BUND DER VERSICHERTEN
Offensiv für Versicherte

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EU Commission softens European Regulations on Insurance Distribution

Consumers and intermediaries will again be discriminated against insurers

Henstedt-Ulzburg - Only a few months before the implementation of the EU Insurance Distribution Directive the European institutions still have to fix regulations in detail which will be valid on European level. The European insurance supervisory authority EIOPA had published a proposal from which the EU Commission now removed crucial issues. “The Commission softens EIOPA’s proposal and obviously inclines to the insurance industry”, Kleinlein, spokesman of BdV, assesses. One of these crucial issues is the conflict of interest which occurs by the payment of commissions. Additionally, when launching new products, insurance companies will not be obliged anymore to identify groups of customers for whom a new product is generally not compatible.

The strongly discussed conflict of interest results from the commission system:

If an intermediary earns a lot of money by selling a bad product, but only little money when selling a good product, there will be the huge danger that he will recommend the bad product due to the conflict of interest. While EIOPA estimates monetary benefits as dangerous in this conflict of interest, the European Commission intends to omit this particular regulation from the list of criteria which shall identify this conflict of interest. “Particularly monetary benefits intensify any conflict of interest and prevent from fair distribution mechanisms for insurances”, Kleinlein explains. That is why monetary benefits should definitely be included into this list.

Additionally the Commission strives to close this list as exhaustive. This will have the consequence that new and unfair remuneration systems will proliferate without any restrictions. “We know the creativity of the insurers when dealing with guiding the money of customers into the wrong channels”, Kleinlein alerts. Only if this list is non-exhaustive, there will be the possibility to react adequately against new remuneration systems.

Related to the requirements of product oversight and governance EIOPA had made a prospective proposal – from the consumer’s perspective - by obliging the insurers to clearly identify groups of customers for whom a new product is generally not compatible. But this obligation, too, shall be omitted following to the Commission. “The fact that an insurer will have to identify those customers for whom a product is not compatible will protect consumers as well as intermediaries”, Kleinlein states.

In this case the insurer would be responsible for this identification. “Therefore this proposal of the Commission is at the expense of consumers and of intermediaries. The deliberate lowering of the level of consumer protection in the internal market represents a blatant ignominy for the competence of the Commission.”

BdV has published two “informal feedbacks” addressed to the European Commission pointing out all critical aspects in detail. Other European consumer organizations like Better Finance and BEUC agree largely upon the critical points of view expressed by BdV.

The German Association of the Insured (BdV) is a registered association founded in 1982. It has about 50,000 members and is the only fully independent organisation representing the rights of insured people in Germany. It is therefore one of the most important German consumer associations and it acts as a political counterweight to the insurance lobby.
The BdV takes exemplary court cases against insurers to enforce consumer rights. The Federal Constitutional Court and Federal Supreme Court have made fundamental decisions in favour of policyholders in response to actions launched by the BdV. These decisions have led to legal amendments.

Federal ministries and the German Federal Parliament regularly consult with the BdV. The BdV states its position on forthcoming laws and is invited to hearings as an expert. The BdV also organises regular scientific conferences to strengthen the consumer's position in academic debate.
The organisation is represented in all media (television, radio, newspapers, magazines and online media). Its mission is to draw attention to deficiencies and lobby on behalf of fair treatment for consumers. The BdV "Leitfaden Versicherung" (insurance guide) is available in bookshops. The BdV serves as an independent and free information source through its brochures and information sheets on all important insurance issues.

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