



EIOPA's priorities on Consumer Protection and Financial Innovation

David Cowan

Principal Expert, Consumer Protection,
EIOPA

Tilmann Roth

Principal Expert, Structured Products,
EIOPA

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- Stable/effective **financial system**
- Sound **regulation/supervision**
- Transparent, efficient and orderly **markets**
- **International** supervisory co-ordination
- No **regulatory arbitrage**
- **Equal conditions of competition**
- Appropriate **regulation/supervision of risks**
- **Enhanced customer protection**

Article 8

1. Tasks and Powers of the Authority. The Authority shall have the following tasks:

(h) **foster policyholder and beneficiary protection;**

To achieve the tasks set out in paragraph 1, the Authority shall have the powers set out in this Regulation, in particular to:

(i) **develop common methodologies for assessing the effect of product characteristics and distribution processes** on the financial position of institutions and on customer protection

Article 9 - Tasks related to consumer protection and financial activities

- Take a **leading role** in promoting **transparency, simplicity and fairness** for consumer financial products/services:
 - i. Collect, analyse and report on consumer trends,
 - ii. Review/coordinate financial literacy/education initiatives,
 - iii. Develop industry training standards, and
 - iv. Contribute to development of common disclosure rules

- Monitor new/existing financial activities
- Adopt **guidelines/recommendations**
- Issue **warnings** in case a financial activity poses a serious threat
- Establish a **Committee on financial innovation**
- **Temporarily prohibit/restrict** types of financial activities

Article 54(2): EUROPEAN SUPERVISORY AUTHORITIES (JOINT COMMITTEE)

Shall serve as a forum in which the Authority **cooperates regularly** and closely and **ensure cross-sectoral consistency** with the other ESAs, in particular regarding:

- financial conglomerates;
- accounting and auditing;
- micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability;
- **retail investment products;**
- anti-money laundering measures; and
- information exchange with the ESRB and development of relationship between ESRB and ESAs

- Increased focus on **product developments/ characteristics (“product governance”)**
 - Will PRIPs legislative regime enhance or stifle innovation?
- **Monitor market activities closely** due to Reporting/Prohibition role – means heavy reliance on communication with Members/Stakeholders
- New tasks on **financial literacy/education** – previously wholly in Members/OECD remit
- **„Regular co-operation“ required** under Joint Committee – no longer *ad hoc* – Consumer Protection Sub-Committee to be created

CCPFI: Responsibilities and Work done so far



- Within EIOPA the Committee on Consumer Protection and Financial Innovation (CCPFI) plays a key role to ensure that EIOPA delivers on its tasks relating to consumer protection and financial innovation.
- EIOPA's work programme for 2011 (selected activities)
 - **Financial Innovation – Report on best disclosure and selling practices for Variable Annuities**
 - **Report on Consumer Trends**
 - **Extensive analysis of ECJ ruling in “Test Achats”**
 - **Guidelines and Best practices for complaints-handling by Insurance Undertakings**
 - **Stock-take of Financial Education/Literacy initiatives by national authorities**
 - **IMD Revision - Input to European Commission work on Sanctions**

CCPFI: Organisation and Interaction with Stakeholders



- CCPFI discussed how best to organise the work on financial innovation:
 - Create Sub-Groups under CCPFI entrusted with evaluating best practices and preparing the work of the Committee
- Invited Consumer Stakeholder Group Representatives to our CCPFI meeting in May
- Plan to also invite Industry Experts in the future

- **Best Practice** Report (not Guidelines/Recommendations)
- Builds on Work by previous **CEIOPS Task Force** (prudential aspects)
- Update on **Market Developments** and their **Impact on Consumers**
- Good practices in relation to **disclosures**
 - Which pre-contractual disclosures does the consumer need to make an informed choice?
- Good practices in relation to **selling practices**
 - How should the sales process be structured in order to help the consumer to make an informed choice?

Report on Consumer Trends



- Across the EU national markets still exhibit some noticeable differences, but there are also some common trends emerging.
- Trends, which have an impact on consumers, can relate to various stages in the product cycle.

Product design	Distribution / Marketing	Claims Handling / Provision of services
Dynamic hybrids (DE, AT)	Online price comparison sites (NO, SE, LV, BE, SK)	Direct loss settlement
Underlyings for unit-linked life policies (FI, FR, BE)	Payment Protection Insurance	

Complaints-handling by Insurance Undertakings



- Regulatory gap at European level
- SII – no specific provisions on complaints-handling by firms
- Article 9(2) – promote “convergence of regulatory practice”
- Aiming for Guidelines under Article 16 + Best Practices
- High-level principles only, covering:
 - **Internal systems and controls**
 - **Information to consumers**
 - **Procedures for responding to complaints**
- Subject to “comply or explain” procedure
- “Dummy run” on Insurance Undertakings
- Will run by Stakeholder Groups once nearing finalisation at EIOPA level

Financial Literacy/Education initiatives



- Task only relates to “review and co-ordination” of initiatives
- Simple stock-take - NOT proposing standards, guidelines
- Huge amount of work already done by OECD and majority of EIOPA Members are also members of OECD
- Challenging issues:
 - **Distinction between financial literacy and financial education?**
 - **Notion of “competent authority”**
 - **“Generic advice” – concept not well-known amongst all EIOPA Members**
- Will run by Stakeholder Groups once nearing finalisation at EIOPA level
- Future work to be carried out under Joint Committee

- Stakeholder input is fundamentally important, not just a legal requisite
- “Consumer Protection” panel at EIOPA Annual Conference on 16 November 2011
- EIOPA “Consumer Day” planned for 6 December 2011

Questions?

Tilmann Roth
Principal Expert
tilmann.roth@eiopa.europa.eu
phone: +49 69 951119 44

David Cowan
Principal Expert
David.Cowan@eiopa.europa.eu
phone: +49 69 95 1119 26