



EIOPA-17/056
7 February 2017

**Draft Implementing Technical
Standards concerning a standardised
presentation format for the Insurance
Product Information Document of the
Insurance Distribution Directive**

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1. Background

1. The Insurance Product Information Document (IPID) is a significant project within the overall work of EIOPA on the Insurance Distribution Directive¹ (IDD). Its objective is to ensure that the customer has the relevant information about a non-life insurance product to allow him to easily compare between different product offers and to make an informed decision about whether or not to purchase the product. This also closely reflects one of EIOPA's own strategic objectives in its policy work on consumer protection, namely *"to assist consumers of insurance products with making informed choices based on their rights and obligations"*.

Legal Framework

2. Under Article 20(9), IDD, EIOPA is required to develop draft Implementing Technical Standards (ITS) regarding a standardised presentation format of the IPID, specifying the details of the information in Article 20(8), IDD (see below). The IPID is to be drawn up by the manufacturer of a non-life insurance product and provided to customers prior to the sale of a non-life insurance product. EIOPA must submit those draft ITS to the European Commission by 23 February 2017, after consulting national authorities and after consumer testing.

3. **The content of the IPID is already determined by Article 20(8) of the IDD text.** Indeed, Article 20(8), IDD provides that the IPID "shall contain the following information:

- information about the type of insurance;
- a summary of the insurance cover, including the main risks insured, the insured sum and, where applicable, the geographical scope and a summary of the excluded risks;
- the means of payment of premiums and the duration of payments;
- main exclusions where claims cannot be made;
- obligations at the start of the contract;
- obligations during the term of the contract;
- obligations in the event that a claim is made;
- the term of the contract including the start and end dates of the contract;
- the means of terminating the contract".

4. In addition, Article 20(7), IDD provides that the IPID "shall:

- be a short and stand-alone document;

¹ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, OJ L 26, 2.2.2016, p. 19–59: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016L0097>

- be presented and laid out in a way that is clear and easy to read, using characters of a readable size;
- be no less comprehensible in the event that, having been originally produced in colour, it is printed or photocopied in black and white;
- be written in the official languages, or in one of the official languages, used in the part of the Member State where the insurance product is offered or, if agreed by the consumer and the distributor, in another language;
- be accurate and not misleading;
- contain the title 'insurance product information document' at the top of the first page;
- include a statement that complete pre-contractual and contractual information on the product is provided in other documents".

5. Article 20(4), IDD explicitly recognises that the provision of the IPID is "without prejudice to the [information disclosure requirements under] Articles 183 and 184 of the Solvency II Directive"², meaning that the provisions under Solvency II would continue to co-exist with the proposed ITS setting down the standardised presentation format for the IPID. In particular, Article 184(1) provides that:

"Where non-life insurance is offered under the right of establishment or the freedom to provide services, the policyholder shall, before any commitment is entered into, be informed of the Member State in which the head office or, where appropriate, the branch with which the contract is to be concluded is situated" and "any documents issued to the policyholder shall convey [this information]".

EIOPA recognises that a reference to the "head office" of the manufacturer may be a relevant issue in terms of home/host competences in a cross-border sale of a non-life insurance product. In addition, including a reference to the regulatory status of the manufacturer, and authorisation number, where relevant, will provide practical information for consumers. EIOPA has, therefore, decided to include references to this information in the draft ITS.

6. **The IPID is a pre-contractual document and does not replace policy terms and conditions, which will be provided to customers in addition to the IPID. Any customer personalisation will be done via the policy terms and conditions, not the IPID.** Article 20(7), IDD also provides that *"Member States may stipulate that the insurance product information document is to be provided together with information required pursuant to other relevant Union legislative acts or national law on the condition that all the requirements set out in the first subparagraph are met."*

² Directive 2009/138: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32009L0138>

7. EIOPA recognises that different distribution channels (direct, intermediary, telephone, online, comparison websites etc.) exist in different markets. However, the IDD is clear that the IPID must be provided to consumers in advance of the conclusion of a sale, irrespective of the channel used for distribution.

Summary of consumer testing process

8. Early in 2016, EIOPA completed a procurement process to select an external specialist supplier to provide design work and consumer testing on the IPID. LE Europe, the firm that also provided consumer testing for the work on the draft RTS on the KID (Key Information Document) for PRIIPs, was the chosen lead supplier for the IPID work. LE Europe collaborated with Ipsos MORI Belgium and Academy Design Partners to undertake the consumer testing and design work.
9. Consumer testing was carried out in two phases:

In Phase 1, **testing sought views and preferences of consumers on five different designs in focus groups held in four countries (DE, ES, RO and UK)**, ensuring a varied geographical representation of the EU. The testing was limited to four EU countries due to budgetary constraints EIOPA faced in procuring the consumer testing. There were two focus groups, consisting of eight people per focus group, in each country. The focus groups contained a mix of age, gender, and financial literacy/education levels. This phase was completed in May 2016. Lessons learnt from phase 1 were applied to the designs of the IPID; and

In Phase 2, **three designs** (two slightly adapted designs from Phase 1 and one design combining positive aspects from other phase 1 designs) **were tested among a large number of consumers in the same four countries using an online questionnaire**. 800 people in each country representing a mix of age, gender, and financial literacy/education levels participated in this phase. This testing, which sought reasons for their preferences between designs and also tested how designs affected their ability to compare the information provided, was completed at the end of June 2016.

