



Professional Association of Insurance Brokers in the Austrian Federal Economic Chamber

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POSITION PAPER (1/2023)

Remuneration for insurance investment products

The aim of the Retail Investment Strategy to motivate more consumers to participate in capital markets is very welcome. Effective consumer protection measures are essential for this. The already binding Insurance Distribution Directive (IDD) contains numerous regulations that serve this goal and, through its minimum harmonisation approach, allows member states to introduce stricter regulations. Therefore, a Europe-wide ban on commissions for insurance investment products, as demanded by some, is overshooting the mark by far. The European Insurance and Occupational Pensions Authority (EIOPA) itself states that a commission ban would have unimagined consequences for the different markets,¹ and the Chamber of Labour also sees no sense in such a ban.²

The Professional Association of Insurance Brokers and Consultants in Insurance Matters therefore advocates freedom of choice for consumers in relation to the form of remuneration (commission or fee-based consulting) in the sale of all insurance products, especially insurance investment products.

This is because of the following facts:

■ Easily accessible, professional consulting has numerous positive effects on the financial situation of consumers

Approximately 50% of the participants in our own EC study state that they make decisions based on the expertise of their financial advisors.³ In countries where the commission system prevails, consumers are often only made aware of topics such as old-age pension provisions and risk provisions through their insurance intermediaries. In particular, financially weaker, less educated and geographically isolated population groups are in greater need of consulting.

¹ [Technical report on technical advice to the EC regarding certain aspects relating to retail investor protection.](#)

² [Der Standard 12/01/2023, EU, takes aim at commissions for financial products.](#) Disclosure, inducements, and suitability rules for retail investors study - Publications Office of the EU (europa.eu).

The IDD itself and the Austrian Brokerage Act (MaklerG) 1996, which is exemplary in this sense, also prevent insurance brokers from suggesting products to the customer on the basis of their own commission expectations since, according to § 28 para. 3 of the Austrian Brokerage Act, they are “... *obliged to broker the best possible insurance cover* [note: so-called best advice] *according to the circumstances of the individual case.*”

In addition, insurance brokers are legally obliged to *provide consulting*. Insurance brokers are consultants, not salespeople!

■ Numerous studies clearly show the disadvantages of commission bans

The **external study on disclosures, inducements and suitability**, initiated by the European Commission itself, has shown that the ban/strong restriction of commissions has led to more execution-only and platform sales, but not to more fee-based consulting.

Similar results were obtained from:

- The future of advice, KPMG Germany study⁴;
- Study on distribution models for retail investors, KPMG (Spain, France, Italy)⁵;
- Experience from the **MiFID II** area;
- Studies from **the UK⁶ and Australia⁷**

(The UK study found that only 8% of Britons received professional consulting).

Moreover, it is to be feared that many potential investors obtain information from unverified sources (e.g. social media).

■ IBIPs serve as a safe form of investment for financially weaker population groups

These consumers see IBIPs as long-term investments with the purpose of creating savings. Safety is considered more important than a high return.

A French study⁸ in particular showed the 3 investment criteria that interest consumers the most: 41% security, 40% flexibility, 13% interest rates

If commissions are banned, there is not only a risk of a lack of consulting but also of access to insurance investment products, as the intermediaries who normally offer them will leave the market. Easy access to consulting is important for the financial inclusion of all sections of the population, a key objective of the Capital Markets Union.

⁴ [The future of advice, KPMG.](#)

⁵ [Study on distribution models for retail investors, KPMG.](#)

⁶ <https://www.open-money.co.uk/advice-gap-2021>

⁷ [Future of financial advice.](#)

⁸ [www.researchgate.net/publication/318545578_Consumer_initial_trust_toward_internet-only_banks_in_France.](http://www.researchgate.net/publication/318545578_Consumer_initial_trust_toward_internet-only_banks_in_France)

■ Easy access to professional consulting is essential for sustainability decisions

A significant key objective of the CMU is increased investment in sustainable assets. In order to invest properly, professional consulting is essential due to the complexity of the topic of sustainable finance.

■ Bans on commissions lead to the demise of the sector, concentration on a few companies and consequently to less competition

In Australia, the introduction of a commission ban led to the loss of about 15% of intermediaries. A similar result could certainly be expected in Europe. Fewer market participants means less competition and, as a consequence, even higher costs for consumers.

■ Commission bans for insurance brokers not permissible under European law

This is clearly stated in the expert opinion of the European law expert, Prof. Thomas Jäger⁹:

- All legal acts adopted by the EU must serve the realisation of the EU's fundamental freedoms. The legislator has some decision-making leeway. But this reaches its limit when the development of the internal market is disregarded or subjective regulations are made. A commission ban violates the freedom to provide services and the freedom of establishment. Although the intervention can be justified by consumer protection, it is not proportionate, as consumer protection is possible through milder means.
- There are strict limits to the exercise of competences by the EU legislator. (Principle of subsidiarity). Accordingly, a legal act should only be set at EU level if the objective cannot be achieved by the member states themselves. The prerequisite is that there is a regulatory gap. This cannot be assumed given that the IDD has now been ratified in all EU member states.
- Many insurers tap into insurance markets in other Member States through the use of insurance brokers. A commission ban would lead to a return to national markets. (Fragmentation of the internal market as opposed to the European goal of a free single market).

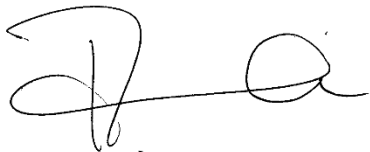
⁹ Thomas Jäger. Corinna Potocnik-Manzouri: Verbote von Versicherungsmaklerprovisionen im EU-Binnenmarkt (Ban on Commissions for Insurance Brokers in the EU Single Market), Vienna 2022, Jan Sramek Verlag.

■ Possible other measures to improve consumer protection

- Simple transparency requirements;
- regular review of the POG regulations during the product life cycle;
- better financial education.

Vienna, January 2023

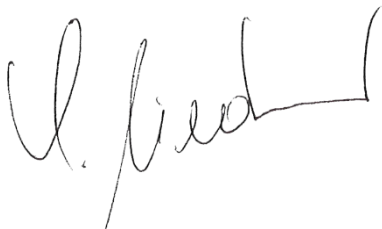
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