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The European Federation of Insurance Intermediaries

is a non-profit European organisation grouping professional associations of insurance intermediaries in Europe. It presently has a membership of 47 national associations, established in 31 countries, and represents some 80,000 insurance agents and brokers, employing in all about 250,000 people.

Founded in Paris in 1937, BIPAR headquarters were moved to Brussels in 1989. It is today the official and recognised voice of insurance intermediaries with the European Institutions.

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BIPAR Press is also **available** on **www.bipar.eu** ("member area"/ "publications")

EUROPE

Protest against new Solvency II rules

Fears are being raised in the UK, Germany and France over prohibitive capitalisation costs for insurance companies as a result of Solvency II new rules. The Association of British Insurers (ABI) has sent a letter to the European Commission and the UK regulator FSA, warning them that the rules in their current form could force UK insurers to raise more that €57 billon to meet new capital requirement thresholds. ABI is particularly anxious about the implications, both for insurers' annuities businesses and about restrictions on the types of capital that insurers can use to support their businesses. Both the German insurance association (GDV) and French insurers (FFSA) have joined in the calls for modification of the new rules, complaining to their respective governments about the conservative approach of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), which will recommend later this year how the Commission should implement the rules. ABI said that "*Insurance is not banking and should not be regulated in the same way. We need targeted sector-specific changes, and not a lazy adoption of banking rules to other parts of the financial services sector*".

2008 Annual Report on Competition Policy

On 19 August 2009, the European Commission released its 2008 Annual Report on Competition Policy, which gives an overview of the main developments in EU competition policy and major enforcement actions. It demonstrates how the tools of competition policy were used to face the financial and economic crisis and highlights the benefits that competition policy delivers to consumers. For example, on 3 April 2008, the Commission adopted a White Paper on damages actions for breach of the EU antitrust rules. In the field of state aid, it has moved towards a more economic effects-based analysis of the support measures notified by Member States through the adoption of a general block exemption regulation and the introduction of a balancing test. Pursuing its fight against cartels, the Commission has introduced a mechanism to settle cartel cases with the agreement of the parties involved, through a simplified procedure, which allows dealing more quickly with cases and freeing up resources to pursue other cartel cases and open new investigations.

The **Commission's report** is available in all EU languages on the following website:

http://ec.europa.eu/competition/publications/annual_report/index.html

Outcome of the Commission's consultation on SEPA

On 29 September 2009, the European Commission published the results of a public consultation launched in June 2009 on whether and how deadlines should be set for the migration of existing national credit transfers and direct debits to the new Single Euro Payments Area (SEPA) payment instruments.

A large majority of respondents support the idea of setting deadlines at European level to stimulate migration to SEPA credit transfers and direct debits, but with some flexibility allowed at national level to set earlier end dates in order to take into account the specificities and degree of readiness of each market. Many, in particular users, underlined that some conditions should be met before such deadlines could be set. These conditions include the need to enhance the quality of the SEPA schemes to fully meet users' needs and to give users enough time to become acquainted with the new products. Many respondents also stressed the need for a migration covering not only payment transactions between banks, but also the retail side of the market and payment transactions between customers and banks.

The Commission will discuss this matter with Member States before taking a decision on how best to proceed.

Cost & regulation preventing emergence of broker start-ups

Insurance broking start-ups are finding it impossible to emerge due to greater regulatory burden and increasingly sophisticated requirements from clients. Consolidation over the recent years has resulted in a decrease in the number of brokers. The merger of Aon Re and Benfield last year altered the marketplace dynamic further. According to the chief executive of Aon Benfield's international division, one in seven of the people working in the global reinsurance sector are now employed in the merged company. He adds that the problem for small and medium-sized brokers is that to perform transactions successfully, they do not just have to transfer risk but have to understand it, which requires a costly infrastructure. In the analytics area, Aon Benfield is spending some €68 million and employs 450 people.

