

IMD2

Reform of the Insurance Mediation Directive

Legislative proposals published – July 2012

BACKGROUND

The Insurance Mediation Directive 2002/92/EC ("IMD"), which was required to be implemented by EU member states by 14 January 2005, set out basic standards of consumer protection and aimed to create a single European market for sales of insurance by intermediaries.

Prompted by a desire to ensure consistency with other EU legislation and policies in the areas of consumer protection, investor protection and prudential supervision, such as Solvency II, MIFID II, UCITS V and the packaged retail investment products (PRIPs) initiative, IMD has been under review since 2010.

REVISED TEXT OF IMD2

On Tuesday 3 July the European Commission published its [legislative proposals for IMD](#) coming out of the above mentioned review.

Noteworthy points arising out of the proposals are:

1. **Scope of IMD2**

The scope of the IMD will be broadened to cover all sellers of insurance products, including travel insurance sold with travel services, direct sales by insurance companies and sales through aggregator websites. The IMD will also be expanded to cover companies that manage claims for insurers and loss adjustors (although they will only be subject to a light touch registration process).

2. **Mandatory remuneration disclosure**

Insurance undertakings and intermediaries will be required to disclose the nature (fee or commission), basis and amount of their remuneration and any variable remuneration received by individual sales employees.

A mandatory 'full disclosure' regime will apply right away to the sale of life insurance products and after five years to the sale of non-life products (with a transitional 'on-request' regime applying to the sale of non-life products for a period of five years).

The Commission has the power to appoint a body to specify appropriate criteria for determining how remuneration shall be disclosed and the basis of calculating remuneration.

The Commission may also appoint a body to oversee the identification, prevention, management and disclosure of conflicts of interest.

3. **Bundled products**

Where an insurance service or product is offered together with another service or product as a package, the customer must be made aware of the costs and charges of each component separately and also, where possible, the ability to buy the components (or their equivalent) separately.

4. **Advice**

The legislative proposals include a general statement strongly favouring the provision of advice in the sale of insurance products but do not go so far as requiring the provision of advice (but note section 5 below).

5. **Customer's best interests**

Intermediaries and insurance undertaking will be under a new obligation to act honestly, fairly and professionally in accordance with the best interests of customers.

6. **Harmonisation of professional requirements**

Prior to conclusion of a contract, consumers must be given clear information about the professional status of the person selling the insurance product. Professional knowledge must match the level of complexity of the activities connected with the insurance policy being sold.

7. **Cross border issues and the notification system**

The procedure for cross-border entry to insurance markets across the EU will be simplified through the use of a single electronic database of cross-border insurance intermediaries.

All member states will be required to publish specifically the "general good" rules it applies.

NEXT STEPS

The IMD2 proposals will now be considered by the European Parliament and the Council of the European Union under the codecision procedure.

The Commission has indicated that IMD2 is likely to be adopted during 2013 and come into force in 2015.

CONTACTS

For more information or to enquire about any training requirements that you may have in relation to this subject, please contact the person with whom you usually deal, or the authors of this note, Victor Fornasier or Marisa Orr.

FURTHER INFORMATION

www.cea.eu

[European Commission Website](#)

This note contains a short overview of a recent development in insurance and it is not intended to be a fully comprehensive report on the development. It is written as a general guide only and should not be relied upon as a substitute for specific legal advice. Its application to specific circumstances will depend on the particular facts. The content of this note is current as at the date of publication. If you would like to discuss any issue arising from this note please contact the person with whom you usually deal or one of the contacts listed above.



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