

**EXPLANATORY MEMORANDUM TO**  
**THE FINANCIAL SERVICES AND MARKETS ACT 2000 (MOTOR INSURANCE)**  
**REGULATIONS 2007**

**2007 No. 2403**

1. This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before Parliament by Command of Her Majesty.
2. **Description**
  - 2.1 These Regulations amend both the Financial Services and Markets Act 2000 (the "Act") and the Financial Services and Markets Act 2000 (Law Applicable to Contracts of Insurance) Regulations 2001 (the "2001 Regulations") to change the meaning of "EEA State in which a risk is situated" in certain circumstances in the context of vehicle insurance.
  - 2.2 Regulations 2 and 3 amend the Act and 2001 Regulations respectively so that they provide for circumstances in which, for the purposes of insurance business transfer schemes and contracts of insurance, a reference to the EEA State in which a risk is situated is a reference to the EEA State of destination, and not registration, of the vehicle.
  - 2.3 These Regulations facilitate for individuals, companies and insurers the importation of vehicles into the UK.
3. **Matters of Special Interest to the Joint Committee on Statutory Instruments**
  - 3.1 None
4. **Legislative Background**
  - 4.1 These Regulations implement Article 4a(1) of Council Directive 1990/232/EEC of 14<sup>th</sup> May 1990 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles (OJ No L 129, 19.5.1990, p. 33) (the "Third Motor Insurance Directive") which was inserted by Article 4(4) of Directive 2005/14/EC of 11th May 2005 of the European Parliament and of the Council (OJ No L149, 11.6.2005, p. 14).
  - 4.2 Schedule 12 to the Act sets out conditions for the appropriateness of the certificates required by the courts in relation to an insurance business transfer scheme. An insurance business transfer scheme is a legal process under Part 7 of the Act by which, following sanction by the courts, an insurance company can transfer its obligations under insurance or (reinsurance) policies to another insurer.
  - 4.3 The 2001 Regulations specify the law that applies to contracts of insurance, in particular general insurances such as motor insurance, and hence the regulatory regime with which any insurer offering such contracts must comply.

- 4.4 The change to the definition of the State of the risk requires that, as a consequential change, the FSA amends its definition of the State of the risk in its *Handbook Glossary*.
- 4.5 As these Regulations implement, in part, the Third Motor Insurance Directive, as amended by the Fifth Motor Insurance Directive, the Transposition Note setting out how the Government transposed in to UK law the main elements of the Fifth Motor Insurance Directive has been amended to reflect this further element of transposition. The amended Transposition Note is available in both Houses of Parliament. Copies are also available from the following address:

[http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/implementing\\_fifth\\_motorinsurance\\_directive/consult\\_fifth\\_motorinsurance\\_directive.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/implementing_fifth_motorinsurance_directive/consult_fifth_motorinsurance_directive.cfm)

## 5. Extent

- 5.1 This instrument applies to all of the United Kingdom.

## 6. European Convention on Human Rights

- 6.1 This instrument is subject to the negative resolution procedure and does not amend primary legislation. And accordingly, no statement of compliance with the European Convention on Human Rights is required.

## 7 Policy background

- 7.1 Article 4(4)-4a(1) of the 5th MID<sup>1</sup> provides, in circumstances where a vehicle is dispatched from one EEA State<sup>2</sup> to another, a 30-day derogation from the general rule under FSMA<sup>3</sup> that cover can only be provided by an insurer authorised to write business in the Member State in which the vehicle is registered. The derogation is compulsory, so that it will no longer be possible for insurers authorised to write business in the State of origin of the vehicle to provide cover for that period.
- 7.2 This provision is intended to make it easier for an individual wishing to apply to register in his State an imported vehicle previously registered in another EEA State (either a second-hand vehicle purchased in another EEA State by the applicant or by a dealer or a vehicle bought new in another EEA State).
- 7.3 At present, for the journey to the home EEA State, the vehicle has to be covered by an insurance policy issued by a company authorised to operate in the EEA State of

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<sup>1</sup> Strictly speaking, Article 4a(1) of the Third Motor Insurance Directive, as inserted by Article 4(4) of the Fifth Motor Insurance Directive.

<sup>2</sup> Article 4a(1) refers only to Member States ie EU States but the EEA Agreement of 7<sup>th</sup> March 1993 extends its application to all EEA States.

