



Session 3: Quality of advice and
Selling methods

**Supervisory Challenges in
Traditional Distribution and
Bancassurance**

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IVASS continuously monitors the application of the IDD framework via:

- Off-site supervision and thematic reviews.
- Mystery shopping exercises

Onsite inspections complement these methods by:

- ✓ Improving intermediary sales processes.
- ✓ Signaling the need for enhanced market practices.

Inspections of tied agents, broker, and bancassurance have uncovered critical issues in distribution of:

- ✓ Insurance-Based Investment Products (IBIPs).
- ✓ Credit Protection Insurance (CPI).

Note: Findings represent a partial view; the market also shows good practices.

Conflict of Interest:

- Intermediaries typically promote only 2–3 insurance-based investment products from a wide catalogue for higher commissions.
- These products often involve long-term payment plans (25–30+ years) and upfront fees.

Demands & Needs Questionnaire and Personalized Recommendations:

- Questionnaires lack sufficient detail (e.g., missing health or income questions).
- Agents often pre-select products without proper justification; recommendations are minimal.
- Weak post-sale monitoring and a rushed sales process undermine advice quality.

Training & IT Support:

- Advisors lack adequate training on product costs, risks, and selection of investment funds.
- Limited internal controls and underutilized IT tools for matching customer needs with products.

➤ **Credit Protection Insurance (CPI)**

Financing Premiums:

- Predominantly single-premium policies, financed by expensive loans.
- Recurring-premium options exist but are rarely offered.
- Preference for monthly installment financing conflicts with suitability assessments.

Lack of Transparency:

- Mystery shopping conducted by the bank reveals unclear or misleading advisor information.
- Customers often unaware that CPI is optional and alternative products exist.

➤ **Insurance-based Investment Products (IBIPs)**

Inconsistencies Between IDD & MiFID:

- Customer profiling based on MiFID criteria leads to regulatory arbitrage (e.g. risk budget).
- Risk assessments focus on individual funds rather than overall IBIP risk.

Potential Mis-Selling:

- High-risk IBIPs sold to risk-averse customers based on liquidity or misleading risk assessments.
- Result: Many customers surrender policies prematurely, incurring financial harm.

IVASS's ongoing supervision has positively influenced market behavior, but significant improvements are still needed in implementing IDD requirements.

Bancassurance presents unique challenges, requiring tailored supervisory measures to align banking practices with regulations, ensuring better consumer protection and transparency.

Key IVASS Actions:

- ✓ Requested to strengthen target market definition and internal oversight.
- ✓ Working on solutions to align MiFID and IDD applications.
- ✓ Simplified pre-contractual documentation with a single module (effective July 2025).
- ✓ Positive results from the 2024 thematic review on PPI (coordinated by EIOPA).

Coordinated efforts among regulators, insurers, and distributors are essential to translate regulatory requirements into effective, consumer-focused actions.