

**Comments Template on
Consultation Paper on Conflicts of Interest
in direct and intermediated sales of insurance-based investment products**

**Deadline
1st December 2014
18:00 CET**

Name of Company:	Institute and Faculty of Actuaries	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, <u>in Word Format</u>, to CP-102-IMD@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to the Consultation Paper on Conflicts of Interest in direct and intermediated sales of insurance-based investment products.</p>		
Reference	Comment	
General Comment	<p>The IFoA has three specific comments on the draft:</p> <ul style="list-style-type: none"> • The IFoA welcomes EIOPA's approach to dealing with conflicts of interest by having a focus on principles, rather than on proposing detailed rules. The wide ranging nature of these products would make the implementation of detailed rules impossibly difficult; therefore, enabling Member States to apply the principles in the most appropriate manner is likely to be the best approach. • The IFoA welcomes EIOPA's view that the implementation of any measures should be proportionate. • There are broad similarities between investment products within the remit of the Markets in Financial Instruments Directive (MiFID) and insurance-based products that lie within the scope of the Insurance Mediation Directive (IMD). As a consequence, any measures that 	

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	consider conflict of interest should be consistent across both sets of products to ensure a level playing field.	
Question 1		
Question 2	As noted in our general comments, the similarities between both types of product should encourage consistent treatment in their distribution.	
Question 3	Other than the change in technical wording, the application of the principles to those participating in the distribution process is appropriate. The IFoA is supportive of the expanded definition in e) of all monetary and non-monetary benefits, without exclusion of standard commission and fees. Were the definition not expanded, standard fees may still act as an incentive to distribute products that may not be in the customers' best interests.	
Question 4	We do not consider further adjustments necessary.	
Question 5	The IFoA agrees with EIOPA's view that general principles should form the basis of any organisational requirements. Detailed rules would not be appropriate given the significant difference in product features across all Member States. Furthermore, even detailed rules are unlikely to be exhaustive and, therefore, risk leading to gaps in coverage. The production of a conflicts of interest policy does not appear to be excessive in terms of the organisational requirements of an organisation.	
Question 6	The IFoA takes the general view that the requirements are relevant to insurance activities.	
Question 7	While regular reviews of the policy are appropriate, if the distribution model of the insurance undertaking is unchanged, it would appear dis-proportionate to require a regular (at least annual) review of the policy. However, if the distribution model were to change in any way for a sub-group of customers, the insurance firm should, at a minimum, consider whether those changes were in line with the policy, or undertake a full review of the policy.	
Question 8	The provision of guidance or opinions would be helpful both for national supervisors and insurance undertakings. As mentioned in our general comments, the breadth of insurance based products is too great to enable detailed rules to cover all eventualities. Examples of good, or bad, practice would be particularly useful, with the caveat that a 'good practice' example may not be adopted as 'standard practice' due to idiosyncrasies of the specific environment in which undertakings operate and/or the nature of the products they distribute.	
Question 9	Yes, we agree.	
Question 10	It is possible to derive customer benefits from disclosing inducements with their interests in mind; for example, it may be beneficial when comparing the inducements available for selling different	

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	products, or products from different providers. However, introducing a requirement for disclosure of remuneration does not remove the potential for conflict; particularly where different insurers provide different levels of remuneration. Furthermore, we do not believe that disclosure of this information would necessarily ensure that the intermediary acts in the best interest of the customer.	
Question 11	Whilst we cannot comment on specific instances as requested, we would welcome a commitment from EIOPA to undertake research that examines the role of third party payments in financing business models that are for the benefit of the customer. We would suggest that this relationship is underexplored and EIOPA is well placed to investigate whether third party payments are integral to customer-centric business models and explore best practice across different Member States.	
Question 12	The IFoA believes that detailed research of the various models in use across the EU may provide useful information around the success, or otherwise, of the inducement models.	
Question 13	The IFoA agrees with this observation.	