

## Insurance - Greece

### Monitoring bancassurance

Contributed by **KG Law Firm**

July 08 2014

**General provisions**  
**Bank of Greece regulation**

#### General provisions

In Greece, banks became widely involved in insurance mediation before the financial crisis. A large share of the insurance market is still held by banks, particularly concerning certain products, such as insurance relating to mortgaged property in housing loans and business loans provided by banks.

The engagement of banks in insurance mediation activities is governed by legislation – initially Law 2170/1993, which allows such possibility provided that the rules on free competition are respected. The EU Insurance Mediation Directive (2002/92/EC) was subsequently transposed into Greek law through PD 190/2006. Although the directive does not specifically regulate banking activities in insurance mediation, Recital 9 of the Preamble refers to the distribution of insurance products by "bancassurance" operators, which are also covered by the directive (as well as the traditional distribution channels of agents and brokers), and the need for equal treatment across all categories of operator.

More importantly, the directive (and PD 190/2006) introduced the notion of tied insurance intermediaries, which provided the legal framework for banks to act as intermediaries in the sale of insurance products through employees or subsidiary legal entities that fulfil the relevant licensing requirements for tied intermediaries. In accordance with the directive, 'tied intermediaries' are:

*"persons who carry on the activity of insurance mediation for and on behalf of one or more insurance undertakings in the case of insurance products which are not in competition or persons who carry on the activity of insurance mediation in addition to their principal professional activity acting under the responsibility of one or several insurance undertakings for the products which concern them respectively if the insurance is complementary to the goods or services supplied in the framework of this principal professional activity and who do not collect premiums or amounts intended for the customer."*

Ministerial Decision K3 8010/2007, which specified the requirements governing insurance intermediaries, explicitly included banks among the parties which can obtain authorisation to act as insurance intermediaries, setting out the specific requirements. In practical terms, at least the person engaged in the management of insurance mediation activities within the bank and at least one employee who directly participates in mediation in each bank branch should be licensed.

'Bancassurance' thus has no legal definition. It is a term created and used in financial services markets, and thus can cover all possible types of activity between banks and insurance undertakings. Existing legal literature and jurisprudence on the subject are also scarce.

#### Bank of Greece regulation

In May 2013 the Bank of Greece issued Act 462/14-5-2013 in order to safeguard competition and transparency in the insurance market. The act set out certain principles and guidelines for banks to follow both during the stages of pre-contractual approach and negotiation with prospective insureds, and during the insurance relationship with customers, in order to safeguard clients' freedom of choice.

The act provides as follows:

- All bank employees promoting insurance products should hold the correct licence, as prescribed by law.
- In cases where the insured submits an insurance policy fulfilling the cover foreseen by the loan, the bank should accept such policy without delay.
- Upon commencement of the promotion of an insurance product to a customer, bank employees should also explicitly clarify that:

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- the financial institution is also acting as an insurance intermediary;
- in taking out the loan, the customer has not committed to take out insurance with the insurance undertaking linked to the bank, and reserves the right to take out any insurance policy fulfilling the cover foreseen by the loan; and
- the customer is entitled to cooperate with any insurance intermediary of his or her choice in order to take out the correct insurance product. Referral to an insurance intermediary linked to the bank is forbidden, since it could be considered to be obligatory by the borrower. As part of the pre-contractual information, the bank employee should clarify, both orally and in writing, that the financial institution offers only particular insurance products in its capacity as an insurance intermediary, and again that the borrower may contact any competent insurance intermediary of his or her choice if he or she wishes to obtain further information on the insurance products available in the market.

In addition, specific pre-contractual requirements are provided (eg, separate printed materials, non-automatic charging of credit cards for insurance premiums where the borrower has indicated that he or she intends to take out his or her own insurance policy).

Other than in the circumstances set out above, bancassurance is not a regulated activity. Traditionally, banks have used subsidiary entities (either insurance agents or brokers) in order to conduct such activities. There is no restriction on the exclusive or non-exclusive character of the relevant agreements, other than those applicable in view of the nature of the roles of each insurance intermediary (ie, although both insurance brokers and insurance agents perform mediation activities between insurance undertakings and insureds, by definition a broker is acting on the instructions of the insured and as his or her representative, assisting in the placement of the insurance risk with the appropriate insurance company; whereas an insurance agent is acting on an exclusive basis as the representative of one or more insurance undertakings).

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