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osiguranja

Key Challenges of the Central and Eastern European Markets in View of  
Implementation of EU Regulations

# **INFORMATION OVERLOAD UNDER VEIL OF CONSUMER'S PROTECTION**



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- ❑ The EU has recently adopted many acts significantly changing the whole sector (e.g. regulatory frameworks, distribution and selling channels, manufacturing of products).
  - Examples of adopted insurance related EU legislative acts: **Solvency II, MiFID II, IDD, PRIIPs.**
  - Examples of adopted EU legislative acts with significant impact on insurers: **GDPR, CSR Dir., Package Travel Dir.**
  - Examples of planned insurance related legislative adoptions and revisions in 2017/2018: **MID, AML, IORP II, PEPP.**
- ❑ Notwithstanding, the majority of those acts is further specified in the delegated and implementing acts of the European Commission (Level2) as well as in the guidelines and other Level3 measures adopted by the ESAs (European Supervisory Authorities).
  - Example: **Solvency II: 22 implementing acts, 2 delegated acts, 29 EIOPA guidelines**

## **INSURANCE INDUSTRY – APPLICABLE LAW INTRODUCTION INTO THE KNOTTY AND PATCHWORK LEGISLATIVE WORLD**



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- All these instruments contain information and disclosure rules which vary in accordance with the different objectives and scopes of the legislative acts in question.

## **RELEVANT LEGISLATION – CONSUMER'S INFORMATION: BASIC OVERVIEW**



**Increase in numbers**

90's

Solvency I – based on the third 3rd Life Insurance Directive: **20** disclosures.

2016

Prior PRIIPs, Solvency II & IDD: a consumer purchasing an insurance-based investment product online from a broker must be provided with **79** different pieces of pre-contractual information.

2018

Following PRIIPs, Solvency II & IDD: **161** different pieces of pre-contractual information.

- IDD: **36** disclosures.
- PRIIPs: **27** disclosures.
- Solvency II: **39** disclosures.
- Distance marketing directive: additional **29** disclosures.
- E-commerce directive: additional **17** disclosures.
- GDPR: **13** disclosure requirements.

