



Ten years after the ADR Directive: a comparative perspective on  
banking and financial ADRs

Issues about the relationship between Conduct  
Supervision/ADR

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I wish to thank the Bank of Italy Consumer Protection and Financial Education Department for inviting IVASS to this conference 'Ten years after the ADR Directive'. I shall start with an overview of the state of implementation of the Italian Insurance ADR and then go over to explain the results we expect from its establishment.

The ADR are valuable tools for making policyholder protection more effective. I see at least three ways in which the insurance Ombudsman will positively impact the conduct of business:

- first and foremost, by providing quick and effective solutions to the disputes brought to its attention;
- secondly, by giving guidance to the market for a proper application of legal provisions. In this respect, the decisions taken by the insurance ADR, even though not binding, will provide companies and intermediaries with clear indications as to what behaviours towards customers are considered compliant with the legal framework and are therefore expected from them. This will constitute a significant incentive to improve their conduct of business practices;
- last but not least, by providing information on company behaviours and market trends that can provide valuable inputs to business conduct supervisors, in order to set up their strategies and plans and put in place prompt corrective actions when necessary.

In this vein it is important to reflect together on the links between ADRs and conduct supervision.

## **The Italian Insurance ADR: legal framework, structure.**

The Italian Insurance ADR is about to be launched and we are putting lot of effort into this task. The legislative process is now at its final stage. The Insurance Ombudsman will have a structure similar to the other financial ADRs already operating in Italy, such as the Banking Ombudsman at the Bank of Italy and the Financial Ombudsman at the CONSOB.

The insurance Ombudsman will interact with users on-line, without the need to be assisted by a lawyer. Decisions will be made by an independent and impartial body. The procedures guiding its functioning shall in any case ensure speed, cost-efficiency and effectiveness of the decision-making process. The decision-making body will be supported in its investigations by IVASS staff of the Consumer Protection Directorate.

Once the regulatory framework is completed, the decision-making body will be appointed and the new Italian Insurance ADR scheme will be ready to start. We expect this to occur by the end of next year.

To sum up, the incoming Insurance Ombudsman will offer policyholders an agile and fast tool for managing small claims.

It will add to the other activities already carried out by IVASS for consumer protection, such as insurance literacy to enable consumers to make informed choices; the simplification of the language and the structure of insurance contracts; product design to fully meet the needs of customers, in one word the POG. The Insurance Ombudsman will therefore represent a further step towards those “proximity” tools which IVASS is implementing to strengthen customer centricity in insurance markets.

## **The Italian experience in insurance complaint management.**

In the tradition of the Italian Insurance Supervisor (IVASS), the input of consumers' complaints has always been an important source of information to identify the most adequate supervisory actions vis-à-vis insurance companies and intermediaries and to ensure effective consumer protection. The IVASS Consumer Protection Directorate handles more than 20.000 complaints per year, with a success rate of 38%. The management of insurance complaints by the competent public Authority has been a typical and common approach to consumer protection.

In our experience, the handling of complaints provides the supervisor with valuable information that facilitates the identification of possible deficiencies and suitable supervisory actions. These include interventions at the root of the problems: letters calling for compliance, requests for remedial plans, calls for meetings with top management, on-site inspections. When relevant breaches of the legal framework are ascertained, IVASS applies sanctions accordingly.

### **The Insurance ADR as an impartial deciding body versus conduct supervision**

In defining the relationship between the ADR and conduct supervision, we expect to draw on the experience we have gained in complaint handling. However, to ensure the impartiality of the ADR, we have separated the department providing support to the ADR for its investigations from the department dealing with market conduct supervision. We are counting on the fact that the Market Conduct Directorate will give adequate attention to issues of relevance that may emerge from the Ombudsman's decisions. Such decisions, together with the analysis of aggregated data that the ADR will make publicly available in its periodic reports, will provide the supervisor with important insights on the conduct of companies and intermediaries towards their customers and will make it possible to take appropriate measures.

We plan to draw on evidence gathered by the ADR, by using the data that it has made publicly available (decisions and reports, in addition to a regular exchange of information on the issues dealt with) so as to further strengthen and enrich IVASS capability to address shortcomings at solo and market level.

Availability of integrated and powerful information is key for an effective conduct supervision.