



InsureSec AB

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Query response

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ESMA
2015/573

Reply to ESMA's Consultation Paper – Draft guidelines for the assessment of knowledge and competence

1 Introduction

InsureSec AB ("InsureSec") is a wholly owned subsidiary that functions as a regulatory body, which regulates and provides knowledge- and competency licenses to insurance mediators. Currently InsureSec's registry contains 95 % of non-bank employed life insurance mediators and 65 % of the non-bank employed non-life mediators.

To qualify for InsureSec's registry, the applicant must be qualified to practise as an insurance mediator, be suitable according to InsureSec, uphold the governmental permits, observe relevant legislation and comply with InsureSec's regulations on upholding a business standard of best practise designed by the insurance market and The Insurance Mediation Market's Disciplinary Board ("Disciplinary Board"). Moreover the applicant must submit to InsureSec's supervisory compliance investigations when InsureSec deems it necessary and defer to the decisions of the Disciplinary Board.

Furthermore InsureSec provides insurance mediators with several different licenses in regards to life insurance, non-life insurance and personal insurance. To qualify for a license from InsureSec the license holder must have qualified for InsureSec's registry as well as passed the licensing exam provided by InsureSec. In addition to this the license holder must comply with the knowledge update tests that InsureSec determines necessary on a yearly basis.

There are currently five different licensing exams viable for a registered insurance mediator; Yearly License Life insurance Mediation, Yearly License Unit-Linked Fund Mediation, Yearly License Advanced Advisor, Yearly License Personal Insurance Mediation, Yearly License Non-life Insurance Mediation. For every yearly license there is also a knowledge update that InsureSec provides for the license holders, when one is deemed necessary due to changes; in legislation, in the market or in international guidelines.

InsureSec is owned by the Swedish Insurance mediators association ("SFM") and as such wish to submit a response to the consultation paper on draft guidelines for the assessment of knowledge and competence. InsureSec's answers should be viewed in the scope of a self-regulatory body for insurance mediators.

2 General comments

InsureSec welcomes the more detailed MiFID II rules on the assessment of experience and competence. The ESMA guidelines are an important part of this work and InsureSec are positively inclined to the guidelines which we believe will help interpretations of the new rules forward both speedier as well as more accurately.



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InsureSecs agree with the fact that the draft guidelines gives some leeway for national competent authorities (NCAs) in regards to which specific requirements on competence and experience that should apply in individual Member States. We believe that Member States should not, as a product of the new guidelines, be forced to lower national standards. Notwithstanding if the standards are a product of national legislation or self-regulation. A self-regulatory body providing licensing and regulatory investigations must be able to construe other and possibly more restrictive rules. For the avoidance of confusion on this part, we believe this should be made plain in the guidelines. InsureSec's standpoint is that this is a key component due to the fact that requirements for insurance mediators registered in InsureSec are in some respects stricter than the requirements in the proposal of the ESMA guidelines. For insurance mediators, it would be quite unfavourable if the guidelines would force the Swedish NCA to consider five years' work experience as equal to having an InsureSec licence.

3 Replies to relevant questions

Q1:

InsureSec's position is that five consecutive years of appropriate experience does not on its own provide enough factual evidence to show the knowledge of the insurance mediator. The competency and knowledge gained by working in ones chosen field is important, but the discrepancy of experience gained from two years or five years is at best unreliable and inexact. The problem with experience as the sole source of knowledge and competency is that it can lead to knowledge gaps that are never identified when the source is one or two firms. Therefore, InsureSec is of the opinion that knowledge is best tested through an unbiased testing institute, and that the required experience from a firm or several should be a complement to this. The testing of the unbiased testing institute should cover the basic relevant knowledge of an insurance mediator and also provide updated tests when legislation and regulation that has an effect on said advisors come into effect.

InsureSec therefore proposes that two years of experience, of providing relevant services at the date of application, is sufficient on condition that the applicant also can provide test results from unbiased testing institute that requires updated tests when warranted.

Q2:

InsureSec agrees with the proposition in Q2. InsureSec's view is that an advisor, whether it be an insurance mediator or and investment advisor, can never step out of the role as advisor to his or her client. The client/advisor relationship does not allow the client the means to differentiate between what is advice and what is information alone. InsureSec also agrees that the level of knowledge for an advisor should be of a higher standard than those only providing information. However, the proposal as it stands, does not define where the line between an advisor and a person providing information lies quite clearly enough.

Q3:

Item 6 h. The description of "appropriate experience" needs to be reviewed. InsureSec disagrees with the requirement that the experience needs to be for full-time employment only,



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this can be problematic and unfair to employees that for example have been on parental leave or sick-leave etc.

Item 12: The word “intensity” should be removed or replaced as it is easily misconstrued and difficult to interpret. It could possibly be replaced by the word “extent”.

Item 14. InsureSec believes that it could be pertinent to include relevant rules and regulations, including self-regulation in the requirements.

Item 18. InsureSec’s view is that regulating the guidelines and assessment of knowledge and experience could also be made by other functions than the compliance function e.g. the compliance function can have the role of “second line of defence”.

The classification “staff giving information about investment products and services” is problematic to outline and InsureSec would be grateful if other examples or more clarification regarding this came from ESMA.

Q4:

It is InsureSecs position that it is of utmost importance to also include knowledge about ethical and moral principles and other relevant directions and regulations, including self-regulation.

Q5:

Due to lack of data InsureSec declines to answer.

Q6:

Due to lack of data InsureSec declines to answer.