



Commission welcomes deal to improve consumer protection for insurance products

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The European Commission has welcomed the agreement reached last night on a proposal for a revised Directive on insurance sales, known as the Insurance Distribution Directive. These new rules will improve the way insurance products are sold and will bring real benefits to consumers and retail investors. The agreement on the legal text follows negotiations between the European Parliament, the Council and the Commission.

"This agreement is good news for European consumers," said Jonathan Hill, EU Commissioner responsible for Financial Stability, Financial Services and Capital Markets Union. *"Consumers will benefit from greater choice and information when they buy insurance products, with more accountability and competition. I would like to congratulate the Latvian Presidency of the Council for this extraordinary success on its last day in office."*

The revised Directive will cover the entire distribution chain and will be referred to as the Insurance Distribution Directive (IDD), replacing the 2002 [Insurance Mediation Directive](#).

Under the new Directive, consumers and retail investors buying insurance products will benefit from:

- Greater transparency: insurance distributors will have to become more transparent about the price and the costs of their products, so that it is clear to consumers what they are paying for. Importantly, the consumer should know whether the seller of an insurance product has an own economic incentive to sell that particular product.
- Better and more comprehensible information, so that consumers can take more informed decisions, with a simple, standardised Product Information Document for non-life insurance products. This completes already existing consumer information documents for life insurance products (under the Solvency II [Directive](#)) and for investment products (under the PRIIPS [Regulation](#)).
- Where insurance products are offered in a package with another good or service, for example when a new car is sold at a bargain price together with motor insurance, consumers will have the choice to buy the main good or service without the insurance policy.
- Rules on transparency and business conduct to prevent consumers from buying products that do not meet their needs.

These rules to the benefit of consumers will now also apply when a product is bought directly from an insurance company, and not only (as in the past) when products are bought via a broker or intermediary.

The agreed rules include stronger requirements for the sale of life insurance products with investment elements. In addition, the new text also introduces rules on mutual recognition of professional knowledge and ability, where professionals obtain qualifications in another Member State.

The distribution of insurance products varies between different Member States. In some Member States, consumers prefer to buy their insurances through brokers, while in others, most consumers turn directly to the insurance companies. Many consumers use the internet, others prefer a contact person. The IDD does not impose a specific business model for the sale of insurance products, meaning that current practices of 'execution-only' sales or sales with advice can both continue to be carried out. In line with the Markets in Financial Instruments Directive ([MiFID II](#)), Member States may allow insurance distributors to continue to earn revenue through commissions or third party payments, but only if they are able to demonstrate that this commission also benefits the customer.

Background:

The 2002 Insurance Mediation [Directive](#) (IMD) regulates selling practices by brokers and other intermediaries selling insurance products. It covers the sale of general insurance products such as motor insurance as well as life insurance policies, including those which contain investment elements such as unit-linked life insurance products.

The [Commission proposal to update the IMD](#) dates back to 2012 ([MEMO/12/516](#)). It was part of a

package of measures to ensure a high level of consumer protection in the distribution of financial services.

The newly-agreed Directive will complement the rules on the sale of investment products in [MiFID II](#) in and [Regulation \(EU\) No 1286/2014](#) on key information documents for packaged retail and insurance-based investment products (PRIIPS).

For more information:

http://ec.europa.eu/finance/insurance/consumer/mediation/index_en.htm

[http://europa.eu/rapid/press-release MEMO-12-516_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-12-516_en.htm?locale=en)

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