10. For both phases of consumer testing, sample IPIDs for three different non-life insurance products were used. **The three products chosen were: motor insurance, household insurance and health insurance**. Each participant only considered one type of insurance, but the three product types were covered in testing. Motor insurance was chosen because motor third party liability insurance is mandatory across the EU and is therefore a widely-offered product. Household insurance and health insurance were chosen because they are relatively common products.

11.The results of the consumer testing:

- Indicated that **sample IPIDs used in testing were generally seen as impartial documents**;
- Confirmed that the **order of importance** used in the sample IPIDs **was consistent with the ranking given to each section** by respondents;
- Strongly supported: **(i) the use of two columns** for the presentation of text, and **(ii) breaking the document into sections** using boxes or lines between sections; and
- Showed **a clear preference for the use of icons and coloured bullets and symbols** in the IPID.

12.**More detailed information on the results of the consumer testing can be found in LE Europe’s final report on the “Consultations” section of EIOPA’s website:**

<https://eiopa.europa.eu/Pages/Consultations/Overview.aspx>

Cost-benefit analysis

13.Article 20(9) of the Insurance Distribution Directive (hereinafter, IDD) requires EIOPA to draft Implementing Technical Standards (ITS) regarding a standardised presentation format of the insurance product information document.

14.In accordance with Article 15(2) of the EIOPA Regulation, EIOPA shall analyse the potential related costs and benefits before submitting draft implementing technical standards to the Commission. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

15.EIOPA has included a high-level assessment of possible impacts in Annex II. In developing this submission, EIOPA has also built upon the responses received to the public consultation on the costs and benefits of its proposals.

Next Steps

16.EIOPA will submit the draft Implementing Technical Standards and Impact Assessment to the European Commission by 23 February 2017 in accordance with the requirements of Article 20(9) of the IDD.

2. Draft Implementing Technical Standards



Brussels, **XXX**
[...](2016) **XXX** draft

COMMISSION IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

on [...]

COMMISSION IMPLEMENTING REGULATION (EU) .../...

laying down implementing technical standards with regard to a standardised presentation format of the insurance product information document

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution of 20 January 2016³, and in particular Article 20(9) thereof,

Whereas:

- (1) Directive (EU) 2016/97 requires manufacturers of non-life insurance products listed in Annex I to Directive 2009/138/EC to draw up a standardised insurance product information document so as to provide customers with the necessary information about non-life insurance products as listed in Annex I of Directive 2009/138/EC in order to allow the customer to make an informed decision.
- (2) Directive (EU) 2016/97 specifies the information details which the insurance product information document shall contain and empowers the Commission to adopt implementing technical standards regarding a standardised presentation format of the insurance product information document specifying the details of the presentation of the information. The presentation of the information on the insurance product serves the same purpose as the insurance product information document referred to in Article 20 of Directive (EU) 2016/97, which is to present the relevant information on the insurance product in a comprehensible, clear and easy to read format to allow customers to make an informed decision.
- (3) In order to provide customers with product information which is easy to read, understand and compare, a common design, structure and format should be used when presenting the information referred to in Article 20(8) of Directive (EU) 2016/97 in the standardised insurance product information document referred to in Article 20(5) of that Directive, including by way of the use of icons or symbols. Equally, information about add-ons and optional covers, if any, should not be preceded by ticks, crosses or exclamation marks and the information to be included in the insurance product information document should normally be set out on two sides of A4 paper, but should not exceed three sides of A4 paper.
- (4) The provision of a standardised insurance product information document to the customer prior to the conclusion of the contract is without prejudice to the need for the staff of the insurance

³ OJ L 26, 2.2.2016, p. 19.

intermediary to have appropriate resources and time to explain to the customer the key features of the insurance products they sell in accordance with recital 48 of Directive (EU) 2016/97.

- (5) This Regulation is based on the draft implementing technical standards submitted by the European Insurance and Occupational Pensions Authority (EIOPA) to the Commission.
- (6) In accordance with Article 20(9) of Directive (EU) 2016/97, EIOPA has conducted consumer testing of the standardised insurance product information document and consulted national authorities. EIOPA has also conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits, and requested the opinion of the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁴,

HAS ADOPTED THIS REGULATION:

Article 1

Scope

This Regulation lays down the detailed rules for the implementation of Article 20(8) of Directive (EU) 2016/97 and specifies the standardised presentation format of the insurance product information document as referred to in Article 20(5) of Directive (EU) 2016/97. Requirements laid down in this Regulation shall apply to any insurance product information document, as referred to in Article 20(5) of Directive (EU) 2016/97, which is provided to the customer.

