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eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Insurance Distribution Directive: Intermediaries Market Evaluation

EIOPA Insurance and Reinsurance Stakeholder Group meeting
Frankfurt, 6 June 2018

- **Why is the topic on the agenda?**
 - Under the IDD, EIOPA has to work on an evaluation of the structure of insurance intermediaries' markets
 - Although there is no formal public consultation on the report, informal views/input from IRSG on the work would be much appreciated

- **What is expected from the IRSG?**
 - Comments/views on the initial findings of EIOPA on the structure of insurance intermediaries markets

- **Next steps**
 - IRSG feedback to EIOPA by 6 July 2018 would be much appreciated
 - Current objective is to publish report in Q3/Q4 2018

- Article 41(5), IDD foresees for EIOPA:
"In a third report to be prepared by 23 February 2018, EIOPA shall undertake an evaluation of the structure of insurance intermediaries' markets"
- Originally, part of **Commission's 2012 legislative proposal** on IMD2
- Part of Review clause - Article 41(5) needs to be **read in context of rest of Article 41**
- "Snapshot" of market under IMD in preparation for 2020 report on IDD impact
- "Evaluation" is akin to a "market study"
- **Timeline adapted to new application date of IDD: 1 October 2018**

- Reference period of 5 years (2012-2016) used to map evolution of European and national markets
- Develop EU-wide perspective and country-by-country analysis
- Survey carried out amongst EIOPA's national authorities, contacts with trade associations + use of Solvency II QRT data plus external studies
- Four areas identified for survey:
 1. **Categories, numbers and national market share** of insurance intermediaries/direct writers
 2. "**New distribution channels**", in particular comparison websites
 3. Types of **remuneration models** used by insurance intermediaries
 4. Data on **patterns of cross-border activity**

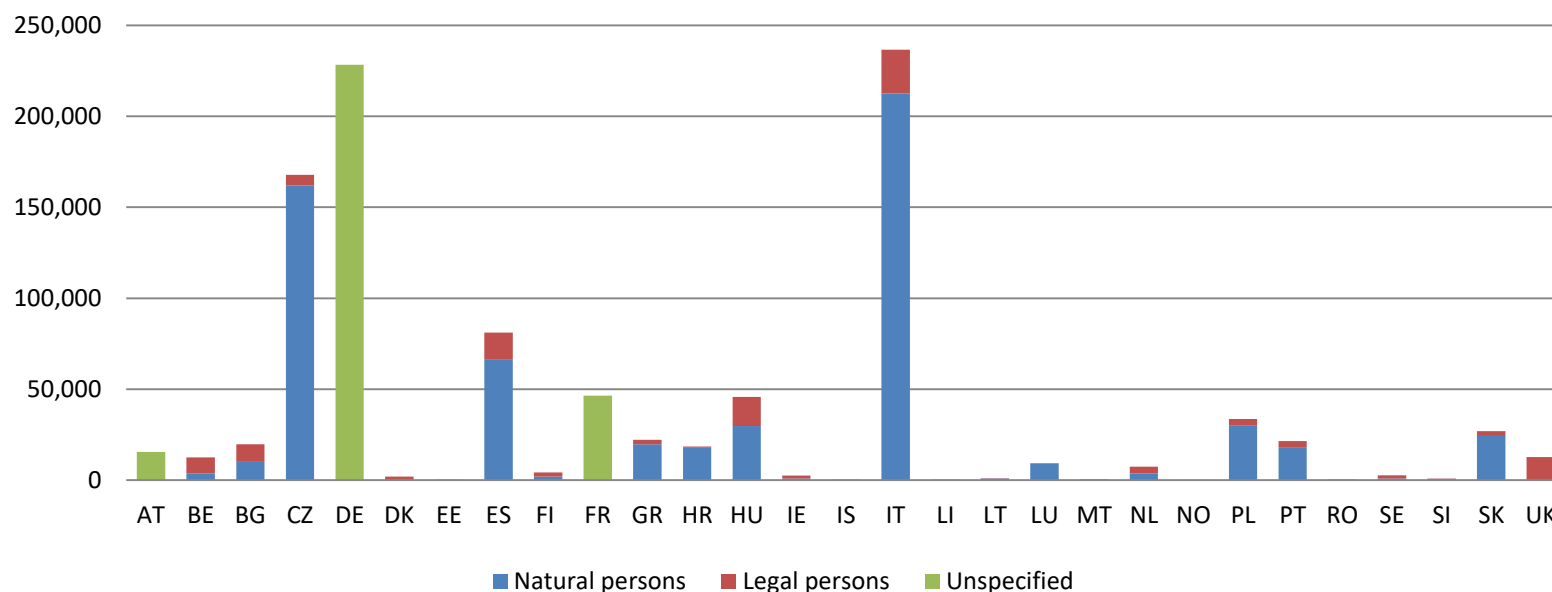
Data collection – key challenges encountered



