



**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# Conflicts of interest and inducement rules

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- Legal requirements
- Q&As on regulation
- General good rules

- Identify conflicts of interest
- Conflicts of interest policy
- Prevent and manage conflicts of interests
- Disclose in case of remaining risks of damage
- Example: monetary incentives between asset managers and insurance undertakings

- No detrimental impact on the quality of the relevant service to the customer
- No interference with the duty to act honestly, fairly and professionally
- Overall analysis taking into account all factors which may increase or decrease the risk of detrimental impact
- Example: commissions incentivise to churning or “hit and run”

- Objective is to ensure consistent application of rules and supervisory convergence
- Submission of questions on [EIOPA's website](#)
- Open to financial institutions, supervisors and other stakeholders
- No binding force in law, but application challenged by EIOPA and competent authorities

- Managing in case of disclosure?
- Reporting of intermediaries to undertakings?
- Written reports to senior management by small intermediaries?

- Documentation of assessment?
- Frequency of assessment?
- Relation of value of inducement and value of the product and service?

- EIOPA published report on 'general good' rules published by Member States in context of IDD
- National provisions going beyond the minimum requirements of the IDD
- Introduced to serve the 'general good' e.g. consumer protection
- Imposed by host Member States on incoming and domestically registered entities

# Member State options on inducements



## Article 22(3) of the IDD:

*"Member States may **limit** or **prohibit** the acceptance or receipt of **fees, commissions** or other **monetary** or **non-monetary benefits** paid or provided to insurance distributors by any third party, or a person acting on behalf of a third party, in relation to the **distribution of insurance products.**"*

Exercised by **Croatia, Denmark, Finland, Netherlands, Poland, Romania, Slovakia, UK**

## Article 29(3), subparagraph 1-2 of the IDD:

*"Member States may impose stricter requirements on distributors in respect of the matters covered by this Article. In particular, Member States may additionally **prohibit** or **further restrict** the offer or acceptance of **fees, commissions** or **non-monetary benefits** from third parties in relation to the **provision of insurance advice**. Stricter requirements may include requiring any such fees, commissions or non-monetary benefits to be **returned to the clients or offset against fees** paid by the client."*

Exercised by **Croatia, Czechia, Finland, Hungary, Ireland, Italy, Netherlands, Romania, Slovakia, Sweden, UK**

# How Member States exercised Article 22(3)



- Czechia/Poland
  - commissions to be spread evenly over first 60 months
- Finland
  - brokers inform clients of nature/amount of commissions
- Denmark
  - ban on commissions for independent intermediaries, unless commission returned to customer
- Croatia/Romania/Slovakia
  - distributors prohibited to accept/offer fees, commissions, monetary or non-monetary benefits from third parties

# How Member States exercised Article 29(3)



- Ireland
  - independent insurance distributors to return remuneration
- Netherlands
  - ban on commissions for complex products; considering mandatory disclosure of commissions for non-life
- Sweden
  - distributor may not accept/offer compensation from anyone other than the customer if it is disproportionate
- United Kingdom
  - ban on commissions for retail investment advice in 2012
- Germany
  - commission cap for life insurance being discussed

# Stricter rules in other Member States – conflicts of interest



- Belgium, Bulgaria, Italy, United Kingdom
  - extension of conflicts of interest requirements to all insurance products
- United Kingdom
  - levelled up to the MiFID II requirements
- Ireland
  - conflict of interest policy for all insurance products
- Malta
  - distributors to disclose further details of the conflicts of interest policy upon client's request

# What are the main findings of the report on general good?

- Quantity and level of diversity of 'general good' rules present challenges for passporting insurance distributors
- Some 'general good' rules published are applied in areas under the competence of the home Member State
- 2 out of 28 competent authorities have not ensured the appropriate publication of the national general good rules