

Code of Conduct of the German Insurance Association (GDV) for the distribution of insurance products

General

For consumers*, insurance cover is an essential element of risk protection and private provision. Insurance companies have a major responsibility towards their customers and society by developing and offering a wide range of products which are tailored to their customers' needs. In doing so, the industry is dealing with a wide range of consumers, including very competent and empowered consumers as well as vulnerable consumers. The insurance industry is committed to meet the different expectations of its customers with regards to communication and services.

Insurance distribution (personal and digital) is the link between customers and insurance companies. Providing information and advice is at the heart of it. The quality of advice is of particular importance. It enables customers to make an informed decision and to be satisfied with their decision in the long term. High-quality advice is customized, based on individual needs, and ensures that the recommended insurance products reflect the customers' current situation and their plans for the future. Any advice shall take account of the knowledge of the customers, their individual needs for risk protection and their long-term goals with regard to retirement provision as well as the financial situation and risk-bearing capacity of the customers.

A diverse range of products and services shall make sure that the entire population – in urban and metropolitan areas as well as in rural areas – has the opportunity to get advice on their individual insurance coverage requirements and demand for private provision.

In 2013, the German insurance industry developed the GDV Code of Conduct for the distribution of insurance products and, within the context of a voluntary commitment, expressed its mission to provide high-quality advice and extensive services to customers. The principles stipulated in the Code have since been incorporated into legal regulations. Going beyond laws and contracts, the insurance business model is based on a special relationship of trust. The GDV has updated the Code to maintain and strengthen this relationship of trust.

The amended Code represents rules of conduct for the distribution of insurance products in a transparent manner. It applies to all types of insurance distribution to consumers and describes a framework of common rules and values which the insurance companies that sign up to the Code of Conduct share in the interests of their customers.

Insurance companies which have signed up to the Code of Conduct agree to incorporate its rules into their corporate principles. They are required to implement the rules and adjust them to their business model. The individual insurance companies are responsible for developing company-specific measures.

* Consumers will be referred to as customers hereinafter, including potential customers and all genders.

1. Customer needs shall always be at the heart of insurance distribution activities.

Insurance cover is a matter of trust for customers. In order to create and maintain customer confidence, insurance companies and distribution shall address the needs of their customers and place them at the heart of their activities. Taking into account the legitimate interests and requests of customers shall rank higher than sales forces' interest in earning commissions.

Insurance companies and distribution shall act in the best interest of their customers. Insurance companies shall ensure that their remuneration schemes do not provide any incentives that compromise the provision of honest, fair and professional advice to customers.

Monetary and non-monetary support of distribution partners is aimed at enabling them to best meet the requirements of honest customer orientation, qualified advice and professional service.

2. Insurance intermediaries shall disclose their status to customers.

Customers may choose from whom they get advice and how they get advice. They shall be aware of the interests of the person they are dealing with and be able to take these interests into account. Upon their first contact, intermediaries shall clearly and unambiguously disclose their status to customers without being asked to do so and inform customers about the nature and source of their remuneration. They are requested, in particular, to explain whether their remuneration for providing advice is to be paid directly by the customer or whether it is included in the insurance premium. Insurance agents shall disclose on whose behalf they are acting.

The obligation to clearly disclose their status shall apply to all intermediaries, irrespective of whether the contact takes place in person or digitally.

3. Each recommendation shall take account of the customers' goals, preferences and needs.

Insurance distributors shall identify, analyse and evaluate the goals, preferences and needs of customers with regard to their insurance cover. Based on this information, the most important features of the insurance product – including any exclusion from insurance coverage – shall be explained to the customer in an easily understandable way.

Any advice (in person or via digital means) shall be based on the customers' goals, preferences and needs. Insurance companies shall keep in mind that the customer decides whether and how they want to be provided with advice.

Insurance companies shall best support the provision of advice by providing appropriate information required for this purpose.

Information shall be presented such that they enable the customer to make an individual decision. Information on potential future benefits, in particular regarding long-term retirement provision products, shall be presented in a transparent, comprehensible and unbiased manner using standardized and comparable procedures that are accepted throughout the insurance industry.

4. Each recommendation on taking out a policy shall be explained and documented in a comprehensible manner.

Proper documentation of the advisory process is of particular importance. It allows customers to comprehend the recommendation as well as the respective decision and shall therefore be prepared with particular care.

5. Insurance products shall be developed and distributed based on customers' needs.

The development of insurance products shall be based on customers' needs. Even when designing new products, insurance companies shall ensure that they develop insurance coverage that meets customers' needs. This shall also be reflected in the determination of the target market of insurance products. Insurance companies shall review regularly whether their products are distributed to the identified target market and meet the needs of the customers for whom they have been developed.

