Intermediary Inducements
Enhanced Consumer Protection Measures
Consultation Paper CP 116

INTRODUCTION

ABOUT IRISH LIFE

At Irish Life, we empower our customers to look to the future with more confidence and certainty. We manage the financial needs of more than 1.3 million Irish customers. We think ahead to find opportunities and anticipate challenges to help deliver more security and certainty for their futures. We have over 75 years' experience serving corporate and private customers in Ireland. So we pride ourselves on having a deep understanding of our customers' needs, interests and concerns for themselves and their families.

This submission is made on behalf of Irish Life Group (ILG, which includes Irish Life Assurance and Irish Life Health) and its associated companies Irish Life Investment Managers and Setanta Asset Management. We currently have 2,400 people working at our campuses in Dublin and Dundalk, and we continue to grow. ILG is part of the Great-West Lifeco group of companies, one of the world's leading and most secure life assurance organisations. Great-West Lifeco and its subsidiaries have over CAD$1.3 trillion in consolidated assets under administration and over 30 million customer relationships.

Within the Irish Life Group companies there are firms that fall within the scope of the Markets in Financial Instruments Directive (MiFID II) and the Insurance Distribution Directive (IDD).

This submission is made for the whole Irish Life Group and associated companies.

EXECUTIVE SUMMARY

Irish Life Group (ILG) welcomes the opportunity to participate in this consultation with the Central Bank. Having a range and variety of distribution models which can adapt to consumer needs is an important and key feature of the insurance market. Consumers can receive tailored information and advice from fully qualified financial advisors on a range of financial and insurance products suitable to their needs.

There is a vast range of insurance and financial investment products within the market, of completely differing nature, risk and duration for a consumer and hence the nature of the advice that an intermediary must provide varies in each instance. A yearly travel insurance product has a completely different exposure for a consumer than a long term investment product. Hence, ILG does not believe it is proportionate or in the best interests of consumers to apply the same standards on intermediary inducements to all products within the market. There are differing compliance obligations between the various products which reflect their relative complexity and the rules around intermediary inducements should differ in a similar manner.

The proposals in CP116 to seek consistency in arrangements across all types of insurance products have not been reflected in E.U. directives with visible differences in criteria between MiFID II obligations and IDD obligations. Additionally, within the IDD there is a further differentiation between insurance based investment products and other insurance products. It should also be noted that some of the largest discrepancies between various types of investment products stem from the differing taxation regimes operated by the Government, for example exit tax on life insurance policies versus CGT, and the 1% Government life assurance levy. If the ambition is to harmonise treatments of products then these taxation issues should also be addressed.

While Irish Life Group welcomes any measures to increase transparency in relation to inducements to allow consumers to make informed decisions it does not endorse blanket arrangements for all types of products. The use of the term inducement can also be emotive and Irish Life Group does not believe it best describes the realities of how adviser remuneration operates. The terms ‘commission’ and ‘non-monetary benefits’ are more likely to be easily understood by a consumer and in order to support clear customer communications we would have a preference for retaining these two separate terms.

Irish Life Group and its associated companies distribute their products through a range of different distribution channels:

- Through a network of independent and multi-agency intermediaries;
- Through strategic partnerships with a range of institutions i.e. banking partners;
- Through a network of individual tied agencies;
- Through the employed salesforce of Irish Life Financial Services;
- Directly, both via call centre and online.

Each distribution channel above operates in a very different capacity and has a different form of relationship with ILG. As such, the nature of the commercial agreements / remuneration structures with each of these distribution channels is variable and adapts to each circumstance. The nature and level of either commission or non-monetary benefit that has the potential to generate a conflict of interest for an individual intermediary when selling a single policy is very different to the nature or level that would influence a pillar bank to establish a tied distribution agreement with an insurer. To try to harmonize commission structures between a large financial institution with an employed salesforce and an individual intermediary would not appear to best meet the commendable aim of this consultation to improve the level of consumer protection applying through the insurance sales process.

SUBMISSION

Proposal 1. – Acceptable Inducements must:

- Be designed to enhance the quality of the relevant service to the consumer;
- Not have the potential to impair the intermediary's obligation to act honestly, fairly and professionally in accordance with the best interests of the consumer; and
- Not have the potential to impair the intermediary's obligations to satisfy the suitability requirements set out in Chapter 5 of the Code.