Article 2

Name and company logo of the manufacturer

1. The name of the manufacturer of the non-life insurance product, the Member State where that manufacturer is registered, its regulatory status, and, where relevant, its authorisation number shall immediately follow the title of “insurance product information document” at the top of the first page.
2. The manufacturer may insert its company logo to the right of the title.

⁴ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010).

Article 3

Reference to complete pre-contractual and contractual information

The insurance product information document shall include a prominent statement immediately below the company name that complete pre-contractual and contractual information about the non-life insurance product is provided in other relevant documents.

Article 4

Length

1. The insurance product information document shall be set out on two sides of A4-sized paper when printed.
2. By way of derogation from paragraph 1 and where a manufacturer can demonstrate as necessary, the insurance product information document shall be set out on a maximum of three sides of A4-sized paper when printed.

Article 5

Presentation and order of content

1. The relevant information of the insurance product information document as specified in Article 20(8) of Directive (EU) 2016/97 shall have a font size with an x-height of at least 1.2 mm and be presented in different sections and according to the structure and sequence as set out in the standardised presentation format in Annex I.
2. The presentation of the insurance product information document shall follow the layout, headings, sequence and graphics as set out in the standardised presentation format in Annex I, varying the length of the sections according to the extent of the information that is to be included in each section. Information provided about add-ons and optional covers, if any, shall not be preceded by ticks, crosses or exclamation marks.
3. In cases where the insurance product information document is presented using a durable medium other than paper, the size of the components in the layout may be varied by way of derogation from paragraph 2, as long as the layout, headings, sequence and graphics of the template, as well as the relative prominence and size of the different elements, are retained.

4. In cases where the dimensions of the durable medium other than paper are such that a layout using two columns is not feasible, a presentation using a single column may be used by way of derogation from paragraph 2, as long as the sequence of the sections is as follows: “What is this type of insurance?”, “What is insured?”, “What is not insured?”, “Are there any restrictions on cover?”, “Where am I covered?”, “What are my obligations?”, “When and how do I pay?”, “When does the cover start and end?” and “How do I cancel the contract?”.
5. In the context of provision of the insurance product information document in digital format and for the purpose of providing additional information to the customer, the use of digital tools, such as layering and pop-ups is permitted, provided that all relevant information as indicated in Article 20(8) of Directive (EU) 2016/97 is provided in the main body of the insurance product information document and that the use of such tools is not so intrusive that it could distract the customer from the main document. Information provided through layering and pop-ups shall not include marketing or advertising material.

Article 6

Plain language

The insurance product information document shall be drafted in plain language, facilitating the customer’s understanding of the content of that document and shall focus on key information which the customer needs to make an informed decision. Jargon shall be avoided.

Article 7

Headings and information thereunder

1. The sections of the insurance product information document shall have the following headings and the following information thereunder:
 - (a) The information on the type of insurance referred to in Article 20(8)(a) of Directive (EU) 2016/97 shall be included under the heading “What is this type of insurance?” at the start of the document;
 - (b) The information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading “What is insured?”. Each piece of information listed in this section shall be preceded by a green “tick” symbol;
 - (c) The information on the insured sum referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading “What is insured?”;

- (d) The information on geographical scope, where applicable, referred to in Article 20 (8)(b) of Directive (EU) 2016/97 shall be included under the heading “Where am I covered?”. Each piece of information listed in this section shall be preceded by a blue “tick” symbol;
 - (e) The information on a summary of the excluded risks referred to in Article 20(8)(b) of (EU) Directive 2016/97 shall be included under the heading “What is not insured?”. Each piece of information in this section shall be preceded by a red “X” symbol;
 - (f) The information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall be included under the heading “Are there any restrictions on cover?”. Each piece of information listed in this section shall be preceded by an orange exclamation mark symbol;
 - (g) The information on the relevant obligations referred to in points (e), (f) and (g) of Article 20(8) of Directive (EU) 2016/97 shall be included under the heading “What are my obligations?”;
 - (h) The information on the means and duration of payment of premiums referred to in Article 20(8)(c) of Directive (EU) 2016/97 shall be included under the heading “When and how do I pay?”;
 - (i) The information on the term of the contract referred to in Article 20(8)(h) of Directive (EU) 2016/97 shall be included under the heading “When does the cover start and end?”;
 - (j) The information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall be included under the heading “How do I cancel the contract?”.
2. The use of sub-headings is permitted, where necessary.

