EIOPA-IRSG-19-09
7 June 2019

IRSG Feedback Statement on EIOPA's Questionnaire on the 2019 Consumer Trends Report

1. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends[1]. To date, EIOPA has produced seven Consumer Trends Reports. The term 'consumer trend' is not defined in EIOPA's Regulation. EIOPA therefore devised the following working definition:

"*Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty*"

The term 'trends' is understood in a broad sense: it covers, for example, evolutions in volumes of business or in the relationship between customers and undertakings/intermediaries, as well as the emergence of new products or services, or other linked financial innovations. The trend may already be consolidated for a number of years, but it may also be only emergent, with the possibility of becoming significant in the future.

The report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals; EIOPA seeks to identify possible consumer protection issues arising from identified trends. Nevertheless, positive developments are also identified and highlighted.

[1] Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA

EIOPA
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

2. Questions to the IRSG

Like in the past two years, EIOPA would like to collect from IRSG informal input to the work on the Consumer Trends Report. In addition to your experience as stakeholders, it would be very useful if you could attach or provide the links to any relevant sources of information to complement your feedback. IRSG Members are also encouraged to refer to specific examples they may have observed at national or European level.

The IRSG is invited to explain how the demand and/or offer for the below insurance products has increased / decreased / remained unchanged, during 2018. Please, where relevant, refer to any possible financial innovations, market developments, or positive/improved consumer outcomes you may have observed. The deadline to provide input is **Friday 31 May 2019**.

Product categories	**Developments in demand / offer / financial innovations / market environment /market practices / consumer protection**
Life insurance - with profit	**BRUNO SCARONI, ITALY, Industry** Across Europe in light of S2 regulation coming into daily practice limited undertaking appetite for capital absorbing products, also in the space of traditional products/segregated funds new business to avoid performance dilution with new flows versus existing commitments and investments. Clear shift towards 0% guarantee or protection schemesin light of interest rate curve and ability to accomplish performance above inflation level, across all European markets. Roboadvisory as innovation to provide more thorough and factual customer advice being piloted in a number of geographies, also in the context of customer asset allocation and diversification. Same trend can be observed in the Banking industry primarily in the Wealth Management practises. Additional trend towards Robo4Advisory, to support intermediaries in the identification of the most suitable asset allocation/product set to address customer needs. **GUILLAUME PRACHE, FRANCE, Users** In France:

	2018 is the first time in history that the number one long term financial savings product in France - capital guaranteed life insurance policies (better name than “with profit” policies which is the UK label and is misleading as unit linked policies are also with profit sharing) : € 1300 billion – has returned on average a negative real return even before tax: life insured people have lost money: the years long “financial repression” from central bankers and solvency rules (which favour EU sovereign bonds with negative real returns) has eventually destroyed the real value of citizens’ savings. The average return is even significantly lower for the policies sold by banks (“bancassurance”) who hold two thirds of this market (but higher for policies subscribed by independent savers’ associations). In Germany: Due to the long-term ongoing low interest rate phase the German legislator had amended the law by which life insurers were allowed to reduce the pay-outs of surplus based on accumulated capital reserves. Especially the pay-outs based on high market values of fixed income securities can be reduced under certain circum-stances. Now several individual cases were reported that policy holders took legal action against their life insurers in order to make them justify the reduction of these surpluses (non-guaranteed participation at benefits). **GREG VAN ELSEN, BELGIUM, Consumers** In 2018, our German member *VZBV* published a position paper to ensure that consumers are not disadvantaged when life insurers discontinue new life insurance policies and/or sell their existing contracts to other providers. In 2018, our German member *VZBV* found that Riester pension products are not cost-effective for consumers. The European Commission’s retail distribution study published last year demonstrates that intermediaries frequently do not display any or only limited information concerning the applicable costs and charges associated with life insurance products on their websites. In particular, for life insurance policies, it can be difficult for retail investors to find relevant information concerning fees on the websites of distributors. Even when displayed, it is often unclear if the fees include the costs for the underlying assets in which they invest (this is particularly true for life insurance products without a capital guarantee). In many cases, retail investors would need to talk directly with advisers in order to

	receive the necessary information about costs. This in turn impedes retail investors ability to compare fees across life insurance products. As a result, they refrain from investing in life insurance products, or simply choose the life insurance product provided by the bank/insurer where they are already a client. In Norway, there exists a legal obligation for banks/insurers to share price information about investment products (including life insurance products) with the Norwegian Consumer Council, allowing them to operate a public price comparison website (finansportalen.no) for common investment products, including life insurance products. Many retail investors across Europe lack effective comparison tools for life insurance products, or existing comparison tools are inadequate. **GIAMPAOLO PETRI, ITALY, Consumers** The substance of the consumer report needs to be clarified. Are we sure that the consumer trends are the result of the consumers' free choice or, on the contrary, are the result of a well-planned marketing strategy organised by the companies? Last year the report shows, for example, an increase of 42% in life insurance unit- linked and index-linked and a decrease of 9% in life insurance with profit. Are those results really the consequence of the consumers' free choice?
Life insurance - unit linked	**BRUNO SCARONI, ITALY, Industry** Undertaking quest for performance focusing on the trade-off between liquidity of assets and retuns, e.g., assessment of new asset classes including infrastructure financing, corporate debt and other higher return instruments; investment grade constraints to play a critical role in defining the risk-return value proposition to customer and potentially to foster adoption of further product segmentation depending on the risk appetite/proficiency at customer level. Sovereign debt also playing a factor although it exposes undertaking to rerating assessments and constraints due to large ownerships, volatility exposure. Roboadvisory and Robo4Advisory as emerging trend to further respond to customer needs through analytical and tailored appro ach as per the previous point. **GUILLAUME PRACHE, FRANCE, Users**

	In France: Following the issue above, distributors more and more promote capital guaranteed policies with higher interest rates than the average ones but tied to an obligation to invest 30 or 40 % of premia into unit-linked insurance instead. This is a very serious user protection issue as: - Savers are pushed to invest in much riskier unit-linked insurance where they (not the insurer) bear most or all the investment risks - Unit linked products are three to six times more fee-laden than capital guaranteed policies - The total actual fees of unit linked are not disclosed to savers - Low cost units such as index ETFS are almost never promoted by distributors because they derive no inducements / commissions for them (obvious conflict of interests) - Largely because of the very high and hidden global fees, the real (after inflation and fees) performance of unit linked insurance in France has been highly negative since the beginning of this century. This very negative long-term real performance is also hidden and undisclosed to citizens.
Other life insurance (please explain)	**BRUNO SCARONI, ITALY, Industry** Waiting rule book for PEPP in Europe. Waiting rule book for PEPP in Europe; opportunity to be reaped across European countries specifically for undertakings operating in the European markets arena. To be further assess the potential impact from new regulation and the expected take up of customers that would join programs/purchase products depending on their professional life mobility across Europe. **GUILLAUME PRACHE, FRANCE, Users** In France: Insurance-based personal pensions