QUESTION 1. Do you see any reasons why the Code should not be amended as set out above?

The provisions of both MiFID II and the IDD are targeted to specific investment products and are not intended to apply to all insurance products within the market. It was open to the E.U. to extend the provisions in IDD on inducements beyond insurance based investment products or to align them with the MiFID requirements and it opted not to do so.

In addition, the wording of both IDD and MiFID requires that any fee, commission or non-monetary benefit "must not impair" the obligations of the intermediary. The wording "must not have the potential to impair" is an unreasonable standard as any inducement may per se have the potential to impair an intermediary's obligations if for example, the intermediary was in particularly straitened financial circumstances. Any requirement should relate to the specific circumstances at a point in time.

Irish Life Group believes that inducements do not necessarily create a difficulty with an intermediary's obligation to act honestly, fairly and professionally in the best interests of the consumer and would agree that at all times the intermediary must satisfy the suitability requirements as set out within the Code. However, demonstrating that an inducement is designed to enhance the quality of a service to the consumer may be difficult. For example, commission based on a percentage of the premium should not, of itself, be considered to impair an intermediary's impartiality but there may be no practical way for the intermediary to evidence that it was designed to enhance the service provided. He/she should however, be able to evidence that, irrespective of the commission structure, the product recommended was the best option for the customer.

In relation to less complex insurance products such as term assurance or car insurance, the IDD standard of requiring any fee, commission or non-monetary benefit not to have a detrimental impact on the quality of the relevant service to the customer would appear to be a more appropriate standard.

QUESTION 2. Do you see any reason why, for example, insurance intermediaries should not be subject to the requirement that inducements must enhance the quality of the service rather than the requirement that an inducement is not detrimental to the quality of the service as is required under IDD? If so, please set out those reasons.

The payment of commission (the main inducement in the Irish insurance market) should not have a "detrimental impact on the quality of the relevant service to the consumer" once it is combined with a stringent disclosure regime and consumer protection requirements are appropriately implemented and enforced. However, whilst commission payments are required in order to allow many intermediaries to remain in business and offer a valuable service to the widest range of customers possible, it is difficult to argue that at the level of any individual transaction it is "designed to enhance the quality of the relevant

service to the consumer". The focus at individual transaction level should be on the quality of the documented advice provided. Given the ambition of the CBI to avoid an advice gap developing whereby advice is only provided to those who can afford to pay an intermediary directly, it would appear more appropriate that the rules for insurance inducements, particularly given the wide range of insurance products available and the relatively small overlap with MiFID, would remain aligned to the Insurance Distribution Directive.

QUESTION 3. Do you agree with the conditions in schedule 5 of the MiFID Regulations 2017, as set out above, that describe how an inducement enhances the quality of the service? Please explain your answer.

To a large extent level charging is now very much favoured by customers and provides them with more opportunities to switch between insurers if a product is not meeting their needs. Whilst charges are more level, the costs incurred by insurers are still disproportionally loaded towards the start of any insurance contract. In some cases this has led to insurers reducing the level of up-front commission they pay and increasing the level of on-going commission in order to more closely match the customer charging basis and better manage the risks within their business.

Intermediary costs are also likely to be greater at the initial stage of their relationship with the customer in order to complete a detailed financial review and create an appropriate financial plan. Whilst the level of initial commission available may not fully compensate them for the time involved in the initial stage of their relationship with the customer, they accept that if they provide a valuable service and remain available to the customer, the on-going commission they receive will compensate for any shortfall arising at outset. Therefore the provision of an ongoing service should not be linked to timing of payment of commissions as this may vary based on the product and the services the intermediary is providing.

QUESTION 4. What other examples do you consider would enhance the quality of the service? Please set out those examples in detail.

Non-monetary optional benefits such as training courses, industry funding of client management services and advice tools that intermediaries could choose to utilise as part of their financial review process are all items where it is easy to demonstrate that they enhance the quality of the service provided by intermediaries to their customers.

