

Annexes I-VIII to the Report on the application of the IDD

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CONTENTS

ANNEX I: METHODOLOGY.....	3
ANNEX II: SUMMARY OF INPUT PROVIDED BY STAKEHOLDERS.....	4
ANNEX III: CHANGES IN THE EU INSURANCE DISTRIBUTION MARKET	7
ANNEX IV: NEW IDD REQUIREMENTS CONCERNING ADVISED AND NON-ADVISED SALES.....	13
ANNEX V: SURVEY ON IDD REQUIREMENTS CONCERNING KNOWLEDGE AND COMPETENCE OF ADVISORS DISTRIBUTING IBIPS.....	15
ANNEX VI: OVERLAPPING INFORMATION REQUIREMENTS IN EU LEGISLATION.....	23
ANNEX VII: NEED TO PROVIDE ADDITIONAL GUIDANCE ON THE REGULATORY FRAMEWORK.....	32
ANNEX VIII: RESOURCES AND POWERS OF NCAS	37

ANNEX I: METHODOLOGY

For the purpose of this report, EIOPA has used the following data sources:

Input from NCAs, EIOPA and other ESAs

- In October 2019, EIOPA launched a survey addressed to NCAs on the disclosure of costs and charges and third party payments in relation to the distribution of IBIPs (Article 29(1)(c), IDD)
- In February 2020, EIOPA launched an initial questionnaire addressed to NCAs to gather input on the type of data and evidence that is available at national level that could be used for this report and to collect views on specific issues
- In May 2020, EIOPA launched a survey addressed to NCAs regarding the implementation of the continuing professional development requirements in the context of COVID-19
- In January 2021, EIOPA launched a survey addressed to NCAs to gather input as to whether they have adequate resources and are sufficiently empowered to carry out their tasks
- In February 2021, EIOPA launched a survey addressed to NCAs on the insurance intermediaries' market structure and patterns of cross-border activity
- In June 2021, EIOPA a survey addressed to NCAs to support work of the European Commission in developing a voluntary pan-EU certification label for financial advisors
- The report is also based on the input gathered from exchanges with NCAs on the conduct of business supervision of insurance distributors
- In line with Article 41(4) of the IDD, EIOPA has consulted the European Securities and Markets Authority before making public its report
- Data sources also include EIOPA's Thematic Review on Travel Insurance, Consumer Trends Reports, Cost and Past Performance Report 2020, Report on General Good Rules, Annual Report on Administrative Sanctions and other Measures under the IDD, EIOPA's oversight experience, country visits, cooperation platforms and bilateral discussions with NCAs

Input from stakeholders

- Some NCAs consulted their industry to gather additional information on the insurance intermediaries' market structure, in particular on the remuneration of insurance intermediaries, market share by distribution channel and online distribution channels; EIOPA has also consulted BIPAR and Insurance Europe to gather additional information on the market structure
- Questions and answers on the IDD submitted through EIOPA's Q&A tool
- In November 2020, EIOPA launched an online survey addressed to external stakeholders to gather feedback on the experience with the application of the IDD – See Annex II for a brief summary of some of the responses

ANNEX II: SUMMARY OF INPUT PROVIDED BY STAKEHOLDERS

In November 2020, EIOPA launched an online survey addressed to external stakeholders to gather feedback on the experience with the application of the IDD – 129 stakeholders provided input to the survey. This Annex provides a brief summary of some of the responses¹. A full list of responses can be found on EIOPA's website².

Improvement of quality of advice and selling methods

Some trade associations mentioned that the impact of the IDD on improvement of quality of advice and selling methods has generally been positive and provided data indicating a low/decreasing number of complaints and contract withdrawals in order to show that the quality of advice has improved.

Consumer associations mentioned that they have identified problematic practices in relation to the sale of unit-linked life insurance products and mortgage and consumer credit protection policies. They referred to several studies carried out by NCAs and consumer associations and proposed to introduce stricter cross-selling rules.

Functioning of the demands and needs concept

Some trade associations expressed the view that the demands-and-needs test generally works well. Nevertheless, they highlighted some room for improvement. For example, the demands-and-needs test should be adapted to the type of insurance product sold, its complexity and the customer. It can be redundant/simplified in the context of compulsory insurance, non-life insurance and standardised products.

Consumer associations have mentioned that the demands-and-needs test should remain mandatory for all distribution models in relation to non-advised sales due to mis-selling in the past. In addition, one case was cited in which the national implementation of the IDD is said to have significantly limited the demands-and-needs test to the detriment of the consumer by allowing consumers to dispense insurance companies (or intermediaries as well) from providing and documenting advice.

Functioning of "execution-only" sales

In many EU markets there are no, or very limited, execution-only sales due to national restrictions. In markets where execution-only sales are carried out, according to some trade associations, the process is generally working well. Some trade associations indicated that this tool serves as fall-back option if the consumer is unwilling/unable to provide information, but also pointed out that consumers could make wrong insurance decisions without advice.

¹ The summary of the survey is based on comments from consumer and trade associations, rather than individual institutions/persons as they represent the views of a number of market participants.

² https://www.eiopa.europa.eu/content/survey-application-of-insurance-distribution-directive-idd_en

Consumer associations mentioned that all IBIPs are “complex” products because of their inherent combination of insurance risk coverage and investment part, which from a consumer's perspective should be avoided in any case due to non-transparent cost charging and profit sharing.

Impact of the IDD on insurance intermediaries which are SMEs

Industry representatives indicated that IDD and other regulation has been very burdensome for small intermediaries. Some of them mentioned that the decrease in number of insurance intermediaries in some Member States is a result of "over regulation". However, consumer associations read the decrease as an enhancement of professionalism and positive structural market consolidation. Some trade associations highlighted that the revision of the IDD should seek to address how to better apply the proportionality principle.

Enhancing IDD framework related to digitalisation and new business models

Some trade associations pointed out that digital communication should be prioritised while maintaining the paper option. Any future legislation should ensure a level playing field between all distribution models and be drafted from a technology-neutral perspective.

Consumer associations outlined that comparison websites often highlight advertised offers or insurers offering higher commissions. In addition, there is some evidence that loyal consumers pay higher prices than new consumers. An evaluation of German insurance broker apps concluded that they cannot be recommended.

Difficulties in the application of the IDD due to the lack of clarity in the IDD provisions

Some trade associations mentioned that the industry and NCAs have reached a common understanding of how the IDD should be applied and that the focus should instead be on facilitating distribution activity by reducing regulatory obstacles. Reference was also made to the fact that there is a lack of clarity at national, not EU level and that "over harmonisation" should be avoided. Many stakeholders highlighted IDD provisions which are difficult to apply given legal uncertainty.

Challenges in applying the POG requirements

Some trade associations expressed the view that there is a need for simplification of the POG process for simple/non-life products as the POG process is burdensome for manufacturers and to ensure that the proportionality principle is respected.

Consumer associations proposed that the results of product testing and monitoring, especially if new insurance products are launched, should obligatorily be published either by the NCA or the insurers themselves.

Challenges in carrying out cross-border business within the EU

Some trade associations underlined that it is important to have minimum harmonisation to respect national differences in market structure and consumer expectations. The cross-border aspect should not be used as excuse to “over-harmonise”.

Some stakeholders proposed initiatives to promote cross-border business, such as harmonising insurance contract law, social security law and tax law or clarifying when intermediaries are considered operating under

FoS/FoE. It was also indicated that FoS/FoE will remain a utopia in the retail market for the foreseeable future and will be limited to large volume corporate business.

Challenges consumers face when purchasing insurance products

Industry representatives indicated that there are too many information requirements leading to an overload of communication. Moreover, there is a lack of financial literacy of the average consumer and, therefore, consumers struggle to understand complex disclosures.

Consumer associations raised concerns about inducements and conflicts of interest adversely impacting the quality of advice. They indicated that the payment of inducements should be banned under MiFID II and the IDD. In addition, they identified challenges with the type of personal information that insurers require to be collected from consumers when selling insurance contracts (in particular, in relation to medical information).

Supervisory activities carried out to assess the application of the IDD rules

Some trade associations mentioned that, in most Member States, supervisory activity has been proportionate and effective. Some BIPAR members outlined that they would appreciate more dialogue with NCAs. Some trade associations were critical of two recent EIOPA statements on the application of POG.

Consumer associations indicated that, in one jurisdiction, coordination problems were identified where there is a split of competences at national level between different authorities responsible for supervising insurers as distributors and insurance intermediaries.

