



Risk & Policy team, Insurance Division
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

27 September 2023

AFM Response to FCA CP23/19, Future Regulatory Framework- the Insurance Distribution Directive

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
 - Comment on the proposals, and support the changes proposed.

About AFM and its members

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not-for-profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 32 million people in the UK and Ireland, collect annual premium income of over £22 billion, and employ nearly 30,000 staff¹.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses² and to take account of corporate diversity³.

¹ ICMIF and AFM, 2022: <https://financialmutuals.org/wp-content/uploads/2022/10/UK-Market-Insights-2022.pdf>

² Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

³ <http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

AFM comments on the proposals

4. We welcome the opportunity to respond to this consultation paper. We support the work FCA is doing to repeal REUL and to incorporate relevant rules into its sourcebooks.
5. The relatively short timescales for this consultation reflect the opportunity taken by FCA to carrying across most of the existing rules- with very limited changes- into its sourcebooks. We would question though whether the prioritisation process, which places expedience over urgency, is right. Whilst the effort required to review the IDD rules was mainly focused on changes to style, it is possible that other more vital reviews have had to take a back seat in the process.
6. We note also that this consultation does not preclude the possibility of a wider review of the IDD at a future time. We would strongly urge FCA to explore this further, given EIOPA's own recent review of the guidance on suitability preferences⁴, and the general concern expressed by both FCA and regulated firms in the past on the appropriateness of the IPID for the UK market. We also continue to see questions raised about scope of the IDD, in relation to certain UK products.
7. That said, we are content with the approach taken within the more narrow scope of this consultation. We recognise the style- based changes, as set out in paragraph 3.4 as relevant and helpful. We have no comments on the specific changes proposed to SYSC, COBS, ICOBS or PROD sourcebooks.
8. We would welcome the opportunity to discuss further the issues raised by our response. We are happy to be included in the published list of respondents.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MS', with a long horizontal stroke extending to the right.

Martin Shaw
Head of Policy
Association of Financial Mutuals

⁴ https://www.eiopa.europa.eu/publications/guidance-integration-customers-sustainability-preferences-suitability-assessment-under-idd_en