



WELCOME AND KEYNOTE SPEECH

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Consumer protection: Conflicts of interest in sales of insurance-based investment products



EIOPA

Frankfurt, 11 July 2014

Ladies and Gentlemen,

I would like to welcome you to today's public event on conflicts of interest, an extremely important issue, for consumers and the industry alike. I'm particularly happy to bring together representatives of insurance undertakings, intermediaries and consumers. I rely on the industry representatives to help us to better understand practical challenges. And I rely on the consumer representatives to help us target real change for the better for customers.

This public event is essential for EIOPA's policy to maintain an interactive dialogue with all our stakeholders and to remain transparent to them. That is why I would like to encourage all of you to speak your mind, to share with us your views. I am confident that your contributions will generate interesting debates and will ensure that this conference provides insightful and thought-provoking discussions on many policy issues of relevance to conflicts of interest.

Consumer protection has been one of EIOPA's main priorities since our start, and I can assure you it will remain EIOPA's strategic goal number one. EIOPA considers that in the area of consumer protection more needs to be done. We are pursuing our leading role in promoting fairness in the market for consumer financial products and services. For EIOPA, consumer protection has two dimensions:

- Firstly, undertakings are soundly managed and have a robust solvency position to fulfil all their commitments.
- Secondly, customers receive value for money products they can understand and that match their needs, from sellers who put the customers' interests – before and after the sale - at the heart of their business.

Regarding the second objective, our agenda is focused on driving through a paradigm shift that truly focuses on customers and their needs. This includes improving transparency for consumers – where the financial services have a very poor record -- and reinforcing fairness in selling practices. That's why two important files are currently a focus for EIOPA: the Key Information Document from the PRIIPs legislation, which aims at simpler, easier to understand information that plainly states

the facts about products, and the revision of the IMD, which will set new improved standards for those selling.

I like to emphasise that, though a lot more has to be done in the field of consumer protection, it is not only about regulatory measures. They are important, but it is not enough. Insurers and intermediaries have to put the customer at the heart of their business. Reality is that firms have to take full responsibility for well-protected and satisfied policy holders.

Putting the customers' interest first is also what the work on conflicts of interest is about. The discussion today is necessary, because customers are in a weak position compared to those selling to them, what we term an 'asymmetry of information'. They often are dependent on advice and they are very often not able to assess effectively limitations to the advice provided. And there is also what we call a 'principle / agent' problem: the interest of the seller might diverge from that of their customer. A customer who is not voting with his feet will not correct this problem. This is important: with addressing conflicts of interest, we are solving a severe market failure and not producing rules for the sake of making rules. We should not be under any illusion that conflicts of interest do not bring harm to customers. In fact, we need to look close to the monetary decisions because, as we learn from the miss-selling cases, they are a key driver of conflicts.

This is important because in sales of insurance based investment products, professional and impartial advice is very important to consumers. I believe that a failure to fully tackle conflicts of interest will undermine efforts to ensure the quality of impartial and professional advice. We need solid foundations. So the opportunity to tackle this is truly an opportunity to be grasped. However, I strongly believe that putting the customer at the heart of insurance business and tackling conflicts of interest will benefit insurers, intermediaries and customer's alike. This is good business sense: the market will reward those undertakings and intermediaries who have aligned their interests with the interests of their customers.

We acknowledge that insurance undertakings and intermediaries might face different challenges when dealing with conflicts of interest. We are mindful of the fact that rules for very small intermediaries and very large undertakings might have to differ

substantially, while – at the same time – reach the common goal. Therefore, we will take proportionality into account.

Today, we will have a closer look at the sales of investment products. I am sure that our panellists will discuss why remuneration and inducements need to be tackled, and how to do so. Hopefully, we will hear more examples and learn about your perspectives. With the mandate from the European Commission for technical advice, we have the chance to address all of these issues.

From our side, we remain committed to engage with you and discuss all the issues which may cause questions, doubts or seem to be unclear. I believe that only by being open and transparent to our stakeholders, we can find practical solutions. That would deliver the desired benefits for consumers. We don't want more bureaucracy. We want smart regulation.

Ladies and Gentlemen,

I like to conclude with once again assuring you that the work on conflicts of interest is very important for us. We take this topic very seriously and are devoting a lot of attention to develop the technical advice. If we keep in mind that the interest of the consumer should always be put first, and if we all work closely together and dedicated to this common goal, I am convinced that we can help to build an insurance market based on solid foundations. That will bring real fairness for the consumer a lot closer. Ultimately we will see satisfied consumers who trust their providers. And that's the best that can happen to those providers. It may sound strange in times of World Cup soccer, but there are games where all who participate can be winners.

Thank you.