EIOPA-IRSG-18-09
5 April 2018

EIOPA Questionnaire on the Consumer Trends Report 2018

Feedback Statement by the EIOPA Insurance and Reinsurance Stakeholder Group

1. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends[1]. To date, EIOPA has produced six Consumer Trends Reports. The term "consumer trend" is not defined in the EIOPA 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.

2. General Question to the IRSG

Similar to previous exercises, EIOPA has requested the IRSG to provide informal input to the work on the Consumer Trends Report. In February 2018, the IRSG was asked to give input on the trends in the areas of consumer protection that Members have observed in 2017.
The IRSG is invited to explain how the demand and/or offer for the below insurance products has increased / decreased / remained unchanged, during 2017.

Product categories	**Developments in demand / offer / financial innovations / market environment / consumer protection**
Life insurance - with profit	**Bulgaria** – Desislav DANOV No such products / not enough information. **France** – Jean BERTHON We see a large slowing down in new subscriptions of Life Insurance products since a couple of years due to a tightening of the fiscal regulation concerning these products and due to the steep decline in interest rates. **Poland** – Małgorzata WIĘCKO-TUŁOWIECKA The developments are not significant in Poland. **Slovakia** – Petra CHMELOVA Increase in gross written premiums in life insurance. **Spain** – Maria ARANZAZU DEL VALLE From 30 June 2017, it is applicable the "*Good Practice Guide on individual life savings insurance*". The main objective of the Good Practice Guide is to increase transparency and improve the understanding of life savings insurance products by

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

	consumers. More than 70% of the Spanish insurance market has adhered to this Guide. **UK – Teresa FRITZ** No major change from last year. Very few products sold – although there are still some under the name of "insurance bonds" The Financial Lives Survey estimates that 2.5 million UK investors hold "insurance bonds". Most of these will be in the format of a with-profit life insurance bond. But the market is stagnant.
Life insurance - unit linked	**Bulgaria** Rapid increase (approx. 110%) but from very low base (approx.60 mil. BGN/30 mil. EUR). Mainly used as a replacement of banking accounts due to the low rate of return as a result of zero or negative interest. **France** Savers are encouraged by public authorities, insurers and intermediaries, to take more risk and invest in units within their life policy contract, increasing substantially the share of UCITS. **Poland** There are still problems with the liquidation fee, which is around 100% of the premiums paid – this concerns contracts concluded in 2008-2012. New regulations are being prepared in the Polish Parliament. **Slovakia** Decrease in the last few years. **Spain** From 30 June 2017, it is applicable the "*Good Practice Guide on individual life savings insurance*". The main objective of the Good Practice Guide is to increase transparency and improve the understanding of life savings insurance products by consumers. More than 70% of the Spanish insurance market has adhered to this Guide. **UK** Very few, if any life insurance products unit-linked products are now sold. There may be a small market for whole of life insurance invested into unit-linked funds.
Other life insurance	**Bulgaria** All the products are either traditional life insurance or unit – linked, no specific products. **Ireland** Overall demand appears to have grown in the domestic market in the last 12 months. No huge changes in terms of innovation although the growth in risk-rated funds in the unit-linked space is continuing. Market for protection and savings products is very dependent on the local economy which is growing. Uncertainty in global financial markets impacts on sales and retention of unit-linked business.

	Poland Consumer issues with denials of payments due to previous medical conditions. **Spain** From 30 June 2017, it is applicable the "*Good Practice Guide on individual life savings insurance*". The main objective of the Good Practice Guide is to increase transparency and improve the understanding of life savings insurance products by consumers. More than 70% of the Spanish insurance market has adhered to this Guide. According to a recent Standard & Poor's report (February 22, 2018), guarantees on the back book of Spanish life insurers, although reducing, remain relatively high compared with other European peers at between 2,5% and 3%. However, life insurance products in Spain have a shorter duration than the rest of Europe, and Spanish insurers have historically mitigated much of the reinvestment risk by closely matching assets and liabilities, as well as applying market-value adjusters in case of early redemptions. This approach has been supported by strict regulatory requirements to minimize the ALM (from 1998 to 2015 with national regulatory requirements and after the entry in force on Solvency II the 1st of January of 2016 with the Matching Adjustment). According to this report, Spanish insurers have been disciplined in reflecting the decline of long-term yields in their commitments to policyholders. New products offer guarantees of 1% or below, on average. **UK** The main types of life insurance sold/bought in the UK now are level term insurance or decreasing term insurance (mortgage protection). 14.4% of adults in the UK have life insurance (Oct 2016 - 2017).
Payment Protection Insurance	**Bulgaria** No such products / not enough information **France** France has introduced the possibility of changing the insurer during the life of the loan which could lead to a significant decrease in borrowing costs **Poland** Not significant in Poland. **UK** In the UK the PPI market continues to be dominanted by the clear up on mis-selling. 64 million PPI policies were sold and to date £27 bilion has been paid in compensation. UK Banks have set aside a further £37 billion for future claims. There is a deadline for complaints which is 29 August 2019. Only 0.3 million adults in the UK now hold a PPI policy (source FCA Financial Lives survey, 12 months to Oct 2017).
Accident and Health insurance	**Bulgaria** Increase of 6 mil. BGN /3 mil. EUR or approx. 25%.