<sup>3</sup> Regulation 2(2)(b) and 4 of the FSMA 2000 (Law Applicable to Contracts of Insurance) Regulations 2001 (SI 2001/2635)

origin of the vehicle. Such short-term insurance is normally much more expensive pro rata than insurance for a normal full term or it can be difficult to find any insurer ready to provide such short-term cover. When the vehicle reaches the home EEA State, it then needs to be covered by insurance until its new registration is completed. The vehicle insurance purchased in the exporting EEA State does not typically provide cover for this period and it might be difficult to find alternative insurance in the home EEA State.

## **8. Impact**

- 8.1 A final Regulatory Impact Assessments (RIA) has been prepared for this instrument and accompanies the draft Statutory Instrument.

## **9. Contact**

- 9.1 Richard Wronka at HM Treasury, tel: 020 7270 5389 or e-mail: [richard.wronka@hm-treasury.gov.uk](mailto:richard.wronka@hm-treasury.gov.uk) can answer any queries relating to this instrument.

DEPARTMENT for TRANSPORT

TRANSPOSITION TABLE

DIRECTIVE 2005/14/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of the 11 May 2005 amending Council Directives 72/166 EEC, 84/5 EEC, 88/357/EEC and 90/232/EEC and Directive 2000/26/EC of the European Parliament and of the Council relating to insurance against civil liability in respect of the use of motor vehicles.

These regulations do what is necessary to implement the Directive, including making consequential changes to domestic legislation to ensure coherence in the area to which they apply.

<b>Articles</b>	<b>Objectives</b>	<b>Implementation</b>	<b>Responsibility</b>
Article 1	Amends Articles 1, 2 and 4 of Directive 72/ 166/ EEC.		
Article 1.1	Clarifies the definition of the territory in which the vehicle is normally based, and provides for cases in which a vehicle involved in an accident bears no registration plate or a fraudulent registration plate.	No need for further implementation. This is covered by the terms of the Untraced Drivers Agreement (this is an agreement between the Secretary of State for Transport and the MIB dated 7 <sup>th</sup> February 2003) and the Uninsured Drivers Agreement (this is an agreement between the Secretary of State for the Environment, Transport and the Regions and the Motor Insurers' Bureau (MIB) dated 13 <sup>th</sup> August 1999).	Motor Insurers' Bureau (MIB)
Article 1.2	Clarifies the rules on checking foreign vehicles to help ensure that they are correctly insured.	No further implementation needed. The police have a general power to stop vehicles (section 163 of the Road Traffic Act 1988). How this power is exercised is an operational matter for each individual police force. However, the general practice is that vehicles are not stopped by the police or other enforcement authorities unless there is specific reason to do so.	Home Secretary
Article 1.3	Extends the obligations of Member States in respect of vehicles operated by persons derogating from the provisions of Article 3 of Directive 72/166/EEC which sets out a general need for motor insurance cover in their own territory. It requires obligations in respect of such vehicles to be placed on the guarantee fund provided in the Member State where the vehicle is normally based.	No further implementation needed because there are no such derogations in Great Britain.	Secretary of State for Transport
Article 1.4	Deletes reference from Articles 6 and 7(1) to the non-European territory of a Member State.	No further implementation needed as this provision removes an earlier requirement which was not relevant to Great Britain.	Secretary of State for Transport

Article 2	Replaces Article 1 of Directive 84/5/EEC to update the minimum amount of insurance cover which must be required by Member States for the use of a motor vehicle.		
Article 2 [2(a)]	Amends the minimum level of insurance cover that users of motor vehicles must have in the case of personal injury to EUR 1,000,000 per victim or EUR 5,000,000 per claim, whatever the number of victims.	No further implementation needed because section 145 (3)(a) of the Road Traffic Act 1988 requires unlimited insurance cover in respect of death or bodily injury to any person.	Secretary of State for Transport
Article 2 [2(b)]	Amends the minimum level of insurance cover that users of motor vehicles must have in the case of damage to property to EUR 1,000,000 per claim whatever the number of victims.	Section 145(4)(b) of the Road Traffic Act 1988 qualifies section (3)(a) in respect of damage to property, where it sets a required amount of up to £250,000 cover. This amount needs to be amended to reflect the new level required by the Directive.  Regulation 2 amends section 145(4)(b) of the Road Traffic Act 1988 by increasing the minimum level of insurance cover that users of motor vehicles must have to cover their liability to third parties for damage to property from £250,000 to £1,000,000. Regulation 2 also makes consequential amendments to section 151(6) of the Road Traffic Act 1988.	Secretary of State for Transport
Article 2 [(3)]	Provides for five-yearly review of the amounts referred to in Article 2 [2].	The Department will monitor these reviews and adjust, by way of amendment regulations, future levels of cover to take account of these reviews and any other representations received.	Secretary of State for Transport
Article 2 [(4-7)]	Provides for the existence of a compensation body and sets out ground rules according to which that body must operate. These provisions largely replicate existing provisions in Directive 84/5/EEC with changes to the amounts required to be covered and certain other minor changes.	A compensation body already exists in Great Britain and Northern Ireland. This is known as the Motor Insurers' Bureau (the "MIB").  The ground rules according to which the MIB operates are set out in the MIBs Untraced and Uninsured Drivers agreements with the Secretary of State. These will be amended to take account of the revisions required under Directive 2005/14/EC.	Secretary of State for Transport and Motor Insurers' Bureau

