NEW RETAIL INVESTMENT MODELS

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AI, digital platforms and the future of insurance distribution

From an insurance perspective, the emergence of digital investment platforms and AI-enabled investment journeys raises an important question: is the EU regulatory framework still organised around the way consumers invest today, or around the legal labels attached to products? Increasingly, similar customer journeys can fall under different regulatory regimes depending on whether they involve an insurance wrapper, a financial instrument or a crypto-asset, even though consumers may expect equivalent protection.

Digital platforms illustrate this challenge well. A platform may begin by offering ETF savings plans or investment accounts, but later integrate life insurance, retirement products or protection features. At that point, the Insurance Distribution Directive (IDD) becomes relevant, raising questions about when a digital platform or algorithm is carrying out insurance distribution, whether personalised recommendations amount to advice, who is responsible for suitability or demands-and-needs assessments, and how product governance obligations apply where insurers, technology providers and platforms all play different roles. Looking further ahead, another significant development is the emergence of agentic AI, with AI agents increasingly acting autonomously at the behest of customers to support decision-making and execute actions.

As retail investment models become increasingly digital and embedded, supervisory attention is likely to shift from individual firms towards the governance of the entire customer journey. Digital platforms and AI present similar opportunities and challenges. Digital advice and automated investment journeys can make financial services more accessible and affordable, but insurance products often require considerations that go beyond investment risk alone.

Recent market developments already illustrate how distribution models are evolving. Some digital insurers are moving insurance distribution into AI-driven customer journeys, allowing consumers to obtain personalised insurance quotes through conversational AI rather than traditional websites or intermediaries. This represents a shift from consumers actively searching for products towards insurance being offered at the point of digital discovery, with AI acting as the interface between customers and regulated insurers.

While such models have the potential to significantly reduce friction and improve accessibility, they also raise important regulatory questions about when AI platforms are carrying out insurance distribution, who is responsible for complying with the IDD, and how supervisory responsibilities should be allocated across insurers, technology providers and digital platforms.

In addition, questions have been raised to EIOPA about whether AI chatbots that collect personal data, filter products or provide recommendations are carrying out an insurance distribution activity under the IDD. If so, the entity deploying or providing the chatbot may need to meet IDD rules, including registration, information obligations and conduct rules. The distinction between information and distribution is therefore essential. While chatbots providing general explanations may fall outside the scope of the IDD, those assisting consumers with personalised product choices may trigger its rules.

More broadly, new digital investment models challenge existing approaches to fair, clear and not misleading communication and product governance. Online platforms increasingly use behavioural design to influence consumer decisions. While these technologies can improve customer experience, they also create risks if they embed "dark patterns" and steer consumers towards products that generate higher remuneration or are not aligned with their long-term objectives. The existing IDD "best interests" requirement and product governance framework, including value for money assessments, provide a strong foundation, but it will need to evolve so that supervision focuses not only on the insurance product itself, but also on the digital customer journey.

Supervisory focus may need to expand from individual products to entire customer journeys.

Overall, the EU framework remains broadly capable of accommodating innovation because its core principles – consumer protection, suitability, product governance, operational resilience and disclosure – are largely technology-neutral. The greater challenge lies in ensuring that these principles are applied consistently across different distribution models and technologies. As investment journeys increasingly span insurance, investment and digital services, the regulatory framework may need to evolve to allow the supervisory focus to shift from individual products to customer journeys, ensuring consistent consumer protection regardless of the distribution channel or product wrapper.