



The President

To: Mr Michel Barnier
European Commissioner for Internal Market and Services
European Commission
BERL 10/034
B -1049 Brussels Belgium

Subject: Insurance Europe proposal on the revision of the Insurance Mediation Directive

Brussels, 9 March 2012

Dear Commissioner Barnier,

As the European Commission is expected to come forward with its proposal for a revised Insurance Mediation Directive (IMD) shortly, we believe that this is an appropriate occasion for Insurance Europe to restate the views on IMD 2 it had already made known under its former name of the CEA.

Insurance Europe supports a high level of protection for all consumers purchasing insurance products regardless of the distribution channel. We believe that the best way to meet the interests of consumer protection is for IMD2 to recognise the diversity of insurance distribution markets across the EU, as they are adapted to consumers' cultures, needs and preferences, and reflect local traditions and social environments. This diversity ensures that consumers have better access to insurance products, and stimulates competition on price and quality of products and services between product providers and intermediaries for the benefit of consumers.

We believe that consumer protection is best ensured by allowing member states the possibility to maintain or adopt provisions at national level that are adapted to meet local consumer-specific needs and demands. We would hope that the revised IMD is flexible enough to accommodate this diversity to avoid any negative effects for consumers by forcing some markets to change their existing level of consumer protection. It is difficult to imagine that this is a desired effect of the IMD review with the declared goal of the Commission to strengthen consumer protection.

We suggest therefore that IMD2 be proportionate and take the form of high-level principles. In this respect, Insurance Europe has developed a set of six high-level principles on selling practices for all insurance contracts, aimed to guarantee consumers an appropriate level of protection, regardless of the distribution channel (including direct selling). These principles, attached hereafter, cover issues such as the fair treatment of the customer, advice and analysis of customer needs.

We propose that the same principles apply to all insurance products and be modulated according to the demands and needs of the customer, the complexity of the product, the level of risk to the customer and the distribution channel so as to ensure a level playing field. Such an outcome-oriented approach will allow the same level of protection for the consumer, while recognising that the way to reach this outcome has to be adapted to the type of distribution channel concerned.

There are indeed fundamental differences between direct sellers who offer the products of their employer, which is not insurance intermediation, and for instance independent advisers who complete a 'fair analysis' of

the market. Insurance intermediation and direct selling concern two very different sales models that represent different challenges requiring different protection measures – this is especially the case with regard to conflicts of interest and transparency of remuneration, as the risk for potential conflict of interest does not arise to the same extent between the different distribution channels.

Moreover, the current IMD concerns insurance mediation activities and has been designed for insurance intermediaries, not for direct sellers. Therefore, should the Commission extend its scope to direct sales, it should be careful not to create a further burden without providing any real advantage for consumers. For instance, information requirements contained in Solvency II already apply to direct sales, so it is important to avoid any potential duplication of requirements.

Insurance Europe is supportive of transparency in order to aid the informed decision of consumers and their comparisons between products and distribution channels. This issue also needs to be addressed in light of the variety of distribution channels and market structures. We believe that member states should not be hindered from adopting their own national solutions based on principles appropriate to their market. Insurance Europe is pleased to see therefore that member states have found their respective, appropriate ways with regard to transparency, in respect of their national legal, social and cultural context and distribution structure.

We believe that relevant provisions under the current IMD provide a good starting point to mitigate potential conflicts of interest – conflicts of interest can be addressed by mandatory disclosure by distributors, including direct sellers, of their status and role vis-à-vis the consumer and the insurance company (business card solution).

If further steps are considered desirable at EU level, an appropriate solution would be, as part of a minimum harmonisation approach, to encourage mandatory, automatic transparency for intermediaries as to the form (fee/commission) and the source of the remuneration (insurance undertaking/policyholder), regardless of the type of insurance product. This has the advantage of ensuring that the consumer is informed at pre-contractual stage of the particular form in which an intermediary is remunerated and by whom he/she is remunerated - such information would not be relevant for direct sellers as it is self-evident who he/she is remunerated by and potential risks do not arise to the same extent between these channels. It would also reflect the need for a level playing field, while remaining compatible with the variety of distribution channels, and be in line with the findings of the Commission's recent study on the impact of the IMD review carried out by PricewaterhouseCoopers.

We remain at your disposal should you require any clarification or information on the issues raised in this letter.

Yours sincerely,

Sergio Balbinot
President

A handwritten signature in black ink, appearing to read "Balbinot", written over the printed name and title.

**Enhancing conduct of business rules in IMD2:
Insurance Europe high-level principles on selling practices**

Insurance Europe proposes a set of six high-level principles on selling practices for all insurance products and all distribution channels:

1. Selling practices must be focused on the fair treatment of the customer
2. A distributor has to offer advice on request or on own initiative when the circumstances indicate there is a need, as a result of the information provided by the customer.
3. A customer should always be informed about the type of the service provided (non-advised sale, advice, fair analysis).
4. Where advice is given, it should be based on an analysis of the customer's needs, on the basis of information provided by the customer.
5. Any distributor providing information or advice on an insurance product must understand and be able to explain the key features of the product.
6. Before a contract is concluded, the customer should be given the information about the insurance product, which allows the customer to make an informed decision.