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EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Insurance Distribution Directive – EIOPA's perspective

15th Annual Insurance Conference
Siófok, Hungary, 1 October 2018

Key characteristics of the EU insurance distribution market



- **Large numbers of SMEs – over 200,000 natural persons in some MS**
- **Wide variety of categories** across the EU (agents, brokers, bancassurance etc.)
- **Insurance products** sold are **not homogenous**/not harmonised in EU regulation
- **Different national models for supervising** insurance intermediaries **constitutes significant obstacle to ensuring supervisory convergence**: it is a prerequisite for insurance supervisors to have necessary competences to carry out onsite/offsite supervision of intermediaries, as opposed to limited competences to register intermediaries
- **National market monitoring** of distribution channels **not yet fully embedded**

IDD seeks to:

- o **Improve regulation** in the retail insurance market
- o Create **more opportunities for cross-border business**
- o Establish a **level playing field** for all distribution channels
- o **Strengthen consumer protection**, in particular with regard to the distribution of IBIPs

- Entry into force – **23 February 2016**
- Transposition deadline – **1 July 2018**
- Application deadline – **1 October 2018**
- **Key Aspects:**
 - o **Minimum harmonisation**
 - o Broader **scope**
 - o Overarching “**duty of care**”
 - o **More transparency** on price/costs
 - o Appropriate **professional qualifications**
 - o Product **Oversight & Governance**
 - o Rules on **tying and bundling**
 - o Stronger protection when buying **complicated life insurance products**

- **Level playing field**
- **Minimum harmonisation**
- **Broader scope** – Direct sales, Ancillary Insurance Intermediaries
- Touches not just on distribution, but also **manufacturing** (POG)
- Better information for customers: **Insurance Product Information Document** (IPID) for non-life products
- **Additional rules for the distribution of Insurance-Based Investment Products** (IBIPs), in particular rules on conflict of interest, inducements as well as appropriateness and suitability assessment

- **Proportionality** – how to reflect proportionality appropriately in the text - continuous reference made in text (see e.g. “Establishment of product distribution arrangements”) – do not support exemptions for products on consumer protection grounds
- Conditions for **intermediary being a “manufacturer”** – threshold raised to a “decision-making role” on key elements of the product – more clarity on co-manufacturing
- **Identification of target market:**
 - o Negative target market – “where relevant from a consumer protection standpoint”
 - o Distribution outside the target market – allowed on an exceptional basis – only in Analysis
- **Monitoring** of distribution channels by insurer is **limited to compliance with POG arrangements**

What is the IPID about?



- **Low level of consumer engagement** with information disclosed
- **Difficulty in making comparisons** between non-life products
- Too much **focus on price**

What did EIOPA have to do?

- After **consulting national authorities and consumer testing**
- EIOPA developed **a standardised presentation format** of the insurance product information document
- specifying the **details of the presentation** of the [content already in IDD].
- EIOPA **submitted** the standardised format to the European Commission for approval **in February 2017**

Xxxxx Insurance

Insurance Product Information Document

Company: <Name> Insurance Company Product: <Name> Policy

[Statement that complete pre-contractual and contractual information on the product is provided in other documents]

What is this type of insurance?

[Description of Insurance]



What is insured?

- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx



What is not insured?

- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx



Are there any restrictions on cover?

- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx



Where am I covered?

- ✓ Xxxxxx



What are my obligations?

- Xxxxxx
- Xxxxxx
- Xxxxxx
- Xxxxxx



When and how do I pay?

Xxxxxx



When does the cover start and end?

Xxxxxx



How do I cancel the contract?

Xxxxxx

- **Regulatory and supervisory convergence measures:**
 - **Q&As** on the IDD and its implementing measures (1st batch published in July 2018 + on-going)
 - **Revision of the Luxembourg Protocol** on co-operation/exchange between NCAs (Oct 2018)
 - Publication of hyperlinks to **single information points/national registers** (on-going)
 - **Technical Advice** on amendments of IDD with regard to the sustainability considerations (on-going)
- **Market Analysis/Reports:**
 - **Evaluation of the structure of insurance intermediaries' markets** (Feb 2018 - postponed)
 - **Report on the General Good** rules of Member States (Feb 2019)
 - Evaluation of the national implementation (?)

Work on Q&As on IDD & its implementing measures



- Q&As are a **practical convergence tool** to support “common supervisory approaches and practices” and support the development of a single European market and facilitate cross-border business
- Q&A process is a **means for EIOPA to:**
 - **publicly address questions from stakeholders** on regulation; and
 - **promote consistent understanding and convergent application** of regulation within its scope of activity

Work on Q&As on IDD & its implementing measures



- **Answers are non-binding** – no “comply or explain” - do not constitute legal advice
- Q&As on Guidelines are **without prejudice to discretion of NCAs to decide how to implement legislation**
- All relevant aspects addressed – **focus mainly on Level 2**: POG, Conflicts of Interest, Inducements, Suitability & Appropriateness
- N.B. **COM developing their own Q&As – more on Level 1 issues** – Scope etc.
- Not clear on if/when COM will publish their Q&As

- Online survey run in October 2017 – responses published on EIOPA + informal survey amongst NCAs
- **Focus mainly on Level 2:** POG, Conflicts of Interest, Inducements, Suitability & Appropriateness
- Focus is on issues of **practical implementation** – where difficult issues of legal interpretation, liaise with the COM
- Discussion with EIOPA Members / workstream
- **1st batch of EIOPA Q&As published in July 2018**

- **POG**

- o How to apply the POG requirements in the context of **group insurance contracts**?
- o Can EIOPA provide more guidance on how to assess the **granularity of the target market**?
- o In which **intervals** are manufacturers expected to review their products?

- **Conflict of Interest**

- o Is an intermediary expected to **manage conflicts of interest even if it discloses** the conflicts to the customer?
- o Are **tied agents** required to develop their **own policy**?
- o Are **intermediaries** expected **to report** about Conflict of interest to the insurance undertaking?

Timeline

- COM request to EIOPA and ESMA for technical advice: July 2018
- Online survey until 3 October
- Public consultation Dec/Jan
- Deadline for technical advice: 30 April 2019

Advice on

- o Organisational requirements to address conflict of interest arising in the context of sustainability
- o Taking into account sustainability considerations in the context of POG



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Thank you

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