	Poland Consumer problems with denial of payment due to terms and conditions of contract – exclusions and limitations of insurers' liability and complicated definitions that lead to denial of claims. **UK** The market for Accident and Health insurance is very small in the UK. 3.1 milion UK adults have 'personal accident' cover (Financial Lives Survey, 12 months to Oct 2017).
Motor insurance	**Bulgaria** Increase of 10% YoY. Trend of raising premiums. Increasing levels of MTPL indemnity but still way below the EU average. **Ireland** Following the work of the Government's cost of insurance working group, set up to establish the high cost of motor insurance claims and premiums in Ireland, work has been ongoing to address the issues raised, including creating consistency in awards to help reduce volatility in the market, tackling the whiplash problem, internationally benchmarking award levels, reducing legal costs and putting in place stronger deterrents for insurance fraud. **Poland** Consumer problems with partial denials and denials of claims – mostly related to Third Party Liability Motor Insurance. Denials concern car damages and costs incurred, but also compensation for body injury – low compensation paid by insurers. **Romania** Romania adopted in 2017 a dedicated MTPL Law which has proven to be beneficial for customers for the time being, while at the same time contributing to the overall stability of the insurance ecosystem. Amongst many other new provision, the Law introduces the direct settlement clause which can be bought by consumers together with their MTPL policy. Some 100.000 clients have already purchase it. Motor insurance represented some 60% of all the Gross Written Premiums in Romania and 75% of all non-life GWP after the first 9 months of 2017, according to official information. **Slovakia** In the major nonlife segments (MTPL, Cascp and property) a slight increase for almost all insurance companies was recorded. **Spain** At the beginning of 2018, it has been set up "SDP Lex", a secure technology platform which allows communication between lawyers and insurers to handle claims related to traffic accidents. The platform supports the collaboration agreement signed between UNESPA, the General Council of Spanish Law (CGAE) and TIREA. As of the 12th of March, 24 insurers representing more than 93% of the motor insurance market, as well as 2.124 lawyers, had registered with SDP Lex.

	Since the 1st of January 2018, 1.578 claims had been handled. **UK** 31.1 million adults held a motor insurance policy (October 2016 – 2017). Nearly 17 million UK adults with motor insurance do not know what 'no claims protection' means. 55% of motor insurance holders have switched provider in the last three years, while few (8%) have been customers of the same provider for 10 years or more.
Household insurance	**Bulgaria** Slight increase under 5%. Weak push from the mortgage market. Still predominantly quasi-voluntary because of the obligation to have such insurance in case of mortgage credit. **Poland** Consumer problems with denial of payment due to terms and conditions of contract – exclusions and limitations of insurers' liability and complicated definitions that lead to denial of claims. **Slovakia** Positive development recorded in property insurance. **Spain** Regarding household insurance, the insurance sector developed in 2016 a sectorial agreement to manage claims for recoveries between insurers, as well as claims on behalf of their insured. This system is proving to be especially effective and agile, with direct and indirect benefits for consumers, by simplifying the claims management procedures of the entities. This allows as well to decrease the number of judicial claims. In 2017, more than 51,000 claims were handled. In 2017, a sectorial protocol to handle claims was set up among insurers, in order to avoid judicial procedures. This tool has been developed to complement other sectorial initiatives with the same purpose. Additionally, the "Good Practices Guide for property damage insurance contracts" covering household, community of neighbors, shops, industry, etc. has also been improved in 2017. Two new sections have been incorporated to the Guide with the purpose of including new information obligations for the insurance undertakings with regard to the reduction of compensation or the rejection of loss, explaining the reasons that support its decision. Moreover, the insurance undertakings must inform the client that, regardless of the instances of claim, they may appoint an expert loss adjuster according to the Insurance Contract Law.
Travel insurance	**Bulgaria** A slight increase of 6% has been registered. **Poland** Consumer problems with denial of payment due to terms and conditions of contract – exclusions and limitations of insurers' liability and complicated definitions that lead to denial of claims. **UK** 24.8 million adults held buildings and household contents insurance (October 2016