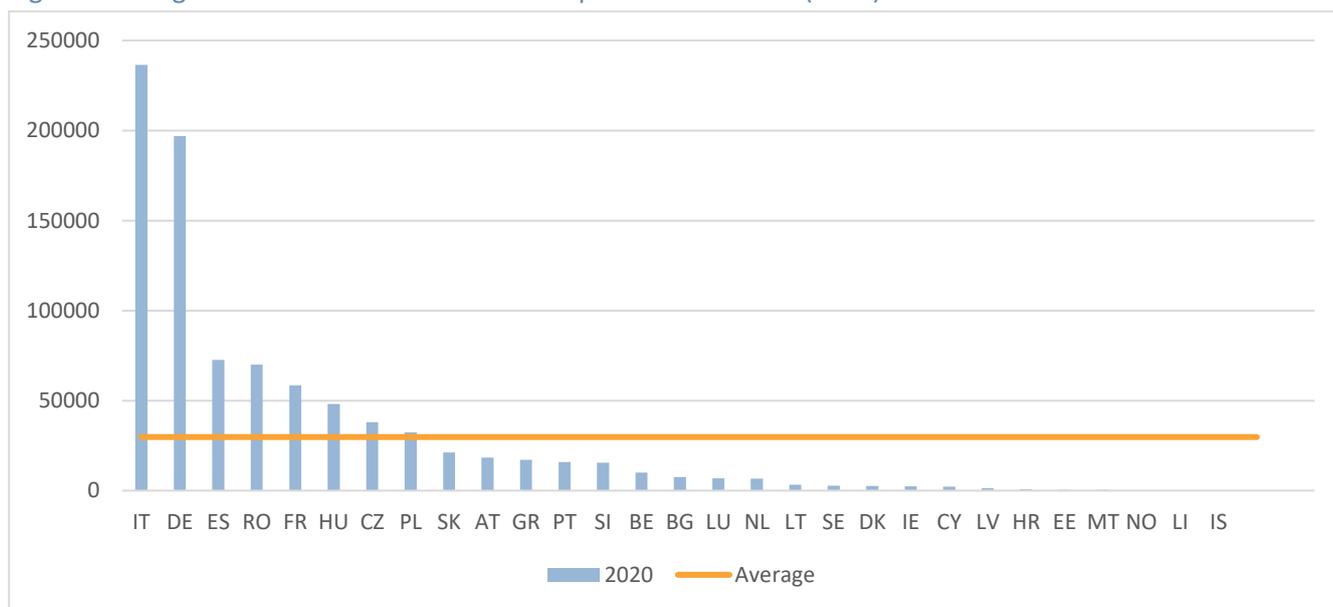
ANNEX III: CHANGES IN THE EU INSURANCE DISTRIBUTION MARKET

This Annex complements Sections 1.1 and 1.2 of the report and provides additional information on the outcome of EIOPA's survey on the insurance intermediaries' market structure and patterns of cross-border activity.

Number of registered insurance intermediaries

The following graph provides an overview of the number of registered insurance intermediaries per Member State in 2020. The graph illustrates that there are some wide variations in the numbers of registered insurance intermediaries across the EEA. IT, DE, ES, RO, FR, HU, CZ and PL have an above-average number of registered insurance intermediaries. However, when comparing the number of registered insurance intermediaries across Member States, the size of the insurance market in terms of GWP and other factors, such as domestic population, number of insurance undertakings or number of contracts, need to be taken into account.

Figure 1.1: Registered insurance intermediaries per Member State (2020)



Online registration system

NCA's have put in place online registration systems in order to allow the registration form to be completed directly online, in line with Article 3(2), subparagraph 2 of the IDD.

Online registration systems allow insurance intermediaries to complete a registration form and submit all required registration documents to NCA's which review their applications and authorise them to conduct insurance distribution activities if all legal requirements for registration are met.

Based on the information provided by 28 NCAs, 23 NCAs³ are using an online registration to allow the registration form to be completed directly online. In IS and LV, insurance intermediaries have to send an email to the NCA to be registered. In IT, the application for the registration shall be drawn up using the electronic form available on IVASS' website, to be electronically signed and sent by certified electronic mail; IT plans to set up an online registration system by summer 2022. CY registers all the intermediaries manually, but is in the process of finalising a full scope online registration system. NO has currently no registration system to allow the registration form to be completed online, but when the IDD is implemented into Norwegian legislation, an online registration system will be in place.

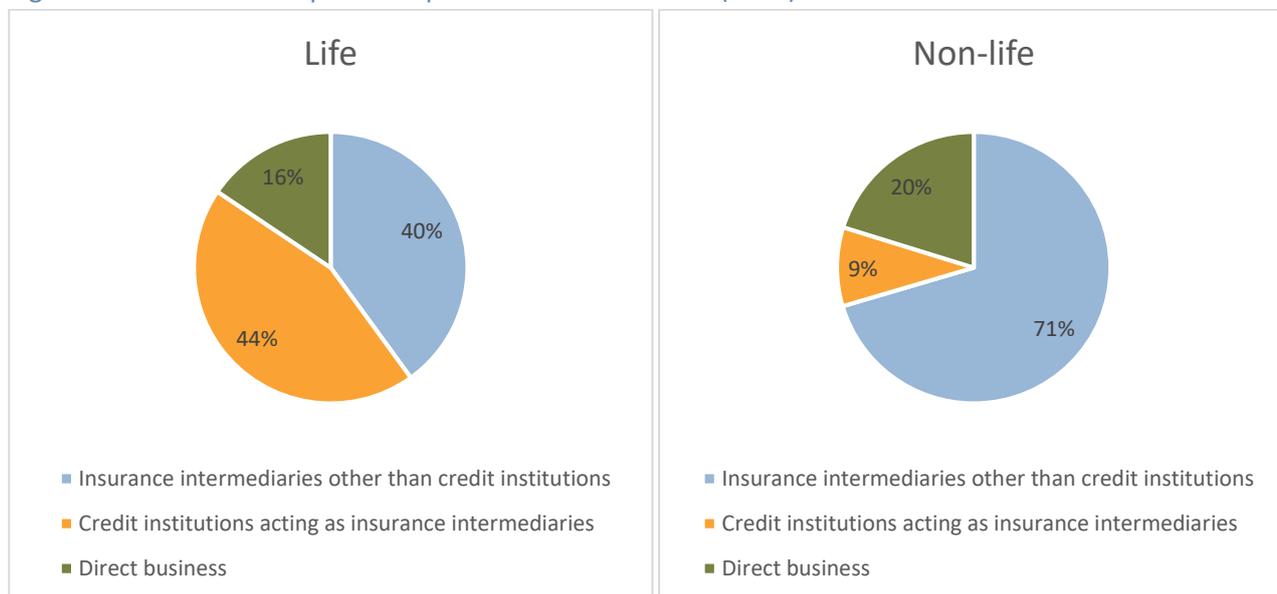
9 NCAs⁴ update the information on the number of registered insurance intermediaries on an ongoing basis. 13 NCAs⁵ update the number of registered insurance intermediaries on a daily basis, BE and LU on a weekly basis, IE on a biweekly basis and FR every three weeks.

In line with Article 3(1), subparagraph 4 of the IDD, in some Member States (e.g. CZ, EE, ES, PL, RO), certain insurance intermediaries (e.g. tied agents) do not submit the registration form themselves, but the principal (e.g. insurance undertakings) submits it on their behalf.

GWP per distribution channel

With regard to life insurance, the left figure below indicates that credit institutions acting as insurance intermediaries generate almost half of the premiums in the area of life insurance in 2020. In terms of non-life insurance products, insurance intermediaries other than credit institutions are responsible for over two thirds of the premiums. Direct business accounts for approximately one fifth of the premiums both for life insurance and non-life insurance.

Figure 1.2: Gross written premium per distribution channel (2020)



³ AT, BE, BG, CZ, DE, DK, EE, ES, FI, FR, GR, HR, HU, IE, LI, LT, LU, MT, NL, PT, RO, SI, SK

⁴ AT, EE, GR, HU, LI, LT, LV, RO, SI

⁵ BG, CZ, DE, DK, ES, FI, HR, IS, IT, NL, PL, PT, SK

Proportion of online sales

EIOPA asked NCAs and trade associations to provide an approximate indication of the proportion of online intermediation/sales (e.g. directly via websites, mobile applications, e-mails) in their market in terms of the total volume of GWP.

Based on the data for 13 Member States provided by NCAs and some trade associations, the table below shows the proportion of online sales of insurance undertakings in terms of the total volume of GWP.