The UK Financial Conduct Authority (FCA) provides a detailed list of what it views to be reasonable non-monetary benefits which it believes to be capable of enhancing the quality of the service provided to a client and, depending on the circumstances, are capable of being paid or received without compromising the best interests of the customer. This list includes items such as hospitality, marketing exercises, seminars and support for software development. However, the FCA emphasises that in each case, it will be a question of fact whether these conditions are satisfied. The principle that different levels of commission and non-monetary benefits may be appropriate in different circumstances (e.g. individual tied agent, strategic tied distribution partner, multi-agency intermediary) is an exceptionally important one and should be reflected in any agreed amendments to the Consumer Protection Code.

QUESTION 5. Do you foresee any practical difficulties arising from the implementation of this proposal? Please set out those difficulties in detail.

We believe that the provision of any monetary or non-monetary benefits in addition to standard commission payments should be proportionate to the overall business volumes of the intermediary. The level of non-monetary benefit that could potentially create a conflict of interest for an individual financial adviser is significantly different to that which would influence a large financial institution in making a strategic decision regarding their insurance distribution arrangements. In larger organisations, it should be remembered that employed financial advisers will be remunerated in line with the Central Bank's 2014

Guidelines on Variable Remuneration Arrangements for Sales Staff. There is likely to be a substantial disconnect between the remuneration at a corporate level and at an individual financial adviser level. This should be reflected also in different approaches to inducements for tied and non-tied intermediaries where the former will clearly describe to customers that they place business with one insurer only and the question of bias between advisers does not arise.

The viability of self-employed tied agents would be a significant cause for concern. The move from up-front commission to a flatter earnings model has significantly benefited our tied agents with better customer experience and improved retention of business. Retaining and preserving the consumer/adviser relationship over multiple years can assist customers in maximising the benefits from their policies and financial investments. See our response to question 3.

QUESTION 6. Do you have any views on what, if any, unintended consequences may arise in implementing this proposal? Please explain your answer.

There are a large variety of intermediaries within the market, from pillar banks to large insurance brokers, to sole traders and tied-agents. It must be carefully assessed what impact any changes will have on each of these cohorts while ensuring that consumers are not left without access to financial and insurance advice due to changes in regulation. In particular, for annual non-life products such as motor, home, travel and health insurance the commission model needs to be sufficient to cover the costs of intermediaries providing this advice – see question 3. A flat fee model regardless of the level of product may not be sufficient for an intermediary to continue providing this valuable service to consumers.

Proposal 2. – Inducements Deemed to Be Conflicts of Interest

An intermediary must avoid all conflicts of interest arising from third party inducements contingent on achieving targets that do not consider the consumer's best interests (e.g., targets linked to volume, profit or business retention).

QUESTION 7. **Do you have any views on the proposal that inducements contingent on achieving targets that do not consider the consumer's best interests, including profit targets, volume targets, and targets linked to business retention, are deemed to be conflicts of interest and must be avoided? Please explain your answer.**

There are a wide variety of different types of intermediaries in the market and as such blanket bans on certain forms of inducements may not be appropriate in all instances. For example, managing general agency (MGA) arrangements between underwriters and intermediaries are generally structured as profit share arrangement to allow intermediaries access to a market that would otherwise be prohibited due to the capital constraints involved in the establishment of an insurance undertaking e.g. GloHealth entry into the health insurance market. A blanket prohibition on profit based commission structures could close the market to MGAs and limit the free trade of products and services across the EU for new entrants.

We believe that advisers operate in a professional manner and do not place business as a result of inducements. A greater regime of transparency and annual certification would address any perceived conflict of interest problem. Commission targets linked to volume are now recognised as no longer acceptable within the market.

Whilst understanding that the customers' best interest must always be paramount, poor business retention levels from an intermediary's overall book of business (rather than the persistency of any individual policy) particularly in relation to investment based insurance products and pensions may be indicative of a poor level of fact-finding at outset and an increased risk of inappropriate business replacement. As such in the Central Bank Guidelines on Variable Remuneration Arrangements for Sales Staff, business retention levels can be considered as a quality measure when determining remuneration levels for employed financial advisers. Particularly in relation to tied financial advisers where an insurer has sight of their overall book of business, it would not seem appropriate to rule out any remuneration adjustment based on overall business retention levels when this is actively encouraged in relation to employed financial advisers who may operate within a similar control framework.