	– 2017). Of those, 6.3 million held household contents insurance only. 3.1 million held building insurance only.
Mobile Phone Insurance	**Bulgaria** The figures for this line of business are negligible. **Poland** Consumer problems with denial of payment due to terms and conditions of contract – exclusions and limitations of insurers' liability and complicated definitions that lead to denial of claims. **UK** 6.6. million adults with mobile phone insurance (Oct 2016 – 2017).
Other non-life	**Bulgaria** Performance bonds have started to develop. Recently introduced but gaining momentum. **Poland** Consumer problems with denial of payment due to terms and conditions of contract – exclusions and limitations of insurers' liability and complicated definitions that lead to denial of claims. **UK** No of UK adults holding other non-life insurances (October 2016 – 2017) by type: Home emergency/boiler/heating insurance – 9.4 milion Legal expenses insurance – 8.6 million Pet Insuance – 5.5 million Extended Warrenty insurance – 4.1 million ID Theft insurance 0.5 million Credit Card Protection insurance – 1.7 million
Other, including non-product related issues	**Poland** Common delays in proceeding a claim and also payment of claim by insurer. Problems with payment of claims by insurers seated in other EU countries (concerning not only MTPLI)– delays in payment, denials of payment. **Romania** The number of complaints filed in 2017 with the Romanian regulator ASF decreased more than 47% in comparison to 2016, which is excellent news for all stakeholders. Most complaints were received with regards to non-life insurance, out of which almost 80% referred to motor insurance policies. **Slovakia** Issue in Slovakia are discussion about introduction of the obligation for insurance companies to pay tax from life and non-life insurance. Last year was the introduction of the obligation for insurance companies to pay 8% from premiums written on all non-life insurance classes. **UK**

	Access to insurance : At least 4.5 million UK adults say they have been declined a financial product in the last two years. Around half say they were unable to get the product they needed at all, while some say they ended up paying more or being subject to different terms and conditions **Financial resilience / capability**: 24% of UK adults have little or no confidence in managing their money, and 46% of all UK adults report low knowledge about financial matters **Confidence in the industry**: Only four in ten (40%) UK adults have confidence in the financial services industry. This may help to explain why two in three (65%) prefer to stick to a financial brand they know. This preference is highest for the oldest consumers: **Potential scams:** 23% of all UK adults have experienced one or more of the following types of unsolicited approach – which could potentially be a scam: calls, emails or text messages claiming to be from the government, and offering retirement planning advice or a free pension review; a request to access a personal or company pension before the age of 55; the chance to unlock a pension early and get money, or the offer of a 'loan', 'saving advance' or 'cashback' to take advantage of a pension deal, or offered either the chance to make a high-return investment, to buy shares in a company, or both. **Complaints:** in the 12 months to Oct 2017, 2.6 million insurance or protection holders in the UK complained to a provider . 1.7 million describe as low their satisfaction with how the complaint was handled **General data**: Over four in five (82%) UK adults have at least one general insurance product. The most commonly held products are motor insurance (61% of all UK adults), combined home building and contents insurance (49%), motor breakdown (36%) and single-trip or multi-trip travel insurance (24% and 22%, respectively).

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

3. Big Data & analytics in health insurance

Digital technologies including wearable devices or the consequences of increases to available computing power for the purpose of data processing have facilitated **more detailed risk assessments**, even at the level of single consumer. This may lead to new foci for insurance services, paying more attention to **risk prevention in the first place**. For instance health insurers increasingly offer tailored disease management programs as an effective measure to control chronic diseases such as diabetes, chronic heart failure and back pain. At the same time, this may also **limit the access** to certain insurance products for some consumers being recognised as more exposed to certain types of risk. Please set out your views on changes to insurance business models arising from increasing quantity and quality of data available for insurance undertakings for the purposes of risk assessment and their impact on consumers.