Article 8

Use of icons

1. Each section shall further be headed by icons or symbols visually representing the content of the respective section heading, as follows:
- (a) the information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of an umbrella, which shall be green or on a green background;
 - (b) the information on the geographical scope of the insurance cover referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of a globe, which shall be white on a blue background or blue on a white background;

- (c) the information on excluded risks referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of an X symbol which shall be red, or on a red background;
 - (d) the information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall be headed by an exclamation mark (!), which shall be orange or on an orange background;
 - (e) the information on the obligations at the start of the contract, during the term of the contract and in the event that a claim is made referred to in points (e), (f) and (g) of 20(8) of Directive 2016/97, respectively, shall be headed by an icon of a handshake, which shall be green, or on a green background;
 - (f) the information on the means and duration of payments referred to in Article 20(8)(c) of Directive (EU) 2016/97 shall be headed by an icon of coins, which shall be yellow, or on a yellow background;
 - (g) the information on the term of the contract referred to in Article 20 (8)(h) of Directive (EU) 2016/97 shall be headed by an icon of an hourglass, which shall be blue, or on a blue background;
 - (h) the information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall be headed by an icon of a hand with an open palm, which shall be black, or on a black background.
2. All icons shall be displayed in a manner consistent with the template in Annex I.
 3. By way of derogation from this Article, where the insurance product information document is printed or photocopied in black and white, the icons referred to in this Article may also be presented in black and white.

Article 9

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,
For the Commission
The President
[...]

[Choose between the two options, depending on the person who signs.]

On behalf of the President
[...]
[Position]

ANNEX 1: Template for Standardised Presentation Format

Xxxxx Insurance

Insurance Product Information Document

Company: <Name> Insurance Company

Product: <Name> Policy

[Statement that complete pre-contractual and contractual information on the product is provided in other documents]

What is this type of insurance?

[Description of Insurance]



What is insured?

- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx



What is not insured?

- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx



Are there any restrictions on cover?

- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx



Where am I covered?

- ✓ Xxxxxx



What are my obligations?

- Xxxxxx
- Xxxxxx
- Xxxxxx
- Xxxxxx



When and how do I pay?

Xxxxxx



When does the cover start and end?

Xxxxxx



How do I cancel the contract?

Xxxxxx

Annex 2: Impact Assessment

Procedural issues and consultation of interested parties

Annex I: Impact Assessment

Section 1. Procedural issues and consultation of interested parties

Article 20(9), IDD requires EIOPA to draft Implementing Technical Standards (ITS) regarding a standardised presentation format of the insurance product information document.

In accordance with Article 15(2) of the EIOPA Regulation, EIOPA must analyse the potential related costs and benefits before submitting draft implementing technical standards to the Commission. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

The draft ITS and its impact assessment were subject to public consultation between 1 August and 24 October 2016. Stakeholders' responses to the public consultation served as a valuable input in order to revise the draft ITS. Additionally, the opinion from the Insurance and Reinsurance Stakeholder Group, provided in Article 37 of EIOPA Regulation, has been considered.

As part of the public consultation, stakeholders were specifically requested to provide their views on the cost drivers for the standardised presentation format. The main cost drivers related to the IPID in general that were mentioned by stakeholders can be summarised as follows:

- One-off costs related to the development of IPIDs for the broad range of retail non-life insurance products;
- Ongoing costs for keeping IPIDs up to date;
- Costs related to the setting-up of IT systems (one-off costs) and the maintenance of such systems (ongoing costs);
- Ongoing costs related to the circulation of the IPIDs to the distribution channels;
- Ongoing costs for record-keeping;
- Ongoing costs related to training of staff and intermediaries;
- Ongoing costs related to the provision of the IPID to the customer (such as printing costs; postal charges; update of websites etc.)

Although the majority of responses refer indistinctly to costs from the proposed ITS and costs from the requirement to produce an IPID with certain characteristics already requested in IDD, EIOPA has considered all comments received to improve this impact assessment. In particular, EIOPA acknowledges stakeholders' concerns regarding any additional unnecessary costs from the implementation of the standardised presentation format.

The comments received and EIOPA's responses to them are summarised in the section Feedback Statement of the Final Report.

Section 2. Problem definition

Customers are presented with a lot of documentation when they consider purchasing an insurance product. It is common for people to read only a small part of this documentation. Apart from the sheer volume of material, they frequently find it difficult to engage with the material provided and difficult to understand.

The Directive specifies that prior to the conclusion of a contract, including in the case of non-advised sales, the customer should be given "relevant information about the insurance product" to allow the customer to make "an informed decision" and the insurance product information document should provide "standardised information about non-life insurance products" (Recital 48). The Directive further specifies that this standardised information is to be provided to potential customers in a "standardised presentation format".

Research⁵ in the area of behavioural economics indicates that people tend to behave in sub-optimal ways for a variety of reasons, often related to time, information or cognitive constraints. This behaviour is sometimes referred to as bounded rationality.

In consumer protection terms, the term information asymmetry is often referred to, namely that consumers do not often obtain information in a way that makes it easy for them to assimilate and understand and are at an informational disadvantage vis-à-vis insurance undertakings or insurance intermediaries. The insurer or intermediary typically has more or better quality information at his/her disposal, compared to the consumer. This information asymmetry can allow an insurer or an intermediary to provide advice or push a sale that meets their demands and needs, rather than those of the consumer.