Eurofisc to crack down on VAT fraud

In the framework of its strategy to combat tax evasion and fraud, on 18 August 2009, the European Commission adopted a proposal for a recast of the Regulation on administrative cooperation in the field of value added tax (VAT), extending and reinforcing the legal framework for the exchange of information and cooperation between tax authorities. One of the key elements of the proposal is the creation of a legal base to set up Eurofisc: a common operational structure allowing Member States to take rapid action in the fight against cross-border VAT fraud.

Review of the Prospectus Directive

On 24 September 2009, the European Commission put forward, in line with the "Better Regulation" principles, a proposal for the review of the Prospectus Directive. A prospectus is a disclosure document, containing key financial and non-financial information, that a company makes available to potential investors when it is issuing securities (shares, bonds, derivative securities, etc.) to raise capital and/or when it wants its securities admitted to trading on exchanges. This Directive aims to ensure that investors are provided with clear and comprehensive information when making investment decisions. The proposal is part of a simplification exercise within the Action Programme of the European Commission for the Reduction of Administrative Burdens in the European Union. The proposal increases legal clarity and efficiency in the prospectus regime and reduces administrative burdens for issuers and intermediaries. It also bears in mind the importance of enhancing the level of investor protection and ensuring that the information provided is sufficient and adequate to cover the needs of retail investors. It reflects consultation with all major stakeholders. The proposal now passes to the European Parliament and the Council of Ministers for consideration.

FRANCE

French consumers not very keen on buying insurance online

IFOP survey is available in French only on the following website :

http://www.ifop.fr/?option=com_publication&type=poll&id=918

(Survey also available on **www.bipar.eu**, along with this issue of the BIPAR Press)

According to a study of the French survey institute IFOP commissioned by MMA, only 16% of respondents have already bought an insurance online, 17% consider doing it and the remaining 67% have no intention of buying a policy through the internet because they want to speak to a professional adviser before taking out an insurance. However, the internet turns out to be an interesting tool as one out of two French consumers use comparison websites and 48% ask for online estimates. The internet is also a means to complete the relationship established with its agent (62%) or its insurer (45%). It is by combining electronic tools with local services that insurers will contribute to the success of the internet.

French public ill informed about insurance brokers as a distribution channel

IFOP study is available in French only on the following website :

http://www.ifop.fr/?option=com_publication&type=poll&id=951

(Study also available on **www.bipar.eu**, along with this issue of the BIPAR Press)

A study of the French survey institute IFOP carried out on behalf of the organiser of the yearly "Brokers' day" event reveals that insurance brokers are not well known by the French public. IFOP polled 1002 persons who are representative of the French population and the results show that only 32% of French citizens know about the specificities and advantages of insurance brokers. On the other hand, 58% of the French people are acquainted with the counters of mutual companies without intermediaries, 47% with banks and 47% with insurance agents. Insurance brokers are less visible to the public than insurance agents but are better known by professionals and companies. Unlike agents who have launched campaigns to promote their profession, brokers have not taken any such initiative over the last years. However, 74% of those French citizens who know about the broking distribution channel have a good image of brokers, who are recognized for their expertise and their ability to offer the best tariffs and defend the insureds' interests.

IRELAND

The **Insurance Statistical Review 2008** can be downloaded from the Financial Regulator website at:

http://www.financialregulator.ie/press-area/press-releases/Pages/InsuranceStatisticalReviewfor2008Published.aspx

(Review also available on **www.bipar.eu**, along with this issue of the BIPAR Press)

Irish insurer results decline sharply in 2008

The Insurance Statistical Review for 2008, published by the Irish Financial Regulator on 24 September 2009, shows that Irish insurers' gross premiums fell sharply in 2008. Life business written in Ireland decreased to €28.50 billion in 2008 from €38.59 billion in 2007. Non-life writings dipped 2.1% to €7.40 billion last year. According to the report, Irish insurers recorded far lower underwriting profits in 2008: total life and non-life underwriting profits on Irish risks totalled €121.9 million in 2008, compared to €704.1 million in 2007. Foreign risks written by Irish insurers generated underwriting profits of €126.2 million last year, significantly lower than the €348 million earned in 2007.

