



Financial Services User Group's (FSUG)

26.01.2015

FSUG reply to the EIOPA Consultation Paper on the proposal for Guidelines on product oversight & governance arrangements by insurance undertakings

About FSUG

The Financial Services User Group (FSUG) is an expert group set up by the European Commission following the core objective “to secure high quality expert input to the Commission’s financial services initiatives from representatives of financial services users and from individual financial services experts”. The mandate of the group is to:

- advise the Commission in the context of the preparation of legislative acts or other policy initiatives affecting users of financial services, including consumers, retail investors and micro-enterprises;
- provide insight, opinion and advice concerning the practical implementation of such policies;
- proactively seek to identify key financial services issues which affect users of financial services;
- where appropriate, and in agreement with the Commission, liaise with and provide information to financial services user representatives and representative bodies at the European Union and national level, as well as to other consultative groups administered by the Commission, such as the European Consumer Consultative Group, the Payment Systems Market Expert Group, the European Securities Markets Expert Group and the Expert Group on Financial Education.

**Comments Template on
Consultation Paper on the proposal for Guidelines
on product oversight & governance arrangements by
insurance undertakings**

**Deadline
23 January 2015
23:59 CET**

Name of Company:	Financial Services User Group	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Confidential/Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Please insert the name of your NCA in the box next to "Name of Company"; ⇒ <u>Do not change the page numbering</u> in the column "reference" ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row, giving reference to the paragraph number where given. 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, in <u>Word Format</u>, to CP-14-039@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The page numbering refers to the Consultation Paper on the proposal for Guidelines on product oversight & governance arrangements by insurance undertakings.</p>		
Reference	Comment	
General Comment	Financoal Services User Group finds this initiative very important for both consumers and insurance undertakings. In most cases in good companies procedures descibed in the consultation paper already exist, at least partialy, but there are obvious examples that consumer interest were not the main objective of some financial products.This regulation should result in a proper product oversight and governance by insurance company which have never done this before and more systemic approach other cases.	

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	Guidelines on product oversight and governance arrangements should be also helpful in preparation of Key Information Document for investment insurance and in general for products innovations.	
Page 1		
Page 2		
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Page 4		
Page 5	Three areas mentioned (target market, consumer detriment and distribution channels) FSUG finds very important and appropriately structured.	
Page 6	FSUG should underline that the proposal for guidelines on product oversight and governance arrangements should be complementary to point of sale disclosure requirements and together create a coherent system. Furthermore discussion on the role of insurance undertakings vs. distributors should be continued to better understand their role within POG and adapt legislation accordingly. Also the situation of SMEs in the context of consumer detriment should be better disclosed. FSUG would like to propose extension of the guidelines onto staff involved in the sale of the product to better control risk of miss-selling, caused by poor training and unethical incentives.	
Page 7		
Page 8	As the transparency is one of the main objective of Solvency II it could be justified to make POG arrangements public and in this way allow for higher interest and deeper scrutiny. It could be also an element of basic control proceeded by auditors. FSUG support the view that standard option should be on the avoidance and elimination of conflicts of interest, whereas management of conflict of interest the last possible option.	
Page 9	FSUG would like to take into consideration the idea of simple product which could be mentioned	

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	in the guidelines. Potential role of a simple financial products regime. We assess the contribution a simple financial products regime could make to: improving access to suitable products; promoting real competition, innovation and efficient markets; promote fairness and market integrity; and improving the effectiveness of financial regulation. It could increase awareness and help to work out testing criteria of simple products.	
Page 10	In guideline 9 there should be the possibility of suspending from sale a product where monitoring has found problems with the design or sale of a specific product. Information about such problem should be immediately sent to NSA.	
Page 11	In our opinion there should be a clear reference to the possibility of withdrawing a product from a particular distribution channel where product monitoring has found that the channel in question does not meet the manufacturer's POG arrangements. FSUG finds it important that outsourcing of the product design is not likely to lead to, consumer detriment.	
Page 12		
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Page 21	The list of countries where poor product design caused consumer detriment is not complete. FSUG strongly agrees that «adequate regulatory framework and supervision, healthy competition,	

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	financial education, and a focus on consumer needs by financial institutions» is very needed	
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Page 29	Policy issue 1 : As any kind of regulative activity lasts FSUG is against waiting for IMD 2, because due to regulatory arbitrage and consumer detriment there is a need for action now. Opinion or best practices (option 2) is not the best tool in this case and much more tight action is required. When it comes to the possible costs we would like to underline, what financial crisis showed clearly, that virtually all costs are paid by consumers at the end regardless the quality of products delivered by the financial industry. Hence it is better for consumer to pay for better products at the beginning than later for useless products.	
Page 30	(Policy issue 2) FSUG is in favour of the only legally admissible option 3. Although legal obstacles do not allow to put the same guidelines to distributors now, FSUG would like to ask for clarification in possible explanatory information to the guidelines which reveals this problem. It could encourage some NSA to implement additional measures. This issue should be also mentioned as an issue in the next report on consumer trends.	
Page 31	(Policy option issue 3) FSUG is in favour of option 3. We find the protection of SMEs in financial market very important, but due to national differences it would be better to address this issue on national level. However FSUG would like to encourage EIOPA to include situation of SMEs in a market research, that should follow implementation of guidelines.	
Page 32	(Policy issue 4) FSUG is in favour of option 4. In our opinion it is hardly possible to issue a good products without quantitative and qualitative scenario analysis.	

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Page 33	(Policy issue 5) FSUG is in favour of option 2. Frequency of review process could very substantially among companies and there is no need to impose artificial measure.	
Page 34	(Policy option 6) FSUG is favour of option 3. The way of implementation of the guidelines should assure positive outcome. But this an autonomous decision of manufacturers on the way of fulfilling the rules. (Policy issue 7) FSUG is in favour of option 2. It in the competences of NSA to judge appropriateness of implementation.	
Page 35	(Policy issue 8) FSUG is in favour of option 1.	
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