Article 3 amends Directive 88/357/EEC			
Article 3	Deletes a provision in Directive 88/357/EEC (which in turn was inserted by Article 6 of Directive (90/618/EEC) (OJ No L330, 29.11.90, p44)	No further implementation needed because this deletes a provision which previously prevented Member States from allowing claims representatives to take up the business of direct insurance. This is permissive and does not in itself impose an obligation.	Chancellor of the Exchequer; Financial Services Authority (FSA)
Article 4 amends Directive 90/232/EEC			
Article 4(1)	Prohibits insurance policies from excluding from cover passengers who knew (or should have known) that the driver was under the influence of drink or drugs.	No further implementation is needed as no such exclusions are provided for under section 143 (use of motor vehicles to be insured or secured against third-party risks) and section 145 (requirements in respect of policies of insurance) of the Road Traffic Act 1988 and consequently would not be lawful.	Secretary of State for Transport
Article 4(2)	Requires that personal injury and damage to property suffered by pedestrians, cyclists and other non-motorised users of the roads in motor accidents should be covered and that they should be entitled to compensation for such damage.	No further implementation needed as provision regarding personal injury or damage suffered by such persons is covered by section 145(3)(a) and 4(b) of the Road Traffic Act 1988.	Secretary of State for Transport and Lord Chancellor (in respect of the GB civil liability regime).
Article 4(3)	Provides explicitly for insurance cover in all Member States of the Community throughout the duration of the insurance contract, and without the payment of any additional premium.	No need for further implementation because this accords with current practice in Great Britain, as set out in section 145 (3)(b) of the Road Traffic Act 1988.	Secretary of State for Transport
Article 4(4) [new 4a(1) and 4a2]	Provides that with respect to a vehicle dispatched from one Member State to another, the risk will be borne in the Member State of destination., which will be	The Financial Services and Markets Act 2000 (Motor Insurance) Regulations 2007 amend Schedule 12 to the Financial Services and Markets Act 2000 and the Financial Services and Markets Act 2000	Motor Insurers' Bureau Chancellor of the Exchequer

	liable for compensation in respect of uninsured vehicles.	(Law Applicable to Contracts of Insurance) Regulations 2001 to change the meaning of “EEA State in which a risk is situated” in certain circumstances. The Council of Bureaux is currently considering this requirement. Once that consideration is completed this requirement will be implemented in Great Britain by the MIB.	
Article 4(4) [new 4a(2)]	Provides that the Member State of destination will be liable for compensation in respect of uninsured vehicles.	The Council of Bureaux is currently considering this requirement. Once that consideration is completed this requirement will be implemented in Great Britain by the MIB.	Motor Insurance Bureau
Article 4 (4) – [new article 4b]	Provides for a right of policyholders to request at any time a statement relating to their third party liability claims.	No need for further implementation because the use of the “no claims discount statement” in Great Britain conforms to this requirement.	Financial Services Authority
Article 4 (4) – [new article 4c]	Forbids insurance companies from relying upon excesses against an injured party (that is, from not paying the first £x of any claim).	No further implementation is needed because use of excesses against the injured party is not provided for in Part VI of the Road Traffic Act 1988.	Secretary of State for Transport
Article 4 (4) – [new article 4d]	Provides for a direct right of action by the injured party against the insurance undertaking, without having to operate through an intermediary.	No need for further implementation because this requirement has been implemented by the European Communities (Rights against Insurers) Regulations 2002 (SI 2002/3061) (regulation 3).	Secretary of State for Transport and the Lord Chancellor
Article 4 (4) – [new article 4e]	Extends to any kind of motor vehicle accident the “reasoned offer” procedure established by Directive 2000/ 26/ EC – the fourth Motor Insurance Directive.	The first paragraph of this article relates to the provisions in article 4(6) of the fourth Motor Insurance Directive (Directive 2000/26/EC). These provisions were fully implemented in 2002 by the Financial Services Authority (FSA) and HM Treasury. Specifically:  The FSA through rules and guidance made under sections 138, 156 and 157(1) of the Financial Services and Markets Act	Secretary of State for Transport and the Motor Insurers’ Bureau

