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**Reference No. RF.0740.12026**

RF/173/2026

Warsaw, 18 May 2026

**Ms Petra Hielkema, Chair  
European Insurance and Occupational  
Pensions Authority (EIOPA)  
Westhafenplatz 1  
60327 Frankfurt am Main - Germany**

***Dear Ms Hielkema,***

I am writing to you, as the deputy Polish Financial Ombudsman, regarding the consumer protection issues we are already facing.

On the Polish market, we observe a growing problem of irregularities in the operations of foreign insurance undertakings operating under the freedom of service principle (hereinafter “FOS”).

**I. Nature of the problem**

For some years, we have observed that the mechanism described below has repeatedly appeared on the Polish market:

— The foreign insurance undertaking enters a Polish market under a FOS principle; the insurance company offers motor insurance, mostly motor third party liability insurance (hereinafter: MPTL) at very low prices.

- Distribution is made solely by a domestic distributor (mainly by a big multi-tied agency), which offers insurance to a large number of clients; by the fact, we believe that a domestic distributor is responsible for the introduction of foreign insurers to the Polish market and plays a key role in entering the Polish market.
- The MTPL market in Poland is hugely competitive. As MTPL coverage is prescribed by law, there is no possibility of attracting new customers by expanding the scope of insurance protection. Therefore, the insurance premiums offered to the clients are low and might even be considered dumping.
- Claims handling process is outsourced to a third party (claims representative); insurer has no own resources located in the host country for the claim's adjustment.
- Due to low premiums and cooperation with a big distributor operating on the Polish market, which has access to a large group of clients, the volume of insurance sales of motor insurance offered by FOE operating insurer grows rapidly shortly after market entry.
- Organisational structure and the capabilities of the insurer are not adequate to the scale of its operations in Poland. Claims are often handled with significant delays, and legal deadlines are not met.
- Moreover, compensations paid by the insurer to the injured parties are significantly underestimated and do not match the market standard.
- Low compensation and poor claims handling quality lead to growing numbers of complaints to the Financial Ombudsman, as well as to the host supervisory authority.
- Procedures of cooperation between home and host supervisor are time-consuming; at the same time, new clients are still attracted, despite the problems with claims and complaints handling. Moreover, because the financial supervision of an insurer is the sole responsibility of the home supervisor, the host supervisory authority has no power to verify whether premiums are sufficient to cover liabilities or whether those liabilities are properly estimated to cover claims arising from the Polish market.

— Sanctions, where applied, may have a deterrent effect or prohibit the sale of new policies. Still, they do not provide any remedy to injured parties who were already paid compensation that was too low and/or was paid too late.

— As a result, we observe a large number of injured persons. Weak financial management, combined with aggressive sales practices, may also result in the insurer's insolvency.

Detailed descriptions of two cases in which such a mechanism occurred are given below. However, the problem might not be limited to those two cases only.

## 1. GEFION INSURANCE A/S

Problems in the functioning of foreign insurance undertakings operating under the freedom of service have persisted for years. Gefion Insurance A/S, headquartered in Copenhagen, operated in the Polish market between 2015 and 2020, primarily in motor insurance.

Gefion offered products at dumping prices, which subsequently led to low standards of claims handling. Moreover, this led to problems with the financial stability and insolvency of the insurance undertaking. Despite the increasing volume of products sold in the Polish market, Gefion did not establish an organisational structure capable of handling the growing number of claims. From the outset of its operations in the Polish market, customer service, particularly the handling of motor insurance claims, was of a low standard. Gefion paid underestimated compensation, unjustified refusals to pay compensation were frequent, and claims-handling procedures were delayed for many months. In our view, the share of MTPL complaints concerning Gefion submitted to the Financial Ombudsman was significantly higher than Gefion's market share.

The insurer's growing problems ultimately led the Danish supervisory authority to prohibit its activities, followed by its bankruptcy. This situation made it more difficult for thousands of injured parties to pursue their claims and significantly undermined trust in the insurance sector.

