

# INSURANCE DAY



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## NEWS ANALYSIS

# EU asks insurers to share experiences

Earlier this summer the European Commission published a green paper on retail financial services. LIZ BOOTH reports on the latest developments

The insurance industry has been urged to talk to the European Union (EU) in the wake of the EU's publication of a green paper on retail financial services.

Alan Beverly, directorate-general, internal market, at the European Commission, is urging the industry to engage with the process and make him aware of difficulties that insurers are having in operating in the single market.

The green paper was published in May and will form a part of a wider review of the single market to be published this autumn.

### Root out protectionism

The aim of the paper is to root out protectionism, but Beverly stresses that he needs industry input to identify the problem areas. Industry had until July 16 to respond – although, speaking at a seminar organised by Steptoe & Johnson in Brussels last Thursday, Beverly said he would stretch the deadline if people need more time. It will be followed by a hearing on September 19.

“The whole point of the current consultation is to hear about the difficulties out in the market,” he says. “We want to see what we can usefully do to bring about a more efficient market.”

He says that the directorate does receive a lot of complaints but the trick will be to change the system to improve the market without undermining the protection of third-party victims.

“What is the level of interest and what is the level of demand for change and what exactly are the problems encountered? For example, we get a lot of consumer complaints from France, but not from the industry that is

encountering the problem.”

Beverly says he will receive information in confidence if firms fear that speaking to him will compromise their position with regulators.

Among the problems he is aware of is differing tax regimes between member states – not something that he envisages being able to deal with. “We cannot challenge member states to reduce the level of insurance premium tax, for example, but we could look at the administration of IPT [insurance premium tax] requirements,” he says.

Another area of concern is the need to use fiscal representatives in some member states, along with the issue of supervisory fees – each member state is able to charge a fee if it wants and Beverly says this should not be an obstacle to firms moving across borders.

Financial literacy among the end customer is a concern for the Commission, which is keen that consumers understand the insurance products that they are choosing.

### Cultural shift

Beverly says there has been a cultural shift away from the concept of buyer beware, or *caveat emptor*. At the recent European parliamentary meeting on the Equitable Life report, he says there was just one lone voice asking where that principle had gone. “I certainly get a lot of complaints in which people have signed up to products and they have not read the small print, or even read the document at all,” Beverly says.

He believes consumer education is a key long-term goal – in an ideal world, consumers would start learn-



Flying the flag: Beverly wants EU-based insurers to let him know about the problems that they encounter operating in the single market

ing at school so they were ready to sign insurance contracts or deal with the banks from the moment they reach adulthood, he says. “But I fear the days of *caveat emptor* are behind us,” he warns.

Dr Claudia Lang, legal and

development director for Canada Life, adds: “I believe less is more. The simpler insurance documents are, the more likely it is that consumers will understand what they are buying.”

She gives an example of

recent rules on discovery in Germany, which her firm tried to put into a contract – it ran to 15 pages.

### Straightforward Irish rules

In contrast, Lang says that the Irish rules are far more

straightforward. However, she warns: “The danger is that people will see this as a barrier and simply not buy insurance.”

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