		<p>2000 (the “FSA”) and the Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706) (regulation 2).</p> <p>And HM Treasury through the exercise of their powers under sections 150(3) and 417(1) of the FSMA and regulation 3 of the Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706) (regulation 3) to ensure that non-private persons may sue for contravention of the FSA rule requiring the payment of interest.</p> <p>The second paragraph of this article applies the provisions of article 4(6) of the fourth Motor Insurance Directive to the National Insurer’s Bureau. The National Insurers’ Bureau in the UK is the Green Card Bureau operated by the Motor Insurer’s Bureau (MIB).</p> <p>The applicable requirements are contained in the Agreement between Compensation bodies and Guarantee funds made by the Comité Européen Des Assurances to which the MIB in the UK is a signatory.</p>	
Article 4 (5)	Extends information provisions obligations to any traffic accident.	No further implementation required because this requirement has already been implemented by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 (SI 2003/37) (regulations 3 and 4).	Secretary of State for Transport
Article 5(1)	Introduces a new recital expressing the intention that injured parties may sue the civil liability insurer in their country of domicile.	No further implementation needed because this is merely a clarification of existing practice.	Secretary of State for Transport /Lord Chancellor
Article 5(2)	Clarifies the status of a claims representative and the applicability of other EU law to such representatives.	No further implementation needed because this requirement has been implemented by Chapter 7, section 6.7(g) of the Financial Services Authority (FSA) Insurance Conduct of Business Sourcebook, which is legally binding upon all firms regulated by the FSA.	Financial Services Authority



Article 5(3)	Deletes reference to Green Card information.	No further implementation is needed because this requirement merely conforms to existing practice. Green Cards are not needed within the European Union.	Secretary of State for Transport/ Motor Insurers' Bureau
Article 5(4)	Requires action to be taken by Member States to make available "in due time" to victims, insurers and their legal representatives the basic data needed to settle claims. Provides for a central repository in each Member State and for electronic media.	<p>Separate information about relevant insurers is available through the Motor Insurers' Information Centre which is the information centre established in accordance with article 5.1 of Directive 2000/26/EC (OJ L181, 20.7.00, p65) (the fourth Motor Insurance Directive). This requirement was implemented by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 (SI 2003/37) (regulations 3 and 4).</p> <p>With regard to accident information, all police forces record such data manually and make the data available on request to any party involved in an accident. A project is currently being developed to enable police nationwide to record and access road traffic collision data via software applications.</p>	Secretary of State for Transport, Home Office, and Motor Insurers' Bureau

# FINAL REGULATORY IMPACT ASSESSMENT

## TITLE OF PROPOSAL

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1.1. Implementing Article 4(4)-4a(1) of the EU's Fifth Motor Insurance Directive ("5<sup>th</sup> MID").

## PURPOSE AND INTENDED EFFECT

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### Rationale for Government intervention

1.2. The UK is required to implement the 5<sup>th</sup> MID. Responsibility for implementation of the majority of the provisions of the Directive has fallen to the Department for Transport (DfT). However, implementation of Article 4(4)-4a(1) of the 5<sup>th</sup> MID<sup>4</sup> will require amendments to the Financial Services and Markets Act 2000 (FSMA) and the Financial Services and Markets Act (Law Applicable to Contracts of Insurance) Regulations 2001 and responsibility has therefore fallen to HM Treasury.

### Objective

1.3. Article 4(4)-4a(1) provides, in circumstances where a vehicle is dispatched from one EEA State<sup>5</sup> to another, a 30-day derogation from the general rule<sup>6</sup> that motor insurance cover can only be provided by an insurer authorised to write business in the EEA State in which the vehicle is registered. This is either because that State is its home State or because it has a passport to cover risks situated there through a branch or on a cross-border basis. This means that it will be easier for individuals to obtain insurance cover for imported vehicles by switching the EEA State in which the risk is situated (the 'State of the risk') from the State of origin of the vehicle to the State of destination.