## 2. Insurance JSC DALLBOGG: LIFE AND HEALTH A.D.

At present, the most significant problems in the Polish insurance market are associated with the activities of Insurance JSC “DALLBOGG: LIFE AND HEALTH” A.D., headquartered in Sofia, Bulgaria (hereinafter “DallBogg”), operating in Poland under FOS. As a result of a decision by the Polish Financial Supervision Authority (KNF), DallBogg has been prohibited since 17 April 2025 from selling insurance on the Polish market; however, it remains obliged to handle claims arising from existing MPTL insurance contracts.

DallBogg offered its products at very low prices. DallBogg has not established an operational structure capable of handling the claims subsequently reported in compliance with the law, and the benefits paid remain at a radically low level.

DallBogg committed, inter alia, breaches concerning:

- failure to comply with statutory deadlines for claims handling;
- failure to respond to customer complaints within the statutory deadlines or failure to respond to complaints at all;
- a lack of any contact with the insurer for many months, whether by email or by telephone;
- gross underestimation of compensation, because of which injured parties were unable for many months to repair damaged vehicles or to undertake necessary medical treatment;
- failure to respond to the Financial Ombudsman’s letters within the statutory deadlines, in many cases for several months, despite the sending of reminders.

In connection with these breaches, the following sanctions were imposed on DallBogg:

1. By decision of 16 April 2025, the Polish Financial Supervision Authority (KNF) prohibited DallBogg from concluding MPTL insurance contracts in Poland.
2. By decision of 27 June 2025, the Polish Financial Supervision Authority (KNF) imposed a financial penalty of PLN 65,900 on DallBogg for breaching the statutory deadlines for claims handling.

3. By decision of 22 July 2025, the Financial Ombudsman imposed a fine of PLN 600,000 on DallBogg for failure to respond to customer complaints within the statutory deadlines and for failure to provide customers with information required by Polish law.

4. By decision of 31 July 2025, the Financial Ombudsman imposed a fine of PLN 200,000 on Diodea Poland sp. z o.o., DallBogg's claims representative in Poland, for failure to respond to the Financial Ombudsman's letters within the statutory deadlines. Despite numerous requests from the Financial Ombudsman, as well as a series of reminders (i.e. letters again calling on the company to provide the requested information), DioDea failed to respond to the Financial Ombudsman's requests and, where explanations were provided, they were insufficient or did not address the doubts and reservations raised by the Financial Ombudsman.

5. By decision of 6 November 2025, the Financial Ombudsman imposed another fine of PLN 300,000 on DallBogg for failure to respond to customer complaints within the statutory deadlines, with delays amounting to 3–4 months, and for failure to provide customers with information required by Polish law.

Moreover, the Bulgarian supervisory authority ultimately prohibited DallBogg from carrying out cross-border activities from 1 July 2025 to 30 September 2025 and subsequently extended the prohibition from 1 October 2025 for an indefinite period. The Romanian supervisory authority (ASF) likewise issued a decision prohibiting DallBogg from concluding new insurance contracts and renewing existing ones in Romania. The prohibition has been in force since 1 October 2025 and applies to all classes of insurance. Finally, by decision of 2 April 2026, the Bulgarian financial supervisory authority imposed a ban on DallBogg concluding new insurance or reinsurance contracts, extending the terms of existing contracts, and expanding the scope of concluded contracts for all insurance groups in the territory of the Republic of Bulgaria.

Despite several sanctions, DallBogg has not significantly improved its operational standards in the Polish market. In recent months, numerous complaints concerning DallBogg have continued to be submitted to the Office of the Financial Ombudsman. Many customers still report difficulties in reporting claims, problems with any contact whatsoever, exceeding

statutory deadlines for claims handling, and the insurer's failure to provide mandatory information.

Currently, the websites of DallBogg and Diodea list the only contact telephone number registered in Bulgaria. The need to bear the cost of an international call constitutes another unjustified barrier for customers when reporting a claim. According to customers' complaints reported to the Financial Ombudsman, for a significant part of the time, no one answers calls made to the above-mentioned number. Employees of the Office of the Financial Ombudsman also attempted to contact the insurer for many days at the above-mentioned number. Still, they were unable to obtain a connection even once.