The Directive seeks to ensure that the consumer can benefit from comparable standards, in particular, in the area of the disclosure of product-related information, and provides that, to this end, a level playing field between distributors is essential. Presenting prescribed information in a standardised format could help consumers to better understand the information, but importantly also to compare between different product offerings and assist in making more informed decisions.

Article 20(9), IDD requires that EIOPA, after consulting national authorities and after consumer testing, shall develop draft implementing technical standards regarding a standardised presentation format of the insurance product information document

⁵ Kahneman (2002) "Maps of Bounded Rationality: A Perspective on Intuitive Judgement and Choice", Nobel Prize Lecture, 8 Dec 2002, available at: www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2002/kahnemannlecture.pdf.

Tversky & Kahneman (1974) "Judgment Under Uncertainty: Heuristics and Biases" Science, 185(4157), pp1124- 1131.

Thaler & Sunstein (2003) "Libertarian Paternalism", American Economic Review, 93(2), pp 175-179.

EIOPA (2013) "Report on Good Practices related to the provision of information for Defined Contribution schemes";

EIOPA (2015) " Report on investment options for occupational DC scheme members"

specifying the details of the presentation of the information referred to in paragraph 8.

In line with the objective and the spirit of the Directive, EIOPA arrived at a view that there is a problem of ensuring that consumers engage with non-life insurance documentation, of consumers being able to identify the most important pieces of policy information within the large volume of such documentation, of comparability between products, and of consumers being over-reliant on price as a means for making decisions on the most suitable policy for them.

Baseline scenario

When analysing the impact from proposed policies, the Impact Assessment methodology is anchored to a baseline scenario as the basis for comparing policy options. This helps to identify the incremental impact of each policy option that was considered during the development of the policies. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.

For the analysis of the potential related costs and benefits of the proposed draft ITS, EIOPA has applied as a baseline scenario the effect from the application of the requirements of the Insurance Distribution Directive (IDD).

Article 20(9), IDD requires EIOPA to draft Implementing Technical Standards (ITS) regarding a standardised presentation format of the insurance product information document. The contents to be included in the draft ITS are set down in Article 20(8), IDD and the characteristics of the information to be presented are set down in Article 20(7), IDD. The scope of the draft ITS relates to the distribution of non-life insurance products as listed in Annex I to the Solvency II Directive (Article 20(5), IDD).

Essentially, therefore, the Impact Assessment is based on the standardised presentation only and does not include the impact of providing the information itself as this requirement is already laid down in the Level 1 text.

Accordingly, the baseline for this Impact Assessment should be the requirements to provide information to customers as set down in the IDD, but based on a scenario where manufacturers of the IPID would have been free to provide this information in a format of their own choosing.

The baseline also considers the current situation of the EU insurance markets, taking account of existing national legal provisions and commercial practices.

Section 3. Objective pursued

The operational objective of the draft Implementing Technical Standards is to propose a standardised presentation format for the IPID to allow customers to make an informed decision. Consequently, the following related objectives have been considered:

- to provide customers with product information which is easy to read and understand (comprehensibility)
- to provide customers with product information which is easy to compare (comparability)

A standardised presentation format will quickly help customers to become familiar with non-life insurance products and should facilitate easier understanding of the different main characteristics. The standardised presentation format will help customers to quickly find and identify characteristics that they consider most important.

Most importantly, a standardised presentation format will greatly assist customers in comparing products offered by different manufacturers and increase the scope for customers to make more informed decisions. Furthermore, the standardised presentation format seeks to raise the level of engagement of consumers with the insurance products they are considering.

These objectives are consistent with the IDD aim of providing general policyholder protection. In particular, the main objective and subject matter of the IDD is stated in the recitals is to "make the regulatory treatment of the distribution of insurance products more uniform in order to ensure an adequate level of customer protection across the Union" (recital 10).

Section 4. Policy Options

With the aim of meeting the objective set out in the previous section, EIOPA has analysed different policy options throughout the policy development process. Consumer testing explored a range of presentation styles from simple text-only documents through different types of more graphical presentation of the required information characteristics. Use of colours, icons, boxes and shading were explored. Alongside and related to these considerations, EIOPA has also looked at the overall level of standardisation that would be appropriate to address the objectives outlined earlier.

The section below reflects the most relevant policy options that have been considered in relation to the standardised presentation format. EIOPA has also listed relevant options which have been discarded in the policy development process.

Policy issue 1: Use of icons

Policy option 1.1: use of an icon for the product.

A requirement to use an easily-recognisable icon to identify the product being offered could assist customers in easily identifying different classes of products.

Policy option 1.2: use of icons for each of the specified characteristics required to be disclosed under Article 20. Icons can help the reader to quickly identify and easily find particular parts of a set of information.

Policy option 1.3: No requirement to use icons.

An alternative to the use of icons is to only use headings to identify the different characteristics of the insurance product.

