



Press Release

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EIOPA CONSULTS ON POLICY PROPOSALS REGARDING THE IMPLEMENTATION OF THE INSURANCE DISTRIBUTION DIRECTIVE

- *The Insurance Distribution Directive (IDD) is a significant milestone to promote consumer protection in Europe regarding the distribution of insurance products.*
- *Insurance products should meet the needs of consumers.*
- *Third party payments such as commissions should not have a detrimental impact on the quality of service provided to customers.*
- *Customers should be sold suitable and appropriate insurance products.*

Frankfurt, 4 July 2016 – The European Insurance and Occupational Pensions Authority (EIOPA) published today a Consultation Paper on its draft technical advice to the European Commission on possible delegated acts concerning the Insurance Distribution Directive (IDD).

This public consultation follows the [request](#) of the European Commission for technical advice of 24 February 2016. EIOPA's draft technical advice pursues three high-level objectives:

First, to ensure that, throughout the product lifecycle, insurance products meet the needs of consumers and, thus, prevent or mitigate mis-selling.

Second, to ensure that different third party payments such as commissions, do not have a detrimental impact on the quality of services to the customer.

Third, to ensure that insurers and intermediaries sell to individual customers, products that are suitable (for advised sales) or appropriate (for non-advised sales).

Gabriel Bernardino, Chairman of EIOPA, said: *"The Insurance Distribution Directive is a significant milestone to strengthen consumer protection in Europe. This work goes hand in hand with the fact that EIOPA places consumer protection at the very centre of its strategic objectives. It is now important to specify the new requirements underlying the IDD, to ensure a consistent application across Member States and, as a result, achieve a common level of consumer protection across the European Union. EIOPA actively seeks a discussion with all market participants on how these goals can best be accomplished."*

In the consultation paper, EIOPA invites all interested parties to provide their feedback on the policy proposals with regard to the following areas:

- ✓ **Product oversight and governance** arrangements requiring manufacturers of all insurance products to establish processes for company-internal approval of each insurance product before it is distributed to customers. This work is based on EIOPA's Preparatory Guidelines on Product Oversight & Governance.
- ✓ Organisational arrangements to prevent and manage **conflicts of interests** which may arise between distributors and their customers (e.g. inappropriate sales incentives) in the course of distribution of insurance-based investment products (IBIPs).
- ✓ Specification of the circumstances under which, **inducements**, namely, **third party payments** such as commissions paid by manufacturers to distributors in connection with the distribution of IBIPs, have a detrimental impact on the quality of service provided to the customer. For example, EIOPA has proposed a list of inducements which are considered to have a high risk of leading to a detrimental impact on the quality of the service to the customer.
- ✓ Specification of the information which distributors should obtain from their customers to be in a position to assess the **suitability or appropriateness** of IBIPs for the customer and **reporting** on the service provided to the customer.

EIOPA intends to submit its technical advice to the European Commission in February 2017.

The consultation period will end on 3 October 2016. Comments submitted after the deadline or not submitted in the provided template cannot be processed.

The Consultation Paper and the relevant template for comments can be viewed here: <https://goo.gl/b8j9q6>

Note 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 or with-profits life insurance policies.

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.