

# Submission from AA Ireland in response to Consultation Paper CP 45

## Review of Minimum Competency Requirements

August 2010

Dear Sir/Madam

AA Ireland welcomes this opportunity to comment on the proposed changes to the Minimum Competency Requirements put forward by the Financial Regulator in its consultation paper CP 45. AA Ireland is fully behind the main requirements of the MCR and believes that the setting of a minimum standard of professionalism in the insurance industry has been a positive step in increasing consumer protection and confidence. The proposed amendments go a step further and provide clarity in areas where some confusion existed and we agree with most of the proposals contained in the document.

However, one of the proposals, namely the proposal that all grandfathered individuals would have to obtain a minimum recognised qualification by 2015 is, we believe, placing an unnecessary requirement on the industry and goes beyond the requirements of the Insurance Mediation Directive which the MCR were introduced to comply with. We are not convinced such a requirement will provide any further improvement in consumer protection and will place an unnecessary financial burden on an industry which is operating in a difficult trading environment at present.

Our views on each of the proposed changes are set out below:

- **Definition of advice**

The proposed amended definition of advice provides additional clarity and we agree with the proposed change.

- **Change of CPD cycle (Requirement 3.2.1.)**

AA Ireland has no objection to the move to an annual requirement or the removal of informal hours as we believe that the majority of people operating in providing advice to consumers would continue to undertake informal activities anyway.

- **Continuing requirement for grandfathered individuals to undertake CPD (Requirement 3.2.4)**

We have no objection to this requirement and welcome the clarity regarding the consequences of individuals not complying with this requirement provided.

- **Reinstatement of grandfathered status (Requirement 3.2.5).**

We agree with the proposal to allow grandfathered status to be reinstated in certain circumstances. A facility to carry forward a small number of hours each year would make compliance easier for individuals with lifestyle issues such as redundancy, career breaks or maternity.

- **Requirement to maintain publicly available Register (Requirement 4.1)**  
We agree with the additional options proposed.
- **Certificate of Experience on ceasing employment with firm (Requirement 4.4)**  
This proposal is a practical solution to allow individuals move within the industry. A common format of the proposed Certificate is welcomed.

### **Additional proposals**

- **Phasing out of grandfathering**

Following a lengthy consultation process the Financial Regulator introduced the grandfather status in the Minimum Competency Requirement document as a way to acknowledge an individual's experience in the insurance industry. In order to qualify for grandfathered status an individual had to have been working at the activity (or activities) for which they were grandfathered for a minimum of 4 years at 1 January 2007 many others would have far more than that. It is regrettable that further clarity was not provided by the Regulator at that time as to the process required for grandfathering and the confusion in the industry that followed is a consequence of that. The Requirements do in fact emphasise the fact that it is up to each firm to interpret the requirements and apply them accordingly.

Those individuals and firms who duly complied with the Requirements in good faith and have continued to complete the CPD requirement and keep their knowledge updated (at a not inconsiderable cost) will have, at the stage this process is complete, acquired 8 years minimum experience. To place a requirement of an additional four years study at this stage is unfair, not to mention the considerable cost to firms to put staff through the examinations. In addition, many of those availing of grandfathered status will be in senior roles in organisations and forcing them to undertake formal examinations will have a major impact on the firm in terms of cost and will have both a business and personal impact on the individuals concerned. Surely the years' experience these individuals have gained outweighs or equals any formal qualification and, as they have maintained their CPD hours, these individuals are up to date with regulation and industry changes.

- **Internet**

We agree that anyone providing advice regardless of the medium used should be subject to the Requirements.

- **Outsourcing**

If activities covered under the scope of the MCR are outsourced, then the firms servicing these activities should also be subject to the Requirements.

- **Loan Restructuring**

We agree that this activity should be subject to the Requirements.

- **Investment Management**

We agree that this activity be subject to the Requirements.

- **Administrative Functions**

We agree that any role in a regulated firm which involves the provision of advice to customers should be subject to the Requirements. However where a role is purely the administrative follow up of a consumer contact it should be excluded from the MCR (e.g. data entry, diary follow-up).

As stated in the introduction, the majority of the proposals put forward in this review are positive and receive the support of AA Ireland. However, it is our view that there is no evidence to suggest that the proposal to phase out grandfathering would provide any substantial benefit to the consumer but would place an unnecessary burden on individuals and firms at a very difficult time.

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