Figure 1.3: Proportion of online sales per Member State

MS	Life	Non-Life	Total	Comment
BE			0.2%	Refers to online sales (e-commerce) with fully online underwriting process with documents sent by email and no sending of policy documents on paper, refers to 2017-2019, based on data from Assuralia
CY			<5%	The number is relatively small, less than 5% of the total number of insurance contracts sold in the local market
CZ			1.0%	Percentage figure is based on an NCA estimation of the proportion of online direct sales on direct sales of insurance undertakings of 9% GWP
DK			80%-90%	No data available, estimation provided by Insurance Europe
EE			80%	There is no information on the proportion of online insurance distribution. NCA estimates 80% are distributed online.
ES	1.0%	1.9%		Refers to 2020, provided by NCA
HR		1%		Refers to 2020, provided by NCA
IT			1.9%	Refers to 2019 and 2020 and GWP collected in Italy by Italian undertakings and branches of EEA undertakings, approximate proportion provided by NCA
LT	1.0%	3.0%	9.0%	Refers to 2020 and GWP generated through online sales by insurance undertakings
LV	15%	70%		Refers to 2020
PT	0.0%	0.5%	0.2%	Data provided by Insurance Europe
RO	1.2%		3.0%	In 2019, insurance brokers distributed online exclusively a percentage of 1,24% from the total value of the insurance contracts distributed via the brokerage channel; according to estimates of Insurance Europe, the online distribution channel represents 2-3% of the volume of intermediated premiums in 2020
SI	1.9%	0.2%	1.4%	Refers to 2020, data provided by Slovenian Insurance Association

Figure 1.4: Number of insurance intermediaries with a passport split by host Member State

Austria-Iceland:

MS	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GR	HR	HU	IE	IS
<i>AT</i>	0	985	167	968	1140	1959	975	965	987	968	1005	980	137	1186	970	947
<i>BE</i>	453	0	448	445	455	573	450	440	539	448	789	457	414	452	456	432
<i>BG</i>	4	8	0	0	0	0	8	0	0	0	4	0	0	0	2	1
<i>CY</i>	16	26	14	0	16	20	18	13	25	13	24	56	10	12	18	8
<i>CZ</i>	161	114	35	107	0	163	109	105	112	106	119	108	19	144	115	96
<i>DE</i>	1685	534	333	290	479	0	352	265	620	304	644	366	169	406	331	199
<i>DK</i>	269	26	8	10	6	57	0	1	5	7	114	0	0	1	19	0
<i>EE</i>	6	7	7	6	7	8	7	0	8	11	10	6	7	8	7	4
<i>ES</i>	47	63	41	34	40	89	41	36	0	40	139	48	25	37	57	19
<i>FI</i>	2	8	2	2	3	5	15	17	6	0	6	2	2	5	4	3
<i>FR</i>	547	899	377	382	395	637	422	379	707	405	0	411	271	407	466	359
<i>HR</i>	11	21	32	38	13	16	10	14	16	13	20	0	6	13	16	5
<i>GR</i>	3	4	0	0	3	4	0	0	1	0	4	1	0	3	2	0
<i>HU</i>	22	13	11	10	17	18	11	10	10	11	11	12	6	0	13	0
<i>IE</i>	76	92	66	77	67	106	76	66	122	73	118	77	49	66	0	54
<i>IS</i>	0	0	0	0	0	1	1	0	0	0	1	0	0	0	1	0
<i>IT</i>	376	355	279	282	323	431	298	266	458	256	458	328	180	333	329	236
<i>LI</i>	41	20	14	14	21	45	19	12	28	16	29	18	11	20	20	14
<i>LT</i>	9	10	9	8	7	10	11	23	9	12	10	9	5	10	9	5
<i>LU</i>	58	161	42	54	50	102	53	46	84	54	129	53	30	49	57	23
<i>LV</i>	8	7	6	8	8	10	6	16	7	8	8	6	2	6	6	1
<i>MT</i>	9	10	9	9	9	9	10	10	12	9	11	9	6	9	11	4
<i>NL</i>	250	901	181	186	200	603	231	184	336	204	364	183	83	204	258	153
<i>NO</i>	6	9	5	8	7	10	22	10	8	18	8	9	3	5	7	14
<i>PL</i>	32	26	21	22	46	44	28	28	26	23	34	17	14	30	27	4
<i>PT</i>	3	12	2	3	3	12	2	2	61	3	22	5	1	3	10	1
<i>RO</i>	1	3	8	2	3	3	1	3	4	0	4	3	3	4	0	0
<i>SE</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>SI</i>	22	1	0	0	2	7	0	0	0	0	2	0	98	3	0	1
<i>SK</i>	430	13	13	10	565	19	10	10	11	10	9	10	18	443	9	1

Italy-Slovakia:

MS	IT	LI	LT	LU	LV	MT	NL	NO	PL	PT	RO	SE	SI	SK	Total
AT	1237	1111	967	1000	967	974	985	950	1040	967	189	970	1148	1134	27978
BE	512	432	444	1023	441	448	663	440	470	493	452	452	440	465	14426
BG	0	1	0	3	0	1	2	1	0	0	3	0	1	1	40
CY	19	8	12	20	11	25	19	13	14	22	16	22	13	14	517
CZ	116	98	109	108	106	106	112	101	175	109	37	109	111	323	3333
DE	610	231	303	595	293	291	596	258	541	353	378	385	336	362	12657
DK	7	0	3	19	0	6	26	3	3	0	0	8	10	0	608
EE	7	3	11	6	13	6	6	5	8	7	7	10	6	6	210
ES	99	19	39	54	37	40	53	26	54	295	49	43	35	35	384
FI	6	2	13	5	13	2	3	18	3	4	2	26	2	2	183
FR	678	349	376	861	376	399	519	378	441	611	395	422	381	387	13637
HR	21	5	8	9	13	13	12	7	16	15	25	11	12	7	418
GR	3	0	0	0	0	2	3	0	5	0	0	0	12	2	52
HU	12	0	10	10	10	9	12	3	20	10	21	10	14	23	339
IE	98	52	66	81	66	84	90	63	78	97	68	76	65	63	2232
IS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
IT	0	279	264	340	262	340	338	263	362	334	352	281	328	309	9240
LI	36	0	13	22	14	16	21	17	19	20	12	18	15	19	584
LT	9	6	0	9	27	9	9	6	22	9	9	10	9	10	300
LU	85	23	47	0	47	55	77	38	58	72	47	64	47	49	1754
LV	6	2	18	8	0	6	6	2	10	6	6	8	6	9	206
MT	10	4	10	13	10	0	11	4	10	11	10	11	10	10	270
NL	269	161	178	320	176	195	0	199	233	252	208	210	180	190	7292
NO	6	5	11	7	10	8	10	0	10	6	5	29	4	5	265
PL	24	6	33	26	27	24	30	6	0	23	30	28	23	37	71
PT	9	1	2	6	2	5	10	3	5	0	5	5	1	2	201
RO	7	1	2	2	2	1	1	1	3	1	0	1	2	2	68
SE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SI	9	3	0	0	0	0	0	1	1	0	0	0	0	2	152
SK	15	1	10	12	10	11	11	3	445	10	16	10	13	0	2148

The tables above indicate the number of insurance intermediaries with a passport to carry out insurance distribution activities from a specific jurisdiction at the reference date 31.12.2020⁶ split by host Member State. For example, the figure 947 at the top right corner of the table indicates that 947 insurance intermediaries which were registered with the Austrian NCA, carried out cross-border business (either FoS or FoE) in Iceland.

From the table above, it appears that a high number of insurance intermediaries conduct cross-border business on neighbouring markets and markets with the same native language. For example, ACPR highlighted that BE and LU are the most popular cross-border business destinations for insurance intermediaries registered in France. CZ highlighted that about a quarter of cross-border activities take place in the neighbouring Member States (Germany, Poland, Austria, Slovakia).

The Member States with the highest number of insurance intermediaries passporting into another Member State are AT (27,978), BE (14,426), FR (13,637), DE (12,657), IT (9,240) and NL (7,292).

⁶ For DE, the data refers to 4 November 2021

ANNEX IV: NEW IDD REQUIREMENTS CONCERNING ADVISED AND NON-ADVISED SALES

This Annex complements Section 2.1 of the report and provides additional information on the new requirements concerning advised and non-advised sales brought in by the IDD.

The demands-and-needs test (which already existed in the IMD) has been maintained and further enhanced in the IDD in order to avoid cases of mis-selling. The test requires insurance distributors to specify, on the basis of information obtained from the customer, the demands and the needs of that customer and provide the customer with objective information about the insurance product in a comprehensible form to allow that customer to make an informed decision (Article 20). N.B. The IDD does not specify or develop further requirements for the demands-and-needs test.

