



Closing remarks

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Consumer protection: Conflicts of interest in sales of insurance-based investment products



EIOPA

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Ladies and gentlemen,

We have come to the end of today's very interesting programme. I now have the pleasure of sharing with you some thoughts on the main messages that have emerged in the course of today.

Consumer protection remains at the core of the European agenda, and how we approach conflicts of interest sits at the heart of Consumer Protection.

Silvio Berlusconi once said: *"if I, taking care of everyone's interests, also take care of my own, you can't talk about a conflict of interest"*. Yet a happy alignment of one's own self-interest and the interests of others is not always so evident. As Gabriel Bernardino remarked this morning, *"with addressing conflicts of interest, we are solving a severe market failure and not producing rules for the sake of making rules"*.

Where there are problems, regulators will act, and if we do not act together, we will be forced to try and solve the same problems in a more fragmented way. For the future of a well-functioning single market for insurance, it is important that we find common solutions to the problems. That is EIOPA's guiding aim also in the area of conflicts of interests.

Focusing in on today, let me recall our two objectives:

- Firstly, to provide you with an opportunity to hear about some of the challenges ahead in developing the technical advice of EIOPA to the Commission.
- Secondly, to give you all a platform to raise your concerns already at an early stage.

I think we can all agree, we have exceeded expectations and met these two objectives.

The Irish essayist Robert Lynd has written that *"no doubt there are other important things in life besides conflict, but there are not many other things so inevitably interesting. The very saints interest us most when we think of them as engaged in a conflict with the Devil"*. Of course, we do not know who are the saints and who the Devil. However, our topic exemplifies what Lynd is getting at: it is a difficult topic,

which impacts how many of you do business and serve customers in very concrete ways, yet because of this we have very interesting, lively and engaged discussions.

To summarise a few of the points I think clearly emerged from the discussion today:

- Common principles on conflicts of interest across all financial sectors are feasible. The core content of these principles I think many of us could agree on. But of course the Devil is in the detail of how they work in practice, and specific circumstances and business models need to be considered when technically implementing the common principles. This is an important distinction. Your input today has given us much food for thought on this.
- On different types of conflicts, we witnessed a discussion on whether the rules to be adopted should be high level making only a distinction on types of distribution channels or, alternatively, whether a detailed list of types of conflicts should be enacted. The question was also raised whether conflicts of interests are only 'all about the money' but, in effect, also other types of drivers were identified. Finally, it emerged from the discussion that different types of conflicts may exist at different points in time of the duration of policy which, were e.g. a product is winded down, different classes of customers getting differentiated treatment may occur.
- We have also heard about differences between insurance undertakings and intermediaries, and between different types of intermediaries. Proportionality is an important principle. Conflicts of interest that harm customers can arise for the small sole traders as well as larger undertakings. But the measures to take might be different. For instance, the ability of a large insurance undertaking to create Chinese walls, where it would not be possible for a sole trader to do so. Again, we must reflect on what we have heard today.

We have touched often on commission:

- We have heard some different views on commission payments. There is no proposal now to ban commission payments. But it is clear from the discussions today that business models depending on commission raise particular conflicts of interest that need to be considered. Perhaps we could remark that the price of keeping commission needs greater attention from regulators. We should be clear: all business models must work effectively for customers.

- We have also heard of unintended consequences, of how tightened rules on commission could lead to a restriction in access to advice. We invite all to provide as much data and evidence as possible in your responses to the Discussion Paper.

I am also very glad to hear discussion from the perspective of insurance undertakings, who have a vital role to play, and a vital responsibility. This is partly of course about remuneration and ensuring this does not harm the interests of customers.

But this is not all. Industry representatives have reiterated the point on long-term versus short-term conflicts of interests linked to different types of products. The national diversities in distribution channels was also seen by some as an opportunity for spurring more competition to the benefit of consumers, whilst others took the view that the removal of all conflicts will mean the extinction of intermediaries!

From EIOPA's perspective:

- Overall, we are confident that common rules on identifying, avoiding and managing conflicts of interest can be found, and that these can effectively reflect the specific issues arising in the insurance sector.
- We note the views on commission payments, where views do differ. This will be an important area, and it will be crucial to take a balanced and careful view. We look forward to your responses to the Discussion Paper, where we would encourage you to provide as much evidence as possible to back up your views.
- We also hear your different views on MiFID. We are not today debating level 1. The decision of the Council and the European Parliament is clear. In addition, across the Financial Services, I believe it is important to move beyond purely sectoral perspectives and solutions. There is a good reason for this: the customer does not distinguish between sectors when purchasing a financial product. So, we are and will continue to work closely with ESMA, and would do so even without instructions from Brussels. Having said this I stress that moving beyond a purely sectoral approach does not mean that we should ignore the specifics of the insurance sector. Our job in EIOPA is to make regulation that works, and that means fully reflecting the reality of the sector.

Ladies and gentlemen,

This brings me to the end of my remarks.

The large participation at this conference today, with distinguished speakers and almost 100 participants from all over Europe, is testimony to the joint willingness of both the European and national institutions and market players to achieve well balanced rules on conflicts of interest, to contribute to financial integration in Europe, and, last but not least, improve the protection of consumers.

To conclude, I wish to thank you all very much for your participation. Particular thanks go to all speakers and panellists for making the discussions so lively and thought-provoking. Finally, I would like to take this opportunity to thank all those unnamed colleagues involved in preparing this very interesting event.