

EIOPA sets out framework for identifying conduct risks

□ Today, the European Insurance and Occupational Pensions Authority (EIOPA) published a framework for assessing conduct risk through the product lifecycle.

The purpose of the framework is to clarify drivers of conduct risk and their implications in the emergence of consumer detriment. It provides an aid for understanding issues faced by consumers and input on the types of conduct risks EIOPA and the national competent authorities (NCAs) should focus on. It sets a common starting point for more practical supervision of particular products, services or market segments, for instance, through “deep dive” thematic work or for future policy development. A strong view on conduct risks is essential for evidence-based and risk-based preventative conduct of business supervision.

The framework focuses on conduct risk throughout all stages of the product lifecycle, that is to say, from the point before a contract enters into force through to the point when all obligations under the contract have been satisfied.

The risks set out in this framework cover the following areas:

- **Business model and management risks** – risks arising from how undertakings structure, drive and manage their business and from relationships with other entities in the value-chain
- **Manufacturing risks** – risks arising from how products are manufactured by insurance undertakings prior to being marketed and how they are targeted to customers
- **Delivery risks** – risks arising from how products are brought to the market and from the interaction between customers and insurance undertakings or intermediaries at the point of sale
- **Product management risks** – risks arising after the sale of the insurance product relating to how products are managed and how insurance undertakings or intermediaries interact with and service customers until all obligations under the contract have ceased

While the framework is not setting out supervisory processes at national level, it nonetheless supports NCAs in identifying conduct and consumer protection risks sufficiently early and sufficiently clearly for the preventative goals of effective conduct supervision, further enhancing market monitoring and conduct risk assessment and driving forward practical supervisory convergence. It provides a catalogue of risks to consider in practical supervisory work.

Going forward, EIOPA expects the framework to contribute to the effective

implementation of [EIOPA's Conduct of Business Supervision Strategy](#). EIOPA anticipates further work in linking the identified conduct risks with the tools for assessing their impact and supervisory importance, leveraging readily available data as far as possible. This approach will evolve into more systematic ongoing conduct risk monitoring as an integral part of practical supervision both at national and European levels. It includes, for instance, the development of periodic conduct risk dashboards as a platform for high-level debate and convergence on the evolving conduct risk landscape.

The Framework is accessible via the following [link](#) to EIOPA's Website.