

29 October 2019

EIOPA issues Warning to Insurance Undertakings and Insurance Intermediaries to Tackle High Commissions for Travel Insurance Products

Background

In 2018, the European Insurance and Occupational Pensions Authority (EIOPA) launched a thematic review aimed at better understanding travel insurance products, to identify potential sources of conduct risk and consumer detriment, in order to take relevant supervisory actions if needed. The report following this thematic review was recently published and may be accessed [here](#).

Further to this thematic review, EIOPA has identified problematic business models with remuneration structures based on extremely high commission levels and business models that combine high commission with extremely low claims ratios, offering poor value for money to consumers.

In the light of these findings, EIOPA has published a [warning](#) to the industry, stating that it considers that such business models are not in line with the requirements of the Insurance Distribution Directive (IDD), since they are not in conformity with the principle of acting in the best interest of customers. EIOPA has also identified a lack of compliance with the obligations relating to product oversight and governance, particularly in ensuring that travel insurance products are in line with the characteristics and objectives of the target market.

Furthermore, the said warning also highlights EIOPA's concerns with respect to travel insurance products offering health coverage but excluding pre-existing conditions without pre-screening.

Compliance with the IDD

The purpose of this circular is to bring to the attention of the industry EIOPA's and MFSA's expectations that insurance undertakings should also assess their product offering and approval processes, including their target market to ensure that their products offer fair value to customers and are fully capable of meeting the needs of their customers.

Furthermore, insurance undertakings and insurance intermediaries should assess their distribution agreements so as to ensure that they are able to always act honestly, fairly and professionally in accordance with the best interests of their customers, whilst also avoiding any conflicts of interests related to remuneration, and as a result offering products that take into account the demands and needs of the customer.

Intensified supervisory scrutiny

It is to be noted that EIOPA and the NCAs will intensify their risk-based supervision and where necessary exercise their supervisory powers, both investigatory powers and imposition of sanctions, for those not adequately compliant with the conduct of business requirements set out in the IDD.

Contacts

Any queries on this circular should be addressed to csuinsurance@mfsa.mt.