CONSUMER TRENDS REPORT 2019

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CONSUMER TRENDS REPORT 2019

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EXECUTIVE SUMMARY

Both life and non-life insurance penetration rates ([1]) increased across the European Economic Area (EEA). Conduct issues related to unit-linked, credit life/credit protection insurance and add-on insurance products have become more and more prevalent. Claims management in motor insurance, in particular in some markets, also remains an area of concern.

Despite evidence of improved disclosure practices — as also highlighted by consumer interviews — problems remain with product design and product review processes. Changes in this area are expected to take place with the implementation of the new Product Oversight and Governance (POG) requirements, requiring product manufacturers to take into account consumers' needs throughout the product lifecycle.

Life insurance gross written premiums (GWPs) increased by 5.7%, led by growth in insurance with profit participation (3.8%) and other life insurance (17.9%).

Complex unit-linked contracts remain an area of concern for national competent authorities (NCAs). Issues reported relate to lack of transparency, lack of consumers' understanding of products, product complexity, conflicts of interests, lack of adequate returns, and an increase in the sale of unit-linked policies to vulnerable consumer groups. Although not available at the product level, a data analysis identifies similar concerns:

- out of 176 insurance undertakings which experienced a GWP growth above 5% in 2018, 122 had commission rates above the EEA weighted average (2.3%) and 64 had commission rates above the Member States' non-weighted average (6.6%);
- although product-level information is not available, the EEA return ratio of all assets held in index-linked and unit-linked contracts dropped from 8% in 2017 to -5% in 2018 with significant differences among insurance undertakings; and
- costs also have a significant impact on returns.

Conduct risks in relation to credit life and credit protection products are more and more under the supervisory scrutiny of NCAs and EIOPA. Information shared by NCAs and stakeholders and evidence gathered from consumer interviews highlight significant potential consumer detriment stemming from group policies and generally high commissions for all types of policies, leading to conflicts of interests and some aggressive sales techniques. A data analysis shows that:

- commission rates for other life insurance are high, with 151 insurance undertakings having commission rates above 30% and 50 above 50%; and
- the weighted average claims ratio is low (28%) for those products identifiable as credit life products in Member States where bancassurance distribution channels are prevalent.

In the non-life insurance sector, a 4.4% growth in GWPs at the EEA level can be observed. Medical expense insurance continues to be the single largest non-life insurance line of business and it experienced 6% growth.

With the exception of some Member States, where the number of complaints increased and where issues with renewals have been observed, from a value-for-money perspective, accident and health insurance products continue to fare well compared with other non-life insurance products: the medical expense line of business has the highest claims ratio and the lowest commission rates, with a combined ratio of 97%.

Innovations in the motor insurance sector are broadly noteworthy, with an increase in policies being sold through comparison websites and an increasing uptake of telematics. However, consumer detriment stemming from claims management continues to persist:

- motor insurance-related complaints continue to be the most prevalent complaints and have increased by 6% at the EEA level: out of the 15 Member States that reported this information, 10 stated that issues with claims handling are the most relevant cause of motor insurance complaints;
- claims ratios decreased in 16 Members States for motor vehicle liability and in 18 Members States for other motor insurance too;
- claims ratios are below 60% in 12 Member States for motor vehicle liability and in 16 Member States (in three of them below 40%) for other motor insurance; and
- the average gross payment per claim during the year — by underwriting year — dropped from €1,109 in 2016 to €917 in 2018 for the motor vehicle liability and from €773 in 2016 to €484 in 2019 for other motor insurance.

Issues with add-on insurance are also a source of potential consumer detriment across several European markets. Conerns relate to the possible exploitation of behavioural biases in the context of an increase in cross-selling practices. Although not limited to add-on/gadget insurance products, an analysis of available Solvency II data shows high commissions for miscellaneous financial loss:

- commission rates are high across most Member States, with only 23 out of 30 Member States reporting commission rates above 15%; and
- claims ratios have dropped in 16 Member States.

NCAs continue to report financial innovations across the whole insurance value chain, which are having an overall impact on the relationship between insurance manufacturers, insurance distributors and consumers:

- Digital ecosystems which are platforms through which different products and services are provided are on the rise in the Union. Ecosystems, when adequately designed and when taking into account target market's needs, can be beneficial: they allow insurers to easily access large pools of new customers, whose demands and needs are aligned with the relevant product offer. They can also lower the costs of distribution. From a consumer perspective, ecosystems allow consumers to access more targeted and tailored products. However, competition is still limited and there are risks relating to over- and under-insurance. From a supervisory perspective blurred lines between insurance manufacturing, distribution and other services also raise challenges.
- Price comparison websites and price-aggregators are continuing to increase their presence across the Union, often offering a 'first port of call' for consumers wish-

ing to compare different types of insurance products and enhance their choice. If adequately supervised and operated, these can offer more choice to consumers, facilitating comparison and the overall process of buying insurance. However, they can also lead to an over-focus on price and lack of transparency in terms of remuneration and coverage offered by the products.