DallBogg's claims representative – Diodea Poland sp. z o.o. – contrary to the obligations imposed by Polish law, it still does not have an electronic service address, despite being subject to such an obligation since 1 April 2025.<sup>1</sup> This breach significantly hampers contact with the insurer's representative by the Financial Ombudsman, other public institutions and customers themselves. Also, it prevents customers from submitting complaints in one of the forms provided for by law. In view of the above, the absence of an electronic service address on the part of DallBogg's representative constitutes an unjustified restriction of customers' right to submit complaints to an electronic service address.

Although supervisory actions have led to some improvement in the compensation payment process, the compensation paid remains low relative to the market standards.

DallBogg does not have any branches or offices in the territory of the Republic of Poland. Likewise, DioDea Poland sp. z o.o., which formally acts as DallBogg's claims representative, despite having a Warsaw address registered in the companies register (KRS), does not maintain an actual office at that address (it is merely a correspondence collection point). This situation, combined with the lack of the option to be served traditionally (in person) and the considerable difficulties in contacting the insurer by email or telephone, reinforces among

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<sup>1</sup> Such an obligation is established by the Polish Act of 18 November 2020 on Electronic Service (Journal of Laws of 2026, item 3).

customers the impression that the insurer is avoiding responsibility and that claims handling in Poland is merely illusory.

The manner in which DallBogg operated on the Polish market was already extremely poor in 2024. However, the supervisory authority in Poland had limited tools to take immediate action to correct the situation. Only when the situation escalated to the point where hundreds of injured parties remained without compensation for many months did it become necessary to resort to radical sanctions in the form of a business prohibition in Poland.

### **3. Complaints concerning foreign insurance undertakings operating under FOS – quantitative analysis.**

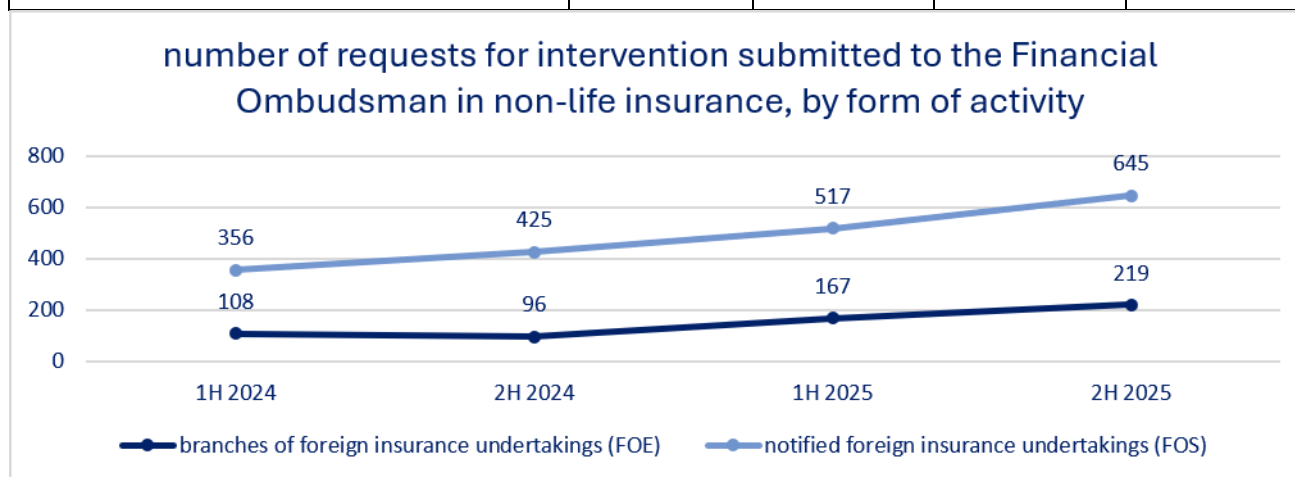
The observations below are based on statistical data of the Office of the Financial Ombudsman concerning requests for intervention submitted to the Financial Ombudsman in four half-year periods from January 2024 to December 2025 in the area of non-life insurance.