Furthermore, the IDD introduced enhanced requirements for the sale of IBIPs concerning prevention of conflicts of interest, disclosure of inducements and the carrying out of a suitability assessment when insurance distributors provide advice on IBIPs. Under the suitability assessment, insurance distributors are required to obtain information regarding the customer's knowledge and experience in the investment field, financial situation and investment objectives so as to enable the insurance distributors to recommend to the customer an IBIPs which is suitable for that person (Article 30(1)). The IDD also includes a number of provisions regulating the sale of insurance products without advice. This relates particularly to the demands-and-needs test, the assessment of appropriateness and "execution only" sales.

Given the complexity and risks related to IBIPs, when insurance distributors sell IBIPs without advice, they not only have to complete a demands-and-needs test, but also conduct an appropriateness assessment. This requirement foresees that insurance distributors ask their customers about their knowledge and experience in the investment field so as to enable the insurance distributor to assess whether the product envisaged is appropriate for the customer (Article 30(2)).

Delegated Regulation (EU) 2359/2017⁷ sets out in detail how the assessment of suitability and appropriateness should be conducted.

By way of a derogation, some Member States⁸ also allow insurance distributors to sell IBIPs within their territories without the need to conduct an appropriateness assessment if certain conditions set down in the aforementioned Delegated Regulation and EIOPA Guidelines⁹ relating to the non-complexity of the product sold (so-called "execution only" sales) are met (Article 30(3)). As these Guidelines are non-binding, Member States can also apply stricter requirements relating to non-complexity to protect consumers.

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2359>

⁸ BG, CY, DE, EE, HR, IE, LI, LU, LV, MT, RO, SE, SI

⁹ Guidelines under the Insurance Distribution Directive on IBIPs that incorporate a structure which makes it difficult for the customer to understand the risks involved:

https://www.eiopa.europa.eu/sites/default/files/publications/eiopa_guidelines/eiopa-17-651-idd_guidelines_execution_only_en.pdf

Differences between the different types of test/assessment under the IDD

The table below shows the different scenarios under which the demands-and-needs test and the assessment of appropriateness and suitability need to be carried out by insurance distributors under the IDD. While the assessment of suitability and appropriateness is only required for IBIPs, the demands-and-needs test applies to all insurance contracts. The completion of the demands-and-needs test applies without prejudice to the assessment of suitability and appropriateness and execution-only sales. This is particularly worth noting in the case of non-advised sales as the demands and needs test can provide an additional layer of protection for consumers.

The demands-and needs-test has to be conducted in any event prior to the conclusion of the contract and is different from the suitability assessment which can also be provided at any time during the customer relationship. The assessment of demands and needs is required whether or not advice is being provided and the specifying of the demands and needs would not amount to an assessment of suitability and appropriateness. Depending on the national implementation, where advice is being provided, the demands-and-needs test and assessment of appropriateness and suitability could be seen as a continuum, rather than as a break.¹⁰

Figure 1.5: Different scenarios under which the demands-and-needs test and the assessment of appropriateness and suitability need to be carried out by insurance distributors under the IDD

	Required for all products	Required for IBIPs only	Required for non-advised sales	Required for advised sales	Required for post-sale advice
Demands-and-needs test					
Suitability assessment					
Appropriateness assessment					
Requirements applicable to "Execution-only" sales					

¹⁰ See also IDD Q&A 1638 on the relation between the demands-and-needs test and the suitability assessment: https://www.eiopa.europa.eu/qa-regulation/questions-and-answers-database/1638_en

ANNEX V: SURVEY ON IDD REQUIREMENTS CONCERNING KNOWLEDGE AND COMPETENCE OF ADVISORS DISTRIBUTING IBIPS

This Annex complements Section 2.2 of the report and provides a detailed summary of the main findings of EIOPA's survey addressed to NCAs on IDD requirements concerning knowledge and competence of advisors distributing IBIPs.

Part I: General qualification requirements and procedure before accessing the profession for natural persons providing advice on IBIPs to customers

Q1 - What are the requirements established in your jurisdiction to allow natural persons to provide advice in terms of qualifications and/or experience, e.g. level of education (specific high school, university degree, etc.) or e.g. working in financial services for a period of time?

Almost every Member State (23 Member States) noted that it is required for the natural persons providing advice on IBIPs to have certain qualifications and/or experience:

- Some MS (CZ, EL, HR, IT, LV, PL, PT, SI, SK) provided that the qualifications should not be lower than a certificate of advanced secondary education
- In some cases, Member States also require university degrees or master degrees depending on the type of education and/or the role they perform in the undertaking (FR, HU, LU)
- IE noted that qualifications must be included on the National Framework of Qualifications at Level 7 or higher (equivalent to Level 6 on the European Qualifications Framework).
- BG mentioned that there are no additional requirements established in the Insurance Code for qualification and/or experience beyond those for provided for in the persons involved in insurance distribution activities

Q2 – Do you require, at national level, the assessment of knowledge and competence before taking up the profession?

Only two Member States answered negatively to this question (EE and DK).

Q3 - Did your Authority (or the relevant National Body) publish a list of specific qualifications/certification that prove compliance with the requirements set out in Q2?

Q4 - If you replied NO, please indicate if your Authority (or the relevant National Body) published the characteristics that a qualification needs to meet in order to comply with the requirements in Q2.

Six Member States replied negatively to Q3 (DK, EE, LT, LU, MT, PT). However all of them except MT, have confirmed in Q4 that these requirements are prescribed in legal acts, mainly in national legislation i.e. mostly in binding legal acts. Therefore, according to the answers provided to both Q3 and Q4, the requirements are mainly provided in national legislation (IE, BG, HR, IT, FR, PT, SE, ES, LI, BE, SK, SI, EE, PL, LU, LT, DK, EL).

Q5 – If your answer to Q2 is Yes, please reply to the questions in this sub section.

RELATED TO THE PROCEDURE:

Q5(a) What form does the assessment of knowledge and competence take in practice? Is it structured as a general qualification requirement, a certification requirement, proof of training, etc.? Would it have to be proven by an exam?

According to the responses, the following Member States have noted that they have mostly examination procedures (HR, IT, HU, LU, CZ, PL, SE, BE, FI, DE, EL).

The following Member States have the combination of exams, designations, trainings, only trainings or an alternative depending on the conditions provided in their national legislation (IE, BG, IT, FR, PT, ES, LI, SK, SI). LT and LV stated that the conformity of qualifications is checked by assessing documents.

Q5 – If your answer to Q2 is Yes, please reply to the questions in this sub section.

RELATED TO THE PROCEDURE:

Q5(b) Who runs the assessment of knowledge and competence (e.g. national competent authority, private body, public body)?

Member States noted that the assessment of knowledge and competences is ran by educational/accredited bodies, universities, trade associations, banking institutes, insurance institutes, insurers, intermediaries (IE, in some cases also IT according to the category of distributor, PL, CZ, SE, ES, EL, LV, in some cases SK, SI, LT).

In BE, the assessment is run by professional associations accredited by FSMA and in compliance with regulations.

In PT and LU, there are technical committees composed by members appointed by the public bodies and trade associations.

PL noted that this is contingent on the type of exam and distributor, public body, insurance undertakings, committees and supervisory authority.

In ten Member States, those bodies are public bodies/supervisory authorities (MT, HR, LI, SK, FI, DE, EL, IT for some categories of distributor, FR, HU).

Q5(c) If the body assessing the knowledge and competence is another body than a public body (e.g. trade associations, insurance associations, private bodies), please indicate if there is any accreditation procedure for these bodies?

Nine Member States replied positively (IE, BG, PT, CZ, ES, LV, BE, SK, SI).

Six Member States replied negatively (PL, IT¹¹, MT, SE, LI, LT).

Q5(d) If the answer to the Q5(c) is Yes, please indicate who conducts the accreditation procedure for these private bodies and please briefly describe the process and some specificities for example, as renewing the accreditation every couple of years?

Eight Member States indicated that those bodies are supervisory authorities/public bodies (IE, BG, PT, CZ, ES, LV, BE, SK).

In SI, the trade association is competent to provide training according to the Slovenian Insurance Act.

Q5(e) What type of assessment is conducted in order to verify the knowledge and competence of natural persons providing advice on IBIPs (e.g. training and/or exams)? Are the assessments/exams supervised (e.g. carried out in an exam room) or completed independently (e.g. at home) by the advisors?

The following Member States provided a mixed approach, both training and exams: IE, BG, IT, ES, SK.