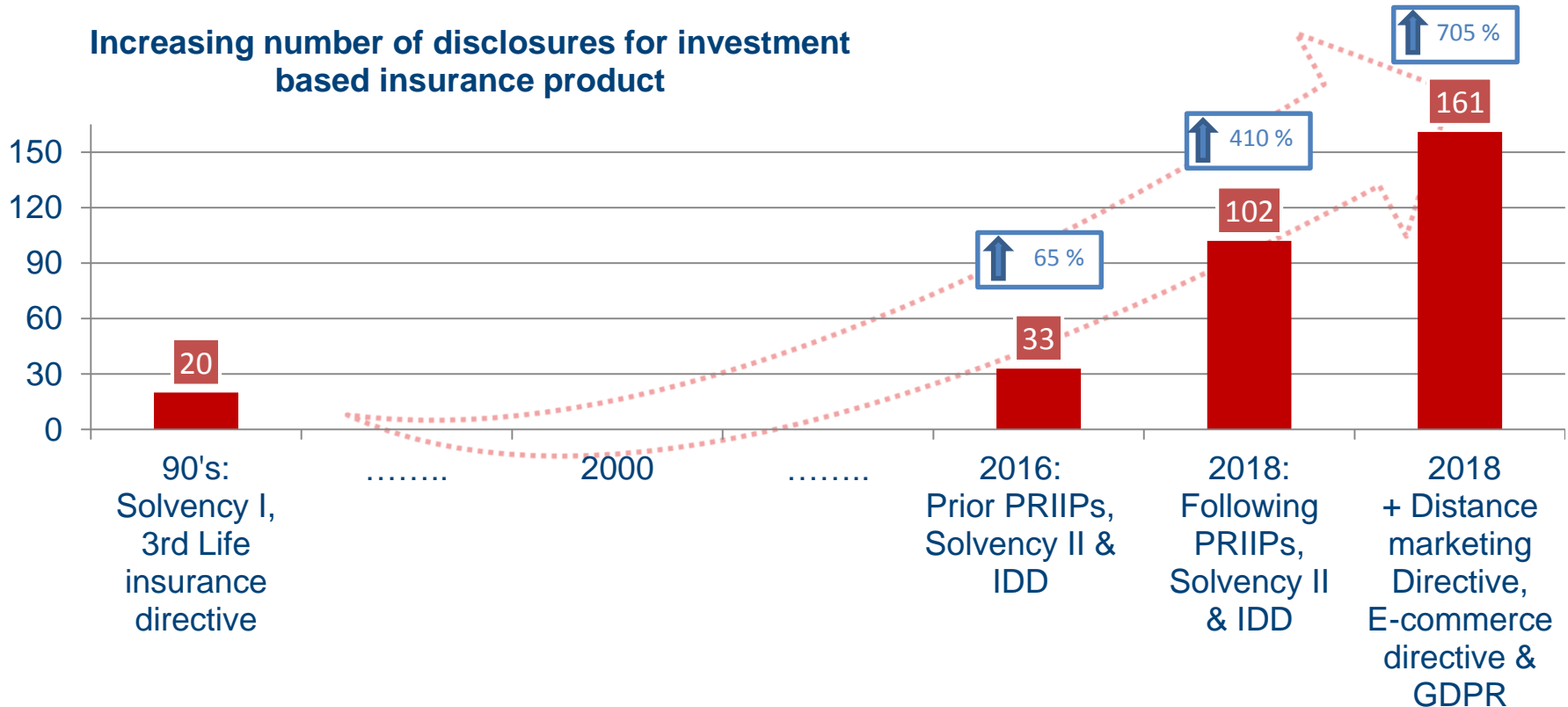


All those rules have been adopted with an aim of improving disclosures and increase the level of consumer protection. Unfortunately, these rules have been **drafted and adopted in silos**, while **in a real life they all apply in combination and on top of existing legislation**.



- ❑ Overall numbers of disclosures to be increased by **705 % (!)** comparing to Solvency I situation under the third Life Insurance Directive.
- ❑ Volume and complexity of disclosures may substantially limit the consumer's willingness and ability to digest provided information and to execute well-informed decision.

## Increasing number of disclosures for investment based insurance product





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- ❑ The new EU rules combined with the existing ones will require insurers to provide consumers with **161 pre-contractual information in the case of a consumer purchasing an insurance-based investment product online from an intermediary.**
- ❑ This number **only takes account of Level 1 EU legislation** and **disregards EU level 2 and 3 measures as well as additional national rules.** The Level 2 and 3 measures of the IDD will require even more information to be given to consumers.
- ❑ On top of it, the **national legislation** quite often requests additional information to be disclosed which may amount up to approx. 50 pages of pre-contractual information to be provided to the customer.



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## Result:

- ❑ Same type of information appears in different documents differently as each act uses its own methodology and concrete requirements.
  - PRIIPs x IDD x Solvency II: each proposal developed on its own without enough attention being paid to the effect of the rules when they are combined: art. 8(3)f) PRIIPs x art. 29 IDD x art. 185(3)d) Solvency II (information on costs).
    - Risk: information on costs calculated differently and provided in different document = misleading consumer.
  - Solvency II x PRIIPs: The Solvency II disclosures will have to be provided on top of the KID, preventing connected consumers from effectively comparing insurance-based investment products on-line (Recital 9, Article 3(2) PRIIPs).
    - Risk: identical information will have to be presented in different documents.
  
- ❑ Consumer may be puzzled and risk to easily overlook important information.
  - In general some of these information expect high financial literacy of the client. Instead of focusing on that, those acts simplify the parameters of the product down to the point of misleading.
    - Example: PRIIPs: KID (Key Information Document): document requires to present actuary calculations of comprehension alert and performance scenarios in such a simplified way on 3 A4 pages long that is not even feasible (especially in certain language versions) but also triggers potential risk of losing comprehension of the insurance based investment products.

