

# AAE's role in consumer protection

## Brussels 27 August 2015

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## Aim: rebuild consumer confidence in financial markets

- **Minimize intermediaries conflicts of interest** when selling insurance products
- **Enhance the industry's professionalism** by raising the standards for sales advice, documentation, and qualifications of sales people
- **Level the playing field for financial institutions** across Europe by harmonizing the sales and disclosure rules

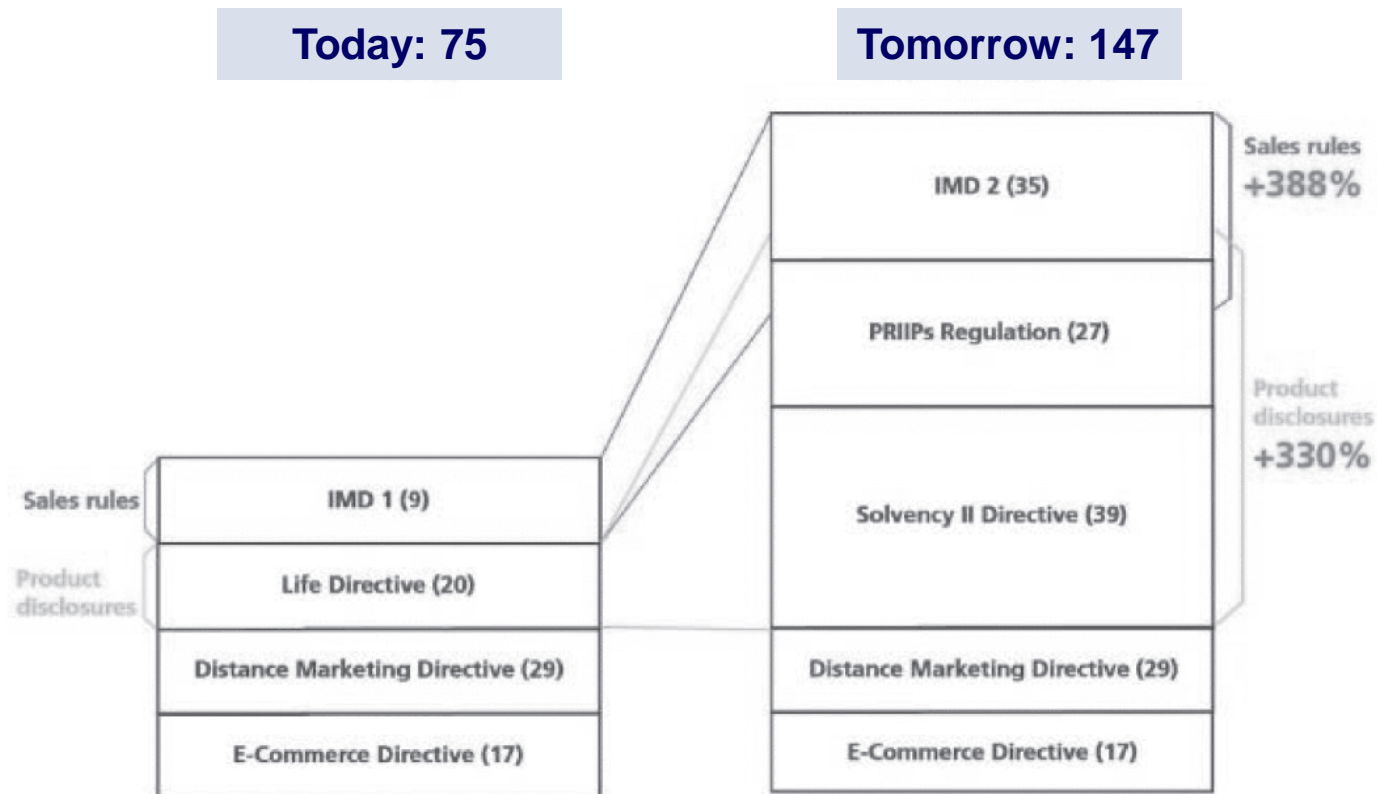
## Three key legislative proposals

- **Insurance Mediation Directive (IMD) 2**  
Sales rules for insurance products
- **Markets in Financial Instruments Directive (MiFID) 2 (IMD 1.5)**  
Insurance-based investment products
- **Packaged Retail and Insurance Based Investment Products (PRIIPS)**  
Disclosure rules for investment products, standardised Key Information Document (KID)