Poor business retention behaviours may also impact on the financial stability of product providers which is not in the long term interests of consumers. Poor business retention may also be indicative of product comparison based solely on price which may not always fully reflect the myriad of other considerations which benefit the consumer e.g. financial strength, claims paying history, illness definitions etc. Hence automatically defining business retention related remuneration commission as giving rise to a conflict of interest may not function in the best interests of consumers. The specific circumstances of each arrangement should be considered.

QUESTION 8. **Do you have any views on what, if any, unintended consequences may arise in implementing this proposal? Please explain your answer.**

See question 7.

QUESTION 9. **Do you foresee any practical difficulties arising in the implementation of this proposal? Please set out those difficulties in detail.**

See question 7.

Proposal 3. – Inducements linked to size of mortgage loan

Inducements linked to the size of a mortgage loan will be deemed to give rise to a conflict of interest and, therefore, must be avoided.

QUESTION 10. Do you have any views on the above proposal? Please explain your answer.

Irish Life Group does not have a view in relation to mortgage loans directly but does contest the assumption that remuneration linked to the size of a loan automatically creates a conflict of interest. The primary driver of the size of any mortgage loan will be the customer's planned house price purchase commitment, not the remuneration of the adviser. This could be considered to imply that any commission that is paid as a percentage of premium creates a conflict of interest to the intermediary regardless or otherwise of the suitability of the product. Irish Life Group would contend that once the intermediary has acted in accordance with the Code, can evidence the suitability of the product and has disclosed all commission arrangements then all conflict of interest should be mitigated.

QUESTION 11. Do you have any views on what, if any, unintended consequences may arise in implementing this proposal? Please explain your answer.

The size of an investment or loan is generally linked to the customers overall assets. A higher level of assets may increase the complexity of the advice required and at a minimum, is likely to increase the time needed with a customer in order to fully understand their financial positions. If more time is required to provide advice to a customer, an intermediary might reasonably expect that their subsequent remuneration would be aligned to this. Whilst case size and complexity of advice will not always be perfectly aligned, there is a strong correlation between these two factors. Hence we do not believe that a commission payment linked to the size of an asset/product/investment gives rise per se to a conflict of interest.

QUESTION 12. Do you foresee any practical difficulties arising in the implementation of this proposal? Please set out those difficulties in detail.

If this inference were to be implemented across all products and require a flat fee regardless of the complexity, time or difficulty involved in the advice, advisers may choose not to deal with larger or more complex cases. Alternatively, a single flat fee could lead product producers to impose fixed costs within their products which are likely to make them unattractive to smaller investors / borrowers.

Proposal 4. – Soft Commissions

Deletion of Code provisions on 'soft commission' and as these will not be subject to rules relating to inducements or minor non-monetary benefits as applicable.

QUESTION 13. Do you have any views on the proposed deletion of provision 3.36 of the Code, relating to soft commission agreements? Please explain your answer.

We have no objection to the deletion of the term 'soft commission' as we believe it is a term which is not very easily understood by consumers. However the use of the term inducement can be emotive and Irish Life Group does not believe it best describes the realities of how adviser remuneration operates. The terms commission and non-monetary benefits are more likely to be easily understood by a consumer and to support clear customer communications we would have a preference for retaining these two separate terms.

Proposal 5. – Range of Products

An intermediary may not recommend a product to a consumer as being the most suitable product from a range where there are different levels of inducement offered for the range of products involved.

QUESTION 14. Do you have any views on the above proposal? Please explain your answer.

The Consumer Protection Code 2012 requires that where a regulated entity recommends a product to a consumer, the recommended product must be the most suitable product for that consumer. Whilst a regulated entity may offer a selection of product options to a consumer, consumers have generally engaged with a financial adviser in order to be guided in their choices. The consumer is therefore likely to seek a specific recommendation to meet their financial needs. Given that insurance intermediaries have no control over the pricing structure and levels of inducement offered by insurance companies, this proposal is likely to prohibit insurance intermediaries from offering the service their customers request (i.e. a specific recommendation) even where the intermediary was acting in the best interests of the customer and was completely transparent about the level of remuneration they would receive. There is also a concern that a proposal of this type could be viewed as anti-competitive due to the potential unintended consequence of a drift towards standard commission terms across the market.