	The French Government (upcoming "PACTE" Law) is about (April 2019) to repeal two key personal pension ("PERP" or Pension Saving People's Plan) saver protection safeguards: a) Commissions / inducements on units (for unit-linked personal pensions) will no longer be mandatorily attributed o the Plans and distributors will become able to pocket those for themselves b) The assets of each Plan will no longer have to be segregated in the insurer's balance sheet, allowing the insurer to calibrate the annual returns of the Plans as they wish. Therefore pension savers protection is severely deteriorating in France. **GIAMPAOLO PETRI, ITALY, Consumers** With regard to the life insurance sector, it would be very interesting to know the percentage of the fiscal benefits that each country attributes to each consumer and also to know the percentage of the total cost of each policy. Is there any relation between the fiscal benefit and the cost? i.e. more fiscal benefits more costs? How much do the fiscal benefits cost to each country?
Payment Protection Insurance	**GUILLAUME PRACHE, FRANCE, Users** In Germany: In 2017 the German NCA (BaFin) published an important research on distribution pratices mainly in bancassurance related to PPI. It was shown that the commissions for the distributors were often as high as 50%, in some cases even 70% of the total sums of premiums paid by the customers. Additionally it was shown that these additionally insurance costs were not included into the calculation of the annual "effective" interest rate of the credit disclosed to the customers. This would have been obligatory only if there is a "tied" product, but not a formally voluntarily "bundled" product. That is the reason why BaFin proposed an obligatory cap of commissions (2,5%) for this class of insurances, which probably will become law in Germany this year. This step has even enhanced a fundamental public discussion on a generalized cap of commissions for all life insurance products.

	GREG VAN ELSEN, BELGIUM, Consumers In 2018, our German member *Marktwachter Hamburg* identified numerous issues with the sale of payment protection insurance policies to consumers. VZBV has also published a position paper on numerous problems associated with Payment Protection Insurance in the German market. In 2017, the German insurance supervisor BaFin carried out a market investigation of PPI policies, and found that the commission rates associated with these policies can be very high: - 12 credit institutions said they received less than 50 percent of the insurance premium - At another 12 banks, the maximum rate of commission was 50 percent - 7 institutions received more than 50 percent. - In a few isolated cases, the commission exceeded 70 percent. In 2017, the Belgian FSMA carried out a market investigation of the PPI market, and found that "such products are expensive considering the cover offered." An analysis of the number of claims made in the period between 2011 and 2015 shows that insurers paid out on a claim in only 0.24% of the contracts in force. During that period, companies that were included in the study collected an average of 65 million euros in premiums per year. Only 12% of this amount was used to pay claims. In the case of one insurer, the percentage was only 1.15%; for the others, it was around 20%. The FSMA analysis also found that the commission rates associated with PPI policies can be very high: More than half the premiums, that is, 35 million euros or 53%, was used to pay charges and commissions. At one of the insurers, charges and commissions represented more than 70% of the premiums paid by the policyholders. In 2018, our Belgian member *Test Achats* launched a legal case against the Belgian insurers AXA, AG Insurance and Belfius for breaching privacy laws when selling payment protection insurance policies to Belgian consumers. *Test Achats* claimed that the medical questions asked to consumers were invasive. As a result of the court case, insurers have agreed to change a number of the questions they ask consumers when selling PPI. In 2019, the Belgian government amended the Belgian Insurance Act following a campaign by *Test Achats*, introducing a 'right to be forgotten'. When cancer victims seek payment protection insurance, they frequently are required to pay high premiums for

	these policies. Under the new law, insurers will no longer be allowed to take into account that a patient had cancer when setting a consumer's premium, if the cancer was cured ten years ago or longer (for certain types of cancer, the right to be forgotten exists for even fewer years).
	
	In general, many of our members continue to have concerns about PPI products sold to consumers in their markets. We consulted with our members on PPI in recent months, and received the following feedback:
	
	- Greece:
	  - Banks frequently impose PPI policies alongside loans which are very expensive and limited considering the cover offered.
	  - Consumers experience problems with non-transparent contract terms
	- Portugal
	  - Inadequacy of the product as it excludes some types of work contracts and the consumers that were sold those PPI products were in that category, thus unable to benefit from the coverage;
	  - On health conditions, exclusions may be applied to neurologic conditions, back problems, or even drinking habits or drug use, even if the accident is not related to those habits;
	  - Premium paid as a lump sum at the beginning of the contract and not reimbursed in cases of early repayment of the underlying loan;
	  - Some contracts include premiums in the loan conditions extending the instalments' period or raising its value, which may contribute to over-indebtedness;
	  - Some contracts include temporary incapacity of 30 days but, at the same time, apply a 60 day excess period, meaning that the compensation is only paid after the 61st day;
	  - Lack of information as many contracts are signed and activated without explicit identification and information given to the consumers, mainly in point of sale PPI sales. This results in consumers being unaware of exclusions, timings for claims, and even the actual existence of the PPI policy.

	- <u>Italy</u>
	  - In Italy, despite laws, several actions were carried out by Bank of Italy and the Institute for the Supervision of Insurance, in order to ask companies more transparency in cost and fees and to suggest some actions that companies should take to increase consumer protections.
	  - However, problems with PPI are very common, in particular with reference to information and consumers' awareness about the limits provided in the insurance contract.
	- <u>Slovenia</u>
	  - Cross-selling concerns related to PPI
	  - PPI is sold alongside loans/overdraft and consumers do not have the knowledge or opportunity to assess the need for this cross-sold product. Often, consumers have to decide very quickly on whether to take out the PPI.
	- Banks in Slovenia achieve a high penetration rate when selling PPI policies, but basic question remains whether consumers need a PPI in all cases, or whether it would be better to obtain a similar insurance from another provider.
	DIRK ULBRICHT, GERMANY, Consumers
	The institute for financial services (iff) conducted a Germany-wide mystery-shopping exercise testing the sale of consumer credit and PPI of all major banks on behalf of Finanzwende (FinanceWatch Germany).
	• Financially vulnerable customers are particulary likely to be sold a PPI.
	• PPI is sold exerting pressure and is sometimes even mandatory for taking out a loan.
	• In some extreme cases interest including PPI amounted to as much as 25 % p.a.
	• PPI were frequently inadequate, the needs of the customers were not considered during the sales conversation. Sometimes a PPI was included in the documents for signature without raising the issue, at all.