Member States stated that there are exams organised in order to be able to access the profession - HR, HU, LU, CZ, PL, SE, LV, BE, SI, FI, DE, EL, LT.

In LI and MT, the assessment is not conducted by MFSA/FMA, there is only an assessment of the documentation proving knowledge and ability.

Q5(f) Please indicate whether this assessment is conducted online or face-to-face or there are other means of assessment?

The outbreak of COVID-19 changed the approach in terms of the means of examination procedure in some Member States (BE, IE, IT, PT, PL, SK). At least, it is envisaged that an on-line procedure can be conducted in specific circumstances.

Several Member States indicated that there could be both means of examination acceptable (in person and through distance means of communication). These MS are BG, HR, IT, PT, CZ, PL, ES, LI, BE, FI, LT.

Some of the Member States emphasised that it should be in person (HU, LU, LV, SI, DE, EL).

SE stated that the exam should be conducted online at a supervised location provided by the private bodies.

Q5 (g) What is the proof of a successful assessment (e.g. certificate, online certificate, other paper-based or digital verification)?

¹¹ According to IT Regulation, where insurance undertakings or intermediaries do not provide it directly, they may organise training by making use of the following trainers: i) the trade associations of insurance, credit and financial intermediaries, with a significant number of members and constituted from at least 2 years; ii) the entities belonging to a University recognised by the Ministry of Education, Universities and Research; iii) the entities in the possession of the quality certification UNI EN ISO 9001:2008 sector EA37, UNI ISO 29990:11 or other accreditation systems recognised at the European level and at the international level.

More than a half Member States noted that it has some kind of certification or verification, mostly digital but also paper-based in some cases. Member States that indicated the possibility of issuing certificate/other proof (IE, BG, IT, HU, PT, CZ, PL, SE, LV, BE, SK, SI, FI, DE, EL, LT).

In HR, an exam is a condition for registration according to Article 3 of the IDD and everyone can extract the proof from the public, digital register. LU also emphasised that registration in a database is the proof.

The proof of a successful assessment in MT is the acceptance by the Authority of the persons' request to provide advice.

RELATED TO THE SUBSTANCE:

Q5(h) Is this assessment of knowledge and competence aligned with the “Minimum professional knowledge and competence requirements” provided in the Annex I point II of the IDD i.e. requirements implemented at national level?

Member States which noted that they have aligned the substance with the requirements provided in the IDD (IE, BG, HR, IT, FR, HU, PT, LU, CZ, MT, SE, ES, LI, LV, BE, SK, SI, FI, DE, EL, LT)

PL indicated that the topics for CPD requirements and the scope of exams are defined in the act in a slightly different way.

Q5(i) Have you introduced even higher standards for taking up the profession for the first time than the requirements provided in the IDD for continuous training and development at national level related to the distribution of IBIPs?

Member States which answered positively: IE, IT, FR, LU, CZ, ES.

Member States which provided a negative answer: BG, HR, HU, PT, PL, MT, SE, LI, LV, BE, SI, FI, DE, EL, LT.

Q5(j) Is there a minimum number of training hours required as a condition for the achievement of the appropriate qualification?

IE and BE stated that this varies on the qualifications and sometimes depending on the degree (for example, university degree) or practical experience.

Member States which answered negatively: BG, HR, LU, CZ, PL, MT, SE, LI, LV, SI, FI, DE, EL, LT

Member States which responded positively: IT, FR, HU, PT, ES, SK.

It has to be taken into account that those MS which have introduced only an exam as a requirement for taking up the profession do not have training requirements in their national frameworks.

Q6 – Is successfully completed training/qualification/certification from other Member States recognised as proof of compliance in your jurisdiction as a home Member State? This would be the case, for example, if a financial advisor wishes to cancel their existing registration, move their habitual residence to another Member State and apply for registration with the competent authority in that Member State. Under those

circumstances, this new Member State would become his/her home Member State in accordance with Article 2(1) point 10 of the IDD.

Please clarify if additional requirements are provided or a need to recertify is established under national law.

Member States which responded positively: IE, HR, IT, PT, LU, CZ, ES, LI, DE, LT, FR, BE, HU.

Member States which responded negatively: DK, BG, EE, PL, SE, LV, SK, SI, FI, EL, MT.

Those Member States which provided a positive response, indicated, for example:

- that QFA Board and The Insurance Institute of Ireland have published comprehensive schedules of exemptions from their examinations which cover various qualifications available in Ireland, UK and other international qualifications (IE),
- that this is introduced and recognised by the national law (HR, PT, LI),
- if the condition is a graduation, acknowledged education or university degree, a public body has to deliver a comparability attestation (BE, HU, CZ, DE),
- assessment on a case-by-case basis (LU).
- that, where the applicant for the registration as an agent or broker declares to have moved its habitual residence to Italy after having been registered in another Member State, IVASS asks for a confirmation of the previous registration directly to the competent Authority of that Member State (IT).

Part II: Continuing professional training and development requirements for natural persons providing advice on IBIPs

Q1(a) Please indicate which body provides training for CPD (e.g. public body, trade association, private body etc.)? Please provide details.

IE, PT and CZ noted that they have accredited/professional/educational bodies.

In DK passing an exam is considered CPD. In PL training might be provided with any entity or person with relevant professional or educational experience.

Insurance/reinsurance undertakings, intermediaries, trade associations and accredited/educational bodies, universities or combination thereof are training bodies in many Member States (BG, HR, IT, EE, FR, HU, LU, MT, SE, LI, LV, BE, SI, FI, DE, LT, ES, EL).

Q1(b) If the body providing training for CPD is other than a public body (e.g. trade associations, insurance associations, private bodies, universities), please indicate if there is any accreditation procedure for these bodies? Please provide details.

In IE, CPD must be accredited by one of the professional educational bodies. If the modules are provided by another entity, it has to be confirmed by these accredited bodies.

In DK, there are only exams, and if the provider of the exams wants to be approved, the FSA approves it according to some conditions.

In some Member States, public bodies/supervisory authorities conduct an accreditation procedure and this procedure is established at national level (HR, PT, CZ, BE, EL, ES).

Member States which answered negatively: (BG, EE, FR, HU, LU, PL, MT, SE, LI, LV, SI, FI, DE, LT, IT¹²).

Q1(c) If the answer to the Q1(b) is Yes, please indicate who conducts the accreditation procedure for these bodies and please briefly describe the process and some specificities for example, as renewing the accreditation every couple of years? Please provide details.

Member States which indicated that the supervisory authority or a public body conducts an accreditation procedure, are: IE, DK, HR, PT, CZ, LI, BE, SK, EL, ES.

For example, DK indicated that there is no renewal procedure.

HR, CZ, EL indicated that there should be a type of renewal procedure.

Please note that IE provided with this regard a useful and notable response. See “Detailed Compendia” for more details.

Q1(d) What is the objective and content of the training and how is it determined? Please provide details.

Member States provided various responses. Since the IDD provides minimum training and knowledge requirements, the basis in national law is already set. There are several responses which are notable and which provide detailed information:

- IE indicated that the content of the CPD hours must be directly relevant to the functions of the qualified person and the CPD material for qualified persons must therefore be related to the competencies.
- IT provided description of the process in details including the way how the training courses are arranged, the content and the minimum hours of training and development.

DK stated that there are no specific requirements. HR, BG, HU, PT, CZ, PL, SE, ES, LI, LV, BE, SK, SI, FI, DE, EL, LT mostly stated that the requirements laid down in national legislation (law or by-law) are aligned with the IDD, while for example, LU and MT has developed the details for counting the training hours, as well as structured and non-structured training (MT).

FR stated that several skills are assessed divided in four high categories: general professional skills, Professional competences, Professional skills specific to certain distribution methods, Professional skills specific to certain roles.

¹² See footnote 10

Q1(e) What type of assessment is conducted in order to verify the knowledge and competence of natural persons providing advice on IBIPs (e.g. only training or both training and additional exams)? Please provide details.

IE, BG, HR, IT, CZ, SE, EL indicated that assessment is conducted both in training courses and exams.

DK noted that there are only exams.

FR, HU, PT, LU, MT, ES, LI, FI, DE, LT indicated that there are only training courses.

IE, IT, BE, SK provided detailed responses and procedure.

PL, SI, in some cases DE stated that if a training is in a form of distant learning it should end with a test.

Q1(f) Please indicate whether this assessment is conducted online or face-to-face or there are other means of assessment? Please provide details.

Before the COVID-19 outbreak, the training courses/exams were mainly held in person. However, due to changed circumstances, these training courses/exams can be conducted also through distance means of communication.

