

Practical application of IDD - borderlines

Tomáš Chudý

Czech National Bank



Contents

1. Group insurance
2. Exempted All
3. Definition of insurance distribution



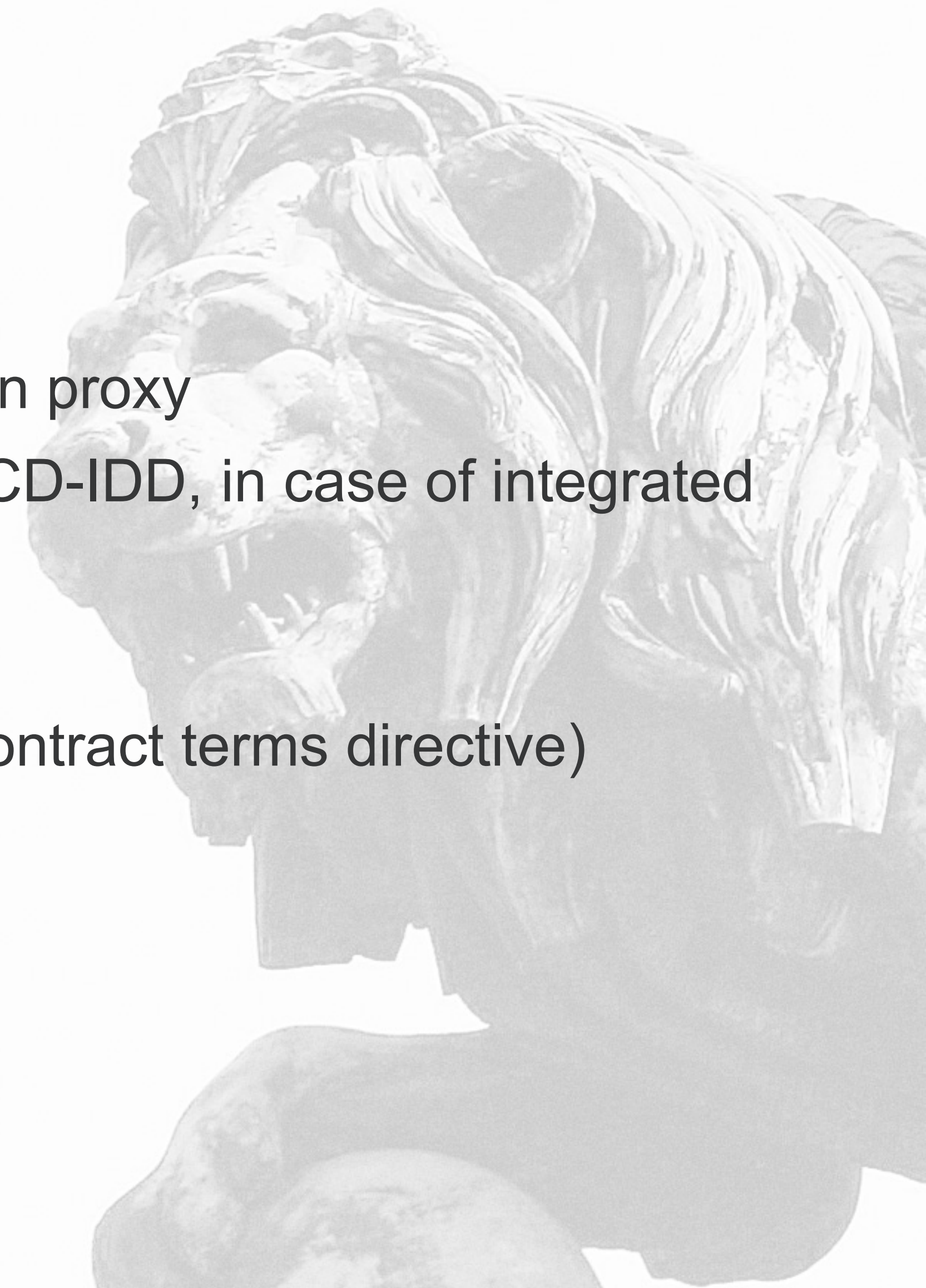
I. Group insurance and IDD



IDD in context

IDD is minimum harmonisation – interacts with:

- National system of II, esp. their liabilities, possibly rules on proxy
- Cross-sectoral implications (typically MiFID-IDD, CCD/MCD-IDD, in case of integrated supervisors)
- Contract law – insurance law
- Other consumer protection rules (UCP directive, Unfair contract terms directive)
- Supervision (licensing) and sanction system



