

18 October 2022

EIOPA Calls for Better Value for Money in Bancassurance in Warning to Banks and Insurers

Background

On 4 October 2022, EIOPA issued a [warning to insurers and banks to address consumer protection issues related to sale of credit protection insurance \(CPI\) products](#).

Further to a thematic review conducted by EIOPA, on the functioning of the EU market for CPI products sold with mortgages, consumer credits and credit cards, a number of practices were revealed that could cause detriment to consumers. Although EIOPA has acknowledged that CPI products have various benefits, the Thematic review also unveiled material risks for consumers, which arise from poor underwriting and sales practices, as well as a lack of safeguards to avoid conflicts of interest.

EIOPA identified the following key issues:

- Limited choice and barriers to shopping around, as some banks tie CPIs to their main credit product
- High product diversity and price dispersion make it difficult for consumers to compare products and make informed decisions
- Issues with cancellation and switching providers because many consumers would have to obtain agreement from the bank and fulfil certain conditions before policies are cancelled
- High remuneration and conflicts of interest were noted because a large portion of the gross written premium ended up with banks and insurers, whilst consumers received very little when a claim was made. High commissions have also been noted and this can lead to poor business practices at the detriment of the consumer.

Target Audience

This warning was issued to insurers and banks who act as insurance distributors of CPI products. The aim is to ensure that CPI products offer fair value to consumers and that Regulated Entities who offer CPI products, fully comply with the Insurance Distribution Directive, including the product oversight and governance (POG) requirements, to take action to address issues with high remuneration and prevent detrimental conflicts of

interest. Regulated Entities are expected to improve consumer outcomes with CPI products, making sure that these products meet the needs of the target market.

In this regard, Regulated Entities are expected to update their internal policies and procedures in order to address the issues highlighted in the EIOPA's warning. The Authority may in the future carry out further supervisory work in this area.

Public Hearing

EIOPA has organised a public event which will be held online on 27 October 2022 between 9:30am and 11:30am. The MFSA highly recommends the participation of Insurance undertakings and banks who act as insurance distributors of CPI products, and any other stakeholders. Registration for this event is via the following link: [Public Event on the Thematic review on Credit Protection Insurance \(CPI\) sold via banks | Eiopa \(europa.eu\)](#).

Contact

Should you have any queries regarding this circular, please do not hesitate to contact: csuinsurance@mfsa.mt.