Both means of assessment are acceptable, at least in exceptional cases in BE, BG, HR, FR, HU, LU, CZ, PL, IE, DK, LI, LV, DE, EL, ES, LT. In Greece, an online assessment was available before the COVID-19 outbreak.

Verification exams can be held online in IT. In SE, the exams are online at a supervised location. In SK, SI education is provided by distance form.

Q1(g) What is the proof of successful completion of the training (e.g. certificate, online certificate, other paper-based or digital verification) as an option provided in accordance with Article 10(2) subparagraph 3 of the IDD? Please provide details.

Confirmation of attendance/Certificate/document is the proof in IE, DK, BG, HR, IT, PT, CZ, PL, LI, MT, BE, SK, SI, DE, EL, LT, ES.

A list/register of persons who have fulfilled the training course is the proof in FR, HU, SE, LV.

In most cases certificate can be issued in a digital format.

Q1(h) Have you introduced higher standards or further developed "Minimum professional knowledge and competence requirements" at national level, beyond the IDD requirements, related to IBIPs (Annex I point II)? Please provide details.

IE, ES, SK responded positively.

LU, BE indicated that this depends on the provider.

DK, BG, HR, IT, EE, FR, HU, PT, CZ, PL, MT, SE, LI, LV, SI, FI, DE, EL, LT provided negative response.

Q1(i) Please indicate if you have a higher minimum than in the IDD of training hours required as a condition for the achievement of the appropriate qualification for providing advice on IBIPs? Please provide details.

IE, IT, LU, ES, provided a positive response or noted that it could depend on the program or/and the provider.

Negative response or no specific response was provided by DK, BG, HR, EE, PT, CZ, PL, MT, SE, LI, LV, BE, SI, FI, DE, EL, LT, FR, HU, SK.

Q2 – Is successfully completed training/qualification/certification from other Member States recognised in your jurisdiction as a home Member State as proof of compliance with continuous training and development requirements? Please clarify if additional requirements are provided or a need to recertify is established under national law

IE¹³, HR, PT, LU, PL, ES, LI, DE responded positively, while DK, BG, IT, EE, CZ, MT, SE, LV, BE, SK, SI, EL, LT, FR, HU, FI answered negatively or had not specific information.

¹³ In Ireland, the educational bodies have published comprehensive schedules of exemptions from their examinations which cover various qualifications available in Ireland, UK and other international qualifications.

ANNEX VI: OVERLAPPING INFORMATION REQUIREMENTS IN EU LEGISLATION

This Annex complements Section 2.3 of the report.

Figure 1.6: Overlapping information requirements in EU legislation.

Chapter V: Information requirements and conduct of business rules			
Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
Identity and address of the intermediary and undertaking	<p>Article 18:</p> <p>Member States shall ensure that:</p> <p>(a) in good time before the conclusion of an insurance contract, an insurance <u>intermediary</u> makes the following disclosures to customers:</p> <p>(i) its <u>identity and address and that it is an insurance intermediary</u></p> <p>(b) in good time before the conclusion of an insurance contract, an insurance <u>undertaking</u> makes the following disclosures to customers:</p> <p>(i) its <u>identity and address</u> and that it is an insurance undertaking</p>	<p>Article 3 of the DMD (in case of distance contract):</p> <p>1. In good time before the consumer is bound by any distance contract or offer, he shall be provided with the following information concerning:</p> <p>(1) the supplier</p> <p>(a) the <u>identity</u> and the main business of the supplier, the <u>geographical address</u> at which the supplier is established and any other <u>geographical address</u> relevant for the customer's relations with the supplier;</p> <p>(b) <u>the identity of the representative of the supplier</u> established in the consumer's Member State of residence and the <u>geographical address</u> relevant for the customer's relations with the representative, if such a representative exists;</p> <p>(c) when the consumer's dealings are with any professional other than the supplier, <u>the identity of this professional, the capacity in which he is acting vis-à-vis the consumer, and the geographical address</u> relevant for the customer's relations with this professional;</p>	
		<p>Article 5 of the ECD (in case the insurance intermediary or insurance undertaking provide an information society service):</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
		<p>1. In addition to other information requirements established by Community law, Member States shall ensure that the service provider shall render easily, directly and permanently accessible to the recipients of the service and competent authorities, at least the following information:</p> <p><u>(a) the name of the service provider;</u></p> <p><u>(b) the geographic address at which the service provider is established;</u></p> <p><u>(c) the details of the service provider, including his electronic mail address, which allow him to be contacted rapidly and communicated with in a direct and effective manner;</u></p>	
		<p>Article 8 of the PRIPs Regulation (in case of IBIPs):</p> <p>3. The key information document shall contain the following information:</p> <p><u>(a) at the beginning of the document, the name of the PRIIP, the identity and contact details of the PRIIP manufacturer, information about the competent authority of the PRIIP manufacturer and the date of the document</u></p>	
		<p>Article 184 of the Solvency II Directive:</p> <p>2. The contract or any other document granting cover, together with the insurance proposal where it is binding upon the policy holder, shall state the <u>address of the head office or, where appropriate, of the branch of the non-life insurance undertaking which grants the cover</u></p> <p>Article 185 of the Solvency II Directive:</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
		<p>2. The following information about the life insurance undertaking shall be communicated:</p> <p>(a) the <u>name of the undertaking</u> and its legal form;</p> <p>(b) the <u>name of the Member State in which the head office</u> and, where appropriate, the branch concluding the contract is situated;</p> <p>(c) the <u>address of the head office</u> and, where appropriate, of the branch concluding the contract</p>	
<p>Out-of-court complaint and redress procedures</p>	<p>Article 18:</p> <p>Member States shall ensure that:</p> <p>(a) in good time before the conclusion of an insurance contract, an insurance <u>intermediary</u> makes the following disclosures to customers:</p> <p>(iii) the procedures referred to in Article 14 enabling customers and other interested parties to register complaints about insurance intermediaries and about the <u>out-of-court complaint and redress procedures</u> referred to in Article 15</p> <p>(b) in good time before the conclusion of an insurance contract, an insurance <u>undertaking</u> makes the following disclosures to customers:</p>	<p>Article 3 of the DMD (in case of distance contract):</p> <p>1. In good time before the consumer is bound by any distance contract or offer, he shall be provided with the following information concerning:</p> <p>(4) redress</p> <p>(a) whether or not there is an <u>out-of-court complaint and redress mechanism</u> for the consumer that is party to the distance contract and, if so, the methods for having access to it;</p> <p>Article 183 of the Solvency II Directive:</p> <p>1. Before a non-life insurance contract is concluded the non-life insurance undertaking shall inform the policy holder of the following:</p> <p>The insurance undertaking shall also inform the policy holder of the <u>arrangements for handling complaints of policy holders</u> concerning contracts</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
	<p>(iii) the procedures referred to in Article 14 enabling customers and other interested parties to register complaints about insurance undertakings and about the <u>out-of-court complaint and redress procedures</u> referred to in Article 15.</p>	<p>including, where appropriate, the existence of a complaints body, without prejudice to the right of the policy holder to take legal proceedings.</p> <p>Article 185 of the Solvency II Directive:</p> <p>1. Before the life insurance contract is concluded, at least the information set out in paragraphs 2 to 4 shall be communicated to the policy holder.</p> <p>3. The following information relating to the commitment shall be communicated:</p> <p>(l) the <u>arrangements for handling complaints</u> concerning contracts by policy holders, lives assured or beneficiaries under contracts including, where appropriate, the existence of a <u>complaints body</u>, without prejudice to the right to take legal proceedings;</p>	
	<p>Article 18:</p> <p>Member States shall ensure that:</p>	<p>Article 8 of the PRIPs Regulation (in case of IBIPs):</p> <p>3. The key information document shall contain the following information:</p> <p>(h) under a section titled ‘How can I complain?’, information about <u>how and to whom a retail investor can make a complaint</u> about the product or the conduct of the PRIIP manufacturer or a person advising on, or selling, the product;</p>	
<p>Register of insurance intermediaries</p>	<p>Article 18:</p> <p>Member States shall ensure that:</p>	<p>Article 3 of the DMD (in case of distance contract):</p> <p>1. In good time before the consumer is bound by any distance contract or offer, he shall be provided with the following information concerning:</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
	<p>(a) in good time before the conclusion of an insurance contract, an insurance intermediary makes the following disclosures to customers:</p> <p>(iv) <u>the register</u> in which it has been included and the means for verifying that it has been registered;</p>	<p>(1) the supplier</p> <p>(d) <u>where the supplier is registered in a trade or similar public register, the trade register in which the supplier is entered</u> and his registration number or an equivalent means of identification in that register;</p> <hr/> <p>Article 5 of the ECD (in case the insurance intermediary provides an information society service):</p> <p>1. In addition to other information requirements established by Community law, Member States shall ensure that the service provider shall render easily, directly and permanently accessible to the recipients of the service and competent authorities, at least the following information:</p> <p>(d) <u>where the service provider is registered in a trade or similar public register, the trade register in which the service provider is entered</u> and his registration number, or equivalent means of identification in that register;</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
Insurance product information document	<p>Article 20:</p> <p>8. The insurance product information document shall contain the following information:</p> <p>(a) <u>information about the type of insurance</u>;</p> <p>(b) <u>a summary of the insurance cover</u>, including the <u>main risks insured</u>, the insured sum and, where applicable, the geographical scope and a summary of the excluded risks;</p> <p>(c) the <u>means of payment of premiums</u> and the duration of payments;</p> <p>(d) <u>main exclusions where claims cannot be made</u>;</p> <p>(h) the <u>term of the contract</u> including the start and end dates of the contract;</p> <p>(i) the means of <u>terminating</u> the contract</p>	<p>Article 3 of the DMD (in case of distance contract):</p> <p>1. In good time before the consumer is bound by any distance contract or offer, he shall be provided with the following information concerning:</p> <p>(2). the financial service</p> <p>(a) a <u>description of the main characteristics</u> of the financial service</p> <p>(c) where relevant notice indicating that the financial service is related to instruments involving <u>special risks</u> related to their specific features or the operations to be executed or whose price depends on fluctuations in the financial markets outside the supplier's control and that historical performances are no indicators for future performances;</p> <p>(f) the <u>arrangements for payment</u> and for performance</p> <p>(3). the distance contract</p> <p>(b) the <u>minimum duration of the distance contract</u> in the case of financial services to be performed permanently or recurrently</p> <p>(c) information on any rights the parties may have to <u>terminate the contract</u> early or unilaterally by virtue of the terms of the distance contract, including any penalties imposed by the contract in such cases</p>	

