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Impact of low interest rates on consumers

OPSG
10 March 2014

1. Overview

2. Point of focus

3. Discussion

**Insurance
undertakings/
pension funds**

Pressure on (long-term)
profitability; guarantees

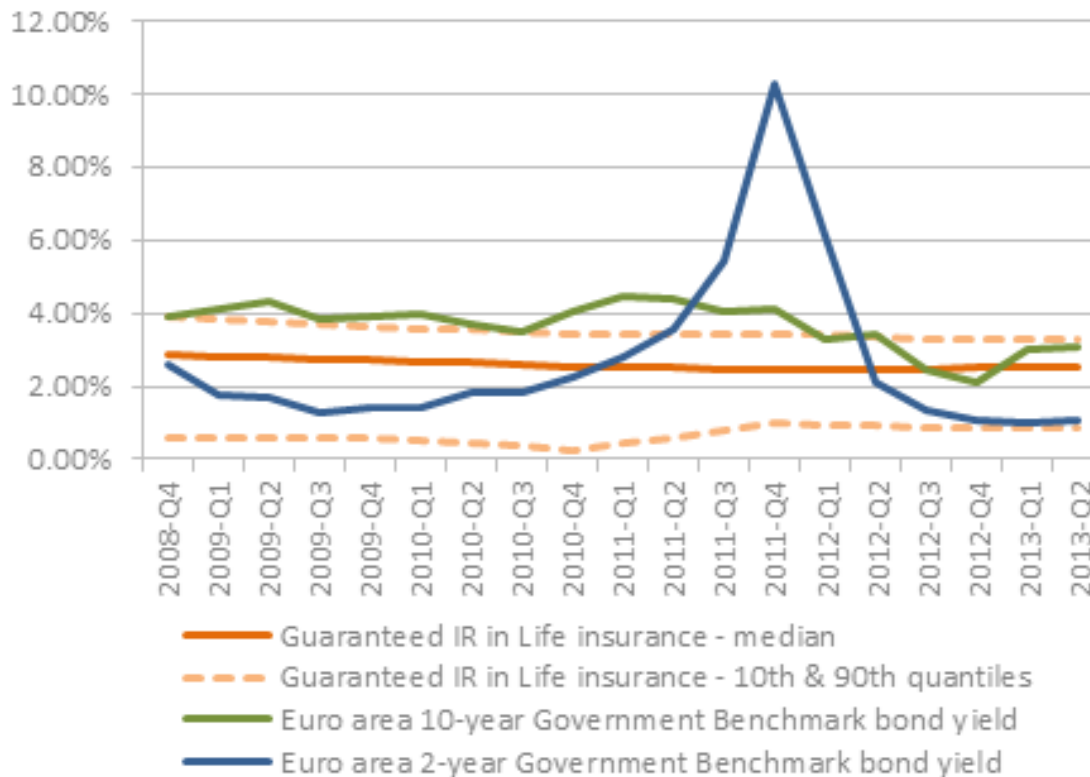
Adjustment measures:

- Product innovation
- Existing policies

**Low interest
rates**

Consumers

Pressure on (long-term) profitability; guarantees



Guaranteed Interest Rate in Life insurance vs. Euro area 10Y and 2Y Government Benchmark bond yield

Adjustment measures: existing policies

Examples:

- Encouragement to cancel / exchange existing policies (with guarantees) against other products with lower / market-based return
- Unilateral changes to terms of contract



"Did industry adjustments to the low interest rates concerning existing policies have a disproportionate impact on consumers?"

⇒ **OPSG expertise needed!**





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Discussion

- 1. Adjustment practices**
- 2. Extent of the adjustment practices**
- 3. Effect**
- 4. Explanations**

1. Adjustment practices

Have “adjustment practices” by the industry applicable to existing policies been observed in your jurisdictions such as:

- incentives to consumers to change/cancel existing policies with guaranteed interest rates?
- unilateral changes to the terms of contract?
- Other?

2. Extent of the adjustment practices

What is the extent of the adjustment practices (i.e. approximately how many insurers/policies have been affected)?

3. Effect

Did the adjustment practices have a disproportionate effect on consumers and/or have led to consumer detriment?

4. Explanations

What could be the explanations for the practices (beyond the low interest rates)?



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Thank you for your attention!

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