At a glance

Plenary – 19 November 2015

European Parliament

Insurance Distribution Directive: Strengthening transparency and consumer protection

The European Parliament (EP), the Council and the Commission have reached an agreement on the revised Insurance Distribution Directive (IDD). The compromise text is due to be voted by the EP in plenary in November 2015, with the new rules to apply two years after adoption. The aim of the IDD is to curb further fragmentation of the EU market for insurance intermediaries and products. It will establish conditions for fair competition and strengthen consumer rights.

Background

The scope of the 2002 Directive on insurance mediation (IMD1) is to establish a single market for insurance intermediaries and the sale of retail insurance. According to the Commission, however, the Directive is applied differently among EU Member States, and a number of provisions require more precision. In addition, the financial crisis shed new light on the risks and costs of insurance products and their impact on consumer protection. Reacting to the shortcomings of IMD1, the Commission presented its proposal for a recast of the Insurance Mediation Directive (IMD2) in July 2012.

From IMD to IDD: aims and scope

In June 2015, the EP, Commission and Council agreed in trilogue to recast and repeal IMD1 while also renaming it IDD. The new directive is aimed at creating a level playing field and curbing further fragmentation of the EU market for retail insurance and its brokers. It also aims to reduce the burdens of cross-border entry and establishes a single electronic registration system for intermediaries in the EU. The scope of application of the IDD will be extended to all distribution channels for insurance products, including proportionate requirements for individuals who sell insurance products on an ancillary basis.

According to the new Article 1(2)a, there are however exceptions: the IDD will not, apply to ancillary providers where the insurance is complementary to the good or service and if the amount of the premium for the insurance product does not exceed €600 pro rata on an annual basis. In cases (e.g. travel cancellation insurance) where the duration of the service is equal to or less than three months, the IDD will not apply where the amount of the premium paid per person does not exceed €200.

EP strengthens qualifications requirements, transparency and consumer rights

The report of the Economic and Monetary Affairs Committee, voted at first reading on 26 February 2014 (rapporteur: Werner Langen, EPP, Germany), emphasised, inter alia, the following points: (1) Insurance sellers' competences must be ensured, thus they have to meet a set of standard qualifications. (2) Commissions and fees for insurance sellers must be transparent for consumers. (3) The new regulatory framework is also aimed at curbing 'tying' (making the conclusion of contracts subject to supplementary obligations which have no connection with the subject of such contracts) and other unfair commercial practices. (4) Member States would introduce 'standard information sheets' – explaining to consumers the risk, type and scope of insurance products being offered, as well as the terms and duration of any contracts – based on a template provided by the European Insurance and Occupational Pensions Authority (EIOPA).

The EP is due to vote on the compromise text in the November plenary, and thus complete its first reading, before the Council can finally adopt the new directive. Member States will have a two-year period to transpose the IDD into national law. They may go beyond the harmonisation provisions of the IDD (e.g. according to the new Article 19(2)a, Member States may limit or prohibit the receipt of bonuses provided to insurance intermediaries on national level), providing that such provisions are consistent with EU law.

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