

## Response to EC call for evidence on Retail Investment Strategy

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Related documents:	<a href="#">Retail investment – new package of measures to increase consumer participation in capital markets</a>		
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The European Commission Call for Evidence retail investment does not detail the magnitude of the problems identified or the concrete proposals under consideration. Respondents are asked to consider the impact of policy initiatives, but the initiatives and policy direction under consideration are unclear, making it difficult to provide meaningful feedback.

Insurance Europe would like to set out the following considerations on which the EC should focus when devising its new Retail Investment Strategy in order to ensure its success:

### **Fully evaluate existing legislation**

The Insurance Distribution Directive (IDD) is robust and provides a very high level of consumer protection, including in relation to remuneration, advice and advisor competence. The fact that it is a minimum harmonisation directive makes it possible to impose further measures when needed to reflect national markets.

The IDD has only been applied since October 2018 and, in some cases, transposition only occurred in the last year. EIOPA concludes in its report on the application of the IDD that: "It will be important to reassess the application of the IDD at a later stage, prior to proposing any major changes to the legal framework."<sup>1</sup>

### **Only make changes to address a clear identified need**

Changes to the existing regulatory framework result in costs that are ultimately borne by consumers. Any amendments must be proven to provide value for consumers to justify these costs.

A cost/benefit analysis should be undertaken for new regulatory initiatives, particularly those relating to changes to disclosures. It is well known that simply providing more and more documentation for consumers does not increase engagement in financial decisions.

The most immediate need is for targeted modifications to the IDD and essential changes to PRIIPs Level 1 to avoid overwhelming consumers with duplicative information, allow digital disclosures and properly represent insurance features in the Key Information Document (KID).

### **Focus on the needs of consumers**

<sup>1</sup> [Report on the application of the IDD, EIOPA, January 2022, p3](#)



Consumers need more simple and more engaging disclosures. EIOPA included helpful proposals in its advice to the EC on digitalisation and avoiding duplication, but adding an annual statement on top of the information consumers receive or further figures on costs and performance in the KID would increase information overload.

To help consumers understand product features, disclosures must specifically highlight whether or not the product offers insurance benefits. The KID should prominently display the existence or lack of insurance cover, guarantees or other benefits. This should be the purpose of the dashboard proposed in the ESAs' advice to the EC and can only be achieved through changes to the PRIIPs Level 1.

### **Understand the differences between different markets and products**

As a major provider of PRIIPs, insurers are key to the Retail Investment Strategy. Insurance-based investment products (IBIPs) are long-term and can combine investments with insurance cover. This increases consumer protection and must be recognised in distribution and disclosure rules.

Regulation should not impede the ability of insurers to design and distribute new products in accordance with consumers' demands and needs.

Distribution systems are also varied. The IDD works well because it respects this; facilitating the commission model where it works best, while enabling other markets to introduce restrictions.

### **Test the impact of changes before implementation**

Extensive consumer testing must be conducted by the EC before implementing changes. For example, testing would not show that there is any benefit to the EC's proposals on a new suitability assessment. It would be unworkable for insurers and cause significant problems for customers by restricting their choice of products, limiting their access to quality advice and forcing advisers to offer products based on irrelevant criteria. Concerns have been expressed by market participants and by ESMA in its [letter](#) to the EC.

Any changes to disclosures would also need testing, including retesting of the final requirements if changes are made during the legislative process.

## **Annex to Insurance Europe response to the European Commission Call for Evidence on Retail Investment**

For further details on Insurance Europe's position on the different areas address by the European Commission's Call for Evidence:

- How to empower consumers and stimulate their participation in financial markets:
  - Insurance Europe 4 [recommendations](#) for European policymakers
  - Insurance Europe [response](#) to the European Commission consultation on the Retail Investment Strategy
- How to provide simpler and more meaningful disclosures:
  - Insurance Europe [response](#) to the ESAs call for evidence on the PRIIPs review
  - Insurance Europe [response](#) to ESMA call for evidence on certain retail investor protection aspects
- How to preserve what works well in the current framework and focus on targeted areas of improvement:
  - [Insight Briefing IDD - 2 years on \(and onwards\)](#)
  - Insurance Europe [response](#) to EIOPA call for evidence on certain retail investor protection aspects
- How to avoid unnecessary regulatory changes that would only increase costs without concrete benefits:
  - Insurance Europe [response](#) to the European Commission targeted consultation on suitability
  - [Annex](#) to Insurance Europe response to the European Commission targeted consultation on suitability

Insurance Europe is the European insurance and reinsurance federation. Through its 36 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.