

### MiFID: IMD 2 best place to regulate insurance investment products

#### *Conduct of business, sales rules belong in revised Insurance Mediation Directive*

*Brussels, 21 January 2014:* A decision was reached by the European Parliament, Council and Commission in a trialogue meeting on 14 January to amend the Insurance Mediation Directive (IMD 1) through the revised Markets in Financial Instruments Directive (MiFID 2).

"Insurance Europe believes that the appropriate place to regulate conduct of business and sales rules for insurance investment products is the revised IMD (IMD 2), as originally proposed by the Commission," said Michaela Koller, Insurance Europe's director general. In-depth discussions in the European Parliament on IMD 2 have sought to improve regulation in the retail insurance market for the benefit of consumers by regulating selling practices for all insurance products, including insurance investment products.

"Amending IMD 1 is an interim solution, as it will be replaced by IMD 2, which is currently being discussed by the EU institutions. This may make the implementation of the rules unnecessarily burdensome and expensive for companies and intermediaries," said Koller.

Insurance Europe acknowledges that the text agreed in the MiFID 2 trialogue seeks to achieve an appropriate compromise and strongly supports the approach that allows each member state to decide whether to prohibit or further restrict the offer or acceptance of fees, commissions or non-monetary benefits from third parties. It does not believe that any one system of remuneration should be preferred over another. This approach takes into account the diversity of insurance distribution channels across Europe and is in line with the subsidiarity principle.

The definition of insurance investment products should, however, be consistent across financial services legislation and should be established under the Packaged Retail Investment Products (PRIIPs) Regulation itself. Insurance Europe therefore has strong concerns about the inclusion of a definition in the text.

Insurance Europe supports the exemption for pension products, which are not comparable with other investment products because they are a type of savings product that provides a secure income for retirement and offers limited or no access to these savings during the accumulation phase. It is, however, disappointed that there was no equivalent exemption for life insurance products where no investment risk is borne by the policyholder. Such an exemption would be consistent with existing EU legislation, in particular the Solvency II Directive.

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#### Background

The European Commission published its proposal for a review of the Markets in Financial Instruments Directive (MiFID 2) in October 2011, introducing a range of measures that seek to address issues raised by the financial crisis, such as improving transparency and investor protection.

Subsequently, the European Commission published its retail package in July 2012, which consists of a proposal for a revised Insurance Mediation Directive (IMD 2), a Regulation on packaged retail investment products (PRIIPs) and a proposal on Undertakings for Collective Investment in Transferable Securities (UCITS V).

Conduct of business rules for investment products are addressed in the MiFID 2 proposal, while the IMD 2 proposal contains conduct of business rules for insurance products, as well as a chapter containing enhanced standards that are applicable to insurance products with an investment element, or insurance PRIIPs.

The final MiFID 2 text agreed by the triologue on 14 January will need to be formally approved by the Council and the European Parliament plenary to take effect, with the details of the deal still to be fine-tuned during technical meetings. The Directive is set to come into force at the end of 2016.

**Notes for editors**

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2. Copies of all Insurance Europe press releases are available on the Insurance Europe website ([www.insuranceeurope.eu](http://www.insuranceeurope.eu)).
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of more than €1 100bn, employ almost one million people and invest almost €8 400bn in the economy.