



Mr. Karel Van Hulle
Head of Unit
DG Internal Market and Services – Unit H.2
European Commission

To: Karel.Van-Hulle@ec.europa.eu

CC: Ulf Linder, Agnes Fridely, Agelika Tzvetanova

Brussels, 16 September 2011

Re: Review of the Insurance Mediation Directive

Dear Mr. Van Hulle,

The undersigned acknowledge the European Commission's intention to review the Insurance Mediation Directive (IMD I) and the opportunity provided to stakeholders to contribute to the Commission's work through the DG MARKET consultation on this issue. We hereby highlight our common views on specific aspects of the forthcoming EU framework on Insurance Mediation (IMD II).

1. We support, in principle, the Commission's objective to ensure that a common consistent regulatory framework for insurance intermediaries is achieved at European level. We believe that the current review of the Insurance Mediation Directive should aim at removing inconsistencies which have emerged across the national markets as a result of the minimum harmonisation nature of IMD I, which allows gold-plating practices by Member States. We firmly believe that full targeted harmonisation is the only means to ensure a level-playing field for intermediaries and a consistent level of protection for consumers across the EU.

However, should the Commission opt for a minimum harmonisation regime with a Single Market Clause, such as the one contained in the E-commerce Directive (Directive 2000/31/EC), we would like to stress the importance of conducting an effective monitoring of Member States' adherence to this clause and of their compliance with subsequent Commission decisions. Failure to do so would inevitably lead to further regulatory inconsistencies among national markets and incoherent frameworks for both businesses and consumers. This would undermine the objective of the review of the Directive.

2. In parallel, the review should also take due account of the specificities of the various players on the market as well as of the variety and complexity of the products offered.

It is our view that, if the Commission includes packaged retail investment products (PRIPs) into an IMD II, this has to be done under a separate regime, distinct from that of other insurance products. The reason for this is the inherent difference in nature between PRIPs and non-PRIPs insurance products.

In addition, we believe that any broadening of the concept of insurance intermediation should not necessarily lead to the removal of existing product exemptions. For example, the exemption currently provided for the mediation of large risks insurance is in our view appropriate.

In this context we would also be in favour of the removal of business-to-business contracts from the scope of an IMD II.

3. We consider it essential to guarantee a high level of professionalism and competence of insurance intermediaries while providing consumers with adequate information. However, professional requirements should be proportionate to intermediaries' level of responsibility, in accordance with operational business reality, and to the overall level of risks of the products so as to not discourage them from doing business. The application of the rule of proportionality should lead to a differentiated regulatory treatment applicable to intermediaries who work under the full responsibility of insurance undertakings from that applicable to other insurance intermediaries. For obvious reasons of efficiency competency requirements should apply to management level who are responsible for the good conduct of their staff.

We wish to stress that the legislation in force already sets high professional competence standards for insurance intermediaries, including their direct staff. In practice, we do not see the need for additional formal professional requirements.

As far as lending institutions are concerned, it should be borne in mind that staff directly involved in insurance mediation are already very well trained by internal supervisors. We warn against the introduction of additional professional requirements applicable which do not reflect to the level of responsibility of employees as this could threaten the provision of insurance products by lending institutions.

4. The introduction of clear-cut, effective rules on conflicts of interest and ensuring transparency of remuneration for policyholders had been identified as key issues by the Commission for the review of the IMD.

Should the European Commission opt for a "European Business Card", which would set out the role and activities of the respective intermediaries, we believe that a proper testing of this Card should be conducted before pursuing this option further. This would allow an assessment of its practicality for all forms of intermediaries. The administrative burden and additional costs incurred for intermediaries should be proportionate to the specificities of the various players on the market and the variety and complexity of the products they offer.

We would also like to highlight that where insurance products are connected to a finance credit contract, distribution costs are included in the annual percentage rate of charge (APRC) of the product in question. This allows customers to compare offers efficiently and ensures a high level of consumer protection.

5. We fully support the principle that intermediaries should act honestly, professionally and in line with the interests of their customers. However, we strongly oppose the

CEIOPS/EIOPA assumptions regarding conflict of interests. In particular, we would like to express clear reservations about any measure which would *de facto* discourage or restrict the provision of loan insurances. A decrease in insured debts would necessarily lead to a sharp decline of the loan acceptance ratios for both mortgages and consumer loans (insurance risks being closely connected to credit risks), in turn resulting in an increase of credit interest rates. In parallel, the decrease of insured debts would heavily impact the credit rating of lending institutions which partly depends on the insurance coverage of their outstanding liabilities. It is sensible for borrowers to protect themselves. If they do not, it may fall upon the State to support them in the event of default on a loan.

The undersigned hope that the European Commission will take the views outlined above into consideration when reviewing the Insurance Mediation Directive. We remain at your disposal for further discussion or input on this issue.

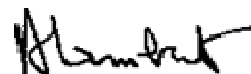
Yours sincerely,



Tanguy van de Werve
Director General
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Guido Ravoet
Chief Executive
European Banking Federation



Annik Lambert
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