Policy issue 2: Presentation of information in a specified order

Policy option 2.1: requirement to present information in a specified order

If the contents of the IPID follow a specified order, it will be easier for customers to find specific pieces of information that are of interest to them and also to make comparisons between products.

Policy option 2.2: no requirement to present in a specific order

Manufacturers would be free to present the information required in Article 20 in whatever order they decide.

Policy issue 3: Standardised format for all classes of insurance

Policy option 3.1: Standardised format for all classes of non-life insurance

The objective is to develop one standardised template for all non-life insurance products, with sufficient flexibility to encompass the different needs of different kinds of non-life insurance products. This approach will support the objective of fostering comparability between products and is consistent too with a single market objective.

However, it can be argued that one standardised presentation format cannot cover the breadth of non-life insurance products in the market. For example, it might be argued that travel insurance, funeral insurance and motor insurance are so different that they require different presentation formats for each type of insurance. A further consideration is the role of standardisation across various forms of media delivery, from traditional paper-based delivery to different types of digital media. EIOPA has considered the ever increasing role of digital media in everyday life and in financial services in particular in developing the standardised presentation format. In recognition of this and while seeking to deliver a high level of standardisation, EIOPA has allowed for a certain level of flexibility, particularly in the area of delivery of the IPID via digital media.

Policy option 3.2: Standardised format tailored to the different classes of insurance

It would be possible to develop a standardised presentation format for each type of insurance or for particular classes of insurance.

Policy issue 4: Multi-risk cover provided within one insurance policy

Policy option 4.1: Additional cover offered with the primary cover included in the IPID of the primary product

It is common in some insurance markets for non-life insurance policies to offer cover for risks that may also be purchased in a stand-alone policy e.g. cover for legal expenses in a motor or home contents policy. Such cover could be incorporated in the IPID of the primary insurance offering or separate IPIDs could be produced for such situations.

Policy option 4.2: Any additional cover has its own IPID

The part(s) of the insurance that could be bought separately could be shown in a separate IPID(s).

Section 5. Analysis of impacts

Impact Assessment

In a small number of Member States⁶, there are already national requirements to produce a document similar to the IPID and in some of these Member States the IPID may replace the national document. However, in many more, there is no equivalent or similar legal requirement to produce a document like the IPID. In those countries where there is no such legal requirement, individual undertakings may have been producing a document similar to the IPID on a voluntary basis⁷.

EIOPA believes that the impact of the IPID should largely take the form of one-off costs for providers of non-life insurance products. For markets where the IPID replaces an existing IPID-like document, there will be costs associated with discontinuing the use of existing stocks of national information documents.

These costs, however, will be somewhat ameliorated by avoiding the proportionately high costs associated with the design of new stationery due to the fact that the design will already be determined in a standardised template.

Furthermore, given the fact that manufacturers now know that the IPID will be introduced on 23 February 2018 at the latest there should be scope within procurement management systems to further minimise these additional costs by running down stocks of existing equivalent documents as the IPID introduction date approaches. In markets where there is not already an existing IPID requirement there will be some cost for the new requirement but the element of this that relates to the standardised template alone should be negligible.

There are likely to be one-off IT costs for the incorporation of the IPID into the web-based applications of insurance undertakings and some intermediaries. However, the IDD does not specify how this is to be realised or indeed that it must be done. In its simplest form and to observe the standardised presentation format, such integration

⁶ Croatia, Sweden, Slovakia, Italy, Germany

⁷ For instance, in the Netherlands for certain insurance products documents similar to the IPID issued by some members of the Dutch Association of Insurers are mandatory by means of binding self-regulation

into web-based applications could be achieved by linking to a pdf file of the document in the required format.

Accordingly, the anticipated IT costs could vary significantly from one insurance distributor to the next, not least because factors such as size and spread of products and age of IT systems can have a significant bearing on costs. Some element of one-off staff training costs for the introduction of the IPID can be envisaged, although this is not considered to be significant. Negligible ongoing costs are envisaged in this regard as the IPID can be easily incorporated into training programmes.

There will be one standardised template for all non-life insurance products. Clearly there is a broad and diverse set of products that fall to be classified as non-life insurance products. However, EIOPA analysis suggests that the information requirements laid down in Article 20(8), IDD are such that they will be applicable across the main types of non-life insurance products. In this regard, EIOPA notes that there are exemptions within the IDD whereby insurance distributors need not comply with Article 20 in relation to the insurance of large risks.

While EIOPA believes that the impact on industry is largely one-off in nature, it is conceivable that, for customers, the beneficial impact will be long-lasting. This can be expected as they become familiar with the standardised presentation format, thus aiding comparability between different products and understanding of key differences between them.