- **Local definitions of channels** are country-specific – different categories of intermediaries across the EU
- **Insurance is not an homogenous sector** – products distributed can be subdivided on different levels e.g.
 - Commercial vs. personal lines
 - Compulsory non-life vs. optional non-life
 - Life vs. non-life
 - IBIPs vs. non-IBIPs
- **Market monitoring not yet fully embedded** at national level – reporting of market data varies considerably across Member States:
 - **Some data e.g. on remuneration models, not readily available to national authorities**

Latest figures on numbers of registered insurance intermediaries

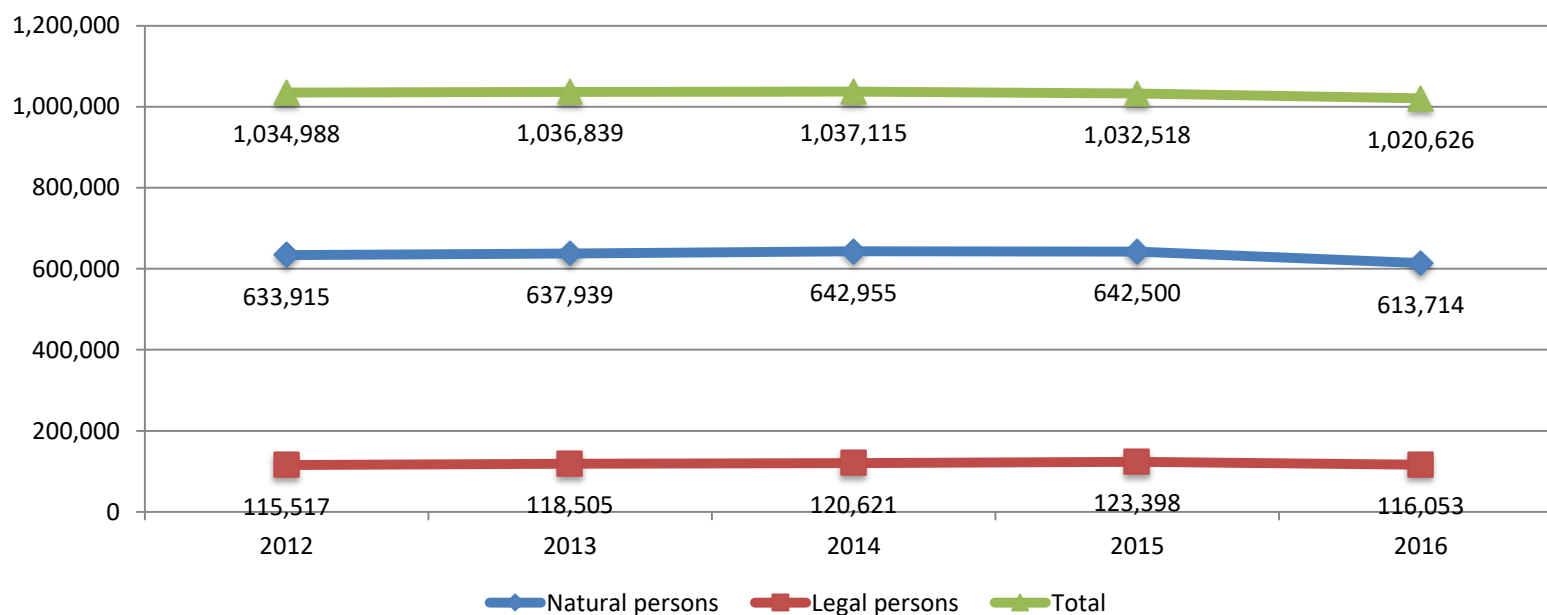
Registered insurance intermediaries per EEA Member State in 2016



- **Heterogeneous picture** regarding the numbers of registered intermediaries across countries
- Differences partially based on **diverse national approaches for registration**, in particular with respect to natural persons (e.g. natural persons working as employees of insurance intermediaries may be separately registered depending on the jurisdiction)
- Split between natural and legal not always available