The analysis of complaint data submitted to the Financial Ombudsman should begin with the observation that requests for Financial Ombudsman intervention represent only a fraction of the problems occurring in the market. A significant proportion of customers harmed by insurers never submit complaints regarding compensation decisions and do not seek assistance from the Financial Ombudsman. Moreover, customers also seek assistance from the Financial Ombudsman through email or telephone, which is not included in the statistics presented below. Consequently, the actual number of problems and breaches of customers' rights and interests is significantly higher, as evidenced by the total number of complaints reported to the Polish Financial Supervision Authority and the Financial Ombudsman. Nevertheless, statistics on requests for intervention submitted to the Financial Ombudsman constitute a sample of the problems occurring in the market and indicate certain trends in market phenomena.

Table 1

**Number of requests for intervention submitted to the Financial Ombudsman  
in non-life insurance, by form of activity**

form of activity	1H 2024	2H 2024	1H 2025	2H 2025
<b>domestic insurance undertakings</b>	3577	3519	3983	4888
<b>branches of foreign insurance undertakings (FOE)</b>	108	96	167	219
<b>notified foreign insurance undertakings (FOS)</b>	356	425	517	645
<b>other (UFG<sup>2</sup>, no data available)</b>	104	139	168	153
<b>total</b>	<b>4145</b>	<b>4179</b>	<b>4835</b>	<b>5905</b>



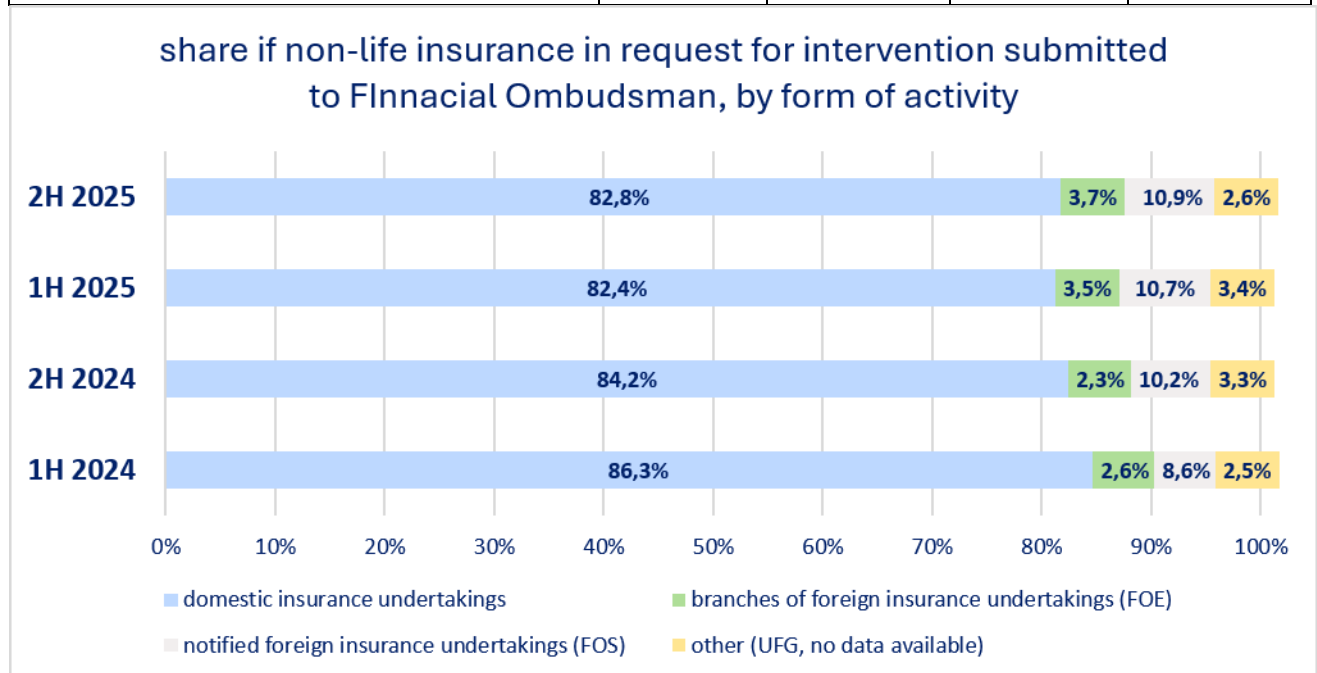
The number of requests for intervention submitted to the Financial Ombudsman regarding foreign insurance undertakings is increasing, for both those operating through branches (FOE) and those under the freedom of service (FOS). The year-on-year growth rates were 89.2% for FOS and 48.8% for FOE, while the corresponding figure for domestic insurance undertakings was only 25.1%.