Accident and Health insurance	**BRUNO SCARONI, ITALY, Industry** IoT management to represent the new frontier to improve and customize value propositions, also potentially including non-insurance products in the space of prevention and service, e.g., Wearables. Still to be addressed the regulatory gap on data ownership, privacy and use at undertakings in order to avoid asymmetric information and adverse selection at providers' level. Same principles applicable in the health space for DNA medical exams reporting to investigate genetic predispositions; need to make sure these analyses and data do not become a hurdle for insurability of customers who either do not have access to these tests or are not willing to provide information to insurers. **GIAMPAOLO PETRI, ITALY, Consumers** Due to the need for a new, future welfare, it seems advisable to evaluate long-term care in relation to percentage cost and waiting period. In Italy, in many cases the cost is over 25% and the waiting period for Alzheimer's, for example, is 5 years. These policies require massive numbers of policy-holders to contain the insurance premium and render them sustainable and attractive. At a first stage, the pension funds could launch this policy with a view to making them compulsory in the long tem, thus generating a positive new consumer trend.
Motor insurance	**BRUNO SCARONI, ITALY, Industry** Connected car: clear trend primarily due to EU e-call7b-call recent regulation, where high volumes and black box standardization are steering the business away from traditional intermediaries towards B2B2C partnerships and other industries like Automotive Manufacturers, Rental and Leasing Companies, Car Sharing and Logistics. Coverages as MTPL and additional MOD will be more and more bundled and made available by dealers at the purchace/financing of vehicles. Value proposition for customers to be further improved thanks to IoT enabled services and prevention activities, as well as additional value to car manufacturer/owner for efficient management of fleet, mantainance and replacement.

	GUILLAUME PRACHE, FRANCE, Users In Germany: In principle it is possible that "usage-based insurances" may result in a stronger segmentation of customers in a positive way. Telematics-based motor insurances especially for beginners may sanction the risk-averse way of driving by a decrease of premiums and on the contrary a very risky way of driving by an increase of premiums. But these positive outcomes are only possible under far-reaching prerequisites fulfilled by the insurers with regard to the promotion of public awareness, of consumer education and of consumer rights, especially of a high level of transparency towards the customers. Via a wide-range market research it will often be possible to find out another insurer which offers a tariff for this special target market which is less expensive even without using telematics-based tariffs. With regard to more or less fully automated indemnity procedures we fully support the critical perspective outlined by the Director of the German NCA (BaFin), Mr Frank Grund, in November 2018 emphasizing that these digital procedures must not become a "black box": the management of the insurers will always be fully responsible for defining the rules and the workflows of these procedures which they have to understand and control on all levels.
Household insurance	**BRUNO SCARONI, ITALY, Industry** Still limited adoption of IoT and standardization of communications protocols as well as energy saving devices; future pick up foreseeable thanks to open architecture hubs (e.g., Voice assistance, AppleTV) and additional opportunity to bundle insurance and services in the Household space. Privacy can act as a major hurdle for the IoT deployment at household level unless properly addressed by undertakings.
Travel insurance	**BRUNO SCARONI, ITALY, Industry** IoT opportunity to enhance products through mobile devices, geo localization and video calls to assess patients conditions and interact with medical team. **GUILLAUME PRACHE, FRANCE, Users** In Germany:

	BdV considers medical travel insurances as a necessary product class. The national implementation of IDD was completed in Germany in time, but as predictable the minimum standards fixed by the EU directive were not reinforced by the national implementation like probably in most other EU member states as well. We strongly criticize that the travel agencies are not even regulated by the minimum standards of IDD due to the exemptions already fixed in the directive: amount of premiums not exceeding 600 Euro on a pro rata annual basis or not exceeding 300 Euro for a duration of service lasting not more than three months (cf. article 1 (3) IDD). In Germany in 2016 there were more than 25 million contracts – exclusively - of medical travel insurances (with a total sum of gross premiums of about 360 million Euro; cf. GDV Statistical Yearbook 2017). Due to these exemptions this huge part of insurance business is mostly not submitted to any supervisory authority at all! Additionally the consequence is that there is no obligation of professional registration and no control of the minimum standards of professional knowledge and competence requirements of these ancillary intermediaries. No need to assess that the risk of consumer detriment is still ubiquitous despite IDD. **GREG VAN ELSEN, BELGIUM, Consumers** A number of our members have identified flaws with 'add-on' travel insurance policies sold to consumers when buying a packaged holiday or when purchasing a flight. The 'add-on' policies which are sold to consumers are frequently more expensive, or offer inferior cover versus the policies which are available to consumers when purchasing directly from an insurer: • In November 2017, *Which?* carried out a market study of the 'add-on' travel insurance policies offered from airlines and travel agents. The study revealed that holidaymakers who opt for an add-on insurance when booking their vacation could be purchasing insurance that is up to eighteen times more expensive. The add-on policies, offered as an extra when you book flights or holidays online, are not only overpriced, but also often full of holes. As part of the study, *Which?* rated the most important elements of 30 travel insurance add-ons (including cover for cash, delays, cancellation, medical expenses and baggage), and almost half did not meet *Which?*'s minimum criteria for

	what it would consider comprehensive cover. For instance, one add-on travel insurance offered by the Spanish airline Vueling (at a cost of £11) was particularly poor and only offered medial cover up to £10,000, with no cover for: cancellation or curtailment, damage to baggage and belongings, or travel delay. • In 2018, VZBV tested the travel insurance policies offered alongside 'premium' or 'platinum' credit cards on offer to consumers in Germany. These credit cards usually have high fees, costing for instance up to €150 per year. VZBV's test (see *'Finanztest – Plastikgold mit Tucken', 9/2018 –* attached with e-mail) found that a consumer would typically fare better signing up for a less costlier credit card, and buying travel insurance protection separately. Many of the add-on travel insurance policies offered alongside travel insurance policies were either too costly, or offered limited protections for consumers. • In 2017, VZBV compared 'add-on' travel insurance policies which are offered to consumers when buying a holiday online. The study (see '*Finanztest – Schnell geklickt – oft zweite Wahl'*, 10/2017 – attached with e-mail) found that consumers would generally be better off purchasing the travel insurance separately. Ancillary travel insurance products were costlier, included high deductibles, included many components not useful to the consumer, and in certain cases were automatically re-extended.
Mobile Phone Insurance	**BRUNO SCARONI, ITALY, Industry** Niche product in most southern European countries; difficulty to rely upon certifice repair network and consequently define a sustainable level of cost of claims and value proposition return to Customers. **GREG VAN ELSEN, BELGIUM, Consumers** A number of our members have identified aggressive sales and marketing techniques related to the sale of mobile phone insurance policies: - In 2018, our French member *UFC-Que Choisir* identified numerous issues with insurance policies sold by the firm *SFAM* to consumers purchasing high-tech products, including insurance sold alongside mobile phones. According to their investigations, insurance policies alongside high-tech products sold in the consumer retail store *Fnac* were often sold in an aggressive manner to consumers. Consumers were strongly encouraged to purchase insurance

