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Gospe in gospodje, dobro jutro.

Ladies and Gentlemen, good morning.

It is my great pleasure to be here again today, in this beautiful Art Deco former ballroom with an exceptional audience, in the lively and green city of Ljubljana, full of culinary surprises and cultural discoveries.

Firstly, I would like to thank the Director of the Slovenian Insurance Supervisory Authority, Sergej Simoniti, and his Deputy Director, Mojca Piškurič, for their kind invitation and excellent cooperation with EIOPA.

Secondly, since its establishment, during more than six years, EIOPA has worked hard to fulfil its mandate and has been constantly delivering high quality regulation, technical advice and supervision at the European Union level, reinforcing consumer protection and strengthening the European supervisory position. The Authority is committed to establish a common European supervisory culture with consistent practices across the Union, facilitating the EIOPA's growing focus on supervision. Furthermore, we strongly believe in a holistic and integrated approach towards European prudential and conduct supervision.

EIOPA's strategic objective #1 was, is and continues to be the protection of consumers. Consumer protection is at the centre of our work. To unfold its full potential relies on two strong legs:

- Develop and strengthen the **regulatory framework** for the benefit of protection of consumers;
- Develop and strengthen a **comprehensive risk-based and preventive framework for conduct of business supervision** that serves as basis for appropriate supervisory action.

This brings me right into the middle of the overarching topic of today's event: "Consumer Protection in a New Era".

In the insurance business model, long-term promises and variable allocations of risks between insurers and policyholders strongly connect the profitability and solvency of the company and the **fair treatment** of its customers. Recent history has shown how conduct failures can lead not only to consumer detriment but also to solvency issues and contagion risks, or, that solely pursuing solvency in a crisis situation can put policyholder interests at risk. These interlinkages are reinforced by **emerging disruption of business models and the trend towards digitalisation**.

Technology is changing the way we interact and behave as consumers. It impacts our purchasing behaviour and equally influences the way the business functions. A challenging and more and more competitive market requires providers to rethink what products consumers really need and what adds value. In addition: What the most appropriate channels are to reach out to consumers. Achieving **customer centricity**, understanding customer behaviour and adapting to the challenges coming from digitalisation, is more important than ever. In simple words: **Put yourselves in the shoes of your customers! And see the world with their eyes!**

Significant reputational and financial damage has resulted from consumer mis-selling scandals in the past, such as the widely-sold Payment Protection Insurance (PPI), improperly linked to granting loans whilst earning large commissions, or the so-called "Woekerpolis" affair referring to investment-based savings schemes where most of the premium was spent on costs. **Consumers have lost confidence**. Existing information asymmetry and lack of financial education reinforce the lack of consumer confidence. The financial services sector needs to embrace the benefits of consumer protection and enhance its efforts to provide quality service and suitable products.

Thirdly, EIOPA's aim is to ensure that market players put in place sound governance mechanisms, have a robust solvency position and **treat consumers fairly**. Equally, our aim is to protect consumers from unfair and abusive business practices by **identifying tangible risks at an early stage** and to ensure that these risks are adequately tackled before fully materialising. Our approach is to promote the orderly functioning of markets resulting in a level playing field, **a healthy competitive and innovative environment**,

increased consumer confidence, and ensuring financial stability. It is also fundamental that supervisors have appropriate independence and accountability: A credible and independent supervisor is key for the confidence of consumers and investors.

EIOPA's Technical Advice to the European Commission - from February this year - on the implementation of the **Insurance Distribution Directive** – the “famous IDD” - was developed with these principles in mind. Our Advice is a significant milestone in further promoting consistent consumer protection across Europe as regards the distribution of insurance products.

In this Advice EIOPA recommends concrete policy proposals on issues such as **Product Oversight and Governance, Conflicts of Interest, Inducements** and the **Assessment of Suitability and Appropriateness**. Our overall objective is to ensure that the interests of the customers are taken into consideration throughout the life cycle of a product, that distribution activities are carried out in accordance with the best interests of customers and that customers buy insurance products which are suitable and appropriate for them.

In the area of **Product Oversight and Governance (POG)** we already used our **Preparatory Guidelines** issued last year as a basis for the Advice. Here, EIOPA recommends that manufacturers of all types of insurance products establish processes to ensure that all phases of the production cycle are carried out with the consumers' needs in mind.

In order to minimise the risk of mis-selling and consumer detriment it is important that the interests of the customers are already taken into consideration when the insurance products are designed and manufactured. This includes a thorough identification of the **target market** where the insurance products will be sold, but also an appropriate **product design** which is aligned with the investment objectives, the financial situation and risk appetite of the potential future customers. In order to mitigate and minimise the potential risks for customers, it is also important that the product is **properly tested** at the moment when it is designed and developed.

Our advice further defines potential situations in which **conflicts of interests** may arise between distributors and their customers during distribution of insurance-based investment products (IBIPs). Distributors are required to take appropriate measures to prevent, manage and, as a measure of last resort, to disclose conflicts of interest to avoid any harm to customers.