Chapter V: Information requirements and conduct of business rules

Topic	IDD Article	Overlapping information requirement in other EU legislation	Comment
Cross-selling	<p>Article 24:</p> <p>1. When an insurance product is offered together with an ancillary product or service which is not insurance, as part of a package or the same agreement, the insurance distributor shall inform the customer whether it is possible to buy the different components separately and, if so, shall provide an adequate description of the different components of the agreement or package as well as separate evidence of the <u>costs and charges of each component</u>.</p>	<p>Article 3 of the DMD (in case of distance contract):</p> <p>2. the financial service</p> <p>(b) <u>the total price</u> to be paid by the consumer to the supplier for the financial service, including all <u>related fees, charges and expenses</u>, and all taxes paid via the supplier or, when an exact price cannot be indicated, the basis for the calculation of the price enabling the consumer to verify it</p>	

Chapter VI: Additional requirements in relation to IBIPs

Topic	IDD Article	Overlapping information requirement in other EU legislation	Impact
Costs related to the distribution of IBIPs	<p>Article 29:</p> <p>1. Without prejudice to Article 18 and Article 19(1) and (2), appropriate information shall be provided in good time, prior to the conclusion of a contract, to customers or potential customers with regard to the distribution of insurance-based investment products, and with regard</p>	<p>Article 8 of the PRIPs Regulation (in case of IBIPs):</p> <p>3. The key information document shall contain the following information:</p> <p>(f) under a section titled ‘What are the costs?’, the costs associated with an investment in the PRIIP, comprising both direct and indirect costs to be borne by the retail investor, including one-off and recurring costs, presented by means of summary indicators of these costs and, to ensure comparability,</p>	Member States have implemented the IDD requirements on the disclosure of costs and charges in different ways.

Chapter VI: Additional requirements in relation to IBIPs

Topic	IDD Article	Overlapping information requirement in other EU legislation	Impact
	<p>to all costs and related charges. That information shall include at least the following:</p> <p>(c) as regards the information on all costs and related charges to be disclosed, <u>information relating to the distribution of the insurance-based investment product, including the cost of advice</u>, where relevant, the cost of the insurance-based investment product recommended or marketed to the customer and <u>how the customer may pay for it</u>, also encompassing any third party payments.</p> <p>The information about all costs and charges, including costs and charges in connection with the distribution of the insurance-based investment product, which are not caused by the occurrence of underlying market risk, shall be in aggregated form to allow the customer to understand the overall cost as well as the cumulative effect on the return of the investment, and, where the customer so requests, an itemised breakdown of the costs and charges shall be provided. <u>Where applicable, such information shall be provided to the customer on a regular basis, at least annually, during the life cycle of the investment.</u></p>	<p>total aggregate costs expressed in monetary and percentage terms, to show the compound effects of the total costs on the investment.</p> <p>The key information document shall include a clear indication that advisors, distributors or any other person advising on, or selling, the PRIIP will provide information detailing any <u>cost of distribution that is not already included in the costs specified above</u>, so as to enable the retail investor to understand the cumulative effect that these aggregate costs have on the return of the investment;</p> <p>Article 3 of the DMD (in case of distance contract):</p> <p>2. the financial service</p> <p>(d) notice of the possibility that other taxes and/or <u>costs may exist that are not paid via the supplier or imposed by him</u></p> <p>(e) <u>any limitations of the period for which the information provided is valid</u></p> <p>Article 185 of the Solvency II Directive:</p> <p>3. The following information relating to the commitment shall be communicated:</p> <p>(d) the <u>means of payment</u> of premiums and duration of payments;</p>	<p>There is a need to provide further guidance as to how the obligation to inform the customer on the costs and charges of IBIPs should be implemented by insurance undertakings and intermediaries in order to facilitate supervisory convergence and effective supervision of insurance distributors.</p>

Chapter VI: Additional requirements in relation to IBIPs

Topic	IDD Article	Overlapping information requirement in other EU legislation	Impact
	<p>Recital 42:</p> <p>Insurance intermediaries and insurance undertakings are subject to uniform requirements when distributing insurance-based investment products, as laid down in Regulation (EU) No 1286/2014 of the European Parliament and of the Council. In addition to the information required to be provided in the form of the key information document, distributors of insurance-based investment products should provide additional information detailing any <u>cost of distribution that is not already included in the costs specified in the key information document, so as to enable the customer to understand the cumulative effect that those aggregate costs have on the return of the investment.</u> This Directive should therefore lay down rules on provision of information on costs of the distribution service connected to the insurance-based investment products in question.</p>		

ANNEX VII: NEED TO PROVIDE ADDITIONAL GUIDANCE ON THE REGULATORY FRAMEWORK

This Annex includes additional examples of IDD provisions for which there could be a need to provide additional guidance through Level 2 or Level 3 measures:

- Product oversight and governance requirements
 - The level of granularity of the target market
 - Concept of "significant adaptation of existing products"
 - Different definition of the target market under the IDD compared to EU legislation regulating other financial products
 - Need for additional guidance on difference between "group of compatible clients" and "target market"
- Treatment of group insurance policies / third party contracts
 - National differences in definition of group policies
 - Role of the various actors regarding insurance group policies should be further clarified
 - Treatment of group insurance policies / third party contracts in relation to demands & needs tests (policyholder or insured persons)
 - Treatment of group insurance policies / third party contracts in an online environment
 - Application of POG requirements in group insurance contracts
 - Definition of insurance distribution as it relates to group insurance
 - **There are three pending court cases related to group insurance (C-633/20, C-143/20 and C-213/20).**
- Definition of ancillary intermediaries:
 - Concept of "complementary" mentioned by Article 2(1), number 4). For example, not clear

- whether "complementary to a good or service" means "complementary to the good or service being provided by the natural or legal person, as his principal professional activity
- which kind of insurance products can be considered as complementary to good or services offered by ancillary insurance intermediaries as principal professional activity
- Exemption of ancillary insurance intermediaries from the IDD
 - Need for additional clarification on the amount of EUR 600 in group insurance contracts i.e. if this relates to the whole contract or it is related to the premium paid per person?
 - Need for additional clarification on the possible time gap between buying good/service and offering insurance product in order to provide insurance coverage for the good or service already bought
 - Need for additional clarification with regard to ancillary insurance intermediaries providing the renewal of insurance coverage for the products sold. The question would be: is it possible to provide insurance coverage for the products sold by another supplier/ provider?
 - Need for additional clarification with regard to the application of POG requirements to products sold by exempted ancillary insurance intermediaries in order to strengthen the supervision of those entities via insurance undertakings or insurance intermediaries responsible for those entities
 - Bund der Versicherten: "There are supervisory issues arising from the role and conducting insurance distribution by ancillary insurance intermediaries who are exempted from the scope of the IDD (e.g. travel agencies). Travel agencies are not regulated by the minimum standards of IDD due to the exemptions already fixed. Due to these exemptions this big part of insurance business is mostly not submitted to any supervisory authority. Additionally the consequence is that there is no obligation of professional registration and no control of the minimum standards of professional knowledge and competence requirements of these ancillary intermediaries"
- Demands & needs tests / assessment of suitability and appropriateness

