

Better, not more, information for consumers

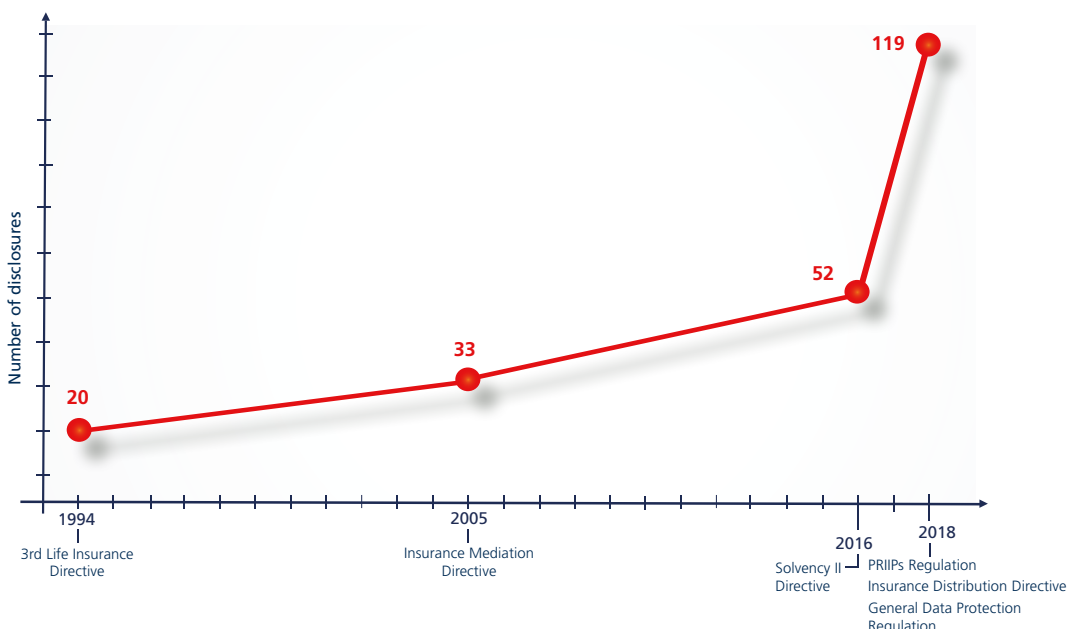


EU consumer protection rules must avoid duplication and be future proof

Insurance Europe supports effective EU consumer protection rules that enable individuals to compare products and make informed decisions. To achieve this, these rules must be consistent, coherent and well-designed. Overloading people with information could simply confuse them, leading to ill-informed decisions and potentially, when a claim comes, unhappy consumers.

Despite being well-intended, there is a risk that new EU rules such as the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and the Insurance Distribution Directive (IDD) will not actually benefit consumers. Why? Because each proposal was developed on its own, without enough attention being

Cumulative EU disclosure requirements (for an insurance-based investment product sold by a broker)



paid to the effect of the rules when they are combined. This is important because many insurance sales processes require many different rules to be applied at once. Also, the rules are already outdated, because they do not take account of the fact that many people now buy insurance online.

Overload and duplication

The rules will mean that individuals will be swamped with information. For example, the number of pieces of information that brokers will need to provide to consumers before selling them an insurance-based investment product will triple, due to the requirements of the PRIIPs Regulation, the IDD, the General Data Protection Regulation and the Solvency II Directive.

This means that a staggering 119 different pieces of pre-contractual information will have to be given to consumers. And much of that information will be duplication, meaning that not only will consumers be overloaded, they will also be given the same type of information twice, but with different wordings and in different formats.

Things could also get worse. There is a real risk that the details of the IDD that are now being developed — the Level 2 and 3 measures of the Directive — and then when it is transferred into national law — will require even more information to be given to consumers.

Experience shows that too much information confuses consumers and distracts them from paying attention to the most important information, such as insurance coverage and exclusions. Consumer protection rules should, therefore, focus on requiring that individuals be given high-quality, relevant information, rather than just a high quantity.

Unfit for the future

The EU consumer protection rules also require insurers to provide this information on paper, as a default. Since many people now like to buy insurance online, where they expect things to be simple and fast, this — coupled with the overload of information — could cause a real problem and again lead to unhappy consumers.

To be clear: insurers are not asking for information rules to be scrapped; they are simply asking that inconsistency and duplication are addressed, and that rules are appropriate for a digital future. Insurers need consistent and future-proof legislation to continue to meet the needs of their customers and remain competitive.

How to make things better for consumers

To ensure that, in the future, consumer protection rules actually achieve their aims, policymakers should focus on the real — rather than imagined — needs of consumers.

This approach should also be at the heart of the European Commission's Better Regulation agenda, which aims to improve the quality of EU policies and laws.

Therefore, Insurance Europe suggests that any proposal — be it at Level 1, 2 or 3 — passes through a series of checks to make sure that it actually benefits consumers, incurs minimum costs and does not create unintended side-effects. These checks could include:

- Measuring both the direct and indirect impact that any individual proposal would have on the everyday life of consumers.
- Assessing the impact on consumers of the proposal when it is combined with other existing or proposed rules. For example, if this assessment

had been carried out for the PRIIPs Regulation or the IDD, the Commission would have been able to prevent information overload and duplication before putting forward its proposals.

- Checking whether the EU is the most appropriate place to take action, given the many different needs of consumers across the EU.
- Making sure that changing the rules brings more benefits than keeping things as they are. In this case, constant changes to rules may confuse consumers about disclosures and their rights.
- Making sure that the proposal is future- and tech-proof. For example, according to the IDD and the PRIIPs Regulation, information should be provided to the consumer on paper by default. This is a quite out-dated requirement in an era of digitalisation and does not fit with the EU Digital Single Market Strategy.
- Proper consumer testing to ensure that the proposal benefits consumers in practice. This would ensure that new rules match their real, rather than imagined, needs.

The EU regulatory framework needs to be truly consumer-centric and allow insurers to satisfy their consumers' needs in the best way possible.

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Consumer-centric insurance regulation