<sup>2</sup> UFG – Ubezpieczeniowy Fundusz Gwarancyjny (Insurance Guarantee Fund) is institution designated in accordance with Article 10 of Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability.

Table 2

**Share of non-life insurers in requests for intervention submitted to the Financial Ombudsman, by form of activity**

form of activity	1H 2024	2H 2024	1H 2025	2H 2025
domestic insurance undertakings	86.3%	84.2%	82.4%	82.8%
branches of foreign insurance undertakings (FOE)	2.6%	2.3%	3.5%	3.7%
notified foreign insurance undertakings (FOS)	8.6%	10.2%	10.7%	10.9%
other (UFG, no data available)	2.5%	3.3%	3.4%	2.6%
<b>total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100%</b>



In the analysed period, the share of foreign insurance undertakings (both operating under the freedom of service and through branches) in the total number of intervention requests submitted to the Financial Ombudsman is increasing. In the second half of 2025, requests for intervention concerning foreign insurance undertakings (FOE and FOS) already accounted for 14.6% of all non-life insurance intervention requests submitted to the Financial Ombudsman.

Table 3

**Number of requests for intervention submitted to the Financial Ombudsman concerning foreign non-life insurance undertakings**

<b>name of the entity</b>	<b>1H 2024</b>	<b>2H 2024</b>	<b>1H 2025</b>	<b>2H 2025</b>
DallBogg: Life & Health AD / Bulgaria	40	122	202	<b>208</b>
Triglav d.d. / Slovenia	49	68	91	<b>122</b>
Helvetia Global Solutions Ltd / Lichtenstein	68	63	70	<b>111</b>
Euroins AD / Bulgaria	125	94	85	<b>109</b>
Inter Partner Assistance S.A. Polish Branch (France)	29	19	48	<b>72</b>
Balcia Insurance SE Polish Branch (Latvia)	20	28	26	<b>58</b>
wefox Insurance AG Polish Branch (Lichtenstein) *	32	23	26	<b>34</b>
Wakam S.A. /France	20	38	31	<b>21</b>
other FOE insurance undertakings	27	26	67	<b>55</b>
other FOS insurance undertakings	54	40	38	<b>74</b>
foreign insurance undertakings in total	<b>464</b>	<b>521</b>	<b>684</b>	<b>864</b>

\* Since the first half of 2025, operating as Direct pojišťovna Polish Branch (Czechia).

In the years 2024–2025, the number of complaints concerning DallBogg: Life & Health AD (Bulgaria) and Triglav d.d. (Slovenia) (trade name: Trasti) increased significantly, while the number of complaints concerning the former notorious leader (Euroins Insurance A.D.) (Bulgaria) (trade name: Eins) stabilised. All three insurance undertakings operating under FOS are primarily MPLT providers.

It is noteworthy that complaints regarding other foreign entities mainly pertain to the so-called “embedded insurance” for newly purchased electrical equipment. Of particular importance here is the recent increase in complaints concerning Helvetia Global Solutions Ltd. (Liechtenstein). It is also worth noting the sharp increase in complaints concerning Inter

Partner Assistance Polish Branch (trade name: AXA Assistance) (France) in 2025, which primarily operates in the travel insurance sector.