Clearly, a major cost for manufacturers will be deciding which policy characteristics or features need to be disclosed, as set down in Article 20(8). **However, these costs are not directly relevant to this Impact Assessment, as those information content requirements themselves are set down in the Level 1 text. This impact assessment is only concerned with the level 2 requirement to use a "standardised presentation format".**

Policy issue 1: Use of icons

Policy option 1.1: use of an icon for the product type

Use of an easily-recognisable icon to show the product covered by the IPID could benefit customers. However, such an approach presents difficulties with the breadth of products offered in each of the markets as each one would have to be identified and an icon allocated to each. Importantly adopting this approach could be an impediment to product innovation as new products that did not fall into an existing product category (e.g. motor, travel, health, accident,..) could not be introduced without potentially breaching the Directive as no icon would have already been allocated to the type of product.

The anticipated impact of this is that it would, if implemented, provide limited benefit to customers who can easily distinguish the product from the required prominent product name without the need for an icon as well. Consumer testing indicated that the product icon was not a design feature that was strongly liked by respondents. There would be no cost to customers. For regulators, there is the difficulty of

identifying all the non-life insurance products across the different national markets, and the risk of not capturing all of these. This would be a costly exercise and take some time and effort to complete. For regulators, manufacturers and customers alike there is concern that product innovation could be stifled as it would not be permissible to create a new product if no icon had been designated for it. There is no mechanism within the IDD to handle such a situation.

Policy option 1.2: use of icons for each of the specified characteristics required to be disclosed under Article 20.

Icons can help the reader to quickly identify and easily find particular parts of a set of information. They can assist customers with becoming more familiar with information and this will help them feel more confident of understanding it and also make it easier to compare products. The higher the level of standardisation, the easier it will be to identify and compare specific characteristics. Icons would be used in addition to a descriptive heading for each of the main characteristics of the product for which it is required to present information in Article 20, IDD.

The expected impact of a requirement to include icons to identify different product characteristics is expected to be very positive and continuing for customers, particularly in terms of familiarity and comparability, and there would be no cost implications for them. Consumer testing respondents ranked highly the use of colourful bullets and icons as attractive elements in the sample IPIDs. For non-life insurance manufacturers, there would be some one-off design and IT costs and minimal ongoing printing costs associated with incorporating icons into the design of the IPID.

Policy option 1.3: no requirement to distinguish different sections using icons

It would be possible to develop a standardised presentation format without using icons to distinguish different pieces of information. This would be a simpler document and, confusingly for customers, may seem like a contractual document as it would look like contractual documents provided by the insurer.

Bearing in mind the earlier baseline assumption for the Impact Assessment that it relates to the standardised presentation format only and not the information requirements set out in the Directive, the impact on manufacturers should be minimal if there were to be no requirement for icons. Customers on the other hand could be confused by an additional document that does not look much different to other documents (contractual documents, terms & conditions,...) that will be provided to them.

Policy issue 2: Presentation of information in a specified order

Policy option 2.1: Requirement to present information in a specified order

If manufacturers were required to present the required IPID content in a specified order, it would assist customers with becoming more familiar with the content of IPIDs and make it easier for them to find and identify particular pieces of information and to compare products. It appears that the different product characteristics required to be addressed in the IPID are such that all types of non-life insurance products can be described within the required descriptions.

There would be minimal impact on industry with only one-off effort and costs associated with applying the standardised presentation order to the required information. For customers, there should be significant benefit to be derived from the familiar layout and presentation of information and this will aid comparison between products and support good decision-making. Consumer testing showed that respondents considered the order of presentation in sample IPIDs reflected the importance to them of the different product characteristics. Respondents also liked clear divisions between sections in the sample IPIDs which EIOPA considers to be complementary to use of a specified order. For Regulators there would be minimal cost as this requirement would be checked as required through normal supervision techniques.

Policy option 2.2: no requirement to present in a specific order

If manufacturers were given the freedom to choose their own layout, it would undermine the whole concept of a standardised presentation format and lead to confusion for customers. This confusion would be lessened if there were only a small number of variants permitted, but it is difficult to determine criteria that might be used to decide which products should be handled differently.

Freedom for manufacturers to choose the order of presentation would be confusing for customers and would make it more difficult for them to find key information particularly when trying to compare product offerings from rival manufacturers. Industry would be free to use their experience to develop layouts that best suit their products which suggests that there would be little or no cost for implementing the format. In situations where Regulators conduct normal supervision on this topic they would require somewhat more time to check compliance with the information requirements of the Directive if it is not presented in a specific order.

Policy issue 3: Standardised format for all classes of insurance

Policy option 3.1: Standardised format for all classes of non-life insurance

There are likely to be considerable benefits in confidence and comprehension for customers, where they are faced with a familiar format when they are considering different types of non-life insurance. If more than one presentation format was developed it would raise doubts in the minds of customers such as what type of document it is, whether it meets the regulatory requirements, etc.

The IDD requires EIOPA to develop a standardised presentation format and does not mention the possibility of more than one format. EIOPA believes that the categories of information set down in Article 20(8), IDD can be accommodated in one standardised format.

The impact on customers is expected to be significant as they would have a document that has a familiar format, irrespective of the type of insurance under consideration. This familiarity should boost confidence and assist in making informed decisions. For industry there would be minimal one-off effort and costs, but possible benefits too from applying standardised formats across their non-life product ranges.