Bulgaria
Negligible impact so far. Users are aware, but insurers are totally unprepared.

Ireland
The impact of increased quantity and quality of data is relatively low to date. While it clearly on the agenda of market participants there are quite mixed opinions as to whether this poses more of a threat to the industry (via anti-selection risks) or an opportunity (via improved decision making on risk acceptance. However, it will clearly be an area of focus in the coming years.

Slovakia
Big insurance companies have already started to implement large data projects.

EU Industry Opinion – Olav JONES
The ESA's discussion paper on the use of Big Data by Financial Institutions (JC 2016 86) noted many of the opportunities and benefits that the use of Big Data can offer. I agree with the identified opportunities and benefits. However, many of these opportunities are yet to be developed in practice.
I find of particular relevance the following: Big Data allows financial institutions to identify patterns of consumption to make personalised products and services. In particular, insurance firms could use detailed information about their customers (such as how they drive) to offer tailored insurance policies, calculating more personalised premiums and potentially lowering the cost of insurance for certain categories of policyholders.

Importantly, Big Data allows insurers to offer products and services to consumers who previously would have been excluded. For instance, having more detailed and granular data on flood risks makes it possible to provide cover in areas previously considered uninsurable. The proliferation of mobile phone applications and other internet-based communications channels facilitate the collection of feedback from consumers in real-time. This provides insurers with the possibility of amending products at an early stage, as well as the ability to recognize quicker the need for new products.

Mobile phone applications and other internet-based communications channels can also increase the speed at which claims are processed. They also offer consumers a more convenient means of communicating with their insurer. Furthermore, Big Data tools could enable insurers to monitor whether products perform as intended, if they reach the intended target clients, or whether the product or the distribution strategy should be reviewed. Crucially, Big Data can also assist insurers in the fight against fraud.

Finally, Big Data could facilitate compliance with IDD provisions, such as the assessment of the suitability and appropriateness test, and the demands and needs tests. The use of Big Data could enable a better matching between clients' profiles and products.

4. On-demand insurance products

Emerging markets such as shared cars bring challenges and opportunities to insurance sector, where customers may have an interest in only occasional and very short term or even single use insurance. This has resulted in the appearance in motor insurance (as well as other lines of business like travel insurance) of the so-called **on-demand insurance, which offer customers to activate their insurance policy only when they need it.** Please indicate if you have seen the emergence of such new business models in your jurisdiction and set out your views on how they impact insurance undertakings, intermediaries, consumers or even regulators.

Ireland
This is not something which has made a material impact in the local market to date.

Poland
Not present in the Polish market.

France
On demand car insurance has been introduced in France several years ago and is now developing because of the new uses based on short term hire.

Slovakia
No information about these kinds of contracts. New pricing models would need to be developed.

EU Industry Opinion
As a principle, on-demand insurance is not a completely new concept (e.g. travel insurance). However, the increasing use of digital channels and changing habits in consumption (e.g. sharing economy) are altering consumers' demand for insurance. Specifically, consumers are increasingly looking for on-demand solutions for a specified time period. In response to this trend more products with on-demand features are gradually being developed by the insurance sector. Digital experiences from other industries (e.g. e-commerce) are essential in the development of these insurance products. Along the same lines, the increased use of applications and the internet is changing the expectations and needs of insurance customers, who want to access information and products on an easily and accessible fashion (fast and available with a few clicks or swipes). Consequently, the insurance offer shall be adapted to the requirements and immediacy of "sharing economy services".

Generally, it can be assumed that on-demand insurance products will make it easier for consumers to access insurance cover. However, on-demand coverage can only bridge a lack of coverage or supplement missing coverage. It cannot replace overall (long-term) insurance coverage. It is therefore important to give consumers clear and understandable information about the limited period and possibly existing restrictions of coverage (e.g. insured sums etc.). On-demand coverage can thus serve as a "nudge" for consumers to consider long-term insurance coverage.

5. Connected vehicles

More and more vehicles become increasingly connected with powerful navigation systems and new sensors embedded into them, generating the growing amount of **in-vehicle data**, such as information on time spent driving, the driving habits or other factors, including the number of kilometres driven, car's revisions, motor and wheels conditions etc. Please indicate if you have observed in your jurisdiction the emergence of insurance products based on the in-vehicle data derived from connected vehicles and set out your views on how those products impact insurance undertakings, intermediaries, consumers or regulators.