## CONSULTATION

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1.4. This final Regulatory Impact Assessment concerns implementation Article 4(4)-4a(1) of the 5<sup>th</sup> MID.

1.5. A consultation seeking views on the proposed approach to implementation was launched on 1 March 2007 and closed on 24 May 2007. Three responses were received to the consultation from an insurer and an individual and also a joint response from two trade associations. A summary of responses to the consultation is available on HM Treasury's website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

1.6. This final RIA sets out the options open and considers the qualitative, and where possible, quantitative costs and benefits. Risks, unintended consequences and any compliance and enforcement issues have also been incorporated as costs and benefits. Competition issues and the impact on small firms have also been considered.

## OPTIONS

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### Do nothing

1.7. As with all proposals for legislation, HM Treasury have considered the option of making no changes.

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<sup>4</sup> Strictly speaking, Article 4a(1) of Council Directive 1990/232/EEC of 14<sup>th</sup> May 1990 (OJ No L 129, 19.5.1990, p. 33), the Third Motor Insurance Directive, as inserted by Article 4(4) of the Fifth Motor Insurance Directive.

<sup>5</sup> Article 4a(1) refers only to Member States, i.e. EU States, but the EEA Agreement of 7<sup>th</sup> March 1993 extends its application to all EEA States i.e. the 27 EU Member States and Norway, Iceland and Liechtenstein.

<sup>6</sup> See second indented paragraph of Article 2(d) of Second Council Directive 88/357/EEC of 22 June 1988 on direct insurance (OJ No L 172, 04.07.1988, p. 1).

1.8. The UK Government has no discretion to avoid implementation of EU Directives. The Commission would be able to begin infraction proceedings. The Government would also potentially be open to claims for damages. The Government also believes that Article 4(4)-4a(1) of the 5<sup>th</sup> MID will benefit UK consumers and insurers.

**HM Treasury's SI** 1.9. HM Treasury will therefore implement Article 4(4)-4a(1) of the 5<sup>th</sup> MID in line with the Statutory Instrument (SI) provided alongside this RIA. Following a supportive response to the consultation, no changes have been made to the SI from the draft version presented in the consultation document.

1.10. The Government's approach to implementation is to amend paragraph 6 of Schedule 12 (transfer schemes: interpretation) to FSMA and Regulation 2 (interpretation) of the Financial Services and Markets Act 2000 (Law Applicable to Contracts of Insurance) Regulations 2001<sup>7</sup>, so that where insurance relates to a vehicle dispatched from one EEA State to another, for the 30 day period following the delivery of the vehicle only, the insurance risk is situated in the EEA State which the vehicle is being delivered to. This will give the buyer time to register the vehicle in the UK.

1.11. Schedule 12 to FSMA sets out conditions for the appropriateness of the certificates required by the courts in relation to an insurance business transfer scheme. An insurance business transfer scheme is a legal process under Part VII of FSMA by which, following sanction by the courts, an insurance company can transfer its obligations under insurance or (reinsurance) policies to another insurer.

1.12. The Financial Services and Markets Act 2000 (Law Applicable to Contracts of Insurance) Regulations 2001 specify the law that applies to contracts of insurance, in particular general insurances such as motor insurance, and hence the regulatory regime with which any insurer offering such contracts must comply.

1.13. This option for implementation is not intended to go any further than required by the 5<sup>th</sup> MID.

## **COST AND BENEFITS**

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**Groups affected** 1.14. The following main groups have been identified as potentially being affected by these proposals:

- individuals, companies, or specialist dealers importing vehicles into the UK from another EEA State;
- motor insurers;
- insurance brokers.

1.15. According to the Association of British Insurers' (ABI) statistics of March 2006, there were around 380 insurance companies authorised to write motor insurance in the UK during 2004. However, the ABI estimate that in practice there were probably around 60 companies, plus 6 Lloyd's syndicates actively transacting motor insurance business.