Table 4

<b>Share of non-life insurers in requests for intervention submitted to the Financial Ombudsman concerning foreign insurance undertakings</b>				
<b>name of the insurance undertaking/country of origin</b>	<b>1H 2024</b>	<b>2H 2024</b>	<b>1H 2025</b>	<b>2H 2025</b>
DallBogg: Life & Health AD / Bulgaria	8.6%	23.4%	29.5%	<b>24.1%</b>
Triglav dd / Slovenia	10.6%	13.1%	13.3%	<b>14.1%</b>
Helvetia Global Solutions Ltd / Liechtenstein	14.7%	12.1%	10.2%	<b>12.8%</b>
Euroins AD / Bulgaria	26.9%	18.0%	12.4%	<b>12.6%</b>
Inter Partner Assistance S.A. Polis Branch (France)	6.3%	3.6%	7.0%	<b>8.3%</b>
Balcia Insurance SE Polish Branch (Latvia)	4.3%	5.4%	3.8%	<b>3.9%</b>
wefox / Liechtenstein Polish Branch *	6.9%	4.4%	3.8%	<b>6.7%</b>
Wakam S.A. / France	4.3%	7.3%	4.5%	<b>2.4%</b>
other FOE insurance undertakings (branches)	5.8%	5.0%	9.8%	<b>6.4%</b>
other FOS insurance undertakings	11.6%	7.7%	5.6%	<b>8.6%</b>
foreign insurance undertakings in total	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

\* Since the first half of 2025, operating as Direct pojišťovna Polish Branch (Czechia).

DallBogg: Life & Health AD (Bulgaria) became the most complained-about insurer in the second half of 2024. Complaints concern three foreign insurance undertakings operating in Poland under FOS and specialising exclusively in MPTL insurance (DallBogg: Life & Health AD (Bulgaria), Triglav d.d. (Slovenia) and Euroins AD (Bulgaria), which together account for more than half of all complaints concerning foreign insurance undertakings. It should be noted that there has been a relative improvement in the performance of Euroins AD (Bulgaria), with the number of complaints slightly decreasing despite its largest share of the MPTL insurance

market among all foreign insurers. At the same time, this insurer has announced its intention to change its form of activity in Poland from operating under FOS to establishing a branch. Complaints concerning DallBogg: Life & Health AD (Bulgaria) are likely to decrease in subsequent periods, as this entity has not been permitted to sell MPTL contracts in Poland since April 2025. Particular attention should therefore be paid to the activities of Triglav d.d. (Slovenia) (trade name: Trasti), as the number of complaints concerning this insurer has been steadily increasing (with complaints predominantly relating to delays in claims handling), while the insurer continues to expand its distribution network actively and intends to increase sales (in the first half of 2025, sales growth amounted to 130.5% year-on-year).

The data presented above, together with analyses of the content of complaints submitted to the Financial Ombudsman, indicate that foreign insurance undertakings operating under FOS account for the highest number of breaches relative to their market share and that these breaches are the most serious.

## II. Existing legal framework

The problems identified have a cross-border character and affect a large number of clients. We believe that this problem recurs in different configurations for several reasons.

First of all, there are no provisions in the Solvency II Directive that oblige an insurer to establish a branch or to have adequate “corporate substance” in another form in a host country when a large number of policies are sold to retail consumers. Solvency II, in Article 152, requires the host Member State to require the non-life insurance undertaking operating under the FOS principle to appoint a claims representative. The representative shall “possess sufficient powers to represent the undertaking in relation to persons suffering damage who could pursue claims, including the payment of such claims, and to represent it or, where necessary, to have it represented before the courts and authorities of that Member State in relation to those claims”. Our observations show that although claims representatives were appointed, a smooth and proper claims-handling process was not ensured.

We believe that, in the case of mass retail consumer sales, insurers shall pursue their activities through freedom of enterprise (FOE), rather than solely by FOS, or that other forms

of adequate corporate substance in the host country should be required. This also applies in the event of the execution of court judgments. Foreign insurance undertakings operating on an FOS basis might not hold any assets in the host country. If compensation granted by a final court ruling is not paid amicably, enforcement of that ruling in another EU Member State would be burdensome for most physical persons due to organisational, linguistic and financial reasons. It's also a time-consuming procedure.