- What happens in the situation where the customer does not cooperate with the intermediary and refuses to disclose information relevant for advice (typically data about their financial situation) and at the same time still wants to conclude the insurance contract)
- Need for additional clarification as to what questions should be included in the demands-and-needs-test and the assessment of suitability and appropriateness
- Need for additional clarification as to how the demands-and-needs-test should be complied with by digital platforms / robo-advice; the demands-and-needs test in online sales processes has shown some deficiencies (e.g. by simply ticking a box upfront in the process)
- Need for additional clarification as to what extent/form should a demands-and-needs-test be carried out in the context of an advised sale of an IBIP since in the latter case, a full suitability test – which is considerably wider than a demands and needs test- needs to be made
- Remuneration / conflicts of interest (e.g. Need for clarification as to when a remuneration scheme conflicts with the duty to act in accordance with the best interests of the customer)
- Training and continuous professional development requirements (e.g. it is not clear which employees are directly involved in the distribution activity and are therefore required to carry out training)
- Definition and interpretation of cross-selling (e.g. distinction between the role of an ancillary insurance intermediary and the activity of cross-selling may not be clear)
- "Acting honestly, fairly and professionally in accordance with the best interests of their customers" (e.g. more guidance as to how this provision can be complied with when applying price optimisation techniques)
- Need for clarification as to the applicability of the IDD to non-retail clients (e.g. no definition of “professional client” under IDD, as compared to EU legislation regulating other financial products)
- "Need to provide the customer with objective information about the insurance product in a comprehensible form to allow that customer to make an informed decision" (e.g. more clarity as to how this provision can be complied with when using black box algorithms)

- Definition of "close links" mentioned in Article 3(6) (e.g. need for more clarity as to when close links "do not prevent the effective exercise of the supervisory functions of the competent Authority")
- Different definition of "complex product" under IDD compared to EU legislation regulating other financial products
- Lack of third country regime (e.g. issues with third country insurance intermediaries providing services in the EU (Brexit)). The IDD was not drafted with Brexit in mind or the implications such geographically and economically close third country
- Need for clarification with regard to cases where insurance distribution is carried out at the exclusive initiative of the customer e.g. an EU-based customer requesting the servicing of a life insurance policy by a third country distributor who is not authorised to carry out insurance business in the EU conducting cross-border business by the third-country provider, on the exclusive initiative of the customer
- Lack of clarity between the link of Articles 27, 28 and 29. For example, would it be a conflict of interest if the insurance intermediary receives commissions in accordance with Article 29(2), IDD?
- Need for clarification as to what means "in good time before the conclusion of an insurance contract" (e.g. 1 day)
- Level of detail of the analysis and examples of inducements that cannot be paid or received by an insurance distributor
- Lack of alignment of the risks mentioned in Article 1(3) of the IDD (the risk of breakdown, loss of, or damage to, the good or the non-use of the service) with the risks provided in the Annex of the Solvency II; leads to a loophole where ancillary insurance intermediaries offering liability or life products are exempted from the IDD
- Lack of a formal customer classification regime under the IDD. The notion of "customer" is left to national interpretation, which leads to the potential for significant divergences in approach across the EU
- Need for clarification on the status and role of employees of insurance undertakings handling claims in the context of the IDD
- The Dutch AFM conducted a market scan of twenty Insurance Product Information Documents (IPIDs) in 2020, which concluded that important information related to, for example, insurance coverage provided to consumers was often unbalanced. Some IPIDs often described damages that were covered under non-life policies in a lot of detail, while

exclusions were described in much less detail, giving the wrongful impression that coverage was broader than it actually was. As a result, consumers were less well positioned to compare and make an informed choice for a policy. The AFM provided guidance to firms about how to improve IPIDs and provide policy information in a more balanced way.¹⁴

¹⁴ The AFM conducted a market scan of twenty different IPIDs between April and October 2020. The study was concluded with a publication on the website about the findings as well as concrete guidance for the market to correct IPIDs: “AFM publiceert [Handvatten voor verbetering informatiedocument verzekeringen | okt | AFM](#)” 27 October 2020

ANNEX VIII: RESOURCES AND POWERS OF NCAS

This Annex complements Section 3.1 and provides an additional analysis of the responses to EIOPA's survey on the resources and powers of NCAs. The figures should be interpreted with some caution as they may be based to some extent on estimates and some information provided may not be complete. Moreover, insurance markets – including the number and type of insurance intermediaries operating therein – vary significantly across Members States, as well as the supervisory structure and framework. There are, therefore, limits to the level of comparability of data.

Resources of NCAs

1. Conduct of business supervision of insurance undertakings

In order to conduct a further analysis of the resources of NCAs dedicated to the conduct of business supervision of insurance undertakings, in accordance with the IDD, the scale of insurance markets was divided into three categories, based on the GWP generated by solo undertakings for life and non-life as of end-2019: small (GWP < 5 billion Euros), medium (GWP = 5-100 billion Euros) and large (GWP > 100 billion Euros) insurance markets¹⁵:

- According to the thresholds applied, in the category of small insurance markets, the following markets are covered: BG, CY, EE, GR, HR, HU, IS, LI, LT, LV, RO, SI, SK
 - On average, an NCA competent for small insurance markets had **2.4 FTEs** dedicated to the conduct of business supervision of insurance undertakings by mid-2020
- There are medium-sized insurance markets in: AT, BE, CZ, DK, ES, FI, IE, LU, MT, NL, NO, PL, PT, SE
 - On average, an NCA competent for medium insurance markets had **5.7 FTEs** dedicated to the conduct of business supervision of insurance undertakings by mid-2020
- Large insurance markets can be found in: DE, FR, IT
 - On average, an NCA competent for large insurance markets had **15.6 FTEs** dedicated to the conduct of business supervision of insurance undertakings by mid-2020

¹⁵ Based on EIOPA's "European Insurance Overview 2020 - Solo undertakings – Year-end 2019"

2. Registration of insurance intermediaries and conduct of business supervision of insurance intermediaries

In order to conduct a further analysis of the registration of insurance intermediaries and conduct of business supervision of insurance intermediaries in accordance with the IDD, three provisional categories were developed, based on the number of registered insurance intermediaries in Member States in 2020:

- "*low*" (less than 3,000 intermediaries);
- "*medium*" (3,000 - 30,000 intermediaries) and
- "*high*" (more than 30,000 intermediaries).

It should be noted that the number of registered insurance intermediaries may be difficult to compare across Member States. For example, in some Member States, employees of insurance intermediaries and/or insurance undertakings need to be registered as insurance intermediaries, while in other Member States, such registration would not be required and, accordingly, the number of registered insurance intermediaries would be much lower.

- According to the thresholds applied, in the category of "low" number of registered insurance intermediaries are: CY, DK, EE, HR, IE, IS, LI, LV, MT, NO, SE
 - On average, an NCA competent for a "*low*" number of registered insurance intermediaries had **4.0 FTEs** dedicated to the registration of insurance intermediaries and **2.4 FTEs** dedicated to conduct of business supervision of insurance intermediaries by mid-2020
- There is a "medium" number of registered insurance intermediaries in: AT, BE, BG, FI, GR, LT, LU, NL, PT, SI, SK
 - On average, an NCA competent for a "*medium*" number of registered insurance intermediaries had **4.9 FTEs** dedicated to the registration of insurance intermediaries and **2.7 FTEs** dedicated to conduct of business supervision of insurance intermediaries by mid-2020
- A "large" number of registered insurance intermediaries can be found in: CZ, DE, ES, FR, HU, IT, PL, RO
 - On average, an NCA competent for a "*large*" number of registered insurance intermediaries had **11.3 FTEs** dedicated to the registration of insurance intermediaries and **11.5 FTEs** dedicated to conduct of business supervision of insurance intermediaries by mid-2020

ANNEXES I-VIII TO THE REPORT ON THE APPLICATION OF THE IDD

EIOPA REGULAR USE
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