



[EIOPA-IRSG-14-15](#)

IRSG Feedback Statement on Issues Document on KID for non-life insurance products (motor)

Executive Summary

IRSG welcomes EIOPA initiative on the topic of KID on motor insurance and thanks EIOPA for giving the opportunity to express our point of view.

A KID for motor insurance is most probably very useful for consumers and, if correctly implemented, could assist in their decision making process.

A general overview of the IRSG comments point out to the potential benefits of a “tool” which provides clear, precise, complete and simple information to the customer. The specifics of the products though, it should be dealt by each and every authority locally, considering that there exist differences between motor insurance products based on the insurance needs of consumers and the legislative framework in each country.

General Remarks

It is generally considered that a KID for motor insurance would be a good initiative regarding the need and right of consumer to purchase an insurance based on clear and concise information. There are some concerns though, from a systematic perspective, on whether EIOPA has a clear mandate to regulate KIDs on motor insurance and whether this initiative is front running IMD2.

Most of the members consider that the best way to deal with this information is on a local level, as there are so many differences between the Member States countries and procedures, although the basic information in the KID can be recommended by EIOPA.

An important issue raised by IRSG is related to the KID's statute. At all times it must be clear that it is a pre-contractual document for the consumer, not part of the contract finally signed with the insurer. Its function is informational only, as a guide when comparing different types of motor insurance policies, both in structure and format, as well as in content, in the previous phase to contract an insurance policy.

IRSG recommends that any form of KID should be tested first on consumers and then implemented, in order to be sure that it answers the real needs of the market.

Answers

Q1: a) Is it clear to consumers what elements of their motor vehicle cover are legal requirements and what elements are optional?

b) Is it sufficiently clear to customers which costs they have to bear with regard to the coverage legally required and with regard to the optional component? Is it sufficiently clear what impact an accident has on the price of the different elements?

Although the EU Motor Insurance Directive (MID) stipulates compulsory insurance for motor third-party liability (MTPL), it does not regulate the calculation of compensation awards or comprehensive cover (eg CASCO insurance for "own" damages). Thus, consumers may not be aware what elements are legal requirements and what elements are optional. The situation in countries like Latvia and Romania, where the Motor Liability policy and CASCO (own damage) insurance are distinct policies, one regulated by law and the other an optional insurance providing optional cover, customers are more aware of the differences between the mandatory elements from the MTPL policy and the optional ones from the CASCO policy.

In Poland for example, there was a market habit "by practice" that for many years (before the 90's) car owners had to insure their goods under both MTPL and Accident Insurance (also comprehensive insurance (autocasco) at the same time). Nowadays, only MTPL insurance is mandatory, but still many consumers are convinced that they have an obligation to buy other policies.

Where the distinction between products is clear, also the costs implied by legally required coverage and optional components are clear.

Information regarding the impact of accidents on the price of motor insurance policies varies from market to market and may not be easily identifiable at the inception of a policy.

Q2: Is this split between statutory and additional optional cover often found within motor policies important for consumers?

IRSG considers this issue to be very important for consumers but is concerned regarding the manner in which the information is delivered.

The KID must espouse principles of fairness and simplicity and ensure it is written in accessible language. It must be sufficient, as an only document, for consumers to understand the main characteristics of the product they want to purchase. Therefore, the information must be presented in a clear way.

It should moreover be kept in mind that information requirements need to reflect national local practices that can impact a policy, such as motor risk characteristics, vehicle registration requirements and civil liability laws.

Q3: Is there a need for simpler, easy to understand information for consumers?

IRSG considers this factor as to be essential and a general rule. The KID must provide information in accessible language for all types of consumer and must also have a “user friendly” form. A properly designed key information document should be able to help consumers in understanding the technical aspects of a motor liability policy.

It is also very important that clients realize that price is not the only aspect which should be taken into consideration when buying an insurance product. Additional services may factor into this decision, such as roadside assistance, the scope of cover and underwriting techniques (including “pay-as-you-drive” cover, or telematics, which can evaluate driving behaviour).

The policy of a simpler and easy to understand information for consumers should not only be observed by the industry, but also by the European institutions.

Q4: Would a KID assist consumers in comparing motor insurance offered by different providers? What would be the essential information a KID for motor liability insurance contracts should provide?

A KID may be a very helpful tool that the consumers can use in order to compare between the products they need or they want.

As the product is very different from one country to another, the information considered essential is likely to differ between countries.

Although it is a general belief that for mandatory insurance the price is the main factor that influences a consumer to choose one product or another, a KID might help in changing this perception.

For example, a KID should answer the following questions:

- Which risks are covered, which are not and to what extent? (divided between mandatory and optional cover, if the KID will be used for both coverage, or, a statement regarding the mandatory coverage, if the KID will only be used for mandatory policy)
- Do I have to pay a portion of the damage myself, how much?
- What is the limitation in regards with maximum insured values?
- What happens to my premium next year, if I claim insurance this year?
- The price (premium) is an important element as well, but should not be put as the first factor on the KID.
- What is the validity of my contract?
- Where is my policy valid? (territoriality)
- Information on the claims procedure and payment terms for indemnities
- What do I do if I have a complaint?

Nevertheless, any kind of disclosure must be fully consistent with the requirements under the revised IMD.

Q5: Is information on the complaints procedure important enough for inclusion in a KID?

KID must present **complete** information to the customer, not only regarding the product itself but also regarding their rights. The situation differs between countries, as in some countries complaints are handled in a centralized manner, by the authority (the case of Romania), in others by insurers (the case of Slovenia), in others by intermediaries / distributors (Germany) and in others there is no statutory requirement (Poland).

Additionally, the needs of motor insurance customers vary from market to market, and even between regions within the same member state. Thus, a standardised set of information on complaints procedures may not be feasible in all cases, given the variation between these markets. Motor insurers must design complaints procedures that sufficiently address the potential problems that could arise within the member state legal framework.

Therefore, the procedure on complaints will be very useful for consumers but there is a risk of too much information which it may not help the client in the decision making process (depending on the country), as this is the moment in time when they receive the KID. It should however reach the

consumer in a certain point in time, either in the KID, either as a requirement of information to be specifically addressed in the contract itself (example: the procedure should be clearly and easily written directly on the policy). The obligation for full disclosure of this information should be prescribed by the Authorities, as it is mandatory for consumers to know their rights and the means to access them, not only in relation with motor insurance but with insurers / intermediaries in general.

This type of information may help in the process of transforming the issue of **quality** of services in the trigger in making a financial decision.