

Ensuring consumers are appropriately informed

EU regulation must prevent an information overload for consumers

Insurance Europe is and has always been supportive of a high level of transparency. Well-informed consumers are better equipped to compare products and make informed decisions. Consequently, they are more likely to be better protected against potential detrimental events.

However, more information does not mean better information. In fact, several EU regulations risk overloading consumers with information that provides no benefit to them when choosing insurance products.

More isn't better

The disclosure of too much information is counterproductive. It confuses consumers and distracts them from paying attention to important information, such as insurance coverage and exclusions.

The focus of regulation should be on providing a high quality of relevant information to consumers, rather than just a high quantity.

Regrettably, this is not the path that the EU is on today. The latest legislative developments at EU level will dramatically increase the amount of pre-contractual information that insurers will be required to provide to consumers.

Avoiding duplication

As recent EU proposals have been discussed in isolation, this has led to a complex and confusing legislative architecture. Not

enough attention has been paid to the combined effects and potential unintended consequences of these proposals.

This results in numerous duplicative requirements in the EU legislation regarding the information that needs to be disclosed to insurance consumers. These include:

- Duplication between the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and the Solvency II Directive, with the cumulative disclosure of identical or very similar pre-contractual information.
- Duplication between the PRIIPs Regulation and the PRIIPs chapter in the review proposal of the Insurance Mediation Directive (IMD 2), both including information requirements in relation to the disclosure of cost and charges.

In practice, it means that consumers risk receiving the same type of information twice, but in a different wording and a different format. **Will this help consumers take informed decisions?**

Cumulative effect in practice

Insurance Europe has always emphasised that pre-contractual information should be useful, relevant and timely.

However, when looking at the rules that will be applicable to the sale of insurance-based investment products, it becomes clear that the cumulative effect of the legislation on the disclosure of pre-contractual information and the interaction between all disclosures (including potential duplications) have never been properly assessed by policymakers.

Currently a consumer purchasing an insurance-based investment product online from a broker must be provided with 75 different pieces of pre-contractual information under existing EU legislation.

With the new PRIIPs Regulation, the Solvency II Directive and the European Commission's (EC) proposal for the IMD 2, consumers will end up being provided with 147 different pieces of pre-contractual information.

When broken down into its component parts, the number of pre-contractual product disclosures will increase from 20 under the Life Directive, to 66 under the Solvency II Directive and the PRIIPs Regulation, representing a 330% increase, while the disclosure requirements for sales rules would rise from nine under IMD 1 to 35 under IMD 2, representing an increase of 388%.

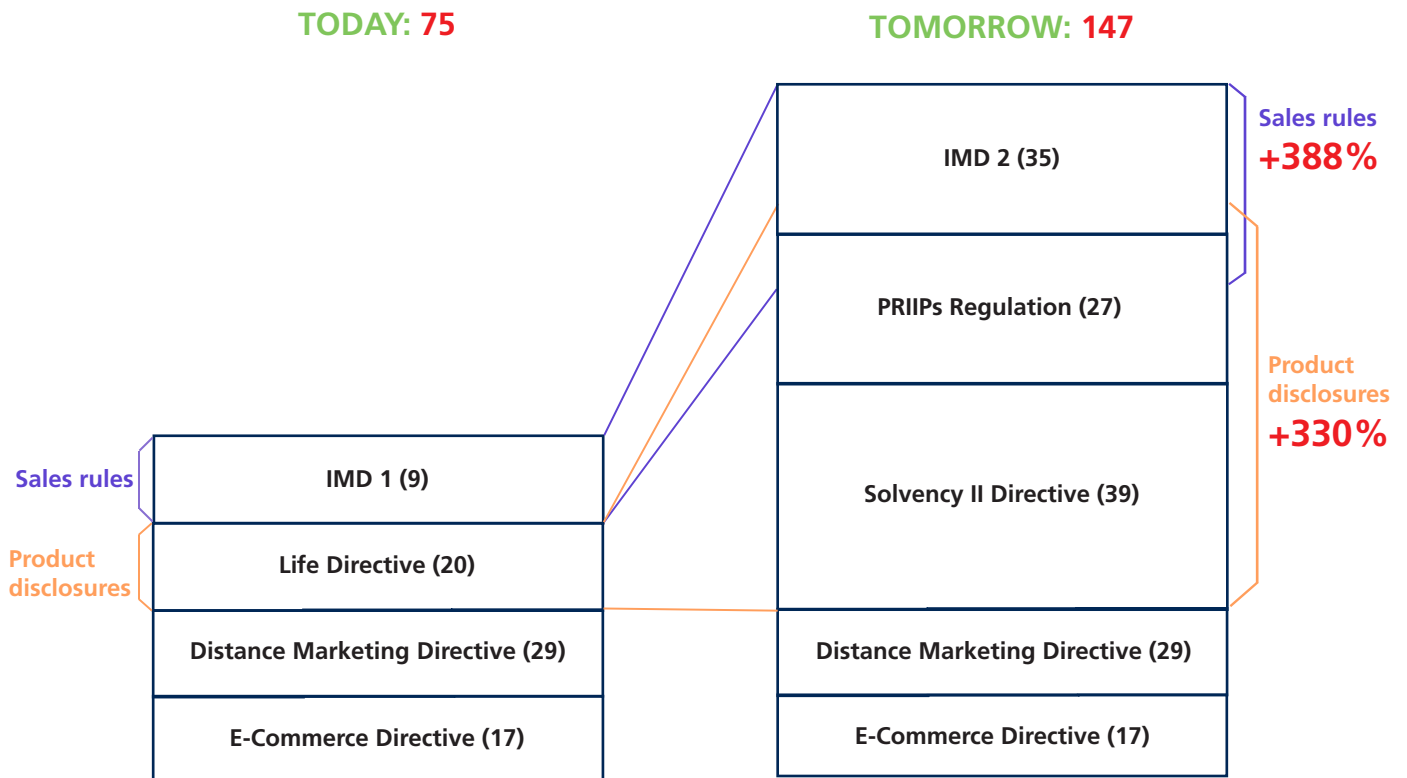
Looking forward

The new EC has designated "smart regulation" as one of its priorities, thereby committing itself to delivering EU policies and laws that bring the greatest possible benefits to people and businesses in the most effective way.

Insurance Europe therefore calls on the EC to consider the cumulative impact of the information overload and duplication of requirements and take steps to remove them where they exist. This can be done, to start with, through IMD 2, which is still under discussion in triologue between the European Parliament, the EU Council and the EC.

For any additional information, please contact David Bishop, interim head of communications & PR at Insurance Europe (tel: +32 894 30 73, bishop@insuranceeurope.eu).

Disclosure requirements (including duplications) from EU legislation applicable to the sales of insurance-based investment products



Note: Based on the online sale of an insurance-based investment product by a broker. The IMD 2 disclosure requirements are based on the European Parliament's text.