	policies when purchasing high-tech products, enticed by a €30 rebate. In certain cases, consumers were unaware that they had signed up to an insurance policy when signing on for the €30 discount, and were subsequently charged from their bank account for the policy (without even realising that they had bought one). Following several consumer complaints, *UFC-Que Choisir* filed an official complaint with the *Tribunal de Grand Istance de Paris* against *Fnac* and *SFAM*, asserting that their commercial practices could be considered misleading and aggressive.
	- In the UK, Carphone Warehouse was fined £29m by the Financial Conduct Authority for mis-selling '*Geek Squad'* insurance policies to thousands of consumers alongside mobile phones. The FCA found that the retail's staff were not trained to assess consumer needs, and that thousands of consumers were persuaded to buy *Geek Squad* insurance, even though they for instance already held mobile phone cover through their home insurance or bank account.
	
	In general, many of our members have carried out investigations showing that mobile phone insurance policies sold by insurance firms often offer poor value for money to consumers due to high exclusions / high costs:
	- Test Achats (Belgium)
	  o https://www.test-aankoop.be/hightech/gsms-en-smartphones/nieuws/verzekering-smartphone
	  o https://www.test-aankoop.be/hightech/gsms-en-smartphones/nieuws/smartphoneverzekeringen
	  o https://www.test-aankoop.be/action/pers%20informatie/persberichten/2013/verzekeringen-voor-smartphones-acht-op-de-tien-zijn-ronduit-slecht
	- UFC-Que Choisir (France)
	  o https://www.quechoisir.org/action-ufc-que-choisir-assurance-telephonie-mobile-un-vrai-probleme-de-couverture-n12101/
	- Which? (United Kingdom)
	  o https://www.which.co.uk/news/2012/01/mobile-phone-insurance-money-products-to-avoid-277318/
	- Marktwachter

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	o https://www.marktwaechter.de/pressemeldung/handyversicherungen-verbraucher-erhalten-bei-diebstahl-meistens-kein-geld - VZBV (Germany) o https://www.vzbv.de/sites/default/files/downloads/2019/01/15/2017_vzbv_faktenblatt_kleine_versicherungen.pdf
Other non-life (please explain)	**BRUNO SCARONI, ITALY, Industry** Blockchain for claims settlement especially in the context of SMEs/Corporate risks
Other, including non-product related issues	**GUILLAUME PRACHE, FRANCE, Users** in Germany: PRIIPs regulation: 2018 was the first year of generalized publication and use of the KIDs for PRIIPs. In Germany the existing national Product Information Sheets for life insurances were fully replaced by the new EU KIDs for IBIPs. Unfortunately some costs disclosures were better regulated before on the national level than now on the European level, for example there was a hard disclosure of commissions before. That is why we consider the Reduction in Yield as cost parameter as not sufficient, because it is only based on a just probable future development of possible benefits. In contrast to this the reference parameter which is obvious for any consumer should be the annual or total amount of contributions or premiums paid by the customer. Additionally the cost disclosures in the KID should be completed by past performances and a reliable benchmark. IDD implementation: Following to the national implementation of IDD the German legislator clearly established the objective of strengthening fee-based remuneration systems against commission-based remuneration systems for the distribution of insurances. The latter is still strongly prevalent and mostly used by brokers and tied agents in contrast to "insurances advisors" who – by their legal professional status - must provide independent advice and therefore be remunerated by fees paid by the customers themselves.

	But there are some examples of "insurance advisors" who use a kind of mixed remuneration system. This is especially true for those cases in which a customer aims at getting a less expensive tariff of private health insurance. In these cases the customers pays a "fee" to the advisor who prepares the switch of tariff, but only if the switch actually takes place and depending on the amount of saved premiums in the future. In the perspective of BdV this "fee" resembles much more a commission than a fixed service fee for independent advice. That is why BdV took action against this remuneration system, the stages of appeal continue and will be decided by the Federal Court of Justice. **GIAMPAOLO PETRI, ITALY, Consumers** Many companies propose apps on their websites where the consumer can introduce personal data to receive an insurance needs' assessment. Again, this kind of app should be proposed by the national independent authorities to ensure the application of 'neutral' algorithms and also to improve consumer awareness.

In addition, the IRSG is invited to provide input on the following topics:

1. Insurance digital ecosystems

Ecosystems are understood as networks such as platforms through which different types of products and services, including insurance, are offered by one or several players. Insurers who participate in digital ecosystems are enabled to sell targeted products to consumers using these ecosystems – for example, BlaBlaCar and some European motor insurers cooperate to offer, online, short-term motor insurance coverage to users of the BlaBlaCar car-sharing platform. Through these ecosystems, the whole relationship between a policyholders and a consumers is, hence, 'fully digitalized' and the offer is personalized to the specific target market using these platforms.

Please set out your views on changes to insurance business models arising from the development of these **ecosystems** and the offer of insurance products via such ecosystems as well as their impact on consumers.

BRUNO SCARONI, ITALY, Industry IoT enables transition from single data point management at UW to management of continuous data flows…it allows the creation of ecosystem bundling insurance with prevention and ancillary services. IoT represents the next revolution/opportunity for

the insurance industry to promote higher interactions with customers and provide them with additional value.

GUILLAUME PRACHE, FRANCE, Users

These so-called ecosystems are often ("blablacar" example for instance) tied sales: you cannot compare the insurance contract offered with any other and cannot take another one.   Therefore, there is a high risk of overpaying for this coverage.

GREG VAN ELSEN, BELGIUM, Consumers

Competitive markets are essential for consumer welfare. In a digital ecosystem, consumers should expect to find a wide range of insurance products/services available to them. However, the platform economy can give rise to anti-competitive behaviour, with platforms acting as 'gatekeepers' restricting consumer choice. BEUC has issued a series of recommendations in a position paper (see section 2.10) on 'Ensuring consumer protection in the platform economy' on how to deal with challenges of the rise of the platform economy.

MIRANDA HENDRIKS, NETHERLANDS, Industry

More in general a key trend is that ecosystems/open platform will play a major role in a tech driven insurance industry. Insurers won't disappear!, but their role could change depending on their own strategy. Insurers could create an ecosystem around them and form partnerships with other financial and non-financial entities. The role of the insurer in such an ecosystem is dependent on their strategy. One possible role could be that the insurer is in the lead of the ecosystem and orchestrates the entire ecosystem. Another possible role is that the insurer is only a risk carrier, etc. Ecosystems could help insurers to stay relevant.