It is arguable that it is where a range of products are available that intermediaries can best utilise their skills to assist a consumer explaining all the variant factors. If an intermediary discloses the differing inducements offered for each product within the range and can also provide advice around which product is most suitable this would appear to be more consumer friendly than leaving the consumer with no advice.

We believe that different approaches are needed in respect of insurance based investment products (including pensions) and other insurance products.

Insurance based investment products and pensions

In relation to unit-linked pensions, investment and savings products, the majority of products offer flexibility to intermediaries in terms of the commission they take. Differences in commission terms are generally linked to the charges levied on customers. A similar outcome to the proposal above could be achieved by requiring an insurance intermediary, as part of the advice process, to set out the level of commission they intend to take irrespective of the product they choose. The product terms offered to the customer would then reflect a consistent level of commission and where there were differences between insurance companies, the intermediary would justify their recommendation based on the product features.

This is consistent with the views in the PIBA paper noted in a footnote to this recommendation but in our view would not be acceptable based on the specific wording proposed.

Non-linked protection products, health insurance, general insurance

The level of competition in these markets is such, that for life cover (for example) there could be a case where the cheapest premium for a specific level of benefit also pays the highest level of commission. Where products offer identical benefits and premiums are easily comparable, it would not appear sensible that an adviser is prohibited from recommending a single product as being most suitable. Products of this type do not generally offer the same level of flexibility that is available under insurance based investment

products so the type of solution suggested for that product category would not be possible. This is particularly the case in relation to health insurance where community rating rules do not allow for variation in product pricing. More detailed remuneration disclosure for all products within this category would address conflict of interest concerns.

Clarity is required as to what is deemed a "range". There are currently 313 health insurance products within the market with varying levels of cover at differing premiums. Commission in the market is paid as a % of premium – hence if range were to be defined broadly this would effectively prevent health insurance brokers from making any recommendations for a large number of products which would not be in the consumer interest as they require advice on their health insurance needs.

QUESTION 15 **Do you have any views on what, if any, unintended consequences may arise in implementing this proposal, including any impact on consumer choice? Please explain your answer.**

In addition to the comments in the previous section, dependent on the definition of range consumers could be left with an array of products and no qualified person from whom to seek advice.

Given the inherent differences between the various types of insurance policy, the approach needs to be tailored to the features of the product in question.

QUESTION 16. **Do you foresee any practical difficulties arising in the implementation of this proposal? Please set out these difficulties in detail.**

As stated in question 15, depending on the definition of range, consumers could be left with an array of products and no qualified person from whom to seek advice.

Proposal 6. - Conflicts of Interest and record-keeping requirement

Firms will need to maintain a written conflicts of interest policy that specifies the procedures to be followed, and the measures adopted, by the regulated entity in order to avoid such conflicts of interest. Firms will be required to retain records to demonstrate:

- How conflicts of interest arising from inducements have been avoided for each transaction;
- How the requirement that a firm must not make any recommendations if there are different levels of inducement offered for the range of products involved has been met; and
- That the inducement arrangements summary document was brought to the attention of the consumer before concluding the contract for a financial product.

QUESTION 17. Do you have any views on the proposal that a written conflicts of interest policy should also specify procedures to be followed, and measures to be adopted, by the regulated entity, in order to avoid conflicts of interest relation to inducements? Please explain your answer.

Irish Life Group agrees with the proposal to have a written conflicts of interest policy as set out above.

QUESTION 18. Do you have any views on the proposal that records must be retained to demonstrate how conflicts of interest arising from inducements have been avoided for each transaction?

Particularly for larger intermediary firms with an employed sales force, a defined sales process is likely to be in place which will set out the range of products offered and the process to be followed in order to determine which product should be recommended to each customer depending on their personal circumstances. In this case, it would appear more appropriate to document centrally the way in which potential conflicts of interest have been avoided for the sales process as a whole. It should only be in cases where an employee deviated from the sales process of the firm or where a specific and unique conflict has arisen that an individual record of the way in which a conflict of interest has been avoided should be maintained.

