

Comments Template on Consultation Paper on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive		Deadline 3 October 2016 18:00 CET
Name of Company:	EUROPEAN FINANCIAL PLANNING ASSOCIATION- EFPA Aisbl	
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Reference	Comment	
General Comment	<p>One of MiFID II main innovations is the requirement that investment institutions ensure and prove that persons who provide investment advice and information about financial products and services are adequately trained and have the necessary knowledge in order to be competent to fulfill their obligations set out in article 25 of MiFID II.</p>	

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In the same way, IDD recognizes on its Recital 28 the importance of guaranteeing a high level of professionalism and competence among insurance, reinsurance and ancillary insurance intermediaries and the employees of insurance and reinsurance undertakings who are involved in the sales of insurance and reinsurance policies. Therefore, the standard of professional knowledge of intermediaries and employees is established in article 10 and Annex I of IDD.

Professional standards within ethics codes, which need to be lifted, are the most effective way of ensuring the compliance of these requirements. These are cross-cutting requirements. They must match the level of complexity of activities preparatory to, during and after the sales of insurance and reinsurance policies. Ancillary insurance intermediaries should be required to know the terms and conditions of the policies they distribute and, where applicable, rules on handling claims and complaints.

As the Consultation Paper states, the Commission mandate invited EIOPA to achieve as much consistency as possible in the conduct of business standards for insurance-based investment products under IDD on the one hand and financial instruments under MiFID II on the other, where there is no fundamental difference in the wording of the provisions on the IDD and corresponding provisions in MiFID II.

Consequently, it is essential that EIOPA monitors the implementation of provisions stated in article 10 of IDD, which are oriented towards the protection of clients. So that, as Member States may have different staff training plans to achieve the required knowledge and ability (ex. Article 10 IDD), EFPA would like to suggest the appropriateness that EIOPA provides some guidance in order to ensure a consistent level of staff knowledge and competence in all Member States for better protection of clients. In this sense, as the Consultation itself states in Question 18 that it might be useful for EIOPA to provide some guidance on that issue "given that this point is not addressed in this technical advice", EFPA suggests that EIOPA provides some guidance on knowledge and competence, specially in relation to conflicts of interest, inducements and assessment of suitability and appropriateness.

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	<p>According to this approach, EFPA, whose main objective is to promote the compliance of high professional standards and ethical codes, is pleased to response to EIOPA's Consultation.</p> <p>To sum up, EFPA considers that the importance of article 10 of IDD is beyond doubt, and may be remarked among all the innovations that are introduced by IDD. To raise standards in the insurance advice, and to ensure staff training and the exclusion of persons who lack the appropriate skills, knowledge and expertise, constitute a priority in order to achieve a provision of insurance services governed by principles of honesty and integrity.</p>	
Question 1	While estimating costs and benefits of staff knowledge and competence requirements (ex. Article 10 IDD), which are related with all the measures outlined in the Consultation, it is worth to consider that training costs are ususally high; and that benefits are connected with the quality of the service. Moreover, measures related with conficts of interest, inducements and suitability and appropriateness assessment outlined in the Consultation can only be achieved with adecquately trained staff.	
Question 2	Staff training and application of conduct standards are essential in product governance. EFPA strongly supports, in line with §11, that the manufacturer shall ensure that personnel involved in designing products possess the necessary skills, knowledge and expertise in order to properly understand the product's main features and characteristics as well as the interests, objectives and characteristics of the target market.	
Question 3	<p>In relation to the achievement of the objectives of the product distribution arrangements, EFPA considers that policy proposals for insurance distributors which advise on or propose insurance products which they do not manufacture should include reference to the required knowledge, expertise and competence that distributors must have in order to understand the product features and the characteristics of the identified target market, correctly place the product in the market and give the appropriate information to customers.</p> <p>Moreover, EFPA considers that distribution of products should be restricted if there is no previous verification of the qualification of the staff that is going to distribute them.</p>	

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Question 4	-	
Question 5	-	
Question 6	-	
Question 7	-	
Question 8	<p>EFPA agrees with the proposed review obligations for manufacturers and distributors of insurance products. More concretely, EFPA considers that this issue is worth to be included in the minimum professional training hours per year stated in article 10 of IDD. In EFPA's opinion, the review should include that the required knowledge, expertise and competence that both manufacturers and distributors must have is updated from time to time. Professional standards are the most effective way of ensuring the compliance of this requirement, as it can include the staff obligation of attendance to updating courses.</p> <p>EFPA also considers that to establish a minimum frequency of reviews is an adequate criteria to ensure the review. Every 3 years seems a reasonable frequency in EFPA's opinion.</p>	
Question 9	<p>EFPA strongly advises to introduce the term 'inducement' instead of the terms 'gains' or 'benefit' already in this part of the Draft Technical Advice. The underlying reason is to be in line with MiFID II as the Draft Technical Advice is dealing with investment-based insurance products. And inducements shall be subject to a conflict of interest policy.</p>	
Question 10	<p>EFPA considers that the policy proposals do not need further specification of the principle of proportionality and allow sufficient flexibility to market participants to adapt the organisational arrangements to existing business models. There is already a notion of conflicts of interest, and also professional practice established to manage those conflicts adequately, as reflected in the best professional standards that should be addressed considering the legislation on management of conflicts of interest.</p> <p>Moreover, EFPA supports the need to assess and periodically review the established conflicts of interest policy, taking into account that the internal organization should allow to manage conflicts of interest, being disclosure the last resort to manage those conflicts.</p>	

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	In addition, EFPA considers that staff's required training (ex. Article 10 IDD) must include contents related to conflicts of interest management.	
Question 11	<p>Yes, EFPA agrees with the the proposed high level principle to determine whether an inducement has a detrimental impact on the relevant service to the customer.</p> <p>Moreover, EFPA considers that the proposed non-exhaustive list of types of inducements facilitates the identification of inducements which may have a detrimental impact. However, EFPA believes that is much better to leave this issue to professional standards and ethics codes of conduct.</p>	
Question 12	-	
Question 13	-	
Question 14	-	
Question 15	<p>EFPA agrees with the high level criteria used to specify the assessment of suitability and appropriateness.</p> <p>Nevertheless, EFPA would like to remark that the suitability or appropriateness of an insurance recommendation or offer requires staff's qualification and training. In addition, professional standards are extremely useful to ensure suitability and appropriateness.</p>	
Question 16	-	
Question 17	-	
Question 18	Yes, EFPA believes that it could be useful for EIOPA to provide some guidance on the relationship between the demands and needs test and the suitability/appropriateness assessment, in a separate policy instrument.	
Question 19	-	
Question 20	-	
Question 21	-	
Question 22	-	

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Question 23	-	
Question 24	-	
Question 25	-	
Question 26	-	