Ecosystems/open platforms have the potential to offer new and personalized services and insurance products to consumers: the right insurance policy, at the right time and via the right distribution channel based on data and the use of tech (AI/ML) available on the ecosystem.

MARTINA BAUMGAERTEL, GERMANY, Industry

Platforms challenge the nature of competition as competition on the market shifts to competition for the market. Companies run the risk of losing their customer interface to platform providers (e.g. platforms can nudge consumers through biased information) and a fair chance to competition (e.g. through most favoured nation clauses). This could ultimately lead to higher prices for consumers, as competition gets restricted.

Platforms are highly successful in pushing into vertical markets by creating brand specific ecosystems. This endangers companies to become orchestrated in foreign ecosystems.

Platforms are marketplaces and should be regulated as such or, if necessary, unbundled to ensure the variety in distribution.

MICHAELA KOLLER, Industry

Although ecosystems are generally perceived as likely to offer positive opportunities for insurers in terms of distribution channels and product development, insurers are very sensitive to the risks that arise from these for consumers. Risks could include higher premiums for one-off insurances when compared with annual coverage for a similar risk, as an opportunity cost for consumers to obtain situational cover. It could also mean a lack of understanding by customers about the scope of coverage. However, benefits for consumers also flow, such as access to one-off, situational insurance that would have been less common in the past. Here, the value of financial education and transparency of products (as already envisaged in the IDD) should not be underestimated as this domain develops. It appears that developments here are still in its infancy in most markets.

2. Vulnerable consumers

In past Consumer Trends Reports, some NCAs reported having begun conducting specific work to address conduct risks borne by **vulnerable consumers (e.g., elderly people, lower income people, people with impaired vision)**. In fact, **vulnerable consumers** can be subject to a higher degree of detriment as some specific conduct measures may not be enough to ensure good outcomes for these consumers' categories. Digital technologies can also have a more negative impact on certain categories of **vulnerable consumers**, such as price-discrimination, eventually leading to exclusion/these consumers being under-served.

BRUNO SCARONI, ITALY, Industry

Well understood and addressed through the implementation of EU-wide regulation set in core markets.

GUILLAUME PRACHE, FRANCE, Users

Complaints:

Complaints of customers on distribution or product related issues constitute a major part of this report. Nevertheless the absolute figures of complaints taken into consideration by the report are very low as outlined several times, very probably because they only rely on the figures reported by the NCAs to EIOPA. That is why we urge for the future to take additionally into consideration the reports and figures of the insurance ombudsmen which exist in many EU member states. Of course the European Ombudsman should be included as well. In those EU member states in which there is no ombudsman for insurances, figures published by Alternative Dispute Resolution (ADR) institutions may be added (based on the relevant EU directive).

Big Data:

The more Big Data are used by insurers the more customers may be segmented, as the JC Final Report on Big Data of 15 March 2018 correctly stated. On the one hand it seems to be possible that Big Data delivers more precise results than ever in order to identify target markets and to assign a customer to a target market. Maybe that for some individual cases the demands and needs of a particular customer will be met very closely. People with disability and risk life insurances based on fitness trackers may benefit from premium reductions (or home owners who implement smart house solutions against burglary, water or fire damages etc.).

But we are afraid that these cases will be exceptional examples. If the segmentation and even individualization of customers and tariffs are overdone, this is contradictory to the principles of insurance itself. The basis of insurance is the law of the large numbers. Only if the collective basis for a tariff cohort is large enough, any kind of calculation of probability is valid enough (and based on that any kind of calculation of premiums). We definitely foresee the danger that Big Data will mostly be used either as marketing-gag or as a means in order to detect and exclude possible high-risk customers via the data which are collected by the distributors. The more details the insurers knows about the individual customer the more there is the danger - especially with regard to health data - that a necessary risk coverage (e.g. disability) is not offered or offered only with an additional risk premium (e.g. because of future health problems like diabetes or back pain which are only possible but not sure).

GREG VAN ELSEN, BELGIUM, Consumers

In 2018, our affiliate member *Citizens Advice* launched a super-complaint to the UK's Competitions and Markets Authority (CMA) about unfair pricing practices by companies in the UK market. *Citizens Advice* found evidence that in several markets (including the market for home insurances), longstanding customers pay much more than new customers for same services – a so-called 'loyalty penalty'. For instance, a report into the home insurance market by *Citizens Advice* found that:

- People who renewed their policy over 5 years paid, on average, 70% more than new customers - regardless of claims made or changes in circumstance.
- Across the UK, 12.9 million households could be paying a loyalty penalty - 63% of the home insurance market. Someone with the average cheapest combined policy would pay an extra £13 after 1 year and £110 after 5.
- 1 in 3 customers purchased their policy over 5 years ago. These people could be paying up to 70% more than a new customer.
- 32% of consumers still renewed their policy without checking for better deals first

Citizens Advice found that people in vulnerable states are particularly likely to be penalised: 32% of those paying the loyalty penalty are over 65, compared with 23% of the wider population.

MIRANDA HENDRIKS, NETHERLANDS, Industry

The Dutch association of insurers pays special attention to digital accessibility for people with disabilities (e.g. visually impaired people).They also want to ensure that the services provided by insurers are available to as many people as possible, including people with a disability and people with low literate skills. The association is willing to strengthen 'financial resilience' of vulnerable groups, for example by financial education and develops policies for people with problematic debts.

MARTINA BAUMGAERTEL, GERMANY, Industry

The framework of European and national legislation in place for the insurance sector is fit to prevent wrongful discrimination of consumer groups e.g. obligation to sell demands & needs based and not discriminate against gender. Regulators should thus allow for innovation and focus on cases of abuse.

Insurers are in the business of protecting against risk by assessing risk. BDAI allow for more precise pricing of risk (e.g. telematics tariffs) and incentivize socially desired behavior (e.g. to drive carefully).

Furthermore: the fair differentiation of risks is of central importance to the private insurance industry. Differentiation does not constitute discrimination. Insurers need to be able to adequately assess risks to ensure that they keep the insurance price as competitive as possible and provide adequate coverage for the needs of consumers. Age and disability are important factors in the pricing of many insurance products, including life insurance, annuity insurance, car insurance, disability insurance, long-term care and private health insurance. Refraining from a risk-differentiating assessment of the premium calculation would lead to discrimination against low-risk customer groups.

Ethical questions concerning AI are typically not specific to the insurance sector and should be addressed in a cross sectorial manner.

