



Press Release

Contact: Jerneja Orthmayr
Phone: +49 (0) 69 95 11 19 35 0
press@eiopa.europa.eu

EIOPA ADVISES ON THE IMPLEMENTATION OF THE INSURANCE DISTRIBUTION DIRECTIVE

- *The implementation of the Insurance Distribution Directive (IDD) is a significant milestone to further promote consistent consumer protection across the European Union regarding the distribution of insurance products*
- *The Advice specifies the requirements for designing and launching all types of insurance products, the circumstances under which commissions or other types of incentives could be detrimental to the customer's interests and the criteria to assess whether insurance based investment products are suitable and appropriate*
- *As regards inducements, the proposed criteria give guidance to market participants on where detrimental impact may occur and do not amount, in any way, to a de facto prohibition on the receipt or payment of inducements*
- *The Advice is an outcome of extensive discussions with stakeholders and reflects the necessary proportionality*

Frankfurt, 1 February 2017 – The European Insurance and Occupational Pensions Authority (EIOPA) published today its Technical Advice to the European Commission on possible Delegated Acts concerning the Insurance Distribution Directive (IDD), a significant milestone to further promote consistent consumer protection across Europe regarding the distribution of insurance products.

The Technical Advice was developed at the request of the European Commission and was subject to extensive public consultation.

In its Advice, EIOPA considers it of utmost importance that the interests of consumers are taken into account throughout the product lifecycle, that third party payments,

such as commissions, do not have a detrimental impact on the quality of services rendered to customers and that products sold are suitable and appropriate for the individual customer.

EIOPA recommends concrete policy proposals with regard to the following four areas:

- **Product Oversight and Governance (POG):** In line with the proportionality principle, manufacturers of all types of insurance products should establish processes to ensure that all phases of the production cycle are undertaken having the consumer's needs in mind. Based on its Preparatory Guidelines on POG, EIOPA further clarifies the criteria for insurance intermediaries acting as manufacturers and the level of granularity expected from manufacturers in defining the target market.
- **Conflicts of Interest:** EIOPA defines potential situations in which conflicts of interests may arise between distributors and their customers in the course of the distribution of insurance-based investment products (IBIPs) requiring distributors to take appropriate measures to prevent, manage and, as a measure of last resort, to disclose conflicts of interest to avoid any harm to customers.
- **Inducements:** EIOPA specifies the criteria to assess whether inducements have a detrimental impact on the quality of services to customers. The purpose of these criteria is to provide guidance to market participants on when detrimental impact might occur. The proposed criteria do not amount, in any way, to a *de facto* prohibition on the receipt or payment of inducements. EIOPA also clarifies that detrimental impact has to be assessed by taking into account all factors which may increase or decrease the risk of customer detriment.
- **Suitability or appropriateness of IBIPs:** Insurance intermediaries or undertakings should gather the appropriate information from their customers for the conduct of appropriateness or suitability assessments of IBIPs. Only where it is non-complex is it possible for an IBIP to be sold without such assessments being carried out. EIOPA specifies the criteria to identify non-complex IBIPs.

Gabriel Bernardino, Chairman of EIOPA, said: *"This Advice is a substantial step forward in promoting a framework for better governance, suitability and accessibility of insurance products for consumers, across the internal market. We received valuable feedback from different stakeholders during the public consultation and we used it to ensure that our advice is sound, fit for purpose and proportionate. I am convinced*

that it provides a sound basis for delegated legislation under the IDD, in order to reinforce selling practices for direct sellers and intermediaries and ensure that advice to consumers is based on what best suits their needs and profiles”.

The [Technical Advice](#) submitted to the European Commission and the [Final Report](#) with the consolidated feedback can be accessed via EIOPA’s Website.

Notes for Editors:

The [Insurance Distribution Directive \(IDD\)](#) entered into force on 23 February 2016 and has to be implemented by Member States by 23 February 2018. The IDD establishes new rules on distribution of insurance products and seeks to:

- Improve regulation in the retail insurance market and create more opportunities for cross-border business;
- Establish the conditions necessary for fair competition between distributors of insurance products, for example, through an extension of the Directive to direct sales by insurance companies;
- Strengthen consumer protection, in particular with regard to the sale of insurance-based investment products (IBIPs).

Insurance-based investment products (IBIPs) are insurance products which offer a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations. As an example, the following products in the retail market will be IBIPs: unit-linked life insurance policies or life insurance policies with profit sharing or profit participation.

EIOPA received a [Request for Technical Advice](#) from the European Commission on possible Delegated Acts concerning the Insurance Distribution Directive on 24 February 2016. EIOPA was requested to provide its final Technical Advice, including a cost-benefit analysis, to the European Commission by 1 February 2017. After receiving this Technical Advice, the European Commission will publish draft Delegated Act(s) to be adopted later in 2017.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA’s core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.