



1 February 2023

HM Treasury

Submission via online portal

Spring Budget 2023 – BIBA representation

Overview

The broking sector, as part of wider financial services, is a crucial enabler to help businesses in the 'real economy' manage their risk by providing financial protection and allowing them to invest, grow and thrive. Improving financial resilience can help levelling up economic outcomes for consumers.

Our key asks cover protecting businesses allowing them to grow; protecting consumers with better health outcomes; protecting homes and businesses against the risk of increased flooding; and enabling more opportunities for education and skills.

IPT – role in financial resilience

Consumers and businesses purchase insurance for financial resilience, which any government would see as a responsible and desirable thing to do, so there must be a limit to taxing this type of spend. We recognise the economic challenges faced by the UK do not allow currently for a general cut in IPT but would like to see a **commitment for IPT to be frozen for the remainder of the current parliamentary term.**

As a lever to encourage increased investment by businesses that is essential for their growth and to help build resilience across the wider UK economy **we urge the government to consider targeted relief from IPT to encourage businesses to purchase protection against emerging risks such as cyber.** In the UK, the vast majority (95%) of businesses, in particular SMEs, do not have a standalone policy in place, and only 43% have some cyber cover as part of a wider policy.

We believe **IPT relief should also be granted to those consumers who have seen the cost of buildings insurance for impaired high-rise cladded buildings that await or are undergoing remediation.** The increased IPT receipts from these higher premiums provide a disproportionate 'windfall' for the Government that exacerbates the cost impact to consumers that could be eased by government action.

Private Medical Insurance - P11D

The pandemic has put enormous strain on the NHS with the backlog of patients needing routine treatment at an all-time high. Our proposal is to transfer some of this burden to the private sector by giving employers and employees a financial incentive to purchase private medical insurance.

Research demonstrates that small businesses who invest in their employees' health and wellbeing or that arrange health insurances for their workforce can significantly improve productivity, while concurrently reducing pressure on the NHS. Expressed another way, an estimated 141.4 million working days were lost in 2018 because of sickness or injury, with the biggest causes being minor illnesses, musculoskeletal problems and mental ill-health. New style health insurance products are designed to be more affordable and to help employees stay healthy and return to work.

The use of private insurance relieves the pinch points at the front line of the NHS by taking people (who are still funding the NHS through general taxation) out of the public health system. [see the Frontier Economics report for AXA page 25 here [frontier-economics-the-value-of-private-health-insurance-14.11.22.pdf \(axahealth.co.uk\)](https://www.axahealth.co.uk/~/media/AXAHealth/Reports/2014/11/22/Frontier-Economics-The-Value-of-Private-Health-Insurance-14.11.22.pdf)]

However, accepting the offer of health insurance from their employer creates a taxable benefit for employees. For those on lower incomes, that may create a cost barrier and discourage take up. For micro-SMEs wishing to offer their employees the cover, the cost of P11D administration and increased NI tax in respect of the benefit can also be an obstacle. Fewer than 233,000 UK businesses currently provide a health benefit to their employees and 60% of companies have thought about purchasing health insurance but did not go ahead. If the first £500 of health insurance benefit could be waived from the P11D, a significant increase in SME provision of private medical insurance is likely.

Government already allows a P11D exemption for companies to pay up to £500 for medical treatment to help an employee return to work if they have been unable to work for at least 28 consecutive days. Currently 16 million people are employed by SMEs. An increase in health insurance penetration of SMEs would generate an additional premiums, and additional IPT revenue. This would save the NHS a similar sum for work they no longer have to tackle, allowing them to focus on their key priorities and cope more easily with the significant pressures on them.

Allowing for a small reduction in P11D revenue to HMRC we believe there would still be a significant net government gain for Government, which could be used for investment in the NHS.

We believe this is a win-win strategy – helping with employee productivity and wellness, increasing Government revenue and reliving some of the massive demands on the NHS.