DIRK ULBRICHT, GERMANY, Consumers

As mentioned in the respective section PPI is considered a harmful product. There are about 7 million financially vulnerable consumers in Germany. As poverty and overindebtedness is stigmatized, many do not address their financial situation adequately contacting overindebtedness consultancy or filing for insolvency. They rather take out fresh loans and delay admission of their situation as long as possible. In this circumstances, unfavorable PPI conditions are willingly accepted. This is althemore important as a disproportional amount of children live in financially vulnerable households as the iff overindebtedness report shows on an annual basis.

MICHAELA KOLLER, Industry

National insurance associations and insurers are very much aware of the need to ensure consumer protection also of vulnerable consumers – they too are (existing or potential, new) customers. Consumer protection is further enhanced also by EU legislative measures. Measures taken by the industry include increasing financial education, developing guidelines and agreed approaches on how to assist specific groups of vulnerable consumers (depending on national needs and preferences). These are often developed voluntarily by the sector. However, it does seem that the term 'vulnerable consumer' is applied to several distinct groups of consumers, when looking at different member states and that approaches differ between taking an all-encompassing approach to consumer protection versus protecting distinct groups of consumers; this reflects differences in national preferences. There will be differences in premium or benefits depending on the risk insured (reflecting the policyholder and event insured), but insurers remain under an obligation not to discriminate. This means that differences are linked to their actuarial risk or impact. It is crucial that insurers remain able to define their business strategy, which in turn impacts the risks insured by them and product exposures accepted by them.

Regardless of whether you have seen any particular conduct issues and/or initiatives to address and mitigate such issues/concerns, please set out your views on whether conduct policy and supervisory measures and/or industry-led initiatives should apply to all consumers regardless of their level of 'vulnerability' or whether specific actions should be taken by supervisory authorities to ensure a higher degree of protection for these consumers.

BRUNO SCARONI, ITALY, Industry

Wide data availability at individual level could be a game changer in the context of jeopardizing the pooling principle of insurance → segment of one dilemma.

GUILLAUME PRACHE, FRANCE, Users

Special attention by regulators and supervisors is needed for the more vulnerable groups.

GREG VAN ELSEN, BELGIUM, Consumers

Citizens Advice issued a series of recommendations to the UK's Financial Conduct Authority (FCA) on how to counter the loyalty penalty in the home insurance market (see p. 19—20 of the report), including a requirement for firms to identify vulnerable consumers and ensure at renewal that these individuals' premiums are equivalent to those paid by a new customer with a similar risk profile. Citizens Advice has also issued a set of recommendations to regulators and firms for all the retail sectors where they have identified problems associated with loyalty penalties (see p. 37-43 of report). For instance, Citizens Advice recommends that regulators:

- Should introduce targets for providers to reduce the loyalty penalty
- Should consider 'safeguard tariffs' and require 'best deal' default options for vulnerable consumers

In response, the UK's Competition and Markets Authority has announced a series of recommendations on how to tackle the loyalty penalty in response to the super-complaint of *Citizens Advice*. In particular, the CMA recommends considering "targeted pricing regulations such as limiting price differentials or price caps, alongside other measures where there is clear harm, particularly to protect vulnerable consumers." In the insurance sector, in particular, the CMA has recommended to the FCA to "investigate insurance pricing practices and consider pricing interventions that limit price walking, for example rules to restrict this practice." Price-walking involves firms setting below-cost introductory prices, which are later increased at renewals through successive price rises, leading customers on older tariffs to pay higher prices for similar services.

The UK's Financial Conduct Authority has also published a Discussion Paper on Fair Pricing in Financial Services, discussing several potential reforms, including:

- Enhanced information disclosures to consumers concerning pricing
- Using data sharing to support intermediaries (e.g. brokers) in identifying inert consumers encouraging them to find better deals
- A relative price cap (imposing limits on price differentials firms can charge to new and longstanding consumer groups)

In May 2019, the UK Parliament's Treasury Select Committee published a report on *'Consumers Access to Financial Services',* in which it recommends the FCA to make it mandatory for firms to publish the size of their loyalty penalty to consumers in order to encourage switching.

Finally, the UK's Financial Ombudsman Service has also issued a paper on unfair pricing practices in the insurance sector

MIRANDA HENDRIKS, NETHERLANDS, Industry

Insurers must strive to make their services and products suitable for as many customers as possible. That is the starting point. But we take into account that there are also groups of vulnerable customers that require extra attention. For example people with physical or psychological disabilities. Services must also be easily accessible to them. Because this often involves tailor made service, general laws or regulations are less applicable.

DIRK ULBRICHT, GERMANY, Consumers

In general, there is need for more information on products that are targeting vulnerable customers, especially those, that affect many of them. A meaningful political debate in a democracy relies on facts. However, those facts are frequently missing when financial issues of vulnerable consumers are concerned.

To give an example, there are no satisfactory official data on PPI in Germany. The only source are BaFin numbers. However, as BaFin only includes those insurers it supervises, it publishes figures on PPI that apparently largely underestimate the phenomenon. In 2015 this led to a remarkable increase in the numbers reported. As one (!) insurer changed its headquarters to Germany, the figure of PPI doubled from 1.3 million to 2.6 million. So the first action we propose would be to consolidate EU-wide data to provide for meaningful national statistics for PPI and other insurances.

Secondly, supervisory bodies should provide for stastics that help consumers and science to better understand the risks covered. We should strive to enable consumers to take informed decisions. E.g., in Germany, there is no aggregated official data on occupational disability insurance regarding the risk in general, the duration of a case of damage or how much was paid out in the case of damage, at all.

Thirdly, there should be more information on the exclusion of vulnerable consumers from certain product types. E.g., income-poor such as single-parents frequently do not have affordable access to occupational disability insurances.

3. Price comparison websites

Price comparison websites and price-aggregators are continuing to grow their presence across Europe, often offering a 'first port of call' for consumers wishing to compare different types of insurance products and enhance their choice. In some markets and in relation to some lines of business they are an important distribution channel. While on one hand such websites may facilitate comparison and lower distribution costs; on the other hand, potential issues such as high commissions, misleading information regarding ranking of products with excessive focus on price (as opposed to terms and conditions) and conflicts of interest have been identified with **price comparison websites**.

Please indicate whether, in your jurisdiction, you have observed an increase in the number of **price comparison websites** operating in the market and/or an increase in the role played by such websites in arranging insurance contracts.

BRUNO SCARONI, ITALY, Industry

Price comparison and direct growth rate flattening in recent years

Fostering ROPO (Research Online Purchase Offline) consumer approach, at global level. An increase of comparison websites in the insurance markets can be observed.

GUILLAUME PRACHE, FRANCE, Users

We notice a rise in PCW in France. All those checked are not independent: they are distributors of insurance products and most probably paid through sales commissions, although they are portrayed as comparison websites.

