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EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

EIOPA Consumer Trends Report

EIOPA Regular Use
EIOPA-IRSG-19-04

EIOPA Insurance and Reinsurance Stakeholder Group meeting
Frankfurt, 24 January 2019

Background and objectives

- **EIOPA's Regulation**:

  "to ***collect, analyse and report*** *on consumer trends"*

- **The objective is to**:

  - Monitor the **evolution** (trends) in consumer behaviour and other market developments in the insurance and pensions sectors
  - Identify possible **consumer protection issues** that could arise from such trends
  - Identify and highlight **positive developments**

7 **Consumer Trends Report**

4 **Covering both sectors**

Methodology used

- The Consumer Trends is prepared following an agreed upon methodology

- Information from NCAs:
    - **Qualitative information**
    - **Quantitative data**

- Inputs from IRSG and OPSG and other stakeholders

- EIOPA also complements the information collected with information from publications accordingly referred to in footnotes

Indicative Timeline

February-March: questionnaires sent to NCAs (via CCPFI) and IRSG and OPSG

April – June: responses received

June – September: processing of data and report drafting

September – October: Report discussed with NCA

November: BoS approval

December: Publication

Key novelties of the 2018 report

- Continued emphasis on **financial innovations and digitalisation**
- **Stakeholders interviews** are included for the second time
- The report also provides a time-series analysis of **Retail Risk Indicators** using Solvency II data – including at the Member State level
- For the first time the report includes **Consumer Voices**

Insurance Headline Trends (i)

- **Life insurance gross written premiums (GWP) increased +11%:** led by a +42% increase in unit-linked insurance; insurance with profit participation continued to decrease (-9%);

- ‘Other life insurance’ experienced limited (+0.8%) GWP growth

- Motor insurance continues being the most prominent non-life product; innovation has been characterizing trends in motor insurance

- **Accident and health insurance products continue having high claims ratios and low commission rates:** claims ratios for both workers compensation (60%) and medical expense insurance (85%) are amongst the highest and commission rates are the lowest in the non-life sector

Headline Trends (ii)

- **Miscellaneous financial loss is the non-life LoB that grew the most** and it is also the one with the highest commission rates and the second lowest claims ratio

- **The usage of telematics in insurance is increasing:** Motor insurance using in-vehicle data is becoming popular; Big Data analytics in health insurance is not yet systematic but growing, it could reduce costs and help identifying, assessing, and insuring new types of risks; however potential risks exist

- **Cyber-risk concerns are increasing alongside with demand for specific cyber-risk protection products**

- As consumers' demand to have insurance on an 'as needed' basis increases, the offer of on-demand insurance products is also growing

Expected key novelties for the 2019 report

Continued emphasis on **financial innovations** – not only in the relevant section but throughout the report

Continue inclusion positive developments

Deeper analysis of reasons for trends – including on **Retail Risk Indicators** using Solvency II data

More on **Consumer Voices** – potentially informed by focus groups

More detail on pensions

IRSG Involvement

Timeline

- Questionnaire covering general questions on market trends (product-related) and questions on specific topics (mainly fin. innov.) to be sent out **in February 2019**
- IRSG invited to provide feedback **by end April 2019**
- IRSG to be consulted on EIOPA's analysis of retail risk indicators in **July 2019**

Input requested

- With regard to both market trends (product-related) and specific topics, IRSG invited to provide feedback on **market developments both at the European and national level**
- IRSG invited provide views (including potential causes / consequences) of the analysis of retail risk indicators performed by EIOPA

Topics covered in detail

Fifth

- The impact of mobile phone applications in insurance
- The use of geo-location technology in household insurance
- How insurers fight against consumer fraud

Sixth

- NCAs initiatives to foster fin.inn.
- Insurtech Firms/ start-ups
- New life insurance products
- The use of telematics in insurance
- Peer-to-peer (P2P) insurance undertakings

Seventh

- Cross-selling
- Big Data analytics in health insurance
- Motor insurance telematics
- On-demand insurance products
- Cyber-risks

The Fifth, Sixth, and Seventh Consumer Trends Reports covered specific topics

Which topics does the IRSG think could be covered in detail in the Eight (2019) Report?

Questions?

EIOPA Consumer Protection Department