Because of the value of the products and the risk-based approach to supervision adopted by several NCAs, conduct activities in 2018 focused on the life insurance sector, but the number of non-life insurance-focused activities is increasing. Disclosure-related activities continue to be the most common.

On the pension side, the continuous shift from defined benefit (DB) towards defined contribution (DC) schemes continues to be broadly noteworthy. The total population of members of pension funds in the EEA increased by 5%, driven by a strong increase in active membership in DC schemes (30%).

Trends in personal pensions markets varied significantly across the EEA and are mainly affected by tax regimes as well as by trends in Pillar I and Pillar II pensions.

With life expectancy increasing, strain is being put on the decumulation phase. To address this issue, changes and innovations – such as lifecycling or delayed retirement – are taking place. Out of the 24 NCAs that responded to EIOPA's questionnaire nine reported having observed such changes and/or innovations.

Effective and clear communication with members is essential for them to be aware of both the product's characteristics and their pension situation. Henceforth, given that more and more members prefer online and more interactive communication, innovations are taking place across several Member States, with 10 NCAs having observed such innovations. Publicly or privately run pensions dashboards are also appearing, facilitating consumers' access to their pension situation.

In terms of complaints, the number of occupational and personal pension-related complaints increased slightly.

Finally, in 2018, NCAs worked to address issues relating to both personal and occupational pensions. These ranged from disclosure and provision of information to advice and governance-related work.

Looking ahead, although regulatory changes that came into force in 2018 (IDD and PRIIPs) are already showing some positive developments — mainly in relation to disclosures — it is anticipated that there will be an increased focus on product oversight governance to ensure that products are adequately designed and targeted, thereby ensuring good consumer outcomes.

INTRODUCTION

Article 9 of EIOPA's founding regulation requires the Authority to 'collect, analyse and report on consumer trends' ([2]). As per the working definition devised by EIOPA, consumer trends are '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'.

One of the report's key objectives is to try to identify risks for consumers arising from trends in the market, which may require specific policy proposals or supervisory action from EIOPA and/or its Member States. Moreover, by highlighting the non-confidential activities reported by national competent authorities (NCAs) for their respective jurisdictions, EIOPA also encourages a common supervisory culture among its Members through the promotion of exchanges of information between competent authorities ([3]).

The report provides a description of the main market developments in the first section. For the insurance sector, the market development analysis is complemented with:

- an analysis of quantitative data from EIOPA's Solvency II database, including an analysis of relevant retail risk indicators ([4]) (see Box 2 in Annex I);
- an analysis of complaints' data; and
- information collected from consumer interviews (see Annex VI).

The aim is to identify potential risks in the market.

The market development section is followed by a focus on selected financial innovations and an analysis of trends in consumer complaints. Finally, the report provides an overview of NCAs' consumer protection activities.

Not all trends identified and potential risks outlined in this report exist in all Member States. In some, the trends and potential risks described may not exist; in others, they may be only at an incipient stage. The fact that one Member State is not mentioned does not necessarily mean that such a trend and/or potential risk does not exist in that Member State or that the relevant NCA has not undertaken any activities in that field.

In addition for Solvency II-based trends and references to specific Member States, it is important to note that these are from a home perspective; hence, they reflect the business of undertakings authorised by the relevant Member State but not necessarily business written in that Member State.

EIOPA follows an agreed **methodology** ([5]) **for producing a consumer trends report on an annual basis** (see Annex I for further details), which, however, has certain limitations. For example, a number of NCAs were not in a position to provide all the input requested by EIOPA. Furthermore, **Solvency II data** (see Box 2 in Annex I) **and information collected through informal consumer interviews** (see Annex VI) **must be interpreted cautiously**.

