

BROKERS IRELAND PUBLIC POLICY OBJECTIVES 2020

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BROKERS
I R E L A N D

ABOUT BROKERS IRELAND

Brokers Ireland is Ireland's representative body for Insurance and Financial Brokers, with a combined strength of over 1,225 firms. Of Brokers Ireland's members, around 900 are Financial Brokers, selling financial products, including life assurance, pensions, investment products and mortgages. Around 350 are either Insurance Brokers selling non-life insurance, or "composites", selling both general insurance and financial products. We believe we represent substantially all the Insurance and Financial Brokers currently trading in Ireland.

We advise members, regulators, government and other industry stakeholders on key relevant issues, in order to raise and maintain industry standards.

We support and protect our members, both collectively and individually, in the areas of education, compliance and business development, so that members are best positioned to offer expert, professional advice and services to their clients. We underpin this support by providing a forum for dialogue and debate, both within Brokers Ireland and with industry stakeholders and policy makers.

OUR MEMBERS

Our members provide essential services to consumers and businesses across the full range of insurance and financial products. They provide employment for thousands of staff across Ireland, as well as ensuring that ancillary service providers are sustained in their businesses via vital service and supply contracts.

Insurance and Financial Services impact us all, as practically every adult in the country has at least one and probably more insurance and financial products, many of which are only available through Brokers. Our members see first-hand how legislative and budgetary changes impact consumers and businesses. Brokers themselves are impacted.

We see which policies and regulations work, which do not work and, crucially, what changes may be needed to foster economic stability and growth, prudent provision for retirement and to ensure that our financial and insurance sector functions to the benefit of consumers. We know intimately how SME enterprises are impacted by the steps taken by government, as our members are, for the most part, SME enterprises.

BROKERS IRELAND'S PRIORITIES INCLUDE:

Pensions Tax Relief

Brokers Ireland believes that any cuts to the pensions tax relief earnings limit, the rate of relief on personal contributions, or the Threshold limit, will lead to:

- Greater inequality in pension provision between those in the public and private sectors;
- A reduction in the level and quality of pension provision in the private sector;
- Lower tax savings than anticipated, due to the failure to account for behavioural changes that may arise from the change in reliefs.

Deferral of Approved Retirement Funds (ARF) Imputed Distribution for 2020

Investment markets have fallen sharply in 2020, due to the COVID-19 economic shock. Brokers Ireland urges that the ARF imputed distribution system be suspended for 2020. It is crucial that ARF holders, whose values have fallen significantly, in line with investment markets, be allowed the option of not taking a withdrawal in 2020 to avoid selling investments at low values. The suspension of the ARF imputed distribution for 2020 will facilitate this. Brokers Ireland believes that those who have acted prudently and saved for their retirement ought to have their investments protected at this time.

Lifting of 4% limit on Approved Minimum Retirement Fund (AMRF) Withdrawals for 2020

AMRF holders are currently limited to a 4% maximum annual withdrawal. Many retirees with AMRFs, which typically average €50,000 in value, do not have an ARF and may be under severe financial pressure because of the economic climate. We therefore urge that for 2020, the 4% limit on AMRF withdrawals be lifted, to allow retirees with small retirement funds greater access in 2020. All withdrawals are subject to PAYE.

Increase the DIRT Rate to the Life Assurance Exit Tax Rate of 41%

The life assurance exit tax rate and the DIRT rate were decoupled from the standard rate of income tax in April 2009, at which point they were linked to what was then the CGT rate. By 2014, the DIRT and exit tax rates had both increased to 41%. Following Budget 2017, the DIRT rate was reduced by 2% annually, such that in 2020 it stands at 33%. The exit tax rate, however, remains at 41%. It is clear that the reduced DIRT rate applicable since 2017 has provided an incentive to leave funds on deposit, even in a low interest rate environment. It acts as a disincentive to move deposits into unit-linked funds to earn a better return. There is no logical reason why deposit interest should be taxed at a lower rate than returns from savings and investment policies/collective investment funds. This anomalous position should be rectified by increasing the DIRT rate to 41%, to match the life assurance exit tax rate.

Remove the 1% Life Assurance Premium Levy

The levy was, on its introduction in April 2009, intended to be ‘temporary’. Brokers Ireland believes that the retention of the levy is unwarranted. It distorts the personal investment market given that it does not apply to investments in deposits and collective investment funds. It also increases the cost to individuals of protecting themselves and their families through life assurance and serious illness cover, as the levy increases premiums by 1%.

