

## Federation of European Risk Management Associations (FERMA) Press release

8 March 2011

### **FERMA confirms need to include large risks within the scope of the revised Insurance Mediation Directive**

The revised European Insurance Mediation Directive (IMD) should incorporate binding standards of transparency for brokers in their relationship with insurance buyers no matter what size the risks.

This is the response of the Federation of European Risk Management Associations (FERMA) to the consultation on the revision of the IMD launched by the Internal Market and Services Directorate General of the European Commission. FERMA's 19 member associations represent over 4 000 corporate buyers of commercial insurance in 17 European countries.

In November 2010, FERMA and the European Federation of Insurance Intermediaries (BIPAR) signed a protocol on the transparency of intermediation in business insurance, which both federations recommend their respective member associations to use as a guiding framework.

"The existence of this protocol shows the need to regulate relationship between corporate buyers of insurance and their intermediaries," FERMA states in its response to the consultation.

FERMA says that the protocol shows that a consensus is possible between corporate buyers and intermediaries; however, the protocol is not binding and its application is left to the goodwill of BIPAR and FERMA's respective members. There is no guarantee of uniform application.

The principles of the protocol should form the basis of the conduct of the relationship between brokers and commercial insurance buyers, but they should be made mandatory, states FERMA. Furthermore, an integration of the principles of the protocol into a binding instrument would be the appropriate response to the concerns raised by Competition Directorate in its 2007 business insurance inquiry.

"The review of the IMD represents, therefore, a unique opportunity to incorporate undisputed standards of transparency into binding European legislation," FERMA has told the Commission.

These are the principles of FERMA's submission:

- There should be no exemption for large risks under the IMD. Corporate buyers require the same level of transparency as other consumers.

- Intermediaries should identify and manage potential conflicts of interest appropriately and transparently.
- They should provide clear information on the nature of their services and the capacity in which they operate, including any underwriting powers and delegated authorities.
- On request from the client, the intermediary should disclose the amount received for placing and servicing each business insurance contract and any indirect forms of payment from the insurer that take the business insurance contract into account.

The disclosure should cover any benefits to the parent company, subsidiaries and affiliates.

### **About FERMA**

The Federation of European Risk Management Associations (FERMA) brings together 19 national risk management associations in 17 European countries. FERMA has over 4,000 individual members representing a wide range of business sectors from major industrial and commercial companies to financial institutions and local government organisations. Their members play a crucial role within their companies with respect to the management and treatment of complex risks and insurance issues.

Member associations are from the following countries: Belgium (BELRIM), Czech Republic (ASPAR CZ), Denmark (DARIM), Finland (FinnRiMa), France (AMRAE), Germany (Bfv and DVS), Italy (ANRA), Netherlands (NARIM), Norway (NORIMA) Poland (POLRISK), Portugal (APOGERIS), Russia (RusRisk), Spain (AGERS and IGREa), Sweden (SWERMA), Switzerland (SIRM), Turkey (ERMA) and United Kingdom (AIRMIC).

#### Press contacts:

#### **UK/US media**

Lee Coppack at +44 (0)20 8318 0330 or [lee@coppack.co.uk](mailto:lee@coppack.co.uk)

#### **Other press**

Florence Bindelle at +32 2 761 94 31 or by email: [florence.bindelle@ferma.eu](mailto:florence.bindelle@ferma.eu)