

Feedback to EIOPA on the application of the Insurance Distribution Directive (IDD)

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Contact person:	Francesca Bertolo, Maraya Mihaylova	E-mail:	Bertolo@insuranceeurope.eu, Mihaylova@insuranceeurope.eu
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Insurance Europe welcomes the possibility to provide further feedback ahead of the publication of the next European Insurance and Occupational Pensions Authority (EIOPA) report on the application of the Insurance Distribution Directive (IDD) and appreciated the opportunity to participate in the recent public event. Insurance Europe wishes to provide additional feedback on some of the issues raised at the event, as well as draw EIOPA's attention to some additional issues that the industry is experiencing which were not necessarily addressed directly during the discussions. The issues the industry wishes to raise should be viewed in the context of an otherwise robust piece of legislation.

General messages on the application of the IDD

- **The EU IDD is a robust framework and works well overall** (see examples in Insurance Europe [Insight Briefing - Distribution](#)). The success factor of the IDD lies in setting solid standards while leaving some flexibility to member states to adapt the rules to the features and needs of their market. This is positive as consumers have different expectations and habits in different countries.
- EIOPA and National Competent Authorities (NCAs) have sufficient powers and tools to monitor the market and intervene where necessary.
- The focus should be on the enforcement and supervision of the existing rules, rather than introducing new requirements that will make it more difficult to offer and sell insurance. We have hope that the Retail Investment Strategy (RIS) and the next Sustainable Finance Disclosure Regulation (SDFR) review (Q4 2025) will tackle the remaining issues explained below.
- **The insurance industry is concerned by the findings of a recent [Eurobarometer](#) survey (April 2023), which shows that only 18% of EU citizens have a high level of financial education. This can lead to investment and protection gaps and hinder the understanding of insurance concepts, including among young people.** It is encouraging that the RIS includes proposals to improve the financial education of consumers, and the European Commission will present a financial education strategy as part of the Savings and Investments Union (SIU) Strategy (Q3 2025). It is crucial to integrate insurance education into financial literacy initiatives, as understanding insurance enables consumers to manage risk effectively, ensuring that unexpected events do not derail long-term financial stability. Education helps consumers understand key concepts such as premiums, deductibles, exclusions and claims processes, empowering them to choose appropriate coverage, compare products and avoid scams. Consumers attitudes

are important: it needs to be a habit to carefully read every document and contact the insurer or intermediary to ask questions if anything is unclear. We all have a role to play to increase public awareness: member states, authorities and the industry.

- In this respect, the European insurance industry is engaged in a wide range of initiatives to improve financial literacy and understanding of insurance. Examples include Insurance Europe's [InsureWisely campaign](#), the good practices featured in our [Consumer Hub](#) and the [Retirement Week](#).
 - EIOPA's [financial education map](#) and [financial literacy lessons](#) and the OECD-European Commission financial competence framework for [children and youth](#) and [adults](#) – which include insurance elements – are also very important tools, which should be further promoted and extended.
- **In the industry's view, the IDD is primarily a retail/consumer protection focused piece of legislation**, both in terms of the way the Directive is written and the way EIOPA and NCAs have approached its application and supervision of the rules. Therefore, the use of terminology should be consistent in respect of the terms "consumer" (ie referring only to retail policyholders) and "customer" (covering all categories of policyholders, large corporate to retail clients). Currently these terms are used interchangeably in some sections of the Directive, which creates confusion and regulatory uncertainties.
- Certain aspects of the sales process are not meaningful for commercial contracts and should be either disapplied or amended for these contracts. These include the use of the insurance product information document (IPID) (in member states where this is required), performance of a demands and needs test, certain other consumer disclosures, and the full application of product oversight and governance (POG) including the definition of the target market. While the IDD should be applied in a proportionate manner, the application to commercial clients is currently not proportionate. This disproportion is detrimental to professional and institutional policyholders, as it increases costs and reduces the attractiveness of Europe to address its protection gap by securing steady capital flows.
 - A similar situation occurs with occupational insurance. In these instances, the client is not a retail customer, but an expert operating in a professional capacity. It should be assessed whether the IDD consumer protection rules are appropriate in this setting.
 - Applying the IDD to small and medium enterprise (SME) clients can also be challenging, as fewer requirements are needed for clients who require less protection.
 - The IDD exemptions for large risks do not capture enough of the commercial market. A clearer focus on the nature of the client could have made implementation more straightforward.
- **Insurers face high compliance burdens and costs. It would be very useful if EIOPA could make its guidance accessible in all official EU languages, and easier to retrieve and navigate on EIOPA's website.** This simple action would be incredibly helpful, especially for smaller players in the market, to save time, avoid translation costs and facilitate the understanding of supervisory expectations.
- The industry also appreciates it when editable templates in all official languages are made available by EIOPA to help insurers comply with new disclosure requirements, as it simplifies the compliance efforts. As a general recommendation, regulators should make use of behavioural studies, consumer testing and extensive market consultation when drafting new rules on disclosures or new disclosures templates, to make sure that any new requirement works in real-life and benefits consumers.
- **European insurers proactively implement their own initiatives to enhance consumer satisfaction and better communicate with consumers.** Insurers continually seek to improve their services to remain competitive: developing innovative products and services, improving the clarity and transparency of the information provided, etc. Insurance Europe displays some examples from different markets in our [Consumer Hub](#).

