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EIOPA's Initial Overview of Key Consumer Trends in the EU

1. The European Insurance and Occupational Pensions Authority (EIOPA) is required under its empowering legislation to "**collect, analyse and report on consumer trends**"¹. The primary purpose of this Overview is to provide an initial European view of consumer trends in the insurance and pensions sectors, in a concise format.
2. An initial methodology was adopted for the purposes of identifying trends for this first overview, which involved carrying out a stock-taking exercise of Members' experiences in relation to consumer trends in their respective jurisdictions, affecting the insurance and pensions sectors. A more detailed methodology based on data collection is being developed by EIOPA at present in order to provide EIOPA with the material necessary to issue regular reports on consumer trends in the EU.
3. The following three key consumer trends were identified by EIOPA Members:
 - (i) **Consumer protection issues around payment protection insurance;**
 - (ii) **Increased focus on unit-linked life insurance products;**
 - (iii) **Increased use of comparison websites by consumers.**
4. The following general conclusions were reached in order to provide an overview of the consumer trends identified:

Consumer protection issues around Payment Protection Insurance (PPI)

5. **Consumer Protection issues around PPI** have been identified by some EIOPA Members as a **key consumer trend**, given the size of the market and the regulatory issues which arise from certain types of selling practices. Examples of sales failings which have been identified, include:
 - Not taking reasonable steps to ensure the customer only bought a policy for which he was eligible to claim benefits;
 - Misleading the customer into believing that taking out PPI is compulsory in order to obtain a loan;
 - Not disclosing the main features of the policy to the customer in a clear, fair and not misleading way and in good time;
 - Where relevant, not explaining whether they are selling on an advised or non-advised basis;
 - Where selling on an advised basis:
 - Failing to establish the customer's demands and needs; or
 - Not checking whether the policy is suitable for the customer given his demands and needs;
 - Not laying down the relevant information in the advice file.
6. Recently, at least 5 countries have taken action to pass **tighter regulation** over the sale of PPI and have taken **enforcement action**, where appropriate.

¹ Article 9(1)(a), Regulation 1094/2010 establishing EIOPA. The term "consumer trend" is not defined in the EIOPA Regulation. EIOPA therefore devised the following workable definition for the purposes of this Overview: "*Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including, where relevant, insurance intermediaries) that are significant regarding their impact or their novelty*". The purpose of adopting a broad definition is to make it possible to focus on all stages of the product cycle. "Trends", therefore, means, for example, evolutions in volume, evolution in the way the relationship between customers and undertakings/intermediaries is determined, but also evolutions that are only emerging in the market and which can play a significant role in the future.

Development of unit-linked life insurance

7. In several Member States, there is a **growing interest in unit-linked policies**. The **underlying funds can be complex** and the associated risks and/or costs are not necessarily sufficiently transparent to consumers. Hybrid life insurance products, which combine unit-linked offerings with some with-profit element have also been considered in this context.
8. Regulators have responded by asking for **increased cost transparency** or, where their action captures complex products in general, providing guidance on the pre-contractual disclosure or, in one case, calling for a moratorium.

Increased use of comparison websites by consumers

9. There are **significant differences in the types of comparison websites prevalent on the EU insurance market**. Aside from commercial comparison websites, there are a wide variety of non-commercial comparison websites in the EU which are developed and/or run by consumer associations, financial supervisors, independent bodies or professional associations.
10. Commercial comparison websites have **gained increased significance** over the past few years. These websites are an increasingly used means of communication or distribution channel that enhance comparability of information for consumers. Therefore, they have helped to stimulate more competition between insurers and intermediaries.
11. However, **significant drawbacks** have also been identified with regard to **over-reliance by consumers on the price** of products, rather than understanding the underlying terms and conditions. In addition, in some Member States, misleading information may be provided to consumers due to conflicts of interest stemming from **close commercial links between insurers and commercial comparison websites**. Commercial comparison websites may also not necessarily be suitable for certain types of products such as life insurance, where more information is required than usually obtained through the short set of questions typical on such sites.
12. There is some evidence that commercial **comparison websites are often unaware** that they may fall under the scope **of existing EU insurance regulation** such as the Insurance Mediation Directive and might have difficulties in adapting to the demands of regulation.
13. Where appropriate, EIOPA will take action to further analyse and investigate these trends from a European perspective in order to promote safety and soundness of markets and convergence of regulatory practice.
14. Future work on consumer trends may include cross-sectoral analysis under the auspices of the Joint Committee of the European Supervisory Authorities (ESAs) - ESMA, EBA and EIOPA - because some consumer trends may cut across financial sectors and the same requirement to collect, analyse and report on consumer trends exists in the empowering legislation of the three ESAs.