UNITED KINGDOM

Regulatory standards will apply to everyone, says FSA

In an article published in Insurance Day on 14 August 2009, the British Financial Services Authority (FSA) made it clear that all players on the UK insurance market, "regardless of their size or type" will be subject to "intensive and intrusive supervision", and that "enforcement action" will follow for those who do not comply. The FSA addresses its warning more particularly to the smaller firms in the insurance business, should they feel increased regulatory scrutiny applies less to them than it does to their bigger counterparts. While sticking to its principles-based regulation, the FSA "will be adopting an outcomes-focused approach that assesses firms' systems and controls and that would also question the overall business strategy of firms and what risks that may lead to".

Representative associations of the British insurance industry understand the FSA's current approach to supervision but fear over-regulation as a result of the current banking and economic crisis. The insurance industry and banking business should be treated on a different basis, their share in the crisis and recent performances being fully contrasting. In addition, Lloyd's says that "any FSA response to perceived weaknesses within smaller insurance firms must be balanced and proportionate", whereas the British Insurance Brokers Association (BIBA, member association of BIPAR) points to the low-risk nature of the insurance intermediary sector. The Association of British Insurers is concerned that potential excessive regulatory action will eventually be harmful to the UK insurers' financial health and innovation.

Insurers' financial stability viewed as key factor

According to a recent study conducted by QBE (one of the UK's largest insurers of business risks) for the Association of Risk Managers and Insurers (Airmic), when selecting an insurer, his financial stability is the number one consideration for brokers and clients. Value for money, flexibility and innovation are key concerns for clients, whereas brokers view specialist industry knowledge, flexibility and innovation as top factors when they select an insurer. According to Airmic, concerns over the hardening market have overtaken insurer security as the number one issue for risk managers. The QBE study reveals that business concerns, pressures arising from increased competition and exchange rate fluctuation are top issues for brokers. Clients, on the other hand, place reputational risk and legal/regulatory risks as the main issues facing them today.

Number of price comparison websites soars

According to recent surveys, 54% of UK adults who have access to the Internet have used a financial price comparison website, and half of adults decide on their home or motor insurance policy simply based on the prices quoted on these sites. A third of UK adults have bought at least one financial product online within the past two years. The number of price comparison websites has increased more than 40-fold during the last three years. Further to consumer groups' complaints, the Financial Services Authority (FSA) completed a review of insurance comparison websites and concluded that some are misleading consumers by not providing clear and accurate information. As a result of the FSA investigation, a new body called the Comparison Consortium was set up in 2008 to develop a code of practice for the price comparison market. In July 2009, the Comparison Consortium released its code of practice, designed to ensure that customers are treated fairly and also enhance the reputation of the comparison market. The Consortium is trying to encourage as many comparison websites as possible to sign up to this code and accreditation scheme. Although membership of the organisation is not compulsory, it is hoped that membership will give respectability to members and improve consumer confidence.

SWITZERLAND

Switzerland high on the list as holding location for insurance groups

More insurers could be tempted to move to Switzerland as a result of its strong regulatory regime and close links and agreements with the EU. Switzerland has a regulatory regime that is considered as the front-runner as far as Solvency II is concerned. Solvency II has been able to learn from the introduction of the Swiss Solvency Test (SST). As the SST is already operational, companies know what form solvency testing regulation already takes in Switzerland, which is not the case in EU member countries where the full impact of Solvency II is still unknown. Moreover, the Swiss corporate tax regime can prove attractive: there is no central tax authority due to the federal structure so that tax levels can differ from canton to canton. Also, profits from overseas made through subsidiaries or branches are generally not taxed in Switzerland, which has a comprehensive network of double tax treaties.