

Comments Template on EIOPA-CP 13/016 Consultation Paper on a Draft Report on Good Supervisory Practices regarding knowledge and ability requirements for distributors of insurance products		Deadline 23 September 2013 12:00 CET
Company name:	Leaseurope	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.	Public
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering in column "Reference", or any other formatting in the file.</u> ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. Please do not delete rows in the table. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment relating to the corresponding paragraph. <p>Please send the completed template to CP-13-016@eiopa.europa.eu, in MS Word Format, (our IT tool does not allow processing of any other formats).</p> <p>For your convenience, the complete list of questions is outlined below:</p> <ol style="list-style-type: none"> 1. <i>Does this Report address the most relevant issues? If not, what other aspects should EIOPA consider?</i> 2. <i>Is this Report helpful in informing the debate over appropriate knowledge and ability requirements for distributors of insurance products (particularly, in the light of the current negotiation of the IMD2 proposal)?</i> 		

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	<p>3. <i>Do you consider that the high-level principles cover the right aspects of knowledge and ability?</i></p> <p>4. <i>Does the section on continuous professional development (CPD) cover the most relevant issues?</i></p> <p>5. <i>What do you think of EIOPA's suggestion, as an example of a minimum level of CPD, of 30 hours study activities within a period of 3 years (or an equivalent amount on an annual basis)?</i></p>	
Reference	Comment	
General Comment	<p>Leaseurope As a Federation, Leaseurope brings together 44 Associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 92% of the European leasing market. More information on Leaseurope and its members can be found at www.leaseurope.org</p> <p>Leaseurope welcomes the opportunity to respond to this consultation paper on 'A Draft Report on Good Supervisory Practices regarding knowledge and ability requirements for distributors of insurance products'. This consultation is of particular relevance for leasing and vehicle rental companies, as they distribute insurance products in addition to their primary activity which consists of the provision of a lease or the rental of a vehicle.</p>	
Q1.	<p>It would appear that this Draft Report addresses many issues, however the general approach employed throughout fails to take into account:</p> <p>(i.) Intermediaries that distribute insurance products on an 'ancillary' or part-time basis, e.g. leasing and vehicle rental companies; and</p> <p>(ii.) The elements of the insurance products being distributed e.g. knowledge and ability requirements that would be applicable for simple, low cost and easy to understand products.</p>	

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Leasing Companies

In certain cases when a leasing company offers a lease to a client some optional insurance products (which are always linked to the leased asset) are also offered. The most common optional insurance products chosen by clients include asset own damage insurance and asset protection insurance.¹

These products are relatively simple (when compared to insurance investment products for example) and standardized. Additionally, it is important to re-emphasize that the offering of such insurance products is purely optional for the client.

By offering the client such optional insurance products the leasing company creates a one-stop-shop facility for the client, where the chosen insurance products can be purchased easily and rapidly at the point of sale, in addition to providing the client with extra protection.

Vehicle rental companies

Vehicle rental companies are legally obliged to provide Third Party Liability Insurance when renting a vehicle to a client. In addition to this mandatory insurance vehicle rental companies also offer the client the option of availing of Personal Accident Insurance (PAI). On average only 10% of clients choose this optional insurance.²

By offering the client such an optional insurance product, the vehicle rental company creates a one-stop-shop facility for the client, where the chosen insurance product can be purchased easily and rapidly at the point of sale, in addition to providing the client with extra protection.

Proportionality in terms of the complexity of the insurance products offered

The insurance product(s) distributed by leasing and vehicle rental companies are much less complex when compared to insurance investment products for example. Thus due to this inherent simplicity

¹ An example is Guaranteed Asset Protection Insurance (GAP). Where a lease is being used to finance an asset such as a vehicle, certain insurances are available to the client which provide for the protection of the vehicle. In the event of financed vehicle being declared a write-off by an insurance company due to theft or an accident, there may be a shortfall between the damaged vehicle's market value and the value anticipated by the lessor at the end of the lease agreement. GAP insurance funds the difference between these figures.

