Insurance distribution. Recast

2012/0175(COD) - 05/02/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Werner LANGEN (EPP, DE) on the proposal for a directive of the European Parliament and of the Council on insurance mediation (recast).

The parliamentary committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should be to amend the Commission's proposal as follows:

Scope: it is stipulated that the directive should guarantee that the same level of protection applies and that the consumer can benefit from **comparable standards**. The directive should promote a level playing field and **competition on equal terms** between intermediaries whether they are tied to an insurance undertaking or not.

Registration conditions: the amended text provides that if an insurance or reinsurance intermediary acts **under the responsibility** of an insurance or reinsurance undertaking or intermediary, the intermediary would not be required to provide the competent authorities with the information stipulated in the directive. The insurance entity responsible shall ensure that the insurance intermediary meets the conditions for registration and other provisions set out in this Directive.

Registered insurance and reinsurance intermediaries would be allowed to take up and pursue the activity of insurance and reinsurance mediation in the Union by means of **both freedom of establishment and freedom to provide services**.

- An insurance intermediary would be operating under freedom of establishment if it carries on business in a host Member State for an indefinite period via a permanent presence in that Member State.
- An insurance intermediary would be operating under Freedom to provide services if it intends to supply a policyholder, who is established in a Member State different from the one where the insurance intermediary is established, with an insurance contract relating to a risk situated in a Member States different from the Member State where the insurance intermediary is established.

Simplified registration procedure: Member States could apply the registration requirements to the insurance intermediaries concerned, if they consider it necessary to do so in the interests of **consumer protection**.

Professional requirements: the amended text requires that members of staff of insurance and reinsurance intermediaries and insurance undertakings, which pursue insurance mediation as principal professional activity, **regularly update their knowledge and ability** appropriate to the function they are performing and the relevant market.

To ensure that these provisions are complied with, a **continuing professional development** and sufficient and appropriate training to their staff of at least 200 hours in a five-year period, or a proportional number of hours where it is not their principal activity, needs to be fulfilled.

In principle, insurance and reinsurance intermediaries should hold **professional indemnity insurance** covering the whole territory of the Union or some other comparable guarantee against liability arising from professional negligence, for at least **EUR 1 250 000** applying to each claim and in aggregate **EUR 1 850 000** per year for all claims.

Alternative dispute resolution: in the event of alternative dispute resolution, the provisions of Directive 2013/11/EU of the European Parliament and of the Council would also be binding.

Member States should ensure that insurance intermediaries established on their territories inform consumers about the **name, address and website address** of the ADR entities by which they are covered and which are competent to deal with potential disputes between themselves and consumers.

Conflicts of interest and transparency: prior to the conclusion of any insurance contract, an insurance intermediary shall provide the customer with at least the following information if in relation to the insurance contract, the source of remuneration is: (i) the policyholder; (ii) the insurance undertaking; (iii) another insurance intermediary.

Member States may **introduce or retain additional disclosure requirements** for insurance mediators and insurance undertakings concerning the amount of remuneration, fees, commissions or non-monetary benefits in relation to the provision of intermediation provided that the Member State upholds a level playing field between all distribution channels, does not distort competition, and complies with Union law, and that the resulting administrative burdens remain proportional to the intended level of consumer protection.

Advice and standards for sales: where advice is provided prior to the conclusion of any specific contract, the insurance intermediary or insurance undertaking shall **specify the underlying reasons** for any advice given to the customer on a specified insurance product.

Information shall be provided in a **standardised information sheet** by way of a product information document (PID) in plain language. It shall contain at least the following information: (i) a description of the risks insured and excluded risks; (ii) the means of payment of premiums and the duration of payments; (iii) obligations at the start of and during the term of the contract; (iv) obligations in case of a claim made; and (v) the term of the contract.

Tying and bundling practices: when insurance is offered together with another service or ancillary product as part of a package or the same agreement or package, the insurance intermediary or insurance undertaking should inform and offer the customer the possibility of **buying the different components jointly or separately** provide for a separate evidence of the premium or prices of each component.

Reporting of breaches: effective mechanisms should be established to encourage reporting of breaches of national provisions implementing this Directive. Members called for these mechanisms to provide for appropriate protection, **including anonymity** where appropriate, for those who report the commission of breaches committed within them.

The identity of the persons reporting and allegedly responsible for the breach should **remain confidential at every stage**, unless the disclosure thereof is required under national law for the purpose of subsequent inquiries or legal proceedings.