We understand that freedom to provide services is one of the core concepts of the European Union. We also accept that some additional rules introduced at the national level might be abused to restrict competition from other EU Member States. Nevertheless, in our opinion, the inability to process claims in accordance with the regulations within the required timeframes, due to insufficient resources, has ultimately led to significant consumer detriment. Please note that MTPL insurance is connected to the rules of the driver's responsibility, which result from civil law. Court rulings are of the utmost importance not only for individual cases but also more generally, as they determine which types of claims should be covered by MTPL insurance and the compensation insurers are required to pay. To offer a high-quality product, a deep understanding of the local market realities and legal framework is necessary. In our view, in the case of a large volume of consumer sales, this cannot be ensured solely by an outsourcing agreement with a claims representative.

Secondly, we believe that the current IDD framework does not clearly state that an insurance policy does not meet customers' demands and needs and/or the characteristics of the target market when claims are handled in a grossly improper manner. This applies in particular to compulsory insurance, where the scope of protection derives directly from law (e.g. MTPL).

The insured person has an interest in the insurer adjusting the claim in a timely and appropriate manner. Disputes between the client (or, in case of TPL insurance, the injured party) and the insurer are frequent. However, some insurers reduce compensation to such an extent that this may be regarded as detrimental to clients' interests. We observe cases in which injured parties often bring legal action directly against the insured (e.g., the driver) due to underpaid compensation and a lack of effective contact with the insurer or claims representative.

In our view, when a distributor is aware of poor claims-handling quality yet continues to offer an insurance product, it should be treated as a breach of the principle to act honestly in the best interests of a client. However, IDD distribution requirements focus mostly on information at the sales stage. In our view, insurance is by nature a “service” rather than a “product”. What is crucial here is not only what is stated in the insurance policy, but also how the insurer performs the contract in practice and how it interprets it when a claim occurs. In other words, in an insurance contract, it’s important not only whether a client has a right to compensation, but also how the claims-handling process is applied in practice.

Thirdly, we believe that an insurance distributor should bear some responsibility for selling insurance that does not meet standards at the claims-handling stage, when he plays a key role in mass product offerings to retail clients.

Based on the data published by EIOPA in the 3rd IDD Application Report, the number of distributors who are physical persons is decreasing. As indicated, possible reasons for the decline are, e.g. corporate consolidation, stricter professional requirements, and increased supervisory pressure. In our view, the role of large distributors will increasingly grow. Due to the scale of operations, substantial detriment to clients results from the mass distribution of products by bigger entities, rather than from activities carried out by small intermediaries. In fact, large insurance agencies often play a key role in bringing new products to the host market. It is important to note that in both cases described above (Gefion, DallBogg), distribution in Poland was carried out by the same large, multi-tied agency.

### **III. Possible remedial measures and follow-up actions**

We consider it is necessary to make greater use of supervisory tools relating to POG and to require distributors to examine, to a greater extent than already, whether compulsory MPTL insurance meets customers’ needs. Although some clarifications in this regard are needed.

According to EIOPA’s approach to supervising product oversight and governance, one of the supervisor’s activities is to determine whether documentation exists for product monitoring and review. One of the documents that could serve as proof of monitoring activities might be

an expectation expressed by customers during the claims-handling *process*<sup>3</sup>. Complaints or high claim ratios/rejection rates are also mentioned as possible triggers for ad hoc review. Claims handling ratios are generally one of the factors that might be considered during product review. However, in our opinion, some clarification is necessary.

It is not clear whether claims-handling quality issues shall necessarily be considered in product review, and whether they should constitute a trigger for an ad hoc review, as opposed to being merely one of the factors that might eventually be considered.

In the case of MTPL insurance, it's unclear whether the injured party might be a "target market" whose needs, characteristics, and objectives should be taken into account<sup>4</sup>. Alternatively, if the target market is only an insured person (a driver), it is not expressly stated that the characteristics and objectives of the target market also encompass proper and smooth claims handling for an injured party.