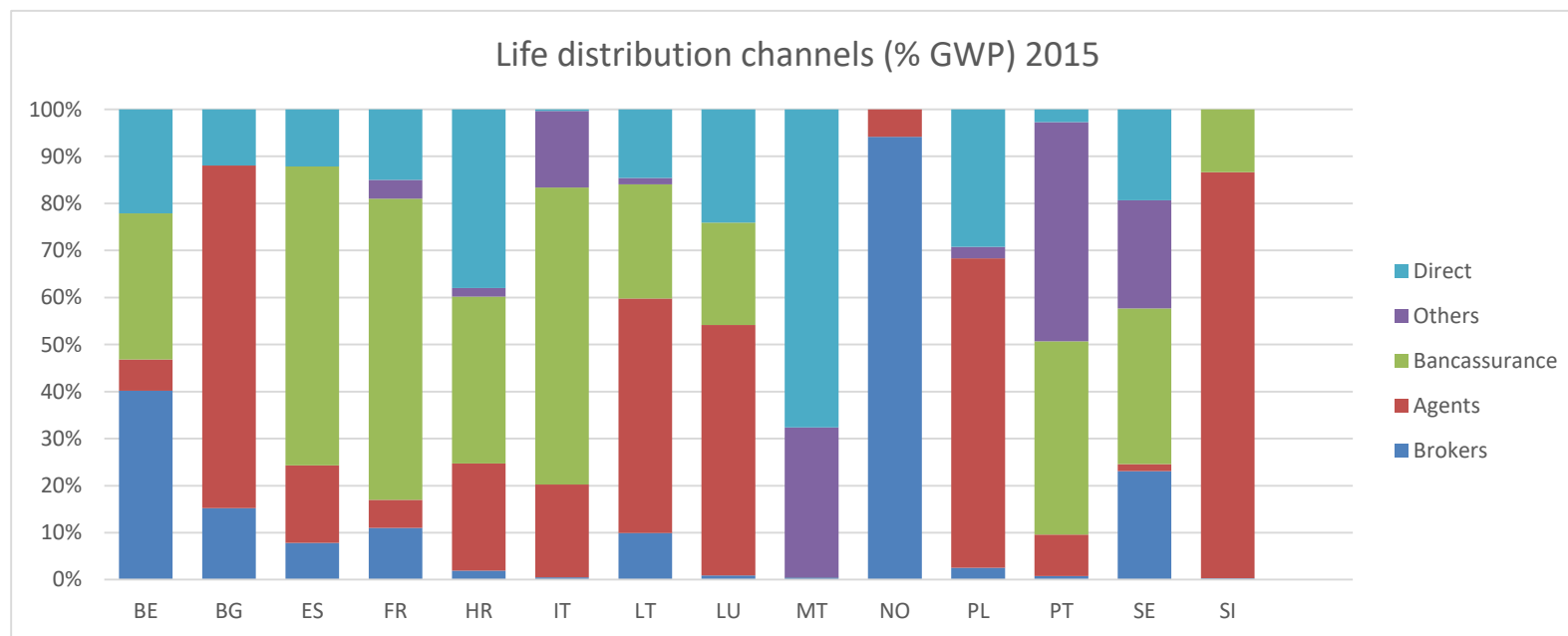
Evolution of number of registered insurance intermediaries