Poland
Not significant in Poland – such insurance products are presented and promoted, however not yet sold to mass consumers.

Romania
Motor insurance products that are based on telematics solutions are available for both retail consumers and corporate clients. There is an increasing interest from both distributors, consumers and the media for such products, also given that the new MTPL Law adopted in 2017 explicitly allows for the usage of telematics systems.

EU Industry Opinion

Telematics products have been an integral part of the motor insurance offer in a number of markets already for some time now. Many markets have seen a gradual introduction of usage-based insurance policies being offered in the motor insurance business line. Products such as pay-as-you-drive and mileage-kilometre based insurance have become increasingly popular. The Italian market has made particularly notable developments in this area, having the highest penetration rate in the world of insured motor vehicles being fitted with black boxes (vehicle telematics).

The availability of products based on in-vehicle data (i.e. generated by the vehicle itself rather than black boxes) will increase given the right conditions.

Indeed, technology-driven changes such as connected and automated vehicles and intelligent transport systems will allow (and sometimes require) the development of a new generation of insurance products in and around the vehicle and based on the vehicle-generated data. Underwriting and claims handling are also evolving thanks to these advances. Ultimately, consumers stand to benefit hugely from an innovative and competitive market for tailor-made vehicle-data-based (insurance) services. However, it is necessary to ensure the right technology is promoted at EU level to access this data, in a way that ensures fair competition in this market and offers free consumer choice.

The increasingly connected nature of these vehicles will also be useful to correctly apportion liability in the event of accidents, especially those involving autonomous vehicles. Insurance companies will need access to the relevant (in-vehicle) data in order to carry understand in detail how and why the accident occurred and, where applicable, apportion liability accordingly.

The role of claims analysts and loss adjusters could also change due to the expected availability of significant data on the frequency and nature of accidents.

6. Use of social media by insurance undertakings

The increased **use of social media** can indicate new means of insurance distribution. Information that consumers publish on social media may also be used for other purposes, for instance to develop more accurate risk assessments or offer more tailored policies (including potentially pricing) and/or marketing campaigns. Please indicate if you have observed the use of social media by insurance undertakings in your jurisdiction and if so, for what purposes, how is it used (e.g. if it is done with consumers' consent or in collaboration with data-vendors), and what are their benefits and risks for consumers and (re)insurance undertakings?

Bulgaria
As add-on to the traditional marketing channels. Very poor performance.

Ireland
Use of social media has increased significantly in recent years. This is used as a point of contact with distributors and existing customers as well as being used for advertising purposes to generate new business. "Safe" use of social media in terms of protecting customers and the shareholder is a focus for most companies. Clear guidelines for use of social media by all staff would be common.

Poland
Social media is present in the Polish insurance market, but not as a tool for insurers (or at least not that

often) but for consumers – to effectively file complaints. The number of complaints filed via social media is of course not overwhelming, however it is worth noting that in case of filing a complaint via social media consumers often receive help they did not receive despite filing a "paper" complaint. Because of the fact posts in social media are public, insurers are more likely to solve a complaint quickly and effectively.

An interesting fact: a first case of denial of compensation based on information from social media happened in Poland in April 2018. The insurer denied to pay compensation (MTPLI) because of the fact that the perpetrator and the victim had been spotted as „friends" on Facebook. The insurer defined the accident as a fraud.

Romania
Social media platforms are mainly being used as a marketing and advertising tool by both insurance companies and brokers.

EU Industry Opinion
Insurers use social media mainly as a means of communication with the consumer. Social media is used for general image-building and/or marketing purposes, targeted or via newly established forms like influencer marketing. Besides these purposes, social media serves as a tool for personalised communication, offering customers another contact opportunity - partly available 24/7 e. g. via Chatbots - and thus improving the quality of customer service.

Moreover, most insurers have web care teams to respond quickly and adequately to expressions of dissatisfaction and complaints expressed on social media. Some insurers also offer their customers the opportunity to contact them by WhatsApp, for example to report a claim.

7. Cyber risks: potential area for new insurance products

Similar to undertakings in other sectors of the economy, insurance undertakings are exposed to cyber-attacks. However, the increasing level of digitalisation can also be an opportunity for insurers to introduce new products to address **cyber risks,** including to address risks faced by individual consumers. Please indicate if you have observed growth in these types of new insurance products, particularly aimed at consumers, but also for corporate clients, in your jurisdiction and if so, what are their benefits and risks for consumers and (re)insurance undertakings? Please where possible provide information about the level of penetration of cyber insurance policies in your jurisdiction, what type of coverage is commonly offered, and also differentiate between the policies offered to retail and corporate clients. In particular, please indicate if you are aware of any 'silent' cyber risks understood as coverage of potential cyber-related losses under insurance products not specifically designed to cover cyber risks.