These PCW should clearly warn upfront the viewers that they are distributors and that they compare only the insurance products for which they pay commissions. Viewers and clients have no guarantee that the rankings are independent of any inducements from providers of featured products.

To address these conflicts of interest and misleading information issues, BETTER FINANCE is advocating for independent comparison web tools like they exist in the US or in Portugal.

GREG VAN ELSEN, BELGIUM, Consumers

In 2017, our German member *VZBV* published a study examining the five most widely used comparison tools in financial services, including for car insurance. The study found that while most comparison portals give the impression to explicitly serve the consumer interest, most portals did not consider all of the products available on the market. In addition, *VZBV's* study found that many of the comparison tools do not give adequate information on: whether they compare the entire market, how they rank the products, and how the portals were financed.

In 2018, our UK member *Which?* carried out an investigation of price comparison websites in the car insurance sector, revealing that inconsistencies are rife across price comparison websites. *Which?* cross-checked policy descriptions for 21 brands across four popular price comparison sites against the policy information provided on insurance brands' own websites and in policy documents, and found that that for six in ten policies at least one detail published on the price comparison site was different to that posted in policy documents. *Which?* found inconsistencies such as:

- Ten claims that a courtesy car is guaranteed should your car require repair, whereas the policy document made no such guarantee.
- Claims about sunroof cover being included that weren't reflected in actual policy wording.
- Unreliable levels of cover for personal accident. In one case, for broker Autonet Plus, GoCompare described cover up to £5,000 for disability, but the limit in the policy document was only £2,500.
- Incorrect information about cover for loss and theft of keys.

In terms of the choice that consumers have when consulting comparison websites, *Which?* found evidence that there is a lack of real choice, leaving consumers at risk of purchasing policies that do not meet their needs. For instance, Which? discovered one websites where the top 30 results were being sold by as few as 12 providers. *Which?* has also issued a guide to consumers concerning the common pitfalls for consumers using price comparison websites.

MIRANDA HENDRIKS, NETHERLANDS, Industry

In The Netherlands price comparison websites (PCW) are quite common and exist for a long time. In general PCWs have a license as an intermediary. The key insurance business lines distributed via PCWs are non-life and health in particular. Once a year consumers can switch their health insurance provider. PCWs play a key role.

The number of PCWs is stable. We did not observe a significant increase. But there are some interesting developments is the Dutch market.

- In 2014 the Dutch regulators AFM (conduct) and NZa (Health) have audited the five largest PCWs. The outcome was that PCWs more in general act in the interest of consumers. However there were points for improvement such as the disclosure of relevant information (prevent misleading) and ranking (no paid ranking)
- In 2015 the AFM did a consumer research. If was found that PCWs play a major role and have an added value for consumers. About 64 percent of Dutch consumers use PCWs. Consumers were not satisfied about the businessmodel of PCWs. It was not clear for them how the businessmodel operates in combination with the ranking.

- In 2015 the five largest PCWs have introduced a code of conduct for PCWs
- In 2018 the AFM reminded PCWs that in some cases advice is given. So PCWs have to be compliant with the rules for advice.
- In 2018 a large publishing group has acquired the biggest Dutch PCW Independer.
- Also interesting is that the Dutch Consumer Organization (Consumentenbond) runs an own PCW (in general PCW are managed by private entities).

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MICHAELA KOLLER, Industry

Comparison websites, like ecosystems, are an evolving domain that is still in its infancy. Insurers are very aware of the risks they may pose to consumer outcomes. These relate particularly to the secrecy surrounding the underlying contracts (which in turn impact what and whose products are compared) as well as the impact the underlying algorithms have on the comparisons provided. Insurers have also flagged concern over the poor consumer outcome that may result, if only a factor such as premium price is compared. Since insurance is a competitive and innovative market, product selection should be made in reference to the customer needs and demands, not merely the (lowest) price. Some markets are more familiar with price comparison websites than others, but it still remains a novel area in most markets. The impact on fair competition should therefore not be overlooked.

Regardless of whether you have observed such increase or not, please state your views on changes to insurance distribution models arising from the proliferation of these **price-comparison websites** and the impact on the insurance sector and on consumers. In your answer please also clarify whether, particular price-comparison websites such as non-profit ones would have the same impact/raise similar concerns and whether you believe that the new IDD requirements may address some of the issues identified.

BRUNO SCARONI, ITALY, Industry

IDD goes in the right direction

GREG VAN ELSEN, BELGIUM, Consumers

BEUC welcomes the inclusion of price comparison websites into the scope of the IDD. However, under the IDD, price comparison websites are only required to disclose the *nature* of their remuneration in relation to the insurance contract they provide, and not the level of the commission that is received by the distributor. BEUC strongly believes that commissions should be banned for complex financial products (including, for instance, life insurance policies with an investment component) in order to remove bias in financial advice to consumers (see our position paper on the Price of Bad Advice).

However, at the very least, not just the nature of the remuneration, but the actual level of the commission should also be disclosed to consumers. Our Dutch member, the Consumentenbond, was involved in calling for more transparency on the commissions paid to insurance intermediaries for non-complex insurance products in the Netherlands. In 2019, the Dutch Finance Minister Hoekstra announced (see point 2 in letter) that the Dutch government would require insurance intermediaries to actively disclose the commissions they receive when selling non-complex insurance policies, such as fire insurance, car insurance, travel insurance, etc.

Please also consult the following documents for our members positions on the Insurance Distribution Directive (VZBV and the Norwegian Consumer Council).

MIRANDA HENDRIKS, NETHERLANDS, Industry

PCWs have a positive impact on distribution models in The Netherlands given the use of technology. They also can be seen as the first wave of innovation in the insurance industry offering more choice to consumers, minimalize information asymmetry, enhance access to insurance, more competition resulting in lower premiums for consumers.

In The Netherlands PCWs were already under the scope of the Dutch financial services Act (Wft, 2007). The IDD standards are not new.

MARTINA BAUMGAERTEL, GERMANY, Industry

B2C intermediation platforms (such as price comparison websites) challenge the nature of competition: They compete for the market, not in the market. Winners capture most or all value. Companies run the risk of losing their customer interface or brand recognition to platform providers (e.g. platforms can nudge consumers through biased information) and a fair chance to competition (e.g. through best-price guarantees).

For insurers and their customers such behaviour can increase distribution costs and impact an insurer’s ability to sell products directly. It can also increase conduct risks.

Anti-trust law is not regarded as comprehensive solution to the situation as proceedings may be lengthy. Moreover, it typically requires to prove an abuse of market dominance or damage to the consumer.