Digitalisation

- The IDD already provides a robust framework which is fit for evolving market practices and all types of distribution channels, including digital ones, as it is an activity-based piece of legislation. The sector believes that remaining issues (ie paper-by-default and regulation of influencers) are being effectively addressed in the RIS discussions, without requiring additional changes to the IDD itself.

- Today, most consumers prefer hybrid distribution models. They need easy access to insurance and easy to navigate information, and value added services (eg assistance, digital tools, prevention elements) as well as one-stop-shop solutions.
 - A key example is young consumers, who may abandon the insurance market altogether if the process of buying insurance is too difficult and complicated. If insurers fail to meet young consumers' expectations, they risk losing them to influencers or unregulated platforms or markets promoting unregulated and/or risky products, combined with the lack of education on the financial market products, etc.
- Access to insurance and fair treatment are both vital. EIOPA's [Statement](#) on differential pricing practices was an important intervention. Moreover, the IDD already provides strong safeguards. For example, Art 17(1) of the IDD requires that in its sales activities, insurers must always act honestly, fairly and professionally, in the client's best interests. This is supplemented by various national provisions in industry-specific regulations and broader contract law. Application is monitored by the national courts, national supervisors or consumer protection bodies. Freedom to set prices is a key element of free and fair competition. This flexibility creates strong and efficient competition in insurance that leads to a diversity of approaches in customer acquisition and loyalty policies. The best competition is achieved when there are numerous business models in a market, as long as there is transparency towards the individual consumer. The customer is informed about the cost of the product, both in new sales and in renewals, and can call or visit different providers in a competitive market.

Disclosures and exclusions

- The experience with the IPID for Non-Life products is positive, as it summarises the key information in a consumer-friendly way. It was also positive that EIOPA provided editable templates of the IPID to facilitate implementation.
- Insurance exclusions are not inherently negative, as there are limits to what can be insured. What matters is that consumers receive clear information through the IPID and contractual documents, and have the opportunity to raise questions with their advisor if they wish.
- Contractual documents can be long and technical because they need to comply with national contract law. There are limits to what insurers can simplify.
- In terms of timing for the delivery of the information, the current regulatory framework works well as it is sufficiently flexible to adapt to different consumer needs and market circumstances. Modern consumers expect to purchase insurance whenever they need it, without unnecessary delays. There is no need to introduce mandatory cooling-off periods (eg a mandatory pause between the moment the client receives the information and the moment when the client signs the contract or the contract becomes effective), which would only discourage consumers from getting insurance, or leaving them uncovered against risks.

Quality of advice and selling methods

- Qualified advice is highly valued by consumers, and it is the most important source of information for many of them. In many cases, consumers initiate the sales process digitally and complete it with the help of an advisor, ensuring that they receive the product and guidance they need. Therefore, if consumers are unable to ask questions and receive personalised guidance, they are more likely to turn to unsuitable or unregulated products, avoid purchasing insurance altogether, or simply continue to keep their savings in bank accounts as is currently the trend in most of Europe.
- The demands and needs test is working well today, and it should remain flexible and personalised (not standardised), in line with the current IDD approach.
- EU insurers strive to provide high-quality services to consumers in a competitive market. Unfortunately, EU rules do not always help, as they make the sales process burdensome, overload consumers with too much information and are not fit for the digital age. As EIOPA positively recognises in its recent [note](#) on better regulation and supervision, "*extensive regulatory requirements do not necessarily lead to better outcomes for consumers during the sales process*". In particular:
 - The sale of green Insurance-based Investment Products (IBIPs) with advice requires multiple tests (ie demands and needs, suitability test, sustainability preferences assessment), leading to a process that takes 1.5 to 2 hours and involves up to 14 pages of questions (based on the experience

in Belgium). It is difficult to imagine an average consumer completing this process online on their own.

- As a result of the different, and often duplicative, EU applicable rules, consumers are overwhelmed with an excessive amount of information. For example, a green IBIP sold online by a broker requires the provision of 339 pieces of pre-contractual information.
- The IDD still requires providing information on paper. This is an outdated and unsustainable practice.
- The sustainability preferences assessment is problematic as it imposes distributors to ask many difficult questions using complex jargon, while SFDR templates are not even aligned with IDD requirements. This creates confusion for both consumers and distributors, hindering the effectiveness of the framework. The forthcoming SFDR review should look at how to improve the templates and ensure consistency with the IDD assessment.
- Ancillary insurance (ie a little insurance sold together with a different product/service, like phone insurance, travel insurance) and cross-sold insurance are sufficiently regulated in the IDD (as well as in other EU legislation, including the Mortgage Credit Directive) and EIOPA already intervened when necessary (eg warning for travel insurance and for Credit Protection Insurance (CPI)). Besides, it should be recognised that many consumers find it simpler to buy different products together to save time and effort.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.