

Risk of information overload as EU disclosure requirements set to double

A number of EU regulations risk overloading consumers with information that provides no benefit to them when choosing insurance products, according to Insurance Europe, the European insurance and reinsurance federation.

Ensuring transparency that effectively helps consumers compare products and make informed decisions is crucial in ensuring better consumer protection. However, the disclosure of too much information is counterproductive, and risks distracting and confusing consumers and, eventually, moving them away from informed decisions.

Michaela Koller, director general of Insurance Europe, said: "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 information that insurers will be required to provide to consumers. As things stand, the number of information disclosure requirements is set to double."

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 Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Solvency II Directive and the European Commission's (EC) proposal for the Insurance Mediation Directive (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%.

Numerous examples of duplicative requirements can also be found in these new rules. These include duplication of pre-contractual information between the PRIIPs Regulation and the Solvency II Directive, and disclosure of costs and charges between the PRIIPs Regulation and IMD 2. In practice, this means that consumers risk receiving the same type of information twice, but in a different wording and format.

Koller added: "There is a need for 'smart regulation' here. The new EC has identified better regulation as one of its priorities, thereby committing itself to delivering EU laws that bring the greatest possible benefits to people and businesses in the most effective and coherent way. It is, therefore, crucial that the EC considers the cumulative impact of the overload and duplication of requirements, and takes steps to remove them where they exist. This can be done, for instance, through IMD 2, which is still under discussion in dialogue."

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Notes for editors

1. For further information, or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 894 30 69, mackillican@insuranceeurope.eu).
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