1. INSURANCE SECTOR

1.1. LIFE INSURANCE SECTOR

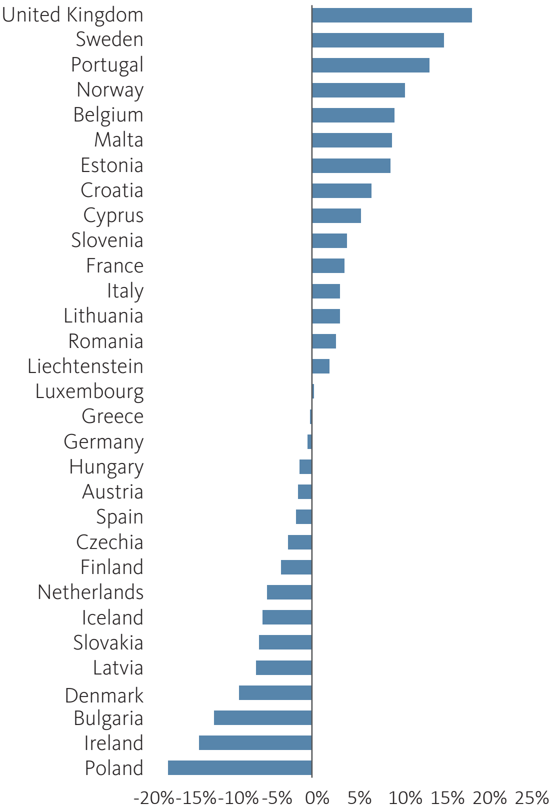
1.1.1. MARKET OVERVIEW

At the end of 2018, a majority of Member States in the European Economic Area (EEA) reported an increase in life insurance gross written premium (GWP), which grew by 5.7% ([6]) when compared with the end of 2017 (Figure 2).

Growth has been mainly led by a 17.9% increase in other life insurance and a 3.8% increase in insurance with profit participation. Following 42% growth in 2017, index-linked and unit-linked insurance experienced no growth. However, index-linked and unit-linked insurance still represents the largest single line of business overall.

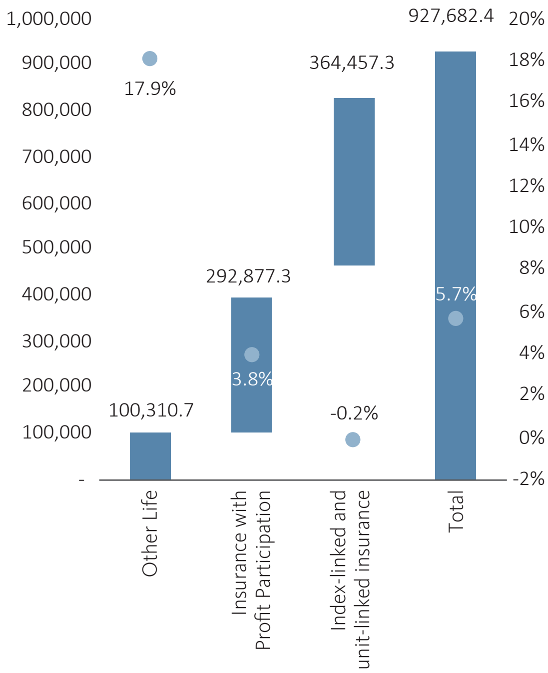
At the Member State level, different life insurance lines of business experienced different trends (Figure 4). For example, in Sweden, growth in the life insurance market has been led by growth in the index-linked unit-linked business — due to a combination of factors, including the current low interest rate environment but also because of heavy marketing in the occupational pension sector and switching of insurance undertakings towards unit-linked products.

Figure 1 — Growth in life insurance GWPs by number of Member States — 2018



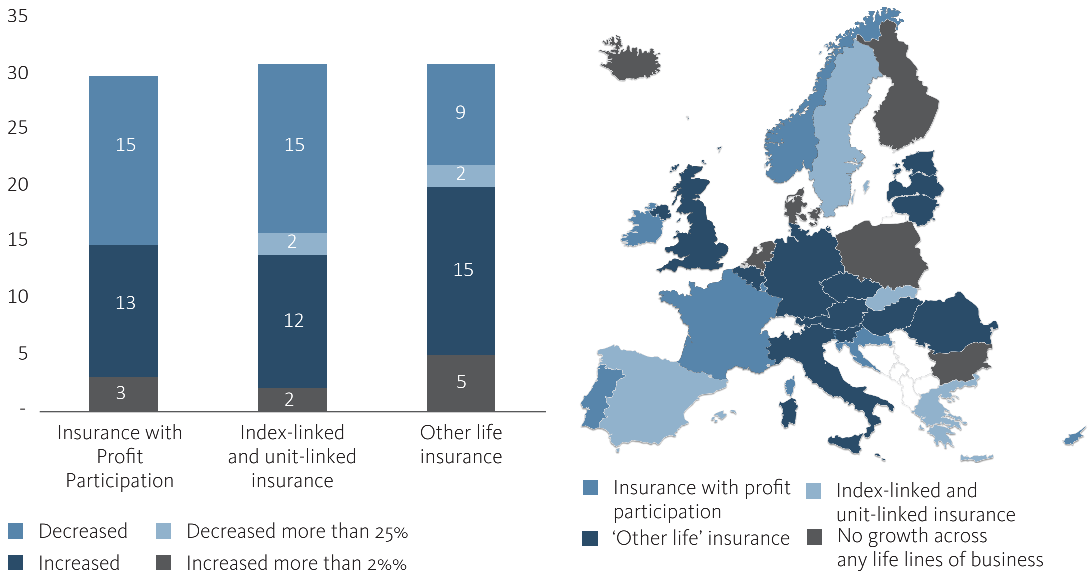
Source: EIOPA Solvency II database.

