



The Society of the Irish Motor Industry

Response to the Investor Compensation Company Ltd Consultation Paper

"Funding the Investor Compensation Scheme"

Friday 7th December 2012

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Background

The Society of the Irish Motor Industry (SIMI) welcomes the opportunity to make a Submission to the ICCL's Consultation Document "Review Funding the Investor Compensation Scheme". The SIMI is the trade association and representative body of over 1,200 member companies whose business includes the distribution, retailing, repair and maintenance of motor vehicles and their components.

In relation to the ICCL, the SIMI has approximately 400 retailer members selling finance. Following the introduction of the Insurance Mediation Regulations in 2005, most of these fell into the Scheme as they are deemed to be insurance intermediaries who conduct mediation on an ancillary basis (para 59 of the Consultation Document). This is because many of the Finance Houses for whom they sell finance include reference to PPI products on the Finance proposal documentation. For most SIMI members these products are not a core part of their business, for either retailing vehicles or selling finance.

Proposals

For many SIMI members who are Insurance Intermediaries, the annual revenue from such products is zero, while for many others the revenue accounts for less than €10,000 per year. While SIMI members will at all times comply with regulations, and are happy to register with ICCL and have appropriately qualified staff, those with such low activity levels should be given some recognition in funding ICCL. Accordingly, the SIMI feels that Band 1 of Fund B should be subdivided as follows:

- Band 1a – Income Band Structure €0; effective rate from 01/8/2013 €0
- Band 1b – Income Band Structure €1 - €5,000; effective rate from 01/8/2013 €100
- Band 1c - Income Band Structure €5,001 to €75,000; effective rate from 01/8/2013 €200

The SIMI feels this would be a more equitable and fairer approach. As our amended proposal stands this would mean that those in Bands 1b and 1c would still be paying a significantly higher % of their insurance revenue in their annual ICCL fee than any of the other higher income bands. We note that paragraph 62 of the Consultation Document concludes by stating ***"trying to achieve greater proportionality within the rates structure"***

and we feel that our proposal addresses this issue. The same paragraph highlights the need for consideration to be given to the financial situation facing the firms who are required to make contributions; ***“given the economic conditions....increased financial pressures on firms funding the scheme”***. In this context it is difficult to see why a firm receiving zero income from this source should be expected to make any contribution.

In the event the above proposal does not find favour, we would prefer Proposal B2 on page 26 of the Consultation Document.