Group insurance after C-633/20

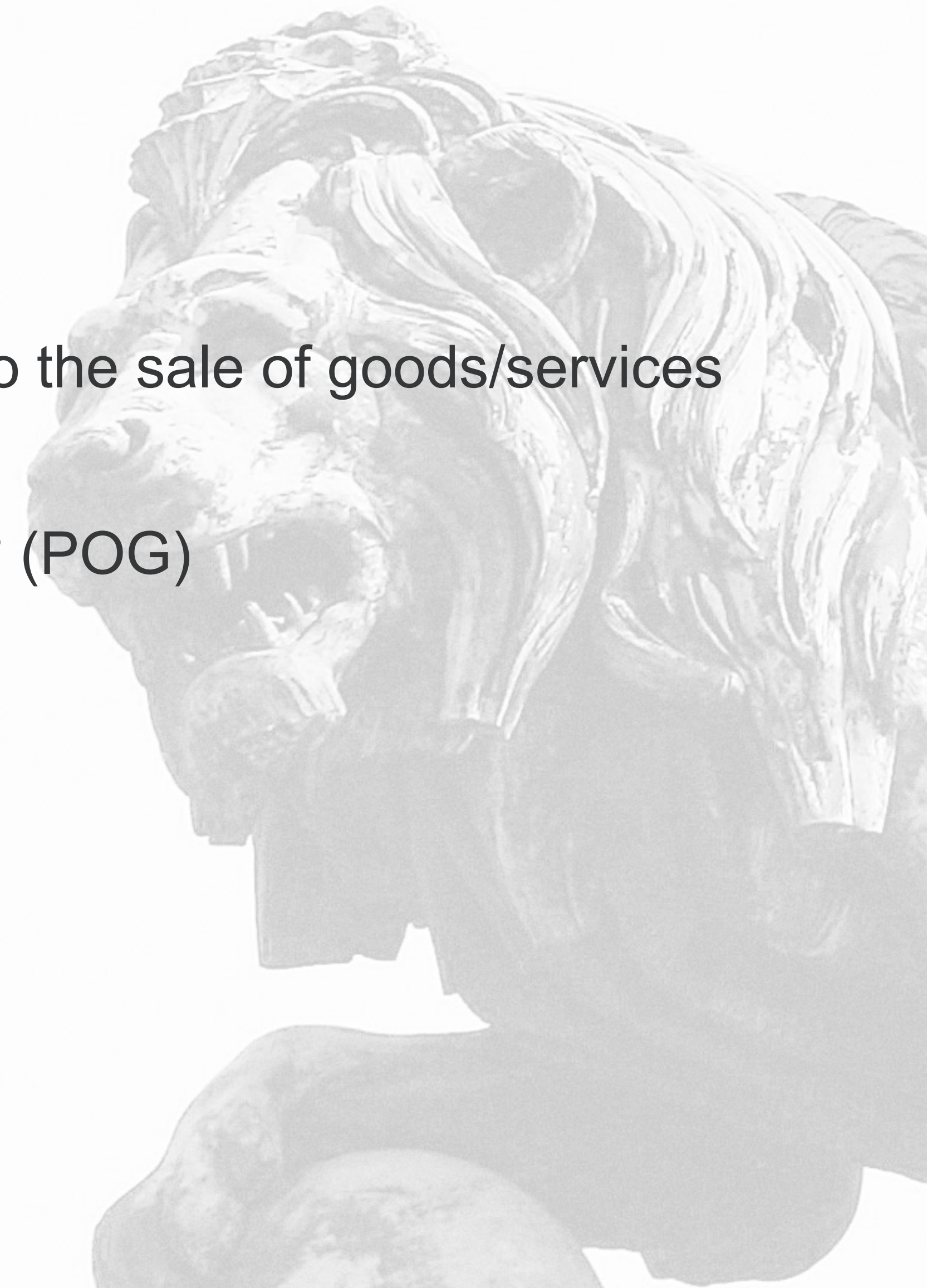
- IDD transposed by 2018, judgment is of 29 Sept 2022
- In Czechia, up to 22 % of the insured
- Wide range (life, health, warranty, MTPL, Casco, assistance, credit protection, credit card/travel, professional liability...)
- Rules in the IDD-implementing act, as a special case of distribution
- Insurable interest?
- QAs, thematic work, on-site supervision
- Cross-border – scope of GI in MS may differ. Are they in the register?
- 3 Court conditions:
 - Offering on voluntary basis – vs. acceding implicitly
 - Remuneration – vs. cross-financed insurance (bank credit products)
 - Entitlement to benefits – vs. being „insured“

II. Exempted ancillary insurance intermediaries



Exempted AIs

- Conditions for exemption: limit EUR 200/600
- Distribution chain – interaction with group policies – link to the sale of goods/services
- Cut costs – but at what price?
- Who is responsible that IDD provisions are applied at all? (POG)