**.... and more legislative proposals (to come)**

- **Product Oversight and Governance (POG)**
- **Pan-European Personal Pension (PEPP)**

# Explosion of regulatory guidelines



Note: Based on the online sale of an insurance-based investment product by a broker.  
The IMD2 disclosure requirements are based on the European Parliament's text.

**An explosion of regulatory measures from 75 to 147,  
with an even fourfold increase concerning distribution/sales rules.**

# EU Trend: Deepening regulatory procedures

An iceberg floating in a blue ocean under a blue sky. The tip of the iceberg is above the water line, while the much larger, jagged base is submerged. To the right of the iceberg, text labels are aligned with different levels of the iceberg, from the tip down to the submerged base.

Basic Legislative Act  
(Regulation, Directive – Level 1)

Delegated Acts (L2)

Implementing Acts (L2)

Regulatory Technical  
Standards (L2.5)

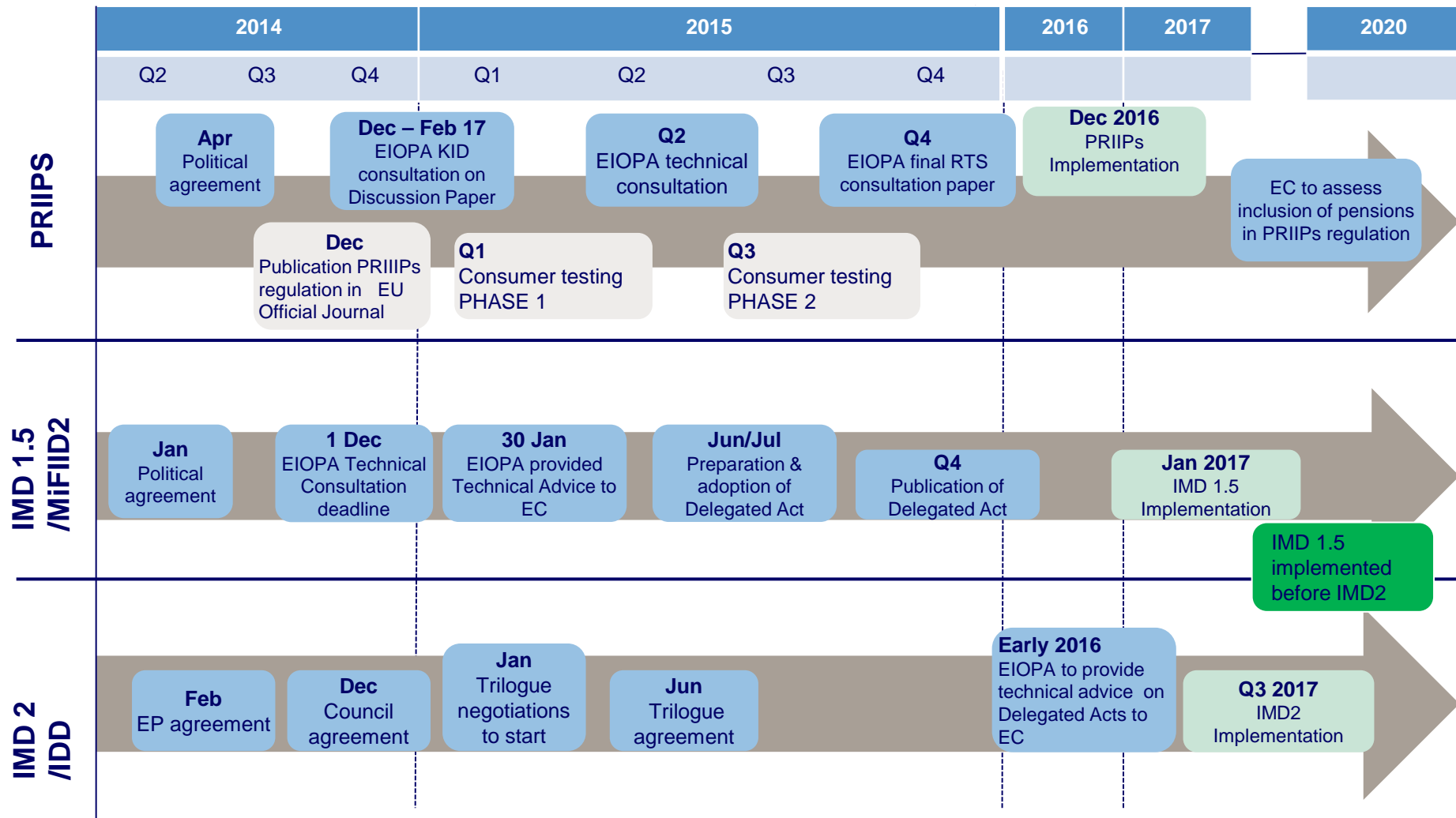
Technical Implementation  
Standards (L3)