Figure 2 — EEA life insurance GWPs in € million for selected lines of business (LHS) and year-on-year growth (RHS) — 2018



Source: EIOPA Solvency II database.

Figure 3 — Growth by number of Member States, for selected life insurance lines of business (on the left) (7) and life insurance lines of business that experienced the highest growth in each Member State (on the right) (8) — 2018



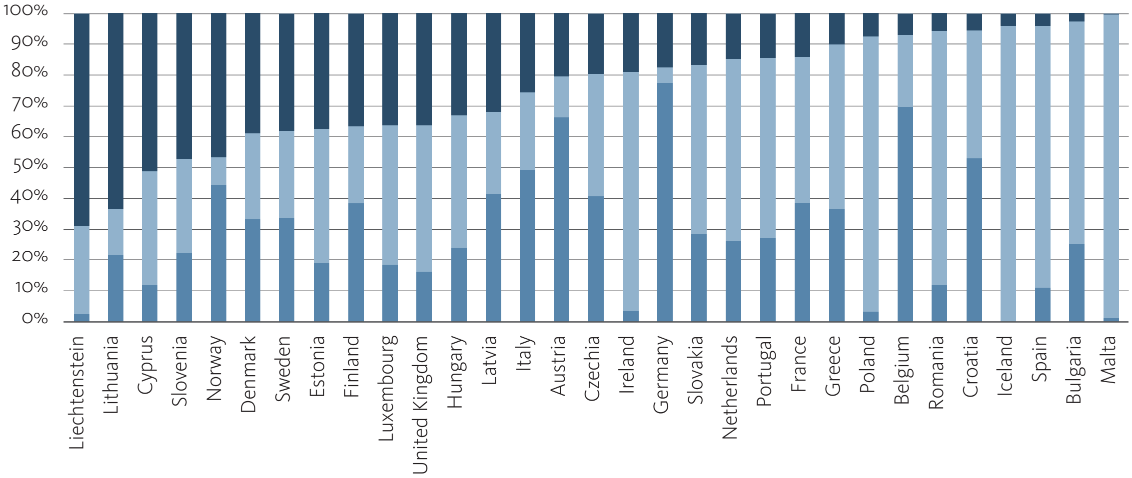
Source: EIOPA Solvency II database.

Insurance with profit participation grew in Croatia (14.3%) (9) and Hungary (12.2%) (10). After having decreased in 2017, it also grew in Belgium (2.6%), France (5.8%), Italy (6.1%), Portugal (31.2%) and Norway (13.6%) (11).

- In Norway, where the majority of with-profit participation GWPs are written by two insurance undertakings providing public collective occupational pensions — with sponsors' specific commitments reducing interest rate risks for insurance undertakings — one of the main reasons behind this growth is the expanding public sector.
- In France, where insurance with profit participation grew by 5.8%, 'euros funds' products, offering 100% capital guarantee, still represent over 70% of the with-profit participation market. However, concerns in terms of real returns for these products emerged given the cost structure and the low interest rate environment.

In terms of number of contracts at the end of the year (12) other life insurance was 42.2% (down from 46% in 2017) but was still the single largest life insurance line of business. This is because generally, under other life insurance, there are some pure risk products with significantly lower premiums (13).

Figure 4 — Life insurance contracts at the end of the year as a percentage of total life insurance contracts (14) for selected lines of business — 2018



With profit as % of total number of contracts
Other life as % of total number of contracts
Unit-linked as % of total number of contracts

Source: EIOPA Solvency II database.

1.1.2. UNIT-LINKED INSURANCE: KEY TRENDS

Complex unit-linked contracts have been identified as an area of concern by NCAs since the first annual EIOPA *Consumer Trends Report*. EIOPA's first full-blown thematic review also focused on issues in this market (15).