EIOPA's Advice specifies the **criteria to assess whether inducements have a detrimental impact on the quality of services to customers**. Our starting point was that a detrimental impact occurs when an inducement is of such a nature and scale that it provides an incentive to carry out the insurance distribution activities in a way, which is not in accordance with the best interests of the customer. It is therefore fundamental to identify all criteria to assess if and when inducements are considered to have a high risk leading to a detrimental impact on the quality of the relevant service to the customer. The purpose of these criteria, which include practices such as quantitative thresholds and upfront commissions, based on concrete national supervisory experience and practices, is to provide guidance to the market on when detrimental impact might occur.

Finally, regarding the Technical Advice, it is important for insurance intermediaries or undertakings to **gather the appropriate information from their customers for the conduct of appropriateness or suitability assessments of insurance based investment products**. This approach helps to ensure that insurance intermediaries and insurance undertakings do not request more information from the customer than needed to provide good quality advice to the customer and that information requests are not duplicated.

We are convinced that EIOPA's Technical Advice improves regulation in the retail insurance market, creates more opportunities for cross-border business, establishes the conditions necessary for fair competition between distributors including direct sales and also strengthens consumer protection with regards to IBIPs. These are all goals IDD intends to achieve.

In July, the European Commission has launched on its website a public consultation on the draft Commission Delegated Regulations under the IDD.

We believe that their legislative proposals differ from our Technical Advice in areas, which we consider important from a consumer protection point of view. In particular, the reference to monetary benefits - such as inducements - has been removed from the list of minimum criteria to assess whether a conflict of interest arises. Or, the non-exhaustive list of criteria to assess the detrimental impact of inducements has been revised, now allowing a broad discretion to market participants. Also, the *obligation* to identify a negative target market as part of POG has been replaced by a *right* to identify a negative target market if, the manufacturers consider this appropriate. The European Commission argues in its explanatory text, that the amendments are mainly linked to their limitations of empowerments and, regarding inducements, to reflect the differences between IDD (“to act in the best interest of the customer”) and MiFiD (“quality enhancement”).

The public consultation ended recently on 17 August, and the next step for the European Commission is to formally adopt, within the next two or three weeks, the draft Regulations and submit them to the European Parliament and Council for the purposes of the regulatory scrutiny process. The European Commission plans to hold workshops with Member State representatives and EIOPA will support implementation by Q&A’s, supported by its Consumer Protection and Financial Innovation Committee.

Forward-looking, EIOPA stands ready to develop Level 3 guidance as a follow-up to ensure a Union-wide consistent approach to the detailed implementation and application of the rules in the Delegated Regulations of IDD.

We believe that smart regulation and supervision are important. Therefore, EIOPA’s approach seeks to focus on improving outcomes for consumers **through a more preventive and risk-based approach**, for supervisors and the industry alike. Especially the rules on product oversight and governance arrangements will bring cultural change to board rooms of insurance undertakings. EIOPA will look into the functioning of such arrangements in about two years’ time, as part of the Authority’s regulatory monitoring activities.

In my conclusions, I will briefly touch on digitalisation, also one of the themes of today's conference. Our society is confronted with the **digital revolution** which transforms, as said, fundamentally the way we interact and do business. The entire insurance value chain will be impacted by "InsurTechs", from insurers to intermediaries, distributors and service providers. The use of **big data and telematics, comparison websites and automated advice tools** will determine the interface to and interaction with consumers. The increasing amount of available individual data and the power of **data analytics** will inevitably change insurance underwriting models.

These challenges can be seen as threats but can also be looked at as opportunities. Customer experience and expectations are being shaped more and more by a digital environment. Insurers can create value by using digital tools in many innovative ways. An obvious example is **enhanced fraud analytics**, which improves the detection and investigation of fraudulent practices, thereby reducing costs, of which ultimately consumers also benefit from. **Digitalised and automated processes** – such as in the area of claims handling - can enhance a firm's internal efficiency, reduce operational costs and claims handling response times.

From discussions with stakeholders we know that highly innovative technologies like **block-chain** could improve the cross-border recognition of claims history statements, which are used to calculate "no claims"-bonuses. Block-chain technology could also provide for an innovative way to reliably replace paper-based claims history statements.

Insurance markets may become more segmented with the use of **Big Data** and more detailed information available for underwriting. This could create issues for those consumers who represent a higher risk. Those who were likely to have benefitted from lower premiums in the past, as a result of larger risk pools, could now be confronted with less options available to them and have to navigate an increasingly complex and confusing market to find insurers willing to cover them. EIOPA, together with colleagues from US supervisors, has started a project to look into these challenges, in particular regarding the ethical implications of Big Data.

EIOPA considers InsurTechs to be of strategic importance. Our next steps in this area are to prepare and carry out a thematic review on the use of Big Data, looking into supervisory practices on financial innovation - including assessing how the principle of proportionality is applied -, and cyber risks. This work will be supported by the creation of an InsurTech Task Force and by organising further **InsurTech Roundtables** with stakeholders.

Our intention is to further develop a regulatory environment that supports your business and enables innovation. To emphasise: Also for innovative products, in line with the spirit and requirements of IDD and POG, selling and distributing needs to be fair and suitable for consumers.

Let's not forget: We are all customers. And want consumer protection to be put at the centre of the company's strategy. Let us all commit to "consumers first".

I am looking forward to your questions and a vivid discussion.