Registered insurance intermediaries in the EEA - Evolution from 2012-2016



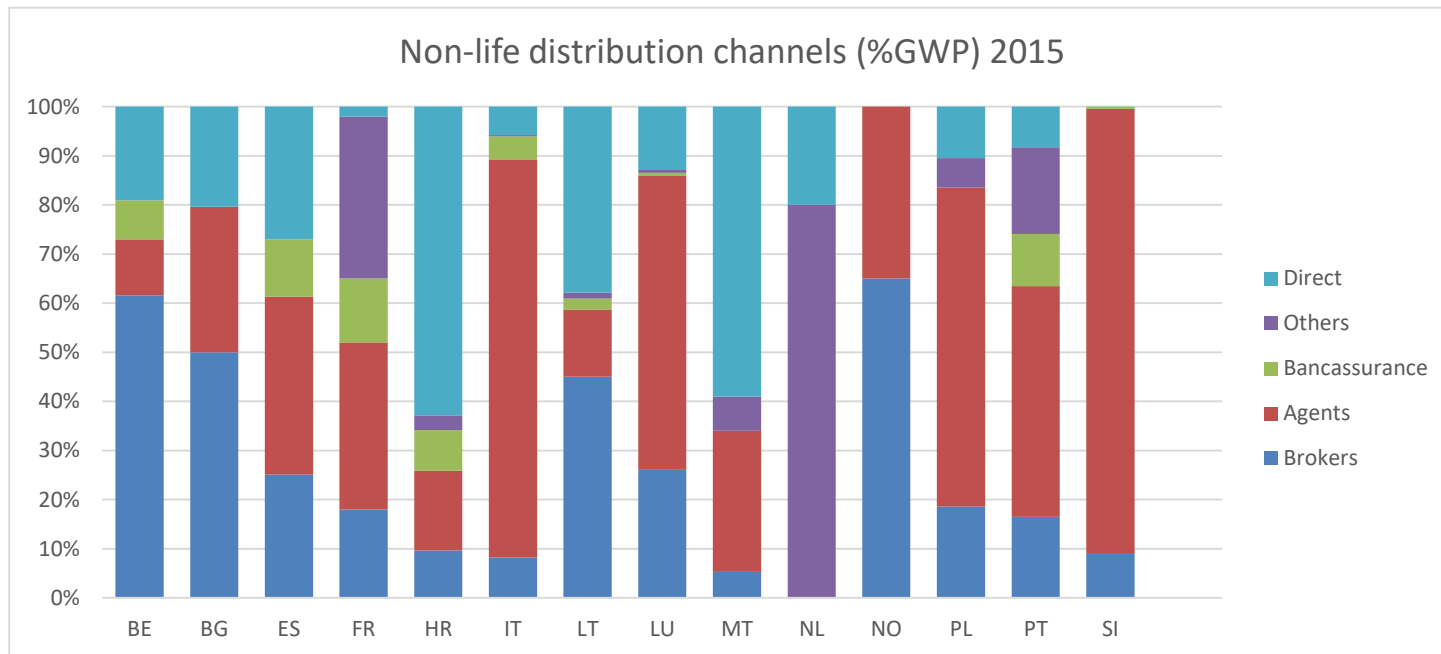
- **Marked stability** in the numbers of registered insurance intermediaries over the past 5 years

Split of distribution channels – Life insurance



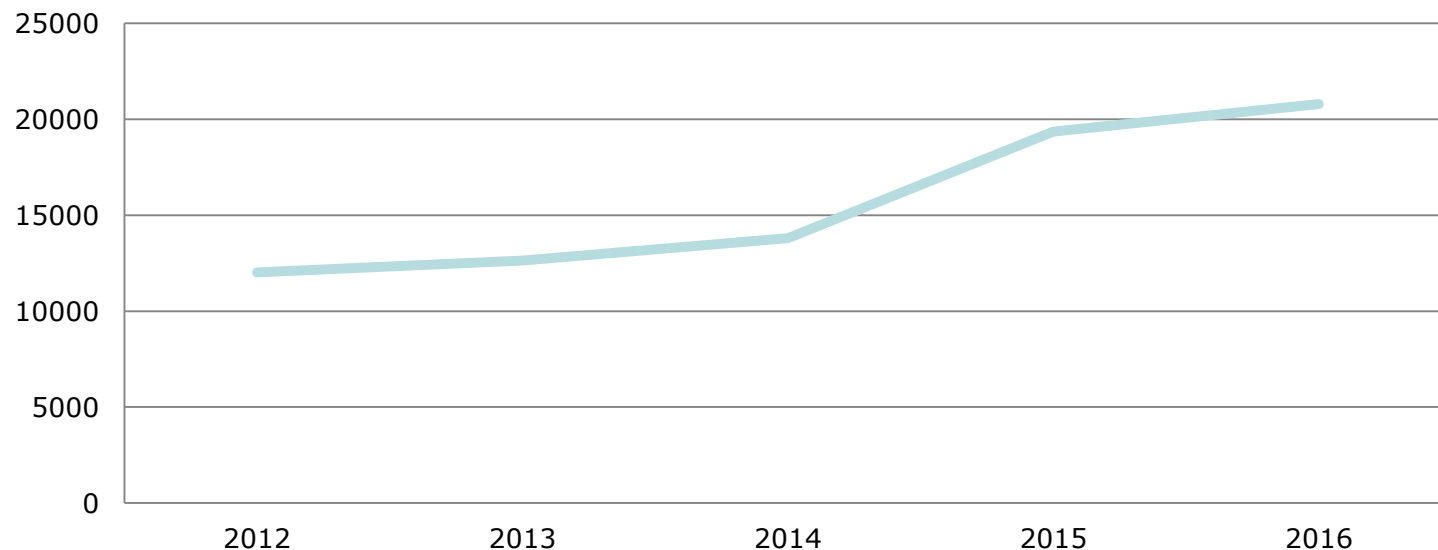
- N.B. Picture only available for a limited number of Member States, plus categories are not always homogeneous (e.g. Bancassurance might be counted as agents in certain Member States)
- **Sale of life insurance** dominated by Bancassurance channel in some MS e.g. ES, FR, IT
- **Agents** more predominant in Central & Eastern Europe e.g. PL and SI

Split of distribution channels – Non-Life insurance



- Picture only available for a limited number of Member States, plus categories are not always homogeneous
- **Non-Life insurance** – strong tendency for sales **via Agent or Broker channel**; bancassurance and other channels more limited.

