



Press Release

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EIOPA PUBLISHES PREPARATORY GUIDELINES ON PRODUCT OVERSIGHT AND GOVERNANCE

- *The Guidelines provide early guidance and support with the implementation of Product Oversight and Governance (POG) requirements under the Insurance Distribution Directive (IDD).*
- *The Guidelines minimise the risks of consumer detriment and mis-selling.*
- *The Guidelines foster a cultural change, requiring insurers and distributors to focus on the customer's interests throughout the product lifecycle.*
- *Importance of the "tone from the top": Management is ultimately responsible for placing consumers at the heart of business.*
- *Distributors are required to obtain from manufacturers all relevant information about the products they are going to sell.*

Frankfurt, 13 April 2016 – Today the European Insurance and Occupational Pensions Authority (EIOPA) published Preparatory Guidelines on Product Oversight and Governance (POG) arrangements to be followed by insurers (manufacturers of insurance products) and distributors.

These Guidelines provide early guidance and support national authorities and market participants with the implementation of POG requirements in preparation for formal requirements provided for in the Insurance Distribution Directive (IDD).

The Preparatory Guidelines require firms to include appropriate steps to identify the group of consumers for whom the manufacturer is designing the product (the "target market") for each product, to align this product with the relevant interests and objectives of the target market and to ensure the usage of appropriate distribution

channels. Manufacturers should properly test the product before selling it to customers and should take appropriate action to mitigate unforeseen risks that subsequently arise during the lifetime of the product. Insurers need to strengthen control processes, which they follow before bringing their products to the market.

The Preparatory Guidelines foresee that distributors receive from the manufacturer all the necessary information, not only about the product, but also about its target market. It is also crucial that the distributor's activities do not contradict the distribution strategy and target market as specified by the manufacturer.

The Preparatory Guidelines clarify that management of insurers and distributors bear ultimate responsibility for the establishment, implementation, subsequent reviews and continued internal compliance with the POG arrangements.

Gabriel Bernardino, Chairman of EIOPA, said: *"These Guidelines further minimise the risks of consumer detriment and mis-selling of insurance products. We need to ensure that products are designed with clear customer needs in mind but also that these products are being sold to the right customers."*

Insurers and intermediaries need to place consumers at the heart of their business strategies. The tone of this change has to come from the top. These preparatory guidelines will ensure that during 2016 and 2017 supervisors will early engage with the Board and senior managers of market participants to make sure that in 2018 the IDD product governance requirements are in place".

The Final Report contains the Guidelines and the Impact Assessment. The document can be viewed on EIOPA's website: <https://goo.gl/OkZRle>

Note for Editors:

EIOPA Guidelines are non-binding instruments addressed to National Competent Authorities (NCAs) or Financial Institutions. Their aim is to ensure common, uniform and consistent application of Union law as well as to establish consistent, efficient and effective supervisory practices drafted by EIOPA in accordance with Article 16 of the Regulation establishing EIOPA.

The Guidelines are subject to a comply-or-explain procedure whereby competent authorities are expected to make every effort to comply with them. During a 2-month period each competent authority will need to confirm whether they comply or intend to comply with the Guidelines. In the event that a competent authority does not comply or does not intend to comply, it will need to inform EIOPA, stating its reasons.

EIOPA will publish the fact that a competent authority does not comply or does not intend to comply with that guideline or recommendation. EIOPA may also decide, on a case-by-case basis, to publish the reasons provided by the competent authority for not complying with that guideline or recommendation.

The Guidelines will be translated into all official EU languages. **Only once the translations have been completed, will the “comply or explain” reporting process begin.**

The [Insurance Distribution Directive \(IDD\)](#) entered into force on 23 February 2016 and has to be implemented by Member States by 23 February 2018. It includes specific provisions on Product Oversight and Governance in Article 25.

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.