Flood protection – protecting the UK’s resilience to climate change

The availability of suitable and affordable flood insurance is important for the financial resilience of consumers and businesses. As the impacts of climate change and development affect the potential for increased flooding, it is vital that the government maintains its commitment to flood defence investment and for flood mitigation measures to support the UK’s financial resilience.

The National Infrastructure Commission’s report on the risk of surface water flooding, published in November, estimates that currently 325,000 homes and businesses in England are in areas at highest risk. The NIC estimates that by 2055 up to 295,000 further properties could be at risk.

We call for:

- **Government and devolved administrations to take forward actions in the report by the National Infrastructure Commission on effective management of surface water in planning. In addition, they should make available more granular surface water flood mapping information and help to improve public awareness so homes and businesses can prepare for flood risk.**
- **For Government to ensure property planning guidance and building regulations that ensure sustainable home building are enforced.**
- **For Flood Re to be allowed to discount insurance premiums where recognised flood resilience measures are installed.**

Apprenticeship levy – levy reform could help our sector build the talent pipeline and address skills challenges.

Insurance Brokers are vital partners to help businesses put in place the financial products needed to protect their organisation. Finding the right insurance protection for businesses can be complex and knowledgeable and skilled people are essential.

As a sector with a greater proportion of highly skilled roles compared to other sectors, over 60%, financial services needs a proficient workforce as well as a pipeline of new talent. In particular, broking is an industry that needs commercial acumen and analytical capability.

Technology is changing the way the wider financial services industry works and many working in insurance will need new skills. This will require reskilling the existing workforce as well as ensuring new entrants have the right capabilities. Like many other sectors, brokers will need support to address the skills challenges they face.

As the PM recognised in his 4 Jan speech, there is a need to widen education to lifelong learning to address skills gap in the existing workforce.

We would like to see:

- **Expansion of the apprenticeship levy to a wider skills development levy that would provide support for all workplace skills and training – both in and outside a formal apprenticeship framework.**
- **The 12 month minimum duration under the existing apprenticeship levy rules to be removed so that greater development opportunities could be offered.**

Greater flexibility around the rules could help brokers encourage workers who have retired early to join/re-join the industry. As brokers are located throughout the UK, tackling skills gap for our sector through greater uptake of a skills levy would have a UK wide distribution impact and align with the aims of levelling up through regional economic growth.

Transport Bill

The delay in bringing forward a Transport Bill will impact the introduction of new and innovative forms of transport that could support a move to decarbonising the transport sector. **We urge the government to bring forward as soon as possible the legislation for a regulatory framework for automated vehicles and micromobility vehicles.**

Financial Services and Markets Bill

We believe that the Bill must set out clear requirements to ensure accountability for the regulators in meeting the new growth and international competitiveness objective. We want to see greater debate and challenge on proposed rules to ensure protection for consumers but in a cost-effective way for industry – as ultimately regulatory costs as borne by consumers. **We urge the government to include within the Bill a requirement for the FCA to set out within their consultation papers how their proposals would operate towards facilitating and promoting the international competitiveness of the UK economy and its growth in the medium to long term.**

End.

About the British Insurance Brokers' Association

The British Insurance Brokers' Association (BIBA) is the UK's leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries, and their customers.

BIBA is a non-profit organisation and its membership includes just under 2,000 regulated firms, employing more than 100,000 staff. General insurance brokers contribute 1% of GDP to the UK economy; they arrange 74% of all general insurance with a premium totalling £85.5bn and 93% of all commercial insurance business. Insurance brokers put their customers' interests first, providing advice, access to suitable insurance protection and risk management.

BIBA helps more than 240,000 people a year to access insurance protection through its *Find a Broker* service, both online and via the telephone.

BIBA is the voice of the sector advising members, the regulators, consumer bodies and other stakeholders on key insurance issues.

<https://www.biba.org.uk/>