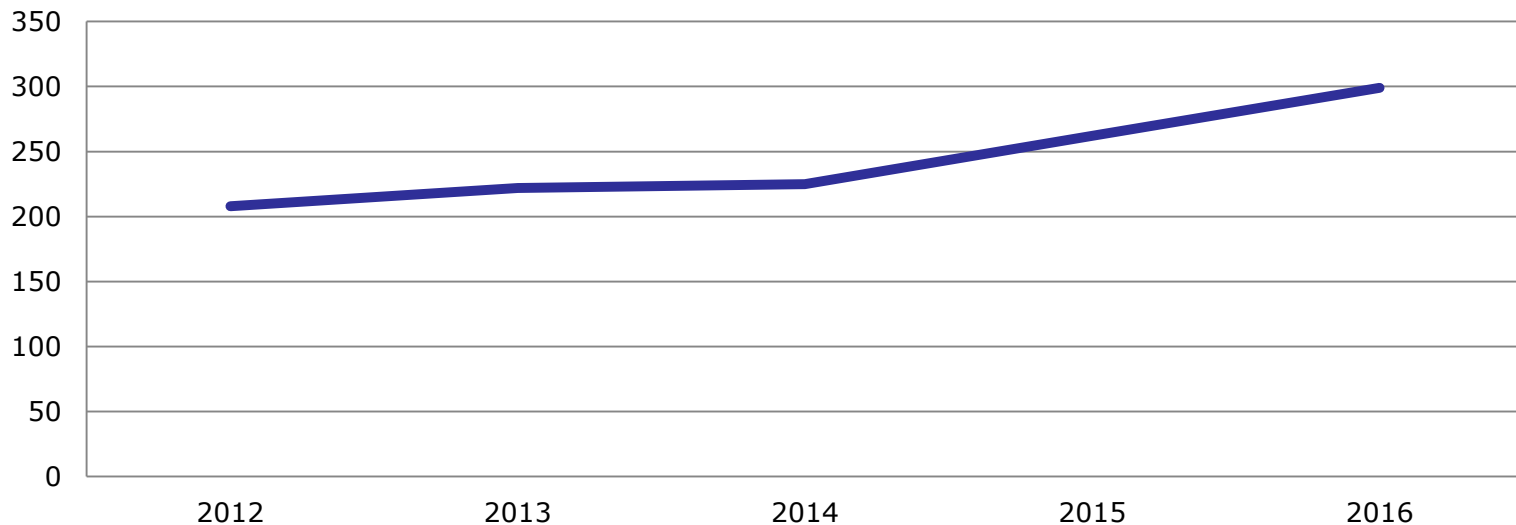
Passport notifications for insurance intermediaries from 2012-2016: Freedom to provide services



- Gradual increase in passport notifications for intermediaries for FOS business from 2012-2014, followed by **more rapid increase particularly from 2014-2015**
- Caveats:
 - Passport notifications only show “intention” to carry out cross-border business
 - Change in figures partially due to data availability; EIOPA currently collecting more data from NCAs; would be interested in IRSG views on potential causes of this rapid increase?

Patterns of cross-border activity: FOE

Passport notifications for insurance intermediaries from 2012-2016: Freedom of establishment (branches)



- Gradual increase in passport notifications for intermediaries for FOE business from 2012-2014, followed by steady increase from 2014-2016
- Caveats:
 - Change in figures partially due to data availability; EIOPA currently collecting more data from NCAs; would be interested in IRSG views on potential causes of this rapid increase?

Remuneration models

- Some data on commission rates from Solvency II reporting, but mainly qualitative data available only from national authorities
- Reflects existing limited regulation/supervision of remuneration in a number of Member States
- Reliance needed on external data sources
- Two main models for insurance intermediaries: commission-based; fee-based – commission-based model predominates in most jurisdictions
- For direct sellers: fixed remuneration and variable remuneration models

New distribution channels

- Mainly qualitative data – looking at new distribution channels such as comparison websites, social media platforms, InsurTech start-ups
- Use of illustrative national examples e.g. automated claims-handling systems