Guidelines (L3)

Recommendations(L3)

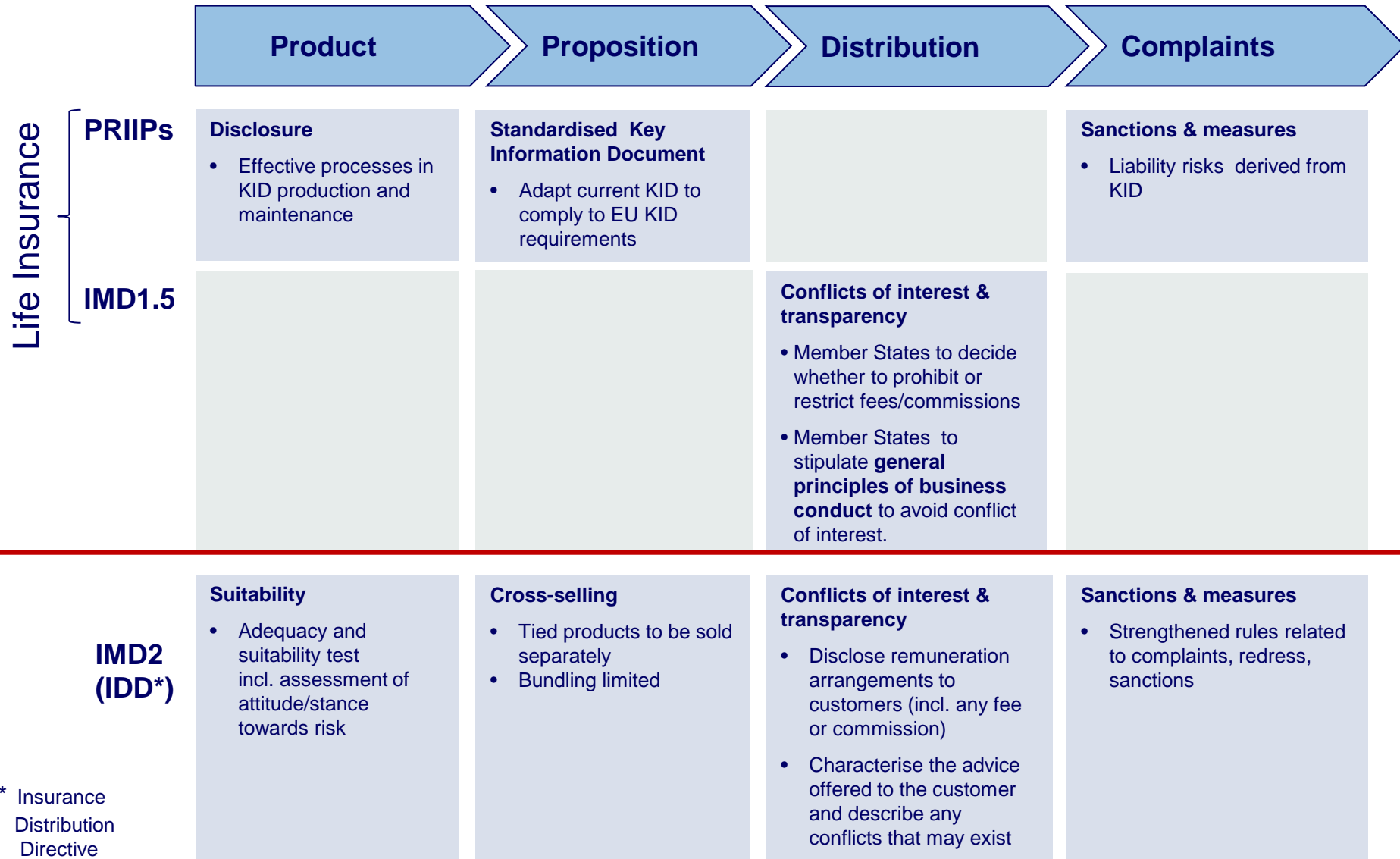
Country Implementation

# Timelines: Consumer protection regulation



# Impact: Influence on insurance business?

  Focus of today's regulatory discussion on Level 1



\* Insurance Distribution Directive



# State of play: IMD2(IDD) legislative proposals

## Content with complex links

### Directive (L1)

Political agreement  
expected Jun 2015

### Delegated Acts (L2)

### Guidelines (L3)

Conflict of Interests

Product oversight &  
governance

Cross-Selling

Complex products *test  
criteria*

Product suitability &  
adequateness

Sanction & redress

Separate PRIIPs  
chapter

Commission ban /  
Transparency \*

Education & Training\*

Anticipation via  
IMD 1.5

Conflict of Interests

Product suitability &  
adequateness

Hasn't yet started

Anticipation via  
EIOPA Guidelines  
(Application mid  
2015)

Anticipation via  
ESMA/ESA  
Guidelines  
(due in Q4 2015)

Product oversight &  
governance

Cross-Selling

Complex products  
*test criteria*

\* Most likely to have low requirement at  
EU level/decided at member state level

Scope:  
Include  
insurer's  
employees

## REGULATION (EU) No 1286/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

- Technical Discussion Paper (EIOPA): Risk, Performance Scenarios and Cost Disclosures in Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs))

Deadline: 17 August 2015

## Product Oversight and Governance POG

Consultation closed 23 February 2015

- Written documentation
- Final compliance responsibility
- Regular checks
- Avoid conflict of interest
- Identification of target market/target customer group
- Knowledge and skills of product developer (“fit and proper”)
- Product tests
- Product surveillance
- Remedial measures

