



Competency  
Consumer Protection Codes Department  
Financial Regulator  
PO Box 9138  
6 – 8 College Green  
Dublin 2

August 10<sup>th</sup> 2010

**Re: CP45 Review of Minimum Competency Requirements**

Dear Sir / Madam,

Acorn Life welcomes the opportunity to respond to Consultation Paper CP45 – Review of Minimum Competency Requirements.

We support the IIF response to CP45. However, we would like to draw the Financial Regulator's specific attention to our concerns about the proposals to phase out grandfathering.

When the minimum competency requirements were first introduced, it was agreed between the companies with Direct Sales Forces (DSFs) and the Regulator that individuals with more than 4 years relevant experience would be grandfathered and that a single qualification would be introduced for both brokers and tied agents. We are therefore surprised and concerned that the Financial Regulator is considering phasing out grandfathering and renegeing on this agreement.

Grandfathered individuals meet minimum competency requirements set out by the Regulator and we have seen no evidence to justify withdrawing the status conferred on them as grandfathered individuals. It is important to note that grandfathered individuals have almost 4 years of additional experience and CPD since the concept of grandfathering was introduced. If grandfathering was acceptable in 2007, why would it be unacceptable for the same body of more experienced and knowledgeable people to be grandfathered today?

We support the Regulator's desire to have a consistent approach across the industry and to eliminate any confusion that may exist. However, we do not believe that grandfathering needs to be phased out to achieve this objective. It can be done through clear guidance and the use of registers and certificates rather than by changing the rules entirely.

We would ask the Regulator to consider the following specific points in relation to grandfathering:

# Acorn Life

- 1) No evidence has been offered that grandfathered individuals are providing poorer quality advice to consumers than those with qualifications.
- 2) Grandfathered individuals are obliged to fulfil similar Continuing Professional Development (CPD) Requirements to qualified individuals, thereby maintaining their knowledge to the required and same standards.
- 3) In Acorn Life it is difficult to see how a qualification will improve the knowledge and skills of grandfathered individuals (who offer advice on a limited product range) and the quality of service and advice they offer. Grandfathered individuals by definition have a minimum of 7 years experience in the industry as at January 1<sup>st</sup> 2010. By 2015 they will have 11. Pursuing a qualification will not enhance their ability to provide appropriate advice and in actual fact may detract from it.
- 4) Over time the number of grandfathered individuals will decline naturally and eventually be eliminated.
- 5) Grandfathered individuals tend to be in senior positions. By obliging them to study for exams now, it may detract from their focus on their primary roles. Should managers and other senior individuals be studying for exams when they already have significant experience in the industry, complete CPD and are discharging roles such as supervision and mentoring that enhance the service and advice provided to consumers?
- 6) Grandfathered individuals by definition have long experience of the industry and providing services to their clients. The vast majority of these people are rightly trusted and respected by their clients and provide access to financial products such as protection and critical illness that might not otherwise be available to certain sections of society. Some of these very experienced and capable individuals will be lost to the industry if these proposals are adopted because they will fail to obtain a formal qualification even though they have the ability and experience to provide services and advice. Age and length of time since pursuing formal courses of study are among the factors that would prevent grandfathered individuals succeeding in pursuit of a formal qualification. Imagine people in the industry for 20 years. If they fail an exam, do they lose their livelihood? How much undue and unnecessary pressure is that putting people under? Some of these people may not have sat an exam in the past 30 years. It is a completely different scenario for a new entrant wanting to join the industry. Fairness to both the consumer and to experienced grandfathered people with proven competence needs to be considered by the Regulator in reviewing grandfathering.
- 7) Many grandfathered individuals have supervised new recruits for a number of years. We are not aware of any issues arising from this but a proposal to remove grandfathering clearly questions the ability of these grandfathered individuals to supervise people. In addition has consideration been given to the implications the phasing out of grandfathering would have for the people grandfathered individuals have been supervising?
- 8) People approaching retirement but who would not be retired by 2015 would be left in a difficult situation and potentially could be forced to retire early.



# Acorn Life

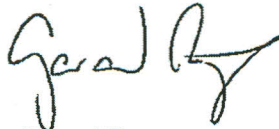
- 9) Companies will have recruited people based on the fact that they were grandfathered. Suitably qualified or grandfathered individuals are required in certain positions. If they go on to fail the examinations, where does this leave the company and individual from an employment law perspective, i.e. could people lose their jobs as a result of this?

We believe the following initiatives can introduce effective standards for grandfathered individuals and offer a better solution to perceived problems than phasing out grandfathering:

- 1) Adopting the new proposals on CPD in Chapter 3 of CP45.
- 2) Maintaining a register as proposed in Section 4.1 of CP45
- 3) Introducing a common certificate of compliance with the experience requirement for all grandfathered individuals as per proposals in Section 4.2 of CP45.
- 4) Introducing specified documentation as per Section 4.4 to be provided when grandfathered individuals are leaving a firm.

Acorn Life would welcome the opportunity to discuss CP45 with the Financial Regulator and would be happy to respond to any queries on this submission.

Yours sincerely,



Gerard Ryan  
Operations Director