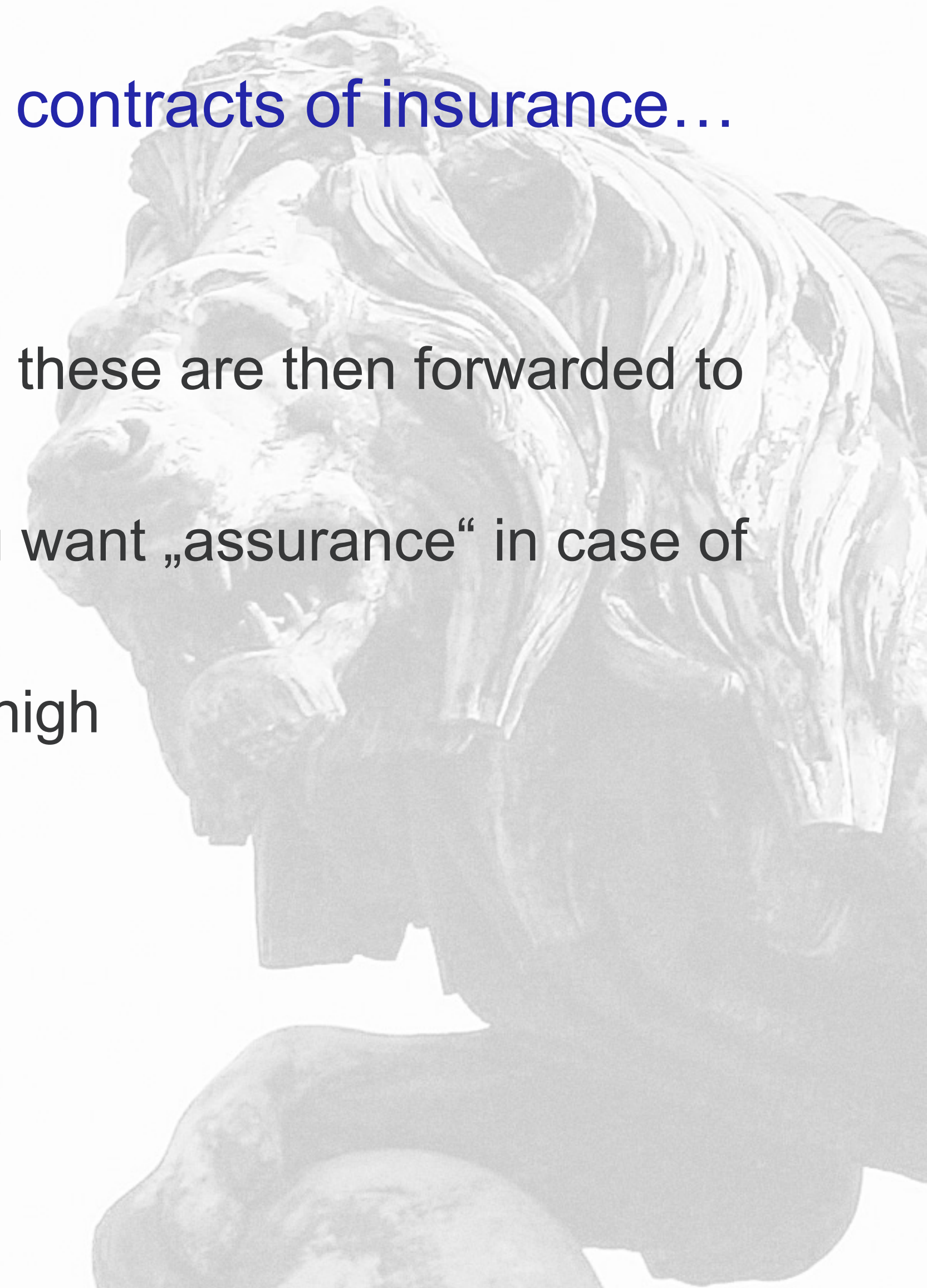


III. Concept of insurance distribution



.. or carrying out other work preparatory to the conclusion of contracts of insurance...
(Art 2 (1)(2) IDD)

- Call centers scripts ask effectively for demands and needs, these are then forwarded to „real“ distributors
- Misleading as to what products are actually offered (do you want „assurance“ in case of accident?)
- Professional knowledge & skills low, marketing eagerness high



.. assisting in the administration and performance of such contracts... (Art 2 (1)(2) IDD)

- insurance undertaking is not „assisting“, yet it acts towards customers in comparable situations (sending annual letters, (non-)informing the customer at maturity or at policy holder’s death, unilateral vows...)

⇒ ensuing double standard: IU abide by IDD, IU at best by Solvency II; what about e.g. obligation to act „in accordance with the best interest of their customers“?

- (provisional) solution: if information requirements according to Art. 183 to 185 Solvency II applies, apply the best interest clause, or else apply ban on unfair commercial practices and interpret the obligations as being the same standard with IDD

Thank you.

QUESTIONS?

<https://www.cnb.cz>