The requirement to retain a record for every transaction to demonstrate that a conflict of interest has been avoided would appear excessive where a structured process is followed. It would appear to increase administration costs unnecessarily where a more general principle would suffice. This cost would be passed on to the customer for no notable consumer protection benefit.

QUESTION 19. Do you foresee any practical difficulties arising from the implementation of this proposal? Please set out these difficulties in detail.

See response to question 18 in respect of administrative burden compared to customer benefit.

QUESTION 20. Do you have any views on what, if any, unintended consequences may arise in implementing this proposal? Please explain your answer.

See response to question 18 in respect of additional costs to consumers.

Proposal 7. – Independence

An intermediary may only describe itself as independent:

- In its legal or trading name, or other description where all its regulatory activities are provided on the basis of a fair analysis of the market, or
- In any description of its regulated activities where that regulated activity is provided on the basis of a fair analysis of the market,

And where it does not accept and retain a third party inducement, other than a minor non-monetary benefit which is capable of enhancing the service to a consumer. In these circumstances, where a charge for this service in incurred, an intermediary must be paid by means of a fee by the consumer.

QUESTION 21. **Do you have any views on the proposal that an intermediary may only describe itself or its regulated activities as independent, where it does not accept and retain a third party inducement for the provision of advice, other than a minor non-monetary benefit which is capable of enhancing the service to a consumer? Please explain your answer.**

Irish Life Group agrees with the principle that in the interest of transparency and to avoid consumer confusion, the word "independent" should only be utilised in the circumstances set out above.

However, whilst Directive 2006/112/EC requires that 'insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents' should be exempt from VAT, there appears to be a lack of clarity from Revenue regarding how fees for financial advice should be treated, with some intermediaries receiving tax advice that VAT should be charged in relation to financial planning fees. In order to avoid the situation where a financial adviser chooses not to describe themselves as independent solely due to differences in tax treatment, we would suggest that the latter part of this provision should not be applied until there is clarification from Revenue that where a financial adviser has the choice of being remunerated by way of commission or advice fee, that no VAT applies to that advice fee.

QUESTION 22. **Do you foresee any practical difficulties arising from the implementation of this proposal? Please set out those difficulties in detail.**

The difference in tax treatment noted above could lead to a significant increase in costs for customers who choose to use an independent financial adviser.

There is a danger that the limitation on receipt of any inducement will limit access to "independent" intermediaries only to those who can afford fees. As such, a whole segment of the market may have their choices restricted and the opportunity to receive independent advice curtailed. It may also lead to a number of independent intermediaries choosing to become multi-agency intermediaries as customers may be unwilling to pay for advice that was previously funded through commission structures.

QUESTION 23. **Do you have any views on what, if any, unintended consequences may arise in implementing this proposal? Please explain your answer.**

See response to question 22.

Proposal 8. – Transparency

Intermediaries must publish on their website and display in their public offices a comprehensive summary of the details of the inducement arrangements they have with any product producers. At a minimum, the summary must include:

- The basis on which an inducement is payable;
- An indication of the amount or percentage of the inducement paid,
- Any additional benefits to be paid or provided to the intermediary which may not be directly related to individual sales, and
- Details of any fees, administrative costs or non-monetary benefits, which could be paid or provided to the intermediary under any arrangements with the product producer.

QUESTION 24. Do you have any views on the proposal to introduce an obligation for intermediaries to publish comprehensive details of inducement arrangements with product producers with which they have an appointment? Please explain your answer.

Irish Life Group believes commission structures should be transparent and easily understandable by the consumer.

QUESTION 25. Do you think the Central Bank should prescribe the format and content of the inducement arrangements summary document? If so, please provide details of the content you think should be included.

Irish Life Group believes the Central Bank, following further consultation with industry, should prescribe the format and content of the inducement arrangements summary document.

QUESTION 26. Do you have any views on the proposal that firms must retain records to demonstrate how the inducement arrangements summary document was brought to the attention of the consumer? Please explain your answer.

A cost benefit analysis of the requirements to implement any such change for all transactions would need to be undertaken.