## Product Oversight and Governance POG

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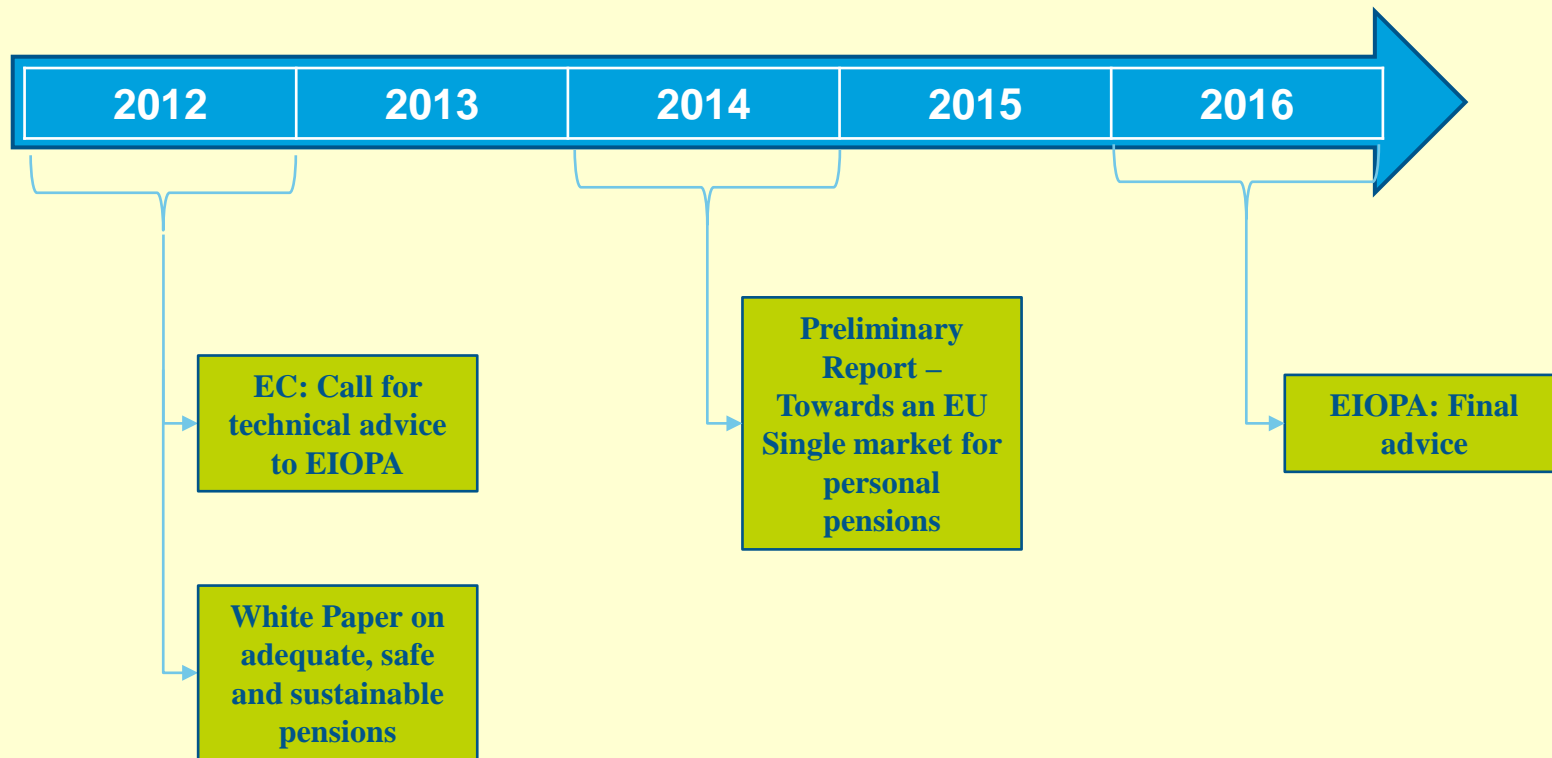
- Outsourcing of product development
- Documentation of activities (internal audit)

## Objectives:

- Work longer and save more for old age provision
- Adequate, safe and sustainable pensions

(based on White Paper)

## Timeline



“PEPP - a pension plan that hosts members only on an individual basis”

## Characteristics:

- Individual membership
- Account per member
- Old age provision (e.g. special tax rules)
- Repayment before retirement limited or with charges
- Product offered by private sector
- Funded schemes
- Rules for decumulation

## EIOPA consults on a Pan-European Personal Pension product

07/07/2015 – 05/10/2015

The European Insurance and Occupational Pensions Authority (EIOPA) published today a Consultation Paper on the creation of a standardised pan-European Personal Pension Product (PEPP).

EIOPA invites stakeholders and interested parties to provide their feedback on the proposals for the creation of the PEPP, which is envisaged to be a long-term retirement savings product.

The overall objective of the proposal is to encourage EU citizens to save for an adequate retirement income by creating a simple, transparent, cost-effective and trustworthy product.

To achieve this objective, EIOPA suggests the creation of a harmonised legal framework for an internal European PEPP market. This framework would ensure a level playing field between all providers; remove existing barriers to cross-border business and, thus, facilitate cross-border offering of PEPPs to consumers; as well as facilitate a multi-pillar approach to pension saving.



## 2014/2015 activity

- Consumer Protection Taskforce
  - Draft Position Paper: Conduct Risk Indicators  
Work in progress
  
- Next steps to be decided