Ireland
Cyber security has received significant attention from the local regulator and is a high priority for all market participants. Penetration rates for cyber insurance is not known but would be low. Our perception of the market is that the industry is more focussed on the risk posed by cyber security at present rather than the opportunity for new insurance products.

Poland
Still not significant in Poland.

Slovakia
There are discussions about cyber risk. Companies are aware of it. However, it is still very hard to model.

EU Industry Opinion

The cyber insurance market in the EU is still at a very initial stage, especially compared to the US which is estimated to have a 90% share of the global market. The reasons behind this are twofold: On one hand, cyber risks are hard to quantify and underwrite due to their evolving nature as well as the lack of historical data available, which hampers insurers' ability to offer this type of cover. On the other, the demand for cyber insurance is also low, particularly on the SME side. This could be due to the fact that SMEs might not have the knowledge or resources to understand their cybersecurity needs, including insurance.

Nevertheless, this is likely to change once the GDPR enters into force in May 2018. Firstly, it will make companies more aware of their cyber risk exposures and therefore potential insurance needs. Secondly, national data protection authorities will gather a wealth of useful data on cyber incidents as a result of the data breach notification requirements in the GDPR. Should insurers be given access to this (anonymised) data, it could greatly help develop the cyber insurance market in the EU. In this context, Insurance Europe has developed a standardised data breach notification template that could enable anonymised information-sharing.

The current offer for cyber risk cover is generally targeted at corporate clients, who tend to have a better understanding of their cyber exposures and insurance needs. Retail offer for cyber insurance is practically non-existent, due to the low levels of cybersecurity measures generally taken by consumers, as well as a general lack of awareness about insurance. Insurers throughout the EU are currently undertaking two types of actions in regarding cyber risks and insurance, namely (i) focusing on the SME market and (ii) going beyond mere risk transfer to offer cybersecurity services to their customers.

The insurance sector is involved in a variety of activities to raise awareness among SMEs, by supporting public authorities to disseminate information and implement strategies that support loss prevention and mitigation. They also produce guidelines and self-auditing tools aimed at SMEs to help them understand their cyber exposures as well as assess their preparedness and potential insurance needs.

Insurers also work closely with cybersecurity firms and insureds in order to offer services beyond mere risk transfer. Many cyber insurance offers include cyber risk management advice as well as expert clean-up services in case of a cyber incident.

Finally, cyber cover can be offered as a standalone product or as part of a traditional policy, e.g. property or general liability insurance. In fact, in many cases standalone cover is purchased to take care of “cyber gaps” in traditional policies.

However, conscious of the danger of potentially covering cyber risks inadvertently across their portfolio (so called hidden exposures or silent risks), many insurance companies are reviewing or have reviewed their existing contracts to add exclusions, add-ons or write-backs for cyber risks. This is an issue that is also being discussed at national level in a number of member states (e.g. UK, Germany and France). The general trend is for companies to be increasingly aware of the potential for having hidden exposures and taking steps to address it.

8. Trends in cross-selling

Cross-selling of insurance products has been reported as a recurrent trend from the beginning of the consumer trends work by several Member States. Cross-selling enables more tailored products to be offered to consumers. It can however lead to situations where consumers have duplicate coverage, and where the insurance product is ancillary to the main product, behavioural research suggests consumers may not fully assess the insurance product, including its relevance and price. Please set indicate if you have observed in your jurisdiction in recent years an increase of cross-selling of insurance products and any measures being taken – by regulators or the industry – to ensure good consumer outcomes.

Bulgaria
Primarily accident bundled with credit cards. Users are often unaware of the cover purchased.

Ireland
No obvious increase in cross-selling in recent years. In the current regulatory environment, there are significant protection mechanisms in place to ensure good consumer outcomes.

Poland
In 2017 new legal rules related to cross-selling of mortgage credits entered into force. According to the new law it is forbidden to oblige the consumer to buy any other (apart from basic free-of-charge payment/savings accounts). However, it is still allowed for the bank to require a consumer to present other financial products (such as a home-insurance) to obtain mortgage credit. The new provisions may enable consumers to shop-around and find a financial product with certain (best) conditions, but it is still too early to predict the banks counteractions.

