



## Press Release

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### **EIOPA PUBLISHES GUIDELINES ON "EXECUTION-ONLY" SALES**

- *The Guidelines apply to "execution-only" sales of insurance-based investment products (IBIPs) such as telephone and online sales*
- *The Guidelines ensure the appropriate use of "execution-only" sales by defining the types of products to be sold "execution-only"*
- *The Guidelines seek to minimise the risks of consumer detriment and mis-selling*
- *The Guidelines support national competent authorities and insurance distributors in assessing these products*

**Frankfurt, 11 October 2017** – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published Guidelines on Insurance-Based Investment Products (IBIPs), where the associated risks are difficult for the customer to understand.

These Guidelines have been developed in line with Articles 30(7) and (8) of the Insurance Distribution Directive (IDD) and apply to "execution-only" sales. These are typically IBIPs sold via telephone or online and where the insurance distributor neither provides advice nor verifies the customer's knowledge of the product and the risks involved.

The Guidelines aim to minimise the risks of consumer detriment arising from mis-selling of IBIPs. At the same time, they set a suitable framework to allow for "execution-only" sales of products. With these Guidelines, EIOPA supports national

competent authorities (NCAs) and insurance distributors in assessing products against this framework.

The Guidelines include criteria to identify product features difficult for the customer to understand. For example, they address the nature of the charges paid by the customer and the ability for the customer to surrender the product before maturity. IBIPs including such features will not be eligible for sale via "execution-only".

The Guidelines will be translated into all the official languages of the European Union. Within two months of the publication of the translated versions, NCAs will need to confirm to EIOPA whether they comply, intend to comply or do not comply with these Guidelines for the purpose of "execution-only" sales.

According to the disclosure rules for Packaged Retail and Insurance-based Investment products (PRIIPs), where the associated risks of an IBIP are difficult to understand for customers, a comprehension alert has to be included in the Key Information Document (KID) provided to the customer. In order to promote a convergent approach by the NCAs in the implementation of this important requirement, EIOPA intends to separately address this issue and communicate its approach accordingly.

Gabriel Bernardino, Chairman of EIOPA, said: *"These Guidelines are a significant step towards ensuring the appropriate use of "execution-only" sales of insurance-based investment products. When using this distribution channel, insurers and intermediaries need to consider very carefully if their products and the associated risks can be readily understood by their customers."*

The Guidelines can be viewed [here](#).

## Background

**Insurance-based investment products (IBIPs)** are insurance products which offer a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations. As an example, the following products in the retail market will be IBIPs: unit-linked life insurance policies or life insurance policies with profit sharing or profit participation.

**“Execution-only” sales of IBIPs:** Such sales are only possible in Member States which decide under IDD to allow insurance intermediaries and undertakings to derogate from the obligation to assess the appropriateness or suitability of an IBIP for the customer. In these cases, it is still necessary to specify the demands and needs of the customer and various conditions need to be satisfied, including that the IBIP does not incorporate a structure which makes it difficult for the customer to understand the risks involved.

The [Insurance Distribution Directive \(IDD\)](#) entered into force on 23 February 2016 and has to be implemented by Member States by 23 February 2018. The IDD establishes new rules on distribution of insurance products and seeks to:

- Improve regulation in the retail insurance market and create more opportunities for cross-border business;
- Establish the conditions necessary for fair competition between distributors of insurance products, for example, through an extension of the Directive to direct sales by insurance companies;
- Strengthen consumer protection, in particular with regard to the sale of insurance-based investment products (IBIPs).

**Key Information Document (KID):** From 1 January 2018 before purchasing an IBIP, customers will need to be provided with a concise three page document setting out key information about the product, including the risks and costs. KIDs will need to be provided for all packaged retail and insurance-based investment products (PRIIPs), including non-insurance investment products.