

EIOPA-IRSG-18-27  
16 November 2018

**EU-Wide Thematic Review on  
Consumer Protection Issues in Travel  
Insurance**

**Opinion by the  
EIOPA Insurance and Reinsurance  
Stakeholder Group**

## Request

EIOPA has asked the IRSG to provide advice on the EU-Wide Thematic Review on Consumer Protection Issues in Travel Insurance. EIOPA intends to identify consumer protection issues in travel insurance and possible actions to ensure better consumer protection. Through the review, EIOPA will assess potential sources of consumer detriment stemming from how travel insurance products are designed, distributed and sold within the European Union. Given the travel insurance is frequently sold through cross-selling as an ancillary product, EIOPA will pay special attention to these distribution practices.

In addition to data gathered from industry through Industry Questionnaire, EIOPA seeks complementary views and perspectives from the IRSG considering issues detailed in Industry Questionnaire.

## IRSG Views and Perspectives on Increasing Customer Protection in the Travel Insurance Market

The new Insurance Distribution Directive (IDD) significantly enhances customer protection and it addresses many of the issues identified by EIOPA in the area of product design, sales practices and distribution process. But since the IDD applies only since 1 October 2018, it should be given sufficient time before assessing its impact and considering any possible further steps.

Nonetheless, the distribution of travel insurance products has greatly changed in recent years with certain business models (e.g. B2B2C, incl. e-commerce and ancillary distributors) becoming more commonplace. According to the IDD, some “distributors” of travel insurance are considered ancillary intermediaries as they sell insurance but not as their primary business, which may be exempt from the IDD under certain conditions.

In the travel insurance market where a number of consumer protection issues have been identified by EIOPA, a level playing field and fair distribution is of utmost importance. These new -and largely online- intermediaries are able to influence customer behavior and extract large profits. This situation justifies a clarification of the role of these new players and the applicable rules (advised vs. non-advised distribution, conflict of interest management). Moreover, the dynamics of intermediation costs (commission and marketing) in the online distribution of travel insurance should be understood when the players fall outside the IDD, i.e. they carry out their activity under the privilege of exemption from the IDD.

That said, and with specific reference to the growing role of e-commerce platforms (Online Travel Agencies – OTAs) in the distribution of travel insurance, areas worth further investigation revolve around distribution practices and could be:

### Information and transparency for the customer:

- How is the travel coverage promoted and potentially linked to the purchase of either flight/cruise/hotel accommodation/rental?
- Is the nature of the remuneration fairly communicated to the customers?

### Competition and relevance for the customer:

- Are the proposed insurance contracts consistent with the insurance demands and needs of the customers?

- Are there a variety of offers or just one single travel insurance provider promoted by the OTAs?

- Are these practices in line with EU law on cross-selling and homogenous among countries/markets?

The IDD requires that any insurer or intermediary using the services of an exempted ancillary insurance intermediary must ensure that the latter provides information prior to the conclusion of the contract (Insurance Product Information Document - IPID). IPIDs are of central importance in this context. They allow for good comparability between the products and it will be interesting to assess their impact in a few years' - time.

In addition to the areas identified above, there is also the possibility that it will be difficult to coordinate the IDD with other EU provisions, such as the Package Travel Directive (PTD), when regulating cross selling practices. Since the PTD obliges the retailer to inform the traveller on potential compulsory insurance, this duty of information should not derogate the banning of tying practices when insurance is sold as ancillary product, which is established by the IDD.

Travel insurance is often sold as collective product in the B2B2C model. The absence of a clear and harmonized discipline of this contractual/distribution scheme may lead to excessive obligations for insurers/distributors. In contrast, that may also lead to a lack of information for customers. This happens especially when such a contract is characterised by a lack of will expressed by the insured to benefit from an insurance contract stipulated on their behalf by a policyholder – the distributor – who has an interest to stipulate the contract.

Since insurance coverage expressly related to the travel may fall outside the scope of the IDD, a definition of the word “travel” for the purposes of the IDD would help to have a harmonized application of the IDD.

Additionally, the need to focus on a fair product definition (i.e. opt in versus opt out, state of the art services at a competitive price) applicable to all stakeholders involved in the distribution and offering of travel insurance (including e-commerce and ancillary distributors) should also be emphasized.

Lastly, forms of smart contract for travel insurance should not be prevented so long as they provide the necessary documentation, correct protection and transparency. Furthermore, simplified version of the documentation to be handed to the final customer should be evaluated in accordance with the on-line methods (E.g. Mobile-phones, apps) on which travel insurance can be bought in order to ensure compatibility.