paid out. The CP makes helpful clarifications as to policyholder eligibility, in particular for trustee claims.

FSCS will also have additional powers to request information from insurers if FSCS feels the firm is in financial difficulty or where FSCS is seeking to secure continuity of cover. For levy purposes, the CP proposes to allow firms the option to report eligible premium income, not all income, as now.

BUILDING CONFIDENCE THROUGH AWARENESS



This September we launched a new phase of our Consumer Awareness programme, which is an evolution both in terms of look and feel, as well as how we plan to reach our target audience. With a continuing focus on deposits, and solely paid for by this class of levy payer, the programme has been designed to build on the work done to date on raising awareness of our protection.

Shift towards more engaging content

While we continue to need to raise awareness, we have looked hard at both the way we communicate and what we are communicating. We are producing content that is engaging and resonates better with our audience's interests and aspirations. And we have integrated all activity so that it has the same look and feel.

As you will notice, our creative approach has now moved on from the 'Icons of protection' (represented by a crash helmet, cricket pads, padlock and welder) to a new approach called 'Whatever you're saving for'. This has been designed to engage consumers more deeply. In addition, we have introduced our new FSCS "badge" into our work, to help build awareness further.

We are using this creative approach across print, digital advertising and social media, for example:

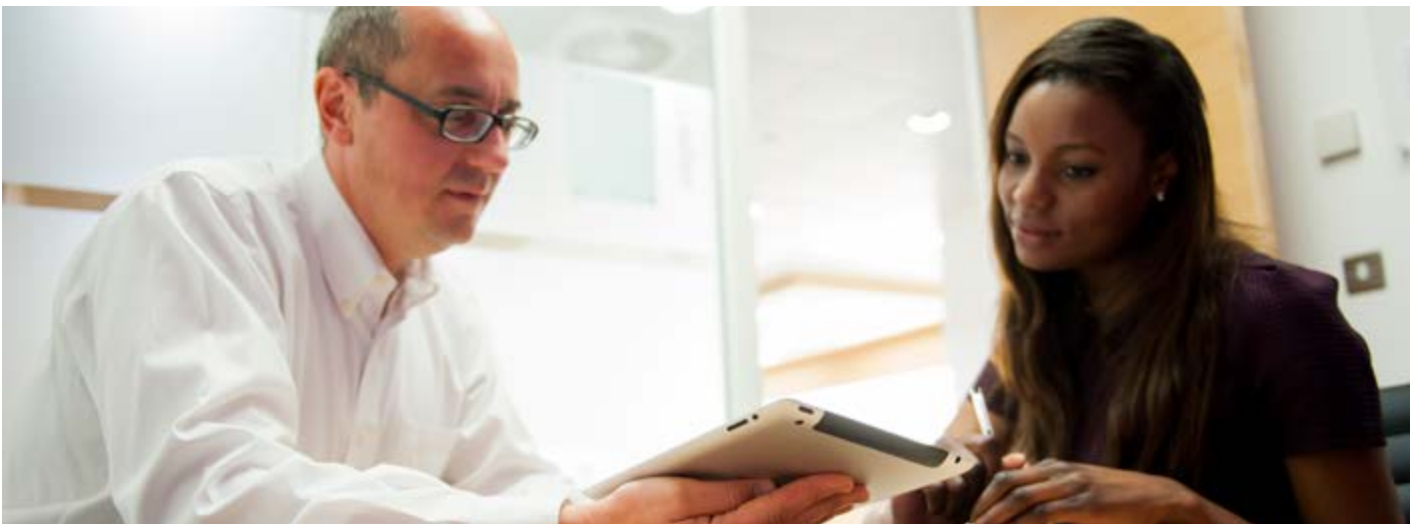
- a new 'short' film animation, telling consumers about FSCS and what we do in the same consumer-friendly style
- in a revised consumer microsite, giving a similar look and feel to the consumer materials, allowing us to feature the new animated film, as well news, social media and content from a new content partnership programme with Mail Online.

We have also set up a bespoke content campaign with Mail Online, the world's second largest news website. The [Protecting Your Future](#) campaign launched with TV and radio presenter Fearn Cotton at the beginning of September. We filmed Fearn talking about the time in her life when money and savings were crucial to protecting and securing her future. This video, on our YouTube channel, has been featured via promotion in Mail Online, supported by editorial, public relations and online advertising and social media engagement.

Fearn was the first of five personalities telling their stories. In October, Jonnie Peacock, the Paralympic gold medal sprinter gave his support, and in November, Marvin Humes, DJ, TV presenter and ex-JLS member, added his weight to the campaign. The partnership will continue through to the end of March 2015 with other personalities and a local 'savings heroes' competition to come in the New Year.

To find out more, go to www.fscs.org.uk/protected

WHAT'S COMING UP FOR FSCS



Perspectives

FSCS Chief Executive, Mark Neale, publishes a regular industry blog which provides updates on our work and other important issues. Over the past six months, Mark has commented on a number of topics including:

- our consumer awareness campaign. Mark discussed the refresh of our programme and the importance of FSCS continuing with our strategy to ensure consumer confidence;
- the presentation of a balanced assessment of FSCS's performance over the past financial year, with an overview of our Annual Report and Accounts 2013/14;
- an overview of how the DGSD will impact on FSCS protection;

- FSCS protection regarding insurance policies, particularly those that have "passport" into the UK; and
- an overview of our 2014/15 Annual Levy announcement, alongside our recoveries position.

To read the full posts or to find out more, go to www.fscs.org.uk/industry/perspectives

What's coming up for FSCS?

In January, look out for our Plan and Budget 2015/16. In it, we will give the first indication of our proposed annual levy as well set out our plans for the year ahead.

In April, we'll publish Outlook, in which we will confirm our annual levy for 2015/16. We will also provide additional insights into our recoveries and any legislative proposals or changes that may affect FSCS, and ultimately, our levy payers.

Previous editions of Outlook can be found on our website at www.fscs.org.uk/publications. We will however keep our levy payers updated on our work throughout the year. You can sign up to our RSS feed on our website at www.fscs.org.uk or you can always follow us on Twitter @FSCSNews.

Contact us:

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Please include your name and address with any messages sent