Policy option 3.2: Standardised format tailored to the different classes of insurance

There is a broad spectrum of non-life insurance available in the market and it can be assumed that the number and type of products will only grow as society evolves. Accordingly, there may be difficulty in devising one presentation format to cover this broad spectrum.

On the other hand, the IDD is clear on the categories of information that must be included in the IPID for each product so that it is difficult to see how developing different formats for different products would add value to the situation.

The impact of different formats depending on type of insurance on customers is likely to be a somewhat increased level of confusion as IPIDs would be less familiar looking. For industry, as well as once-off cost associated with setting up several formats, there may be additional ongoing effort and cost in ensuring different products conform to required formats. Regulators could also anticipate some additional supervision costs if this approach is chosen.

Policy issue 4: Multi-risk cover provided within one insurance policy

Policy option 4.1: Additional cover offered with the primary cover included in the IPID of the primary product

It is common, in some insurance markets, for non-life insurance policies to offer cover for risks that may also be purchased in a stand-alone policy e.g. cover for legal expenses in a motor or home contents policy. Such cover could be incorporated in the IPID of the primary insurance offering or separate IPIDs could be produced for such situations. Indeed, it might be argued that providing main features in one IPID gives customers a better understanding of the relative importance of policy features. In addition, behavioural economics research shows that this approach is more aligned with consumer needs and that consumers are much more likely to engage with a single IPID.

It is expected that a single IPID will greatly assist customers in their understanding of products and greatly assist comparison between products. For industry, there may be some additional effort and cost in applying the standardised format in these situations but benefits too can be expected in simplicity for staff handling these products and in

lower stationery costs. For Regulators supervision of the IPID would be more straightforward and accordingly less costly although the costs would not be expected to be significant.

Policy option 4.2: Additional cover has its own IPID

The part(s) of the insurance that could be bought separately could be shown in a separate IPID(s). Provision of more than one IPID in these situations would appear to be against the spirit and objectives of the IPID.

On the one hand, more comprehensive product information through providing separate IPIDs for such cover can appear to assist the customer with their decision.

On the other hand, the objective of the IPID is to provide information on the main features of the product offered and incorporating this into one IPID provides a discipline on providers to only include the main features.

If separate IPIDs were provided for these products, several categories would contain the same information e.g. policy start/end dates, payment and cancellation terms etc. It might be argued that if a product requires several IPIDs, then it is in fact too complex for customers to readily understand, especially when we consider that the breadth and complexity of retail investment products will be presented in one document, the PRIIPs KID.

The expected impact for customers would be increased levels of confusion as they have to interpret several different IPIDs at once, while there would also be confusion and distraction in dealing with some level of redundant repetitious information. This could lead to sub-optimal choices. For industry, there would be increased stationery and management/control issues associated with multiple IPIDs in these circumstances. Regulators could anticipate higher supervision costs if there were additional IPIDs in use.

Section 6: Comparison of options

Policy issue 1: Use of icons

The preferred policy option for this policy issue is policy option 1.2 (use of icons to distinguish the different sections of the IPID) because the benefits for customers will be considerable on an ongoing basis while there will be minimal one-off impact on industry. This policy option can contribute significantly to the objectives of enhancing comprehension and comparability. Respondents in consumer testing strongly liked the inclusion of icons and colourful bullets in the sample IPIDs.

EIOPA considers that policy option 1.1 would prove to be impractical because it would lead to problems where manufacturers wish to introduce new products for which icons have not been determined under the ITS.

Policy issue 2: Presentation of information in a specified order

The preferred policy option for this policy issue is policy option 2.1 (a requirement to present information in a specified order) because it represents the best outcome for customers who will find it easier to identify key pieces of information while there will be a minimal impact on industry as they will have only a once-off requirement to set out information in a particular format. Requiring presentation in a specified order will meet the objectives outlined above as it will assist customers in identifying policy information and in making comparisons between products. Consumer testing indicated that consumers do distinguish between the importance of different categories of information presented in the sample IPIDs suggesting that presentation in the order of importance will be useful and important for them.

Policy issue 3: Standardised format for all classes of insurance

The preferred policy option is policy option 3.1 (use of the same standardised presentation format for all types of non-life insurance) because it will minimise confusion for customers while having minimal effect on industry. Within this requirement there will be some level of flexibility for presentation across a different range of media.

Policy issue 4: Multi-risk cover provided within one insurance policy

The preferred policy option is policy option 4.1 (all information in the case of multi-risk policies to be presented in a single IPID) because it will be clear and avoid confusion for customers and will be easier for all parties to manage. For manufacturers it will obviate the need to assess which risk would need to be covered in separate IPIDs while at the same time curtailing IT and printing costs. Furthermore, this option is consistent with a strict interpretation of the wording in the Directive. This policy option best meets the objectives outlined above because it strongly supports ease of understanding for consumers as well as the ability to compare different products.