Proposal 9. – Definitions

New definition of “inducement” – means a fee, commission or non-monetary benefit, whether target-based or otherwise, paid or provided to a regulated entity by a third party or a person acting on behalf of a third party, other than the consumer or a person acting on behalf of the consumer, excluding minor non-monetary benefits.

“Minor non-monetary benefits” means such benefits that are capable of enhancing the quality of the service provided to a consumer and are of a scale and nature such that they could not be judged to impair compliance with the regulated activity’s duty to act in the best interest of the consumer.

Examples of minor non-monetary benefits: participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument, or hospitality of a reasonable de minimis value, such as food and drink during a business meeting or conference, seminar or other training events.

QUESTION 27. Do you have any views on the proposed definitions of ‘inducements’? Please explain your answer.

The use of the term inducement can be emotive and Irish Life Group does not believe it best describes the realities of how adviser remuneration operates. The terms commission and non-monetary benefits are more likely to be easily understood by a consumer and to support clear customer communications we would have a preference for retaining these two separate terms. Non-monetary benefits could be divided into minor non-monetary benefits and non-monetary benefits.

QUESTION 28. Do you have any views on the proposed definition of ‘minor non-monetary benefit’? Please explain your answer.

It is important that the examples given of minor non-monetary benefits are fully understood to be examples and not an exhaustive list. It is also important that in the case of any non-monetary benefit an insurer is considering providing to an intermediary it will be a question of fact whether these conditions are satisfied. The principle that different levels of non-monetary benefits may be considered minor in difference circumstances (e.g. individual tied agent, strategic tied distribution partner, multi-agency intermediary) is an exceptionally important one and should be reflected in any agreed amendments to the Consumer Protection Code. The scale of any non-monetary benefit should be proportionate to the business volumes of the intermediary.

Inappropriately limiting the items considered to fall within the definition of minor non-monetary benefits could lead to a number of unintended consequences:

- An increase in advisory costs if advice tools currently provided by insurers had to be provided by the adviser themselves
- Increased costs passed on to the consumer could lead to poorer customer outcomes
- Increased costs could make advice unaffordable to certain consumers leading to an advice gap
- Increased cost may drive smaller advisers from the industry and their clients will not be served by larger brokers as they may be uneconomic, again causing an advice gap
- A reduction in opportunities to network could lead to a lack of shared best practice (due to a decreased opportunity for provider and peer influence towards better behaviours)
- Reduced interaction between insurers and intermediaries may deprive product providers of valuable market intelligence and consumer insight which can be used to deliver better products, services, and behaviours for consumers.

It is also important to note that for tied intermediaries, given there can be no question in the minds of consumers regarding the insurance provider that will be used, it will generally be a simple matter of fact that non-monetary benefits do not impair compliance with the intermediary's obligations.

QUESTION 29. Do you agree with the above examples of minor non-monetary benefits? Please set out your reasons.

It is important that the examples given of minor non-monetary benefits are fully understood to be examples and not an exhaustive list.

Other examples might include:

- The provision of software and risk rating advice tools which assist the consumer in getting the most appropriate outcome.
- Access to consolidation tools and platforms such as: Money Advice, Best Advice, Moneymate etc. that add value to the level and nature of advice provided to the consumer.
- Training and educational seminars, access to information portals, conferences on specific topics; materials and updates on market/regulatory changes.

The principle that different levels of non-monetary benefits may be considered minor in different circumstances (e.g. individual tied agent, strategic tied distribution partner, multi-agency intermediary) is an exceptionally important one and should be reflected in any agreed amendments to the Consumer Protection Code.

CONCLUSION

While Irish Life Group welcomes any measures to increase transparency in relation to inducements to allow consumers to make more informed decisions, it does not believe that blanket arrangements are appropriate for all types of products. Appropriate allowances should be made for the wide variety of products provided under the broad categories of life assurance, general insurance and health insurance.

Consumers should always be given clear information in plain language regarding the amount they are paying for the financial advice they receive. However new requirements must not impose additional costs on consumers, whether that be by way of additional administrative costs (with limited consumer protection benefits) or due to anomalies in our current tax regime.

Irish Life

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