As the existing rules such as IDD and PRIIPs rules do not equally apply to non-insurance players holding the customer interface, there is an unlevelled playing field.

It is worth to discuss to extend the IDD concept of co-manufacturer to any player, holding the customer interface and having access to customer data. Therefore:

- A new regulatory order built on trust, fairness, transparency and true customer empowerment to ensure variety in distribution is needed. Platforms are marketplaces and should be regulated as such or, if necessary, unbundled.
- The EU B2P2C Platform Transparency Proposal goes in the right direction but calls for a tightening from a mere transparency regime for contractual relations with civil law inter-parties enforcement to a clear set of market conduct rules (no self-preferencing, no leveraging and no exclusivity) which should be enforced by competition authorities.
- A shift in understanding the role/function/power of intermediaries, the new market dynamics and new stability risks is needed. These risks are concentrated at demand side monopolies (i.e. platforms) and thus cannot be addressed by extending regulation for already regulated entities.

GIAMPAOLO PETRI, ITALY, Consumers

As concerns price comnparison websites and price aggregators, Italy too is seeing a constant growth. However, ads in the various media induce the consumer to assume that the comparisons involve all products available on the market. Obviously, this is not the case; the websites simply sell the specific products of the companies represented there.

The IVASS runs the only official comparative website which covers all motor vehicle insurance companies on the market. Generally speaking, it would be recommended that the independent authorities propose such comparative websites. The commercial websites, on the other hand, should be obliged to clearly evidentiate the participating companies on their homepage.

DIRK ULBRICHT, GERMANY, Consumers

Price comparison websites have the potential to make markets more competitive by improving product and price transparency. However, it might well be that they have the contrary effect. Particularly, if it should be the case that the higher the commissions the better the ranking. A study by the institute for financial services (iff) conducted for the German consumer protectionist organisation VZBV showed that the way the ranking of the products is designed is mostly unclear or not made transparent, at all. This enables price comparison websites (PWC) to effectively chose which products will rank best. Furthermore, potential conflicts of interest are intransparent, too. There is no meangingful information on commissions payed by companies. Customers believe in the impartiality of PWC. It should be in the interest of PWCs themselves not to lose this trust.

4. Bancassurance

The term **Bancassurance**, is generally considered as encompassing the partnership or relationship between a bank, acting as an insurance distributor, and an insurance undertaking whereby the insurance undertaking uses the bank sales channels in order to help drive the sale of products supplied by an insurer. Often both the insurance undertaking and the bank are part of the same financial conglomerate. **Bancassurance**, is a major distribution channel for life insurance products in several European countries, whereas, for the distribution non-life insurance products, it is a less common channel. **Bancassurance** is often associated with cross-selling practices as insurance coverage is often sold jointly with other financial products.

Please set your views on trends for this business model and whether you are aware measures being taken – by regulators or the industry – to address some of the conduct concerns and to ensure good consumer outcomes.

GUILLAUME PRACHE, FRANCE, Users

"Bancassurance" is the dominant and growing distribution model in France, and yes typically the bank distributes only the products of its insurance subsidiary (closed architecture model). Independent research show that this model is detrimental to customers: no choice between competing products, and products that typically return less to clients (and therefore more to the providers) than the non bancassurance ones. This is particularly the case for the € 1300 billion market of capital guaranteed life insurance products where BETTER FINANCE evaluated the opportunity cost to bancassurance clients at at least € 7 billion for year 2016 alone compared to the products subscribed by independent savers associations.

GREG VAN ELSEN, BELGIUM, Consumers

The European Commission's Retail Distribution Study demonstrates that bancassurance groups in Europe overwhelmingly distribute their own in-house products (including life insurance policies) when giving investment advice to retail consumers: "Advice from banks and insurance companies (including bancassurance) results in relatively similar investment recommendations across Member States in terms of products. The vast majority of products offered are in-house investment funds, followed by life insurance policies." In general, low cost ETF products were almost never proposed by non-independent advisers such as insurers or banks. The study suggests that the low willingness of non-independent advisers to propose ETFs may be due to the absence of an incentive scheme, as most ETF managers (low-cost products) do not pay commissions. The situation differs quite markedly in the UK, where independent financial advisers are no longer allowed to accept commissions followed the UK's Retail Distribution Review face no incentive conflicts (and are remunerated by the consumer), and as a result do propose ETFs to retail investors.

The Australian Securities and Investments Commission (ASIC) has recently published a study on the conflicts of interests that are as a result of institutions engaging in both the provision of personal advice to retail clients and the manufacture of financial products under a vertically integrated business model. The study suggests that financial advisers in vertically integrated financial institutions may not be appropriately managing conflicts of interests that have led to poor outcomes for consumers. The ASIC commonly saw the unnecessary replacement of financial products, where advisers recommended that customers switch to a new product when their existing product appeared to be suitable to meet the customer's needs and objective. The review found that, overall, 79% of the financial products on the firms' approved products lists (APL) were external products and 21% were internal or 'in-house' products. However, 68% of clients' funds were invested in in-house products. ASIC found that in 75% of the advice files reviewed, the advisers did not demonstrate compliance with the duty to act in the best interests of their clients.

MIRANDA HENDRIKS, NETHERLANDS, Industry

Bancassurance is indeed a major distribution channel in several Member States. And yes, traditional both the bank and insurer are from the same financial conglomerate. However it looks that that is changing. A trend is a bancassurance revival. This is driven by technology and the emergence of FinTech/InsurTech. One European example is the partnership of Deutsche Bank with InsurTech FriendInsurance. It is expected that there will be more of similar partnerships in the near future.

With respect to the regulatory environment it is important that same standards apply for same activities. For example the new IDD requirement on cross-selling should also apply for bancassurance.

The benefits for consumers are more in the area of one stop shopping, more tailored products given the demands and needs of consumers and in particular the use of technology across different business lines to add value for consumers.

BRUNO SCARONI, ITALY, Industry

IDD and PRIIPS go in the right direction

MARTINA BAUMGAERTEL, GERMANY, Industry

The lack of transparency on the distribution cost in the P/C area in combination with the fact that distribution of ancillary P/C insurance has very low license requirements (registration) and quality standards for advice and sale are extremely low holds the potential of customer detriment.

This is different in the Asset Management and Life insurance product sphere, where the UCITS and PRIIPs KID provide transparency on the cost structure including some breakdown on the distribution cost.

This lower standard of transparency and qualification on the P/C side has been built into the IDD for historical reasons. However, it allows large digital and non-digital intermediaries in this sphere to ignore the customers best interest or fair value principles, when negotiating commission level for large scale distribution e.g. via bank-assurance. Not least in this area, one could also consider alternative regulatory mechanisms, such as the transparency of Commission payments.