² This figure reflects aggregate figures provided by Hertz, Europcar and Avis.

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	<p>and due to the part-time nature of such distribution, the notion of "appropriate knowledge and ability" outlined in the Draft Report is too detailed and complex.</p> <p>If the final Report were to maintain such a general approach, it would be unrealistic and disproportionate in practice for 'ancillary' intermediaries, in particular the detailed requirement for a vehicle rental staff member/leasing company staff member to spend 30 hours over a three year period in a classroom. Requiring detailed study of insurance aspects that are not applicable to the insurance mediation activities being conducted would be completely disproportionate to what is actually required to enable those staff members to provide clear information to the client about what is in the final analysis <u>simple and affordable optional insurance coverage(s)</u>.</p>	
<p>Q2.</p>	<p>This Draft Report does offer more clarity on what is meant by 'knowledge and ability'. In particular by outlining the aspects that are required in order to be equipped with such 'knowledge and ability', where it is of course relevant to the intermediary's role.</p> <p>Nonetheless the components required in order to possess such 'knowledge and ability' are very cumbersome and overly prescriptive. Such standards would impose unrealistic requirements for the vehicle rental staff member/leasing company staff member who distributes optional low cost, easy to understand insurance product(s) in an 'ancillary' capacity. More proportionality and indicators of 'relevance to the intermediary's role' would be useful.</p> <p>We fail to see the merit or added value in requiring 'ancillary' intermediaries to possess knowledge to the extent outlined in the Draft Report in relation to other market participants (point 3.3.4 on page 18 & 19 of the Draft Report relating to the demonstration of knowledge of professional associations, consumer representatives and actual and in-depth knowledge of the main characteristic of the different types of insurance products and where applicable their underlying financial instruments).. This type of knowledge will not make the intermediary any better at helping the client to make an informed choice.</p> <p>In relation to the ongoing work on the Proposal for an IMD2 in the European Parliament, overall it is important for the differentiation to be maintained between intermediaries whose sole profession is</p>	

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	<p>insurance mediation and those that merely offer insurance mediation services in addition to their principal professional activity.</p> <p>In terms of the on-going Parliamentary debate regarding knowledge and ability in particular, it is essential that EIOPA's final Report is consistent with the final version of the IMD2, in order to avoid fragmentation at Member State level, which was the original objective of the IMD2.</p>	
Q3.	<p>Leaseurope is of the opinion that generally the high level principles are too broad, far reaching and insufficient in the fact that they do not take into account the different types of intermediaries, distribution channels and product ranges. EIOPA should avoid trying to come up with a one-size-fits-all approach, due to the inherent diversity of the insurance mediation market.</p>	
Q4.	<p>Leaseurope notes the aspects that the Draft Report denotes for CPD and appreciate that there are cases where CPD on all the areas outlined could be beneficial in certain circumstances. However, it is very difficult to mandate one standard without looking at the specificities of each individual intermediary. Thus, the CPD should be proportionate to the level of mediation conducted and complexity of the products offered, and above all be flexible depending on these performance indicators.</p>	
Q5.	<p>The detailed requirement for a vehicle rental/leasing staff member to spend 30 hours over a three year period studying detailed insurance information would be completely disproportionate to what is actually required to enable those staff members to provide clear information to the client about what is in the final analysis is a simple and affordable optional cover.</p> <p>In terms of CPD it is difficult to specify a number of hours and a time frame, as there may be for example no regulatory/product changes within the stated three year period, hence no continuous professional development may be relevant.</p> <p>We do acknowledge that if the 'ancillary' intermediary begins to offer a new product then training will</p>	

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	<p>be required to learn about that product etc.</p> <p>Overall we support the concept of CPD but only where required and of relevance. Stipulating a high level standard that fails to take into account the diversity of the insurance mediation sector is a disproportionate step.</p> <p>We support point 4.3.1 (page 26 of the Draft Report) which deals with the duration and frequency of CPD and states that such CPD should be dependent on the complexity, difficulty and frequency of new developments in industry, for example new regulatory requirements or products.</p>	