Products that meet customers' needs take into account their circumstances and preferences. Products which clearly are not suitable considering the circumstances of customers do not meet their needs.

Simple and easily understandable product documentation shall provide assurance to customers that they are able to make an individual and informed decision.

6. Customers shall be provided with ongoing services and advice, where required.

Providing advice and services to customers even after a contract has been concluded is indispensable for sustainable customer relationships, thus representing an important issue for insurance companies and intermediaries. Advice and services shall therefore be provided for the entire duration of the contractual relationship, where required, in particular when an insured event has occurred.

Enticing customers to switch insurers often entails significant disadvantages for customers, in particular in life and health insurance. In any case, customers shall be provided with detailed information about any potential disadvantages. This shall be part of the advisory documentation.

7. Qualification forms the basis for honest, fair and professional distribution.

Insurance companies shall be aware of the fact that they can only be trusted if they act in a trustworthy manner. They shall be committed to making sure that the persons with whom they cooperate are trustworthy. Every business relationship is based on integrity and compliance with the principles of the “honourable merchant” in addition to high qualification. The selection of staff and distribution partners shall follow this maxim. Insurance companies shall make sure that the aim of maintaining a long-term customer relationship is a common value and key benchmark when cooperating with others.

Continuous improvement of the quality of advice is a major goal of insurance companies. To ensure high-quality advice, insurance companies shall only cooperate with highly qualified intermediaries that have a good reputation. This means that they shall only cooperate with insurance intermediaries that, at minimum, undertake further training pursuant to legal requirements and are able to provide evidence of this training.

Insurance companies shall make sure that any persons directly or substantially involved in the distribution are adequately qualified to do their job and undertake further training. In addition, insurance companies are required to also have their sales staff take an exam at the German Chamber of Industry and Commerce.

When cooperating with registered intermediaries, insurance companies are obliged to obtain information on these intermediaries from AVAD (“Auskunftsstelle über Versicherungs-/Bausparkassenaußendienst und Versicherungsmakler in Deutschland e. V.”).

8. Independence of insurance brokers shall be ensured.

Brokers act on behalf of the customer and thus act as their agents. Insurance companies shall therefore make sure that the independence of a broker will not be impaired.

When a broker acts as a service provider of an insurance company, the independence of the broker must not be impaired either – both parties must therefore carefully consider and prevent possible conflicts of interest.

9. Insurance companies shall provide customers with systematic complaints management and an ombudsman system.

Customer feedback, in particular in the form of complaints, is a useful source for improvements. Insurance companies shall have a systematic complaints management in place. In addition, the insurance industry has established an ombudsman system which provides its customers with an independent and unbureaucratic system for settling disputes with insurance companies and intermediaries.

Customers shall be explicitly informed about the existence of the ombudsman system.

10. Insurance companies shall adopt compliance rules and monitor compliance.

Insurance companies shall draw up compliance rules for their sales staff and insurance agents and implement a monitoring system. The purpose of these measures is to identify any deficiencies in the distribution to be able to take respective action.

The compliance rules include, in particular, adherence to competition rules, zero tolerance of corruption and bribery; clear rules regarding gifts, invitations and other benefits; clear rules regarding advertising and corporate events as well as provisions designed to prevent conflicts between private and business interests.

Insurance companies have to rely on a lot of information which constitute a major component of the insurance business. Protecting the information against possible misuse is essential. Customers rely on the fact that their data provided to insurance companies is in good hands. Responsible handling of personal data shall therefore be a top priority. The insurance industry has stipulated clear rules on the handling of personal and confidential data and on compliance with data protection provisions in the context of its Code of Conduct on data protection. Insurance companies shall require their intermediaries to also pay utmost attention to the protection of their customers' personal data and to meet any requirements on data protection and data security.

11. Code of Conduct shall be binding and transparent.

By signing up to this Code of Conduct, the member companies of the GDV agree to be bound by it. They shall take any actions necessary to incorporate the principles of this Code into the principles of their companies and only cooperate with distribution partners that commit and adhere to these or equivalent principles as their minimum standard.

Member companies may join the Code of Conduct by submitting a declaration of accession to the GDV. The GDV will publish the names of the insurance companies which have agreed to be bound by the Code on its website.

Insurance companies which have signed up to the Code agree to be audited regularly, at least every three years, by independent bodies to verify the implementation of the provisions of the Code. A description of the implementation and the results of the audit will be published on the GDV website.

Decided by the Ordinary General Meeting
of the German Insurance Association (GDV)
Berlin, September 25th, 2018