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**INTERNATIONAL SEMINAR ON AWARENESS AND EDUCATION
RELATIVE TO RISKS AND INSURANCE ISSUES**

**Swissôtel, Istanbul
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Informing and advising consumers on insurance products

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(PowerPoint presentation)



Informing and advising consumers on insurance products

International Seminar on awareness and education relative to risks and insurance issues

Istanbul, 13 April 2007

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ISVAP



Isvap nature

- Public body
- Set up in 1982
- Vested with autonomy in the financial, accounting, organisation and management field



Purposes of Insurance Supervision

ISVAP controls the technical and financial management of supervised entities

purposes of controls

STABILITY

SOLVENCY

CONSUMERS PROTECTION



Supervised entities

- Insurance undertakings
- Reinsurance undertakings
- Insurance and reinsurance intermediaries



Recent ISVAP Initiatives in the field of financial education

- Life assurance: ISVAP Circular 551 of 1 March 2005 “*Disclosure in life assurance contracts*”
- The enhancement of ISVAP’s website: www.isvap.it
- The “*Code of Private Insurance*” (legislative decree n. 209 of 7th September 2005)



ISVAP Circular 551 of 1 March 2005

“Disclosure in life assurance contracts”

- From the beginning of its activity ISVAP has issued a series of circulars regulating insurance undertaking obligations in terms of disclosure and transparency in the distribution of life assurance products
- In March 2005, after being submitted to public consultation, ISVAP issued the Circular 551 relating to the disclosure in life assurance contracts which constitutes the consolidated text on transparency for potential policyholders



The Objectives of the Circular 551

1. Enhanced transparency before the conclusion of the contract and during its life
2. Possibility for the policyholder to compare different proposals: the introduction of a Summary Profile to present to the consumer for with-profit, unit-linked and index-linked life assurance contracts and contracts designed to implement individual pension plans
3. Obligation of high professional assistance: rules of conduct and adequacy of contractual proposals

In summary, the current regulation allow the policyholder to have facilitated access to information, make comparisons and fully understand the characteristics of the product offered



1) Enhanced Transparency

Information before the conclusion of the contract

Insurance companies shall draw up an Information Dossier which insurance intermediaries must deliver to potential policyholders before underwriting a life assurance proposal.

The Information Dossier shall contain the following documents:

- ✓ **Summary profile**
- ✓ **Information note**
- ✓ **Insurance Conditions**
- ✓ **Glossary**
- ✓ **Proposal form**

In the glossary companies explain the meaning of technical terms



1) Enhanced Transparency

Information during the term of the contract

Regarding with-profit contracts insurance undertakings must send to the policyholder, in writing, the annual statement of account of his/her insurance position indicating, among other things, the total amount of premiums paid, any unpaid premiums and the results of the non-payment



1) Enhanced Transparency

Information during the term of the contract

When dealing with unit and index linked contracts, the companies are required:

- to establish a benchmark with which to compare the performance of the internal insurance fund to which the benefits are linked
- to inform the policyholder, in writing, in the event of loss exceeding 30% with respect to the overall amount of the premiums invested
- to publish in daily newspapers and on their internet sites the value of the unit of the internal fund or of the UCITS used to represent the basis for the calculation of benefits in unit linked contracts

With regard to these contracts, the competences are being transferred to Consob (the Italian market regulator) which will then issue new regulations

2) How the consumer may compare Different Proposals

- The Circular 551 introduced an obligation for the companies to present a Summary Profile for with-profit, unit-linked and index-linked life assurance contracts and contracts designed to implement individual pension plans
- The Summary Profile sets out, in a few pages, the essential characteristics of the contract – guarantees, costs and any financial risks – in easily understandable terms for potential policyholders

3) Obligation of high professional assistance

Rules of conduct

- Insurance undertakings and intermediaries must behave with diligence, correctness and transparency towards policyholders in the execution of the contract

Adequacy of contractual proposals

- Personal characteristics of the consumer (age, employment and family, financial and insurance position, expectations in terms of insurance coverage, duration and financial risks)
- Intermediaries are required to explain to the policyholder, in a clear and easy-to-understand language, the characteristics of the contract proposed analytically illustrating any financial risks connected to the execution of the contract



The enhancement of ISVAP's Website

ISVAP has recently enhanced its website. Among other parts, there is a sub-site dedicated to consumer information that provides a wide range of information about products, providers and regulation. In particular, it contains:

- ❖ **a guide to life assurance contracts**
- ❖ **a guide to non life insurance contracts**
- ❖ **a guide to health insurance contracts**

These guides describe the main characteristics of life, health and non-life insurance contracts (in particular regarding compulsory motor insurance) and give detailed advice about subscribing insurance products, in a simple and clear language

- F.A.Q.
- How to present any complaints concerning insurance companies or insurance intermediaries



The enhancement of ISVAP's Website

- In 2004 a practical guide to insurance was published as an information and support tool for policyholders. The guide illustrates the contents of the guarantees and rules regulating the most common insurance policies (motor vehicle liability, life and pension plans)
- The guide was distributed to the general public at first as a supplement to one of the major national newspapers and afterwards it was reprinted and distributed by ISVAP upon request



The Code of Private Insurance

- In September 2005 was approved the new “Code of Private Insurance” which is the consolidated text of the Italian insurance legislation (legislative decree n. 209 of 7th September 2005). It became effective on 1 January 2006
- The “Code of Private Insurance” aims, among other things, to simplify insurance regulation
- The Insurance Code also contains the provisions implementing the Insurance Mediation Directive (2002/92/EC). These provisions were made effective with the issue of ISVAP regulation n. 5 of 16 October 2006

The Code of Private Insurance

The insurance and reinsurance intermediaries

- Consistently to the Directive, the Italian Insurance Code states that important pre-contractual information requirements must be given to the consumer by insurance intermediaries
- In particular, prior to the conclusion of any specific contract, insurance intermediaries are required to assess the demands and needs of the customer and specify the reasons for any advice given to that customer on a given insurance product
- Insurance and reinsurance intermediaries are subject to the fulfilment of strict professional requirements



The Code of Private Insurance

The register of intermediaries

- ISVAP keeps the Single Register of insurance and reinsurance intermediaries
- It contains essential data about persons acting as insurance and reinsurance intermediaries on the Italian territory having their residence or head office in Italy
- The register has been available on ISVAP website since 1 February 2007
- According to such regulations the carrying out of the mediation activity is reserved solely to persons enrolled in the Register
- For the protection of consumers the Register provides a profile of any persons carrying out the mediation activity with all the information in accordance with the CEIOPS Luxembourg Protocol