Slovakia
Cross–selling is perceived very positive and evaluated as very way of how to satisfy the need of the client in terms of offering more tailored product.

EU Industry Opinion
There are several common cross-selling practices, specific to the insurance industry, which are directly beneficial to consumers. This includes the use of telematics and motor insurance, life-insurance with other benefits (e.g. administrative support services), or household insurance that includes alarm system protection. These practices provide benefits based on the principle of prevention and customer protection and are clearly advantageous for consumers.

Regulation of cross-selling in the EU is currently undergoing significant change. In October 2018, new rules will enter into force as part of the Insurance Distribution Directive (IDD) introducing new disclosure requirements and a prohibition on tying products where insurance is an ancillary service in a larger package.

In addition, the Mortgage Credit Directive (MCD), which entered into force in March 2016 introduces a general prohibition on tying insurance coverage to a mortgage product. Given that IDD currently does not apply in most member states these changes will not be reflected in any responses to the consumer trends survey, equally the market may not have fully reacted to changes under the MCD. As such, the results should be viewed with caution and the changing EU regulatory landscape should be reflected in the final report.

9. The use of cloud computing in insurance

The development of Big Data and Artificial Intelligence tools and technology is partly possible as a result of the decrease in costs of data storage and analysis, and increased capacity for obtaining and integrating varied data sets, enabled in part by **cloud computing**. Cloud computing can also reduce IT support costs and enable far greater flexibility in context of growth and in principle greater IT infrastructure resilience. At the same time the deployment of cloud computing can bring a number of challenges, for instance regarding the outsourcing of such services to third party service providers, in particular when such services are provided on a cross-border basis. Please explain if you have observed the use of cloud computing services by insurance undertakings, what are obstacles and/or enablers of cloud computing in insurance, and what are the main benefits and risks both for insurance undertakings and consumers.

Bulgaria
Negligible penetration, if any.

Ireland
Cloud computing is becoming a lot more common in the industry. Solvency II outsourcing governance requirements have been helpful in ensuring the cloud computing is done to a consistent standard across the industry. The trend in a move toward the cloud appears to be set to continue in the coming years.

Poland
Still not significant in Poland.

Slovakia
Only big companies use cloud solutions. However, it is not common for Slovak market. It is more common for service support insurance hubs.

EU Industry Opinion
Insurance undertakings across the EU use cloud services for different purposes. Some undertakings use the cloud in a group logic (e.g. centralization IT service, economies of scale) while others use it for cost-saving reasons (e.g. reduction of maintenance services). The use of cloud computing services can benefit insurance undertakings in reducing maintenance services and its costs. Moreover, insurance undertakings and particularly SMEs could profit from the use of a scalable modern infrastructure and highly available cloud computing services.
At the same time, insurers' possibility to leverage outsourcing services, becoming more cost-effective will ultimately, benefit consumers via lower premiums.
However, there are several obstacles at European level that prevent insurers from benefiting from the use of cloud computing:

- Outsourcing obstacles and excessive requirements: In some member states (e.g. Belgium), cloud computing is always considered as outsourcing (see National Bank Communication of 09 October 2012). Consequently, insurers have to conduct an audit with the company that offers the cloud services. In practical terms, this is quite difficult and burdensome, especially when insurers have to audit large cloud computing companies that impose their own conditions on users.

  Likewise, in some member states (e.g. Hungary), insurers have to ensure that they provide the same level of operation in cloud environment as in on-site or outsourced IT systems. That said, insurers face obstacles in the use of public cloud or SaaS ecosystems as it is difficult to guarantee that public cloud meets the necessary requirements (e.g. data protection laws). Thus, in several cases, insurance companies can opt only for private clouding or restricted hybrid cloud services.

- Cross-border data protection: The location of the companies that provide cloud computing services is not always in the EU/EEA. Even when the servers are located within the EU/EEA and thus, the EU data protection rules are applicable [Data Protection Directive 46/95/EC that will be replaced by the General Data Protection Regulation (GDPR) on 25 May 2018], it is not uncommon that the back-up of those servers is located in third countries.

  Insurers that use cloud computing services have to take into account that data is stored in third countries that may not have an adequate data protection level. In the absence of an adequate data protection framework, insurers must ensure that all data protection requirements for data processing are met in third countries where servers are located.