**Benefits** 1.16. The Government believes that implementing Article 4(4)-4a(1) of the 5<sup>th</sup> MID will make it easier for individuals and companies in the UK to import cars from other EEA States. The Government is aware of concerns that individuals or companies wishing to purchase new or second-hand vehicles in one EEA State and dispatch them into another EEA State often experience difficulty in finding insurance cover. During the journey and until its final registration

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<sup>7</sup> S.I. 2001/2635.

in the EEA State of destination, the vehicle has to be covered by an insurance policy issued by an insurer authorised to operate in the state of origin of the vehicle (either because that State is its home state or because it has a passport to cover risks situated there through a branch or on a cross-border basis). Such short term insurance is harder to obtain and is normally more expensive pro rata than insurance for a full normal term. Following implementation of this part of Article 4(4) of the 5<sup>th</sup> MID, individuals or companies will be able to purchase motor insurance from a UK-authorised insurer to cover the whole process of importing into the UK a vehicle from another EEA State.

**1.17.** The Government also believes that this change should be beneficial for UK insurers by allowing them to insure a vehicle being imported into the UK without having to 'passport' into the EEA State from which the vehicle is being imported (and also by removing the requirement to enter into the exporting State's guarantee fund and motor insurance bureau). The Government understands that at present few UK motor insurers use a passport to write business in other EEA States, and this measure will therefore allow for a potential growth in the business of motor insurers by allowing them to cater for this market.

**1.18.** Responses to the consultation also identified specific problems with the current system:

- short-term insurance is seemingly unobtainable for personal motor vehicle importers from EC States other than Germany;
- where such insurance cover is available, they are limited to basic levels of third-party cover. In practice cover for fire, theft and personal loss was unobtainable;
- misunderstanding for the importer regarding the level of cover he or she is protected by, due to policies typically being written in the language of the State of origin and problems around the provision of information by both UK and foreign insurers. For instance, some personal importers believe that they are covered by a 'comprehensive' level of cover, when they in fact their policy only afford them third-party liability cover.

**1.19.** The Government believes that implementation of Article 4(4)-4a(1) of the 5<sup>th</sup> MID should alleviate these difficulties.

**Costs** **1.20.** The Government believes that there will be minimal costs arising from the implementation of Article 4(4)-4a(1) of the 5<sup>th</sup> MID. There may be a cost arising from UK insurers no longer being able to offer motor insurance to cover vehicles that are being exported out of the UK into another EEA State (unless they have a passport to cover risks situated there). However, the Government does not believe that this cost would be significant.

**1.21.** The FSA have estimated in their Quarterly Consultation (No. 10) that they do not expect this change to result in any incremental costs to the FSA<sup>8</sup>.

## **SMALL FIRMS IMPACT TEST**

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**1.22.** These proposals are unlikely to have a disproportionate impact on small firms.

## **COMPETITION ASSESSMENT**

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**1.23.** These proposals should make it easier for individuals and companies to import vehicles from other EEA States, hence impacting positively on competition in the UK's domestic motor vehicle market.

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<sup>8</sup> The FSA's consultation paper is available from the FSA website at: [http://www.fsa.gov.uk/Pages/Library/Policy/CP/2006/06\\_18.shtml](http://www.fsa.gov.uk/Pages/Library/Policy/CP/2006/06_18.shtml)

## **ENFORCEMENT, SANCTIONS AND MONITORING**

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1.24. The FSA is already responsible for enforcing regulation of UK authorised firms carrying out insurance contracts of the type allowed for through the implementation of Article 4(4)-4a(1) of the 5<sup>th</sup> MID.

## **IMPLEMENTATION AND DELIVERY PLAN**

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1.25. HM Treasury will take forward laying the Statutory Instrument which is subject to the negative resolution procedure. Subject to Parliamentary approval, it is intended that the revised arrangements will apply as soon as possible.

## **POST-IMPLEMENTATION REVIEW**

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1.26. Given that the Government is obliged to implement this Article of the 5<sup>th</sup> MID it does not feel that a formal post-implementation review is appropriate. However if any unforeseen impact on the motor insurance market arising from this measure is brought to the Government's attention it will assess the appropriateness of any available policy responses.

## **SUMMARY AND RECOMMENDATION**

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1.27. The Treasury has decided to implement Article 4(4)-4a(1) of the 5<sup>th</sup> MID in accordance with the approach put forward in its consultation paper.

1.28. Final legislation that will achieve implementation has been laid before Parliament and will come into force on [ ], subject to Parliamentary approval.

## **MINISTERIAL DECLARATION**

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I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

KITTY USSHER MP,

ECONOMIC SECRETARY TO THE TREASURY

[ ] July 2007

## **CONTACT POINT**

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