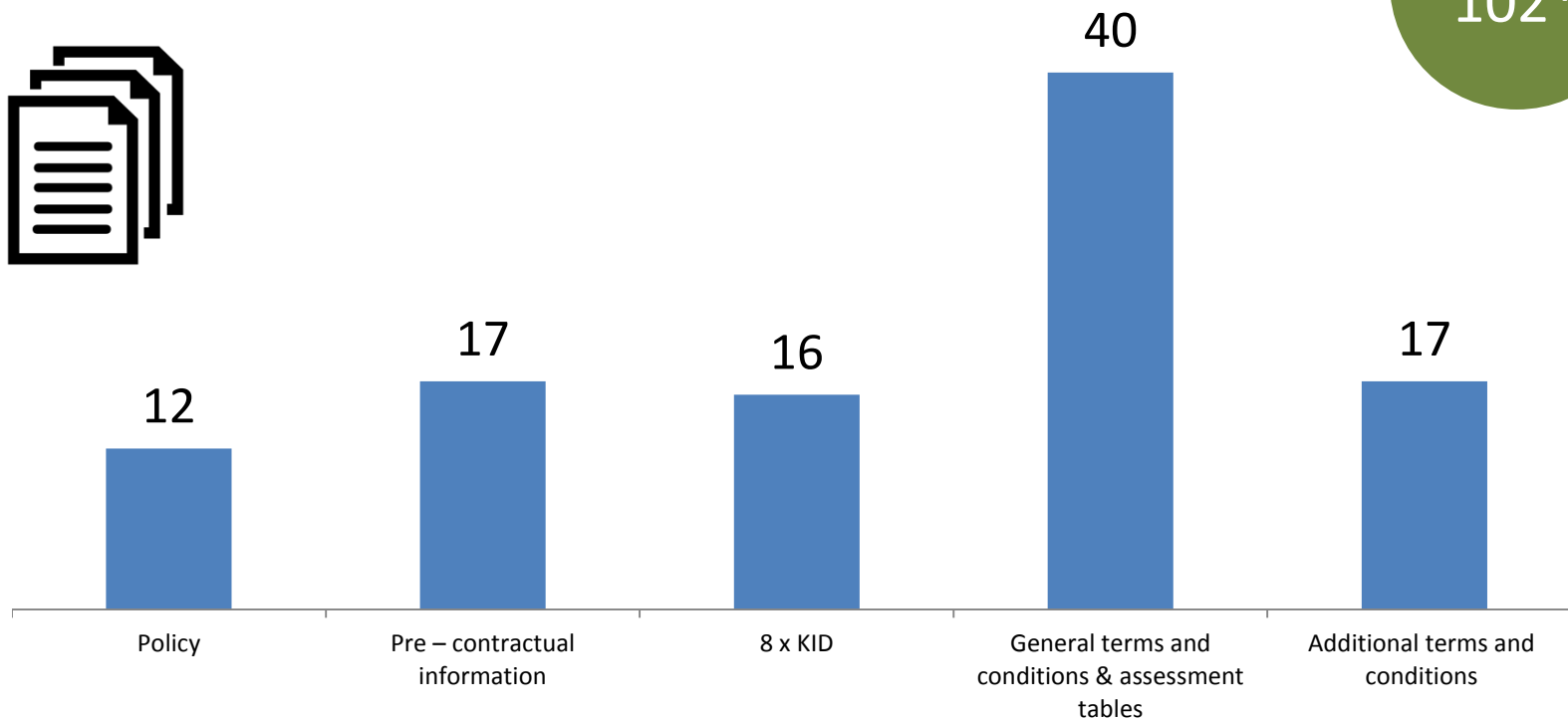


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Česká pojišťovna

Number of pages



Total:  
**102\***

\*The number may slightly vary according to the scope of insured cover (influencing the length of Policy).





## Information Disclosures Increase Consumer's concern

- ❑ **Consumers would appreciate clearer insurance conditions, higher variability and enhanced transparency.**
  - One third of consumers was not able to define clearer insurance conditions, although most of them shared opinion, that contracts are longer and more complicated than necessary.
- ❑ **Czech financial literacy level is still average.**
  - Only 65 % respondents completed the knowledge test, set up by Czech Insurance Association, correctly and despite the fact that the financial education topic is given great attention.

### Two thirds of consumers described what "clearer insurance conditions" mean to them (%)

