

Brokers Ireland's submission on Funding the Investor Compensation Scheme 2022-2025

December 2021



Brokers Ireland is Ireland's representative body for insurance and financial brokers, with a combined strength of over 1,225 firms. As the premier voice for 90% of full-time professional brokers, we advise members, liaise with regulators, government, and other insurance industry stakeholders on key insurance issues, in order to raise and maintain industry standards. As Fund B of The Investor Compensation Company DAC is intended to meet the claims of eligible investors of insurance distributors as registered with the Central Bank of Ireland under the S.I. No. 229/2018 – European Union (Insurance Distribution) Regulations we have restricted our response to the elements of the Consultation Paper that relate to Fund B.

We recognise that it is a principle of the INVESTOR COMPENSATION ACT, 1998 that the cost of financing the ICCL scheme should be borne by investment firms. We recognise the Cascade Model adopted by the ICCL. The members of Brokers Ireland view this fund as a necessary part of market supervision and consumer protection and make annual contributions accordingly. In addition to this fund customers of retail Intermediaries are also protected through Central Bank supervision, operation of the office of the Financial Services Ombudsman, Professional Indemnity Insurance, and the requirement for the annual audit of accounts of member firms subject to the Companies Act 2014.

We welcome the opportunity to participate in this consultation process and respond herewith.

Name of Respondent Firm/ Body/Organisation:			Brokers Ireland Response
Question No.	Question	Yes / No	Comment
1	Do you agree with the revised target cascade capacity for Fund A?		
2	Do you agree with the "flexed" target cascade Mix for Fund A?		
3	Do you agree with the retention of the target cascade capacity for Fund B?	Yes	The level of compensation per eligible investor is 90% of money lost up to a maximum of €20,000, given that Fund B has had negligible claims in comparison with Fund A, we believe that the target of €35 million (inclusive of €10 million excess of loss insurance cover) is more than sufficient.
4	Do you agree with retention of the target cascade mix for Fund B?	Yes	No comment.
5	Do you support the continued placement of Excess of Loss Insurance for Fund A at the current level of €100 million above an excess of €15 million?		
6	Do you support the continued placement of Excess of Loss Insurance for Fund B at the current level of €10 million above an excess of €15 million?	Yes	Brokers Ireland support the continued placement of Excess of Loss Insurance for Fund B at €10 million above an excess of €15 million.

7	Would you support a review and restructuring of the Excess of Loss Insurance programme provided it continued to support the cascade model?	Yes	
8	Do you support the continuation of the Inter-fund borrowing arrangements?	Yes	Brokers Ireland agree with the current borrowing arrangements and agrees with the principles in relation to inter-fund borrowing in the event of an exceptional default arising subject to the amount available for inter-fund borrowing should not materially affect the ability of the lending fund to meet its obligations and subject to repayment within 3 years.
9	Are there alternative sources of standby funding that are likely to be commercially viable and suitable to support the funding objectives of the ICCL which you believe should be explored?		No Comment.
10	Do you believe the assumptions set out in paragraph 69 are reasonable? – Please state your reasons		
11	Do you support the implementation of Proposal A:1 or Proposal A:2 in their current form? Please state your reasons and support any alternative proposals with appropriate calculations.		
12	Do you believe the assumptions set out in paragraph 85 are reasonable? – Please state your reasons.	Yes	Brokers Ireland believe that the assumptions are reasonable, given that Fund B has had negligible claims since the inception of the Fund.
13	Do you support the implementation of Proposal B:1 in its current form?	Yes	Brokers Ireland supports the proposals to maintain fund reserves at, or above, €25mn on an on-going basis and that Levy rates should remain unchanged from year ending 31 July 2022.