Insurance Reform

Brokers Ireland supports urgently needed Government reforms aimed at reducing the cost of insurance to policyholders. Our members know first-hand the struggle of many businesses to obtain liability insurance, either at all or at affordable rates, due to factors including the personal injuries claims environment, the high cost of claims, the unavailability of data and the regulatory environment. These factors contribute to the high cost of insurance and also ensure that Ireland is not an attractive market for the new insurer entrants needed to ensure adequate, cost-effective provision of insurance. We urge that the Government take all steps and use all resources at its disposal to ensure the speedy implementation of the proposals outlined by the Cost of Insurance Working Group in its reports.

Dual/Differential Pricing

Brokers Ireland abhor the practice of dual / differential pricing. It is currently being studied by the Central Bank of Ireland and combatting it is also included in the Programme for Government. Insurance company pricing practices that discriminate against consumers or groups of consumers must be discouraged.

National Vehicle Driver File (NVDF)

Brokers Ireland is pursuing reform of road traffic legislation to ensure that Insurance Brokers are entitled to equal access as Insurance Ireland members to data returned from the NVDF, to ensure that Insurance Broker customers are treated in the same way as insurance company direct customers.

Simplification of Insurance Documentation

Currently, when taking out a basic private motor insurance policy, a consumer is provided with policy documents, policy schedules, IPIDs, Privacy Notices (of Broker and Insurer), Statement of Facts, Certificate of Insurance, Disc, the Broker’s terms and conditions. From 1 September 2020, consumers will also be provided with a copy of their completed application or proposal form. On the life and pensions side they are also provided with Key Information Documents. Brokers Ireland believes that this volume of documentation must be reduced and streamlined, to highlight those essential pieces of Information that are truly important for policyholders. The cost of regulation generally is passed on to consumers by

insurers and product providers and therefore ensuring a more streamlined, less document-rich process should positively impact insurance premiums.

An End to Overregulation

In recent years, Brokers have seen a wave of regulation (Irish and European) being adopted, with consumer protection being one of its stated objectives. Brokers are subject to a range of regulation, including: the European Communities (Insurance Distribution) Regulations 2018 (IDR); the Investment Intermediaries Act 1995 (IIA); European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (CMCAR); the Consumer Credit Act 1995 (CCA); The Minimum Competency Code and Minimum Competency Regulations 2017 arising out of the Central Bank (Supervision and Enforcement) Act 2013; the Consumer Protection Code 2012 as amended. In recent years, Brokers have been impacted by the introduction of the Non-Life (Provision of Information) (Renewal of Policy of Insurance)(Amendment) Regulations 2018; as well as the Data Protection Act 2018 giving effect to the GDPR. Some Brokers Ireland members may also be subject to the MiFID II legislative framework, which regulates financial markets.

Regulation impacts Brokers in their day-to-day work, changing work practices and ensuring that ever increasing resources (time and money) must be spent on compliance, rather than on their clients.

In the coming 12 months, we will see the implementation of the Consumer Insurance Contracts Act 2019, which significantly alters how insurance is sold. We will also see an important review by the CBI of the Consumer Protection Code 2012, which governs the conduct of Brokers. At EU level, reviews are shortly to take place of the Insurance Distribution Directive, the GDPR and MiFID II, despite the recent implementation of all.

Brokers Ireland believes that the burden of overregulation acts as a deterrent to new entrants to the broking professions, as few young people have the will or resources themselves to set up in business when so much time and money must now be devoted to complying with regulation. The effects of this may be felt down the line, with fewer Insurance Financial Brokers to advise consumers and businesses on their insurance and financial needs. Overregulation ultimately serves to increase costs to consumers as insurers and product providers pass costs on and recover them from customers.

Brokers Ireland welcomes the focus in the Government Programme on SME enterprises and the recognition of their importance to the Irish economy and its recovery. Brokers Ireland also welcomes the Government's stated intention to establish a forum in which all sectoral regulators will measure their regulatory approaches against best practice and the intention to apply the SME Test across Government, to assess the potential for less-stringent requirements and simplification of regulatory adherence. Brokers Ireland

strongly supports the creation of a regulatory framework that protects consumers whilst not deterring enterprise.

Brokers Ireland surveyed our members in June 2020 on the costs, direct and indirect, of regulation. It is clear that smaller businesses are disproportionately impacted by fixed costs of regulation. The CBI is on a path toward the 100% funding of the regulator by its regulated entities. We believe it to be essential that the burden of overregulation on SMEs be removed and that serious consideration be given to reduced, less costly regulation for those with a turnover of less than €1 million.

A Regulatory Pause

Changing regulation is a source of cost and uncertainty, not only to Brokers but also to the consumer. In order to reduce regulatory costs, and to contribute to a clear, stable and predictable regulatory framework, a regulatory 'pause' is necessary, to allow the extensive existing regulatory framework to bed down and Brokers and customers adapt before any further changes are contemplated.

Brokers Ireland

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