The problem is also that, before a poor claims handling issue becomes evident and publicly known, for example, through media coverage, clients may not be aware of it. Moreover, there is no publicly available information on the scale of cross-border sales in the host country, which makes it impossible to compare, for instance, the scale of operations with the number of complaints or court cases. Retail clients cannot verify the actual quality of a product under MTPL insurance by comparing the scope of protection and the insurance premium alone.

In this context, it should be clarified what actions supervisors would expect of a distributor, as indicated by a POG review, especially in the case of compulsory insurance, where the scope of insurance is prescribed by law rather than being considered optional. In such a case, the insurer's approach to claims handling and loss adjustment may be indicative.

Moreover, it's not evident whether the distributor could be held liable for offering insurance when it is aware of the poor quality of claims handling for the product. On the other hand,

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<sup>3</sup> EIOPA'S APPROACH TO THE SUPERVISION OF PRODUCT OVERSIGHT AND GOVERNANCE, page 16

<sup>4</sup> Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors (Text with EEA relevance.), article 7

from a distributor's perspective, it might also be challenging to assess the quality of claims handling to decide on possible remedial measures and changes to the distribution strategy.

We understand that supervision of claims-handling quality within the POG process in FOS operations by a home supervisor might be challenging. Regardless, we believe a stricter approach is needed. We also believe that Retail Risk Indicators could be a valuable source of information for supervisors on potential poor claims handling and consumer detriment at an early stage. However, we are aware of the limitations associated with the existing complaints data.

At present, the issues we face can be addressed only to a limited extent under the existing framework. Ultimately, it may also be necessary to consider amending the IDD and/or the Solvency II directives.

We think that issues related to the activities of foreign insurance undertakings operating under the freedom to provide services are increasing. The IDD and Solvency II frameworks do not place sufficient emphasis on the claims-handling process from the clients' perspective. Directives cover insurers' operations from a financial perspective, as well as product design and distribution. However, none of them addresses the claims handling issue to the extent we consider necessary.

In the case of large-scale sales to retail clients, particularly regarding compulsory insurance, a more stringent approach to cross-border operations in the host country may also be needed. One option worth considering is to require that large-volume cross-border sales to retail clients be conducted on a freedom-of-establishment (FOE) basis. Another possible solution would be to strengthen the requirements for establishing a claims representative in the host country, including their capabilities and powers.

Currently, the powers of the host supervisory authority are limited to cases of a lack of, or ineffective, measures taken by the home supervisor. It means that the host supervisor can react decisively only after mass breaches of customer interests have already occurred, while the tools available to prevent such detriment are limited. At the same time, the effectiveness of the home state supervisory authority's supervision of an FOS operation in the foreign

market is challenging. It's hampered by its more limited knowledge of that market, including its legal and factual characteristics. In some cases, the scale of the insurer's operations in the host country relative to the home market may obscure emerging issues. In addition, the home authority may not receive complaints directly from clients and may not be fully aware of the nature and scale of the problem in its early stages. Therefore, we suggest also considering granting stronger supervisory powers to the host supervisory authorities.

#### **IV. RESUME**

In light of the above, we ask EIOPA:

- 1) to consider clarification at the Level 3 act what is EIOPA's position on adequate claims handling in the light of the Product Oversight and Governance process;
- 2) to consider clarification at the Level 3 of what is EIOPA's position on the role of adequate claims handling in the light of demands and needs test and distribution strategy requirements;
- 3) to consider further specifying the Retail Risk Indicators, taking into account the issues of effective control of FOS operations;
- 4) to consider addressing the market and legal issues connected to the cross-border sales of mass retail insurance in the Consumer Trends Report (in this regard, the Financial Ombudsman is ready to prepare its own contribution);
- 5) to consider amendments to the IDD and/or Solvency II about claims handling from a client's perspective, in light of possible reviews of those directives.

*Respectfully yours*

Deputy of the Financial Ombudsman

/signed electronically/  
Dr hab. Marcin Kawiński, Prof. SGH