insurance europe

Press release

04 October 2016

Insurance Distribution Directive delegated acts must be consistent with original legislation

To ensure effective protection for consumers, the level 2 delegated acts for the Insurance Distribution Directive (IDD) must respect the original framework agreed by EU policymakers in the level 1 legislative text, according to Insurance Europe, the European insurance and reinsurance federation.

However, in response to a European Insurance and Occupational Pensions Authority (EIOPA) consultation on its draft technical advice on possible delegated acts for the IDD, Insurance Europe pointed out a number of instances in the proposals in EIOPA's draft technical advice that go beyond the rules set out in the IDD.

On product oversight and governance (POG), Insurance Europe said that consumers should remain free to purchase insurance products that meet their individual demands and needs, even though they fall outside of the pre-set target market. Distributors should therefore be able to sell outside of the pre-set target market where appropriate.

William Vidonja, head of conduct of business at Insurance Europe, commented: "Prohibiting sales outside of the target market would run against the interests of consumers and it would clearly exceed the level 1 requirements, which aim to ensure that insurance products meet the needs of the target market. For the same reasons, there should not be a requirement to specify a 'negative' target market. It should also be made clear that the POG proposals are not intended to lead to any price controls or detailed provisions on product design, as this clearly goes beyond the identification of a target market."

Insurance Europe also believes that the IDD rules on conflicts of interest must take into account the insurance-specific characteristics of insurance-based investment products (IBIPs), as the original legislation had intended, and that commission-based remuneration should not, in itself, be viewed as a conflict of interest.

Vidonja said: "There is no overarching ban on commissions under the IDD. In contrast, the EU co-legislators decided to leave it explicitly as an option for member states. It is not up to EIOPA to introduce rules that will give rise to a *de facto* ban on commissions and interfere with this option. By specifying a broad list of inducements that are considered to pose a high risk of detriment to quality of the service, EIOPA is in effect doing just that."

Similarly, EIOPA's list of high-level criteria to assess non-complex insurance-based investment products will result in a *de facto* ban on execution-only products. This approach would seriously undermine another explicit member state option in the IDD that permits the execution-only sale of non-complex IBIPs.

Vidonja added: "It is extremely important that the overall process for finalising the delegated acts is completed as soon as possible. Many of the requirements will require significant changes to current business models and organisational structures, which will take time and significant costs to implement. Companies must therefore be left with sufficient time after the final level 2 delegated acts are confirmed to effectively prepare and implement the new rules, while minimising additional and unnecessary costs."

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Notes for editors

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