

IN BRIEF

EIOPA CONSUMER TRENDS 2019

MAIN FINDINGS OF THE REPORT

An increase in the money spent on insurance premiums relative to gross domestic product has been observed across the European Economic Area (EEA). It is also noteworthy that:

- Transparency and disclosure of information to consumers has improved.
- The digitalisation of the sector continues to take shape.

In most EU countries, accident and health insurance products continue to appear 'good value for money'.

Areas that could cause potential consumer detriment continue being reported, with possible risks for consumers across the product lifecycle. The following areas stand out:

☛ Unit-linked insurance remains a challenging product from a consumer perspective, given:

- Complexity of investment risks;
- Development of hybrid contracts that combine unit-linked, profit participation elements and partial guarantees;
- Conflicts of interest arising in product manufacturing and distribution phase;
- Limited transparency in terms of costs and returns.



Platforms, through which different products and services, including insurance, are readily available to consumers are on the rise in the Union;

Comparison websites which facilitate comparisons between different insurance products are also on the rise — these can aid consumers in shopping around, when appropriately designed.

☛ Credit life/credit protection insurance continues raising concerns due to high-commissions, aggressive sales tactics and overall low value for money, though it has the potential of offering significant benefits to consumers.

“At each bank we went to they told us “if you want good conditions you also need to get a home insurance and mortgage insurance with us”

☛ Insurance products sold in connection with the purchase of other goods or services remain an area of concern.

The sale of these products can happen through aggressive sales tactics where consumers do not pay enough attention to what is covered and to what is excluded.

☛ Claims management in motor insurance continues also being a source of consumer detriment: motor insurance related complaints continued to increase, by 6% in the EEA in 2018 and these complaints represent the vast majority of complaints.

Claims ratios, which broadly indicate the percentage of the premium paid back to consumers, dropped in 16 Member States.

The average gross payment per claim also dropped in 2019 compared with 2016.



The occupational and personal pension sectors experienced varying trends across the EEA.

As life expectancy is increasing, a strain is being put on the decumulation phase, i.e. on the moment when the pension is paid out. In order to address this issue, changes and innovations are increasing. These include:

- A life cycling approach, i.e., riskier investment in the early phase to increase returns followed by more conservative investments closer to retirement age, to guarantee the capital.
- Delays in retirement.

Online and more interactive communication are being established across the EU, given the importance of effective and clear communication with the members of pension schemes. These include pensions dashboards, which allow consumers to see their pension situation and information from different schemes.



Overall, changes in the EU Regulatory framework in 2018 are already showing in form of positive developments. However, to address some of the risks highlighted in the Report, more work will be needed to ensure that the design and targeting of products is customer centric and products meet consumers demands, needs, objectives and expectations.

WHAT IS WHAT?

IBIPs (Insurance Based Investment Products): offer a maturity or surrender value wholly or partially exposed, directly or indirectly, to market fluctuations. IBIPs are a type of Packaged Retail Investment and Insurance-Based Product (PRIIP).

IBIPs provide a return over time, and have an element of risk. Additional benefits include death cover or other types of biometric risks cover.

IBIPs can be unit-linked products, profit participation products, or hybrids of unit-linked funds and profit participation funds.

- **Profit participation products** distribute a share of the profits of the insurer related for example to investments in selected assets held by the insurance company to the insured and generally have a minimum guaranteed return. The assets backing these products are aggregate at the undertaking level, there is no segregation based on the policy.
- **Unit-linked products** offer a return that can be partially or entirely dependent on how different underlying investments are performing. The underlying investments are identifiable and separate from the assets of the undertaking.

Credit life/credit protection insurance offer insurance coverage to anybody who has taken on a loan or mortgage, e.g. for buying an apartment or house, to ensure repayment of the loan if the borrower dies, becomes ill or disabled, loses a job, or faces other circumstances – specified in the policy – that may prevent them from earning income to service the debt. These can be either a form of life insurance or a form of non-life insurance depending on the nature of the insurance cover.

LEARN MORE



- Visit the dedicated webpage: <https://eiopa.europa.eu/consumer-protection/consumer-lounge>

CONTACT US

Westhafenplatz 1,
60327 Frankfurt am Main, Germany
<https://eiopa.europa.eu/>