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Mr Werner LANGEN
European Parliament
ECON Rapporteur

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Subject: The proposal for a Directive of the European Parliament and of the Council on Insurance Mediation (recast)

Dear Mr Langen,

The members of the Financial Services User Group (FSUG) wish to express their disappointment regarding your draft report on the proposal for a directive mentioned in the subject.

On 3 July 2012 the Commission published a proposal for a revision of the Insurance Mediation Directive (IMD 2). The goal of the Commission's proposal is to upgrade consumer protection in the insurance sector by creating common standards across insurance sales and ensuring proper advice.

Prior to this legislative proposal, the Commission consulted all stakeholders including the FSUG. The public consultation conducted in 2010¹ showed clearly there was a general consensus among them for the revision of IMD1 considering consumer protection as a central point of this revision, a vision we share and feel should underpin the recast directive:

“There is a general consensus that the level of policy holder protection embodied in EU law on insurance intermediaries needs to be raised. This conclusion is shared by consumer organisations, as well as by public authorities and financial advisors. The insurance industry and the insurance intermediaries underline that consumer protection has to be consistent all over the EU. In order to harmonise the information requirements for insurance intermediaries it has been suggested by a number of stakeholders to introduce a European Standard for status information. “

¹ http://ec.europa.eu/internal_market/consultations/docs/2010/insurance-mediation/summary_of_responses_en.pdf

“A majority of the respondents agree with the Commission proposal to extend the scope of the Insurance Mediation Directive. It should cover all market players which have insurance mediation as part of their activities – direct writers, banking and insurance companies, car rentals, etc.”

“A majority of the respondents agree with the Commission proposal to add in the revised directive a chapter on the selling practices of PRIPs insurance products. The general line is that this chapter has to take into account the specificities of the insurance business. At the same time, a majority of the respondents support the Commission position that the selling practices rules for insurance PRIPs have to be aligned with the MIFID rules, in order to ensure an equal level of consumer protection.”

This is the reason why the members of the FSUG do not understand why most of the Commission proposals to improve the text in relation to consumer protection have been ruled out in your report.

It is important to understand what an effective market that meets the needs and expectations of financial users looks like. Financial users expect:

- i) Access to value for money, safe, transparent, products and services that meet their needs from efficient, competitive providers that treat them fairly and who deserve their trust;
- ii) Fair, sufficient information and unbiased advice to make the right choices; and
- iii) Adequate redress if things go wrong and wrongdoers held to account.

Unfortunately, far too often, the financial services industry in the EU – including the insurance industry - has failed to deliver these outcomes for consumers resulting in misselling scandals, unfair practices, inefficient markets and high prices, and unprofessional behavior.

Creating a market that works in the interests of financial users and meets those needs and expectations requires effective regulatory interventions that: i) deal with the root causes of market failure and misselling such as the conflicts of interest caused by aggressive incentive schemes; and ii) are robust, coherent and consistent to avoid regulatory arbitrage.

Unfortunately, we have to conclude that the impact of your report would be to seriously compromise the creation of an effective financial services industry that operates in the interests of financial users.

Here is a list of the main amendments to the EC proposal which are not acceptable from a consumer perspective (this is a non-exhaustive list):

- Equality of treatment between operators and customer protection are the key objectives of this EU directive and it is important to explain that in Recital 4 and ensure that the directive covers all relevant persons and institutions.
- Limiting the scope of IMD2 by excluding the insurances linked to the supply of goods or services (e.g.: mobile phone insurances, travel insurances, insurances linked to car rentals,...);
- Excluding ‘economic benefit of any kind’ from the definition of remuneration of the intermediary;
- Deleting the provision whereby insurance and insurance intermediaries have to demonstrate appropriate professional experience relevant to the complexity of the products they are mediating;
- Deleting the obligation for intermediaries to update their knowledge and ability through continuing professional development in order to maintain an adequate level of performance;
- Removing the requirement not to have been previously declared bankrupt;

- Deleting the duty to act honestly and fairly, and in accordance with the best interests of customers;
- Deleting the obligation to inform customers on the following aspects: whether or the intermediary provides any type of advice about the insurance products sold; whether the intermediary is representing the customer or is acting for and on behalf of the insurance undertaking;
- Deleting most of the provisions related to the transparency of remuneration of intermediaries: no obligation to inform customers on the nature of the remuneration received in relation to the insurance contract; if the intermediary will receive a fee or a commission of any kind and the full amount of the remuneration concerning the insurance products being offered or considered; if the amount of the commission is based on the achievement of agreed targets or thresholds relating to the business placed by the intermediary with an insurer;
- Making compulsory for Member States to allow tying practices and not only bundling practices;
- Allowing creditors to make loans subject to the contracting of a credit insurance policy and to refuse them where the consumers fails to take out such an insurance policy with the lender or another alternative supplier having similar characteristics to that offered by the creditor's preferred supplier;
- Making compulsory for Member States to authorise the marketing of products combining insurance cover against one or more risks;
- Deleting the provisions related to insurance advice provided on an independent basis;
- Deleting the provisions on investment life insurance which objective was to achieve a level playing field with the distribution of investment products (ruled by MiFID);
- Deleting the provisions on sanctions.

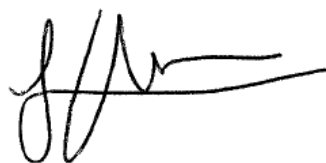
We hope that you will listen to our concerns on this serious matter and revise your opinions.

We look forward to hearing from you.

Yours sincerely,



Mick McAteer
Chairman of the FSUG



Guillaume Prache
Vice-Chairman of the FSUG

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