In 2018, information reported by NCAs on the top three consumer protection issues in their market shows that the most concerning product is unit-linked insurance. Figure 5 shows the different issues of concern reported by NCAs with regard to unit-linked insurance.

Overall lack of transparency, lack of consumer understanding and product complexity remain the main problems in the unit-linked market. Evidence gathered from consumer interviews shows that consumers often do not understand these products.

> ***"I might have a unit-linked product. There is a protected part and a variable part...I do not recall exactly how it works at the moment"***

Figure 5 — Issues of concern in relation to unit-linked insurance — survey of NCAs (16)

Source: Committee on Consumer Protection and Financial Information consumer trends questionnaires.

Additional areas of concern have been reported by NCAs and stakeholders. Conflicts of interests and an increase in the sale of unit-linked policies to vulnerable consumer groups are among the issues that have been reported.

While there could be multiple reasons behind these potential conduct risks, including lack of a customer-centric culture, high commissions, can be a key driver of detriment. Commission-related complaints have been reported by a few Member States as the 'most prominent cause' for unit-linked product-related conduct risks ([17]), and conflicts of interests are the second most common issue reported by NCAs in relation to unit-linked products.

Although EIOPA does not collect information on commissions paid to intermediaries and Solvency II data should be interpreted cautiously (see Box 2 in Annex I) — also taking into account they cover both index-linked and unit-linked insurance — an analysis of commission rates and GWP growth shows that:

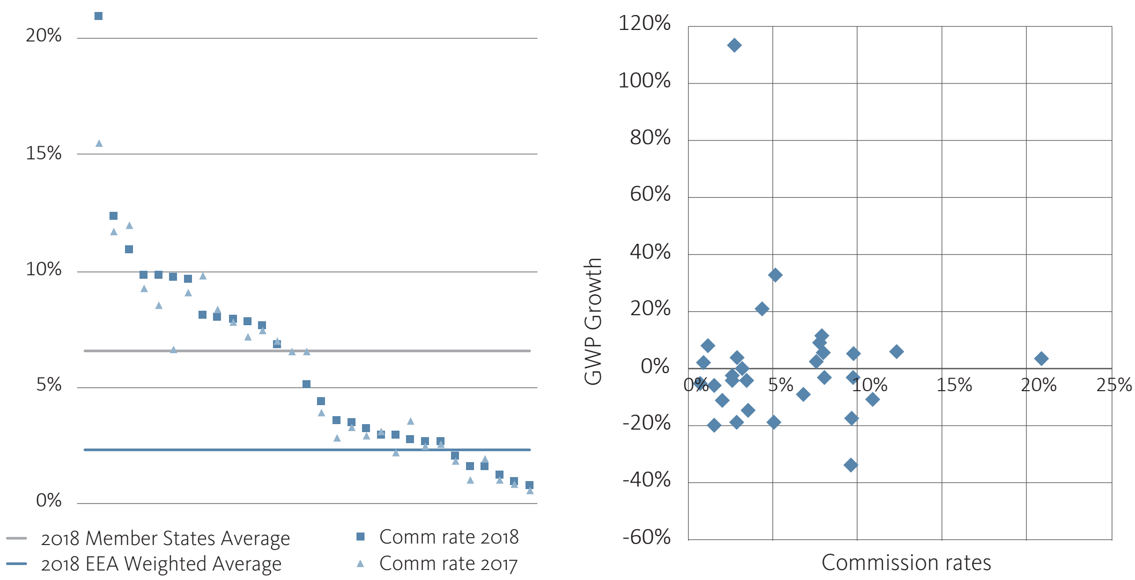
- commission rates grew in 21 Member States. Two grew by more than 2 percentage points and 25 had commission rates above the EEA average (Figure 6) ([18]);7 out of the 13 Member States that had commission rates above the Member States' average (6.6%), also experienced growth in GWPs (Figure 6);
- out of 541 insurance undertakings ([19]), 208 had commission rates above 6% (Figure 7); and
- out of 314 insurance undertakings ([20]), which in 2018 had a new contracts ratio between 5% and 75% ([21]), 121 had commission rates above 6%.

Out of the 176 insurance undertakings that experienced a GWP growth above 5% in 2018, 122 had commission rates above the EEA average (2.3%) and 64 had commission rates above the Member States' average (6.6%).

Considering that there is no correlation between commission rates and GWP growth (i.e. the two variables are independent — see Annex VII), some concerns in relation to potential conflicts of interest and aggressive sales tactics exist, in particular for those cases in which both high GWP growth and high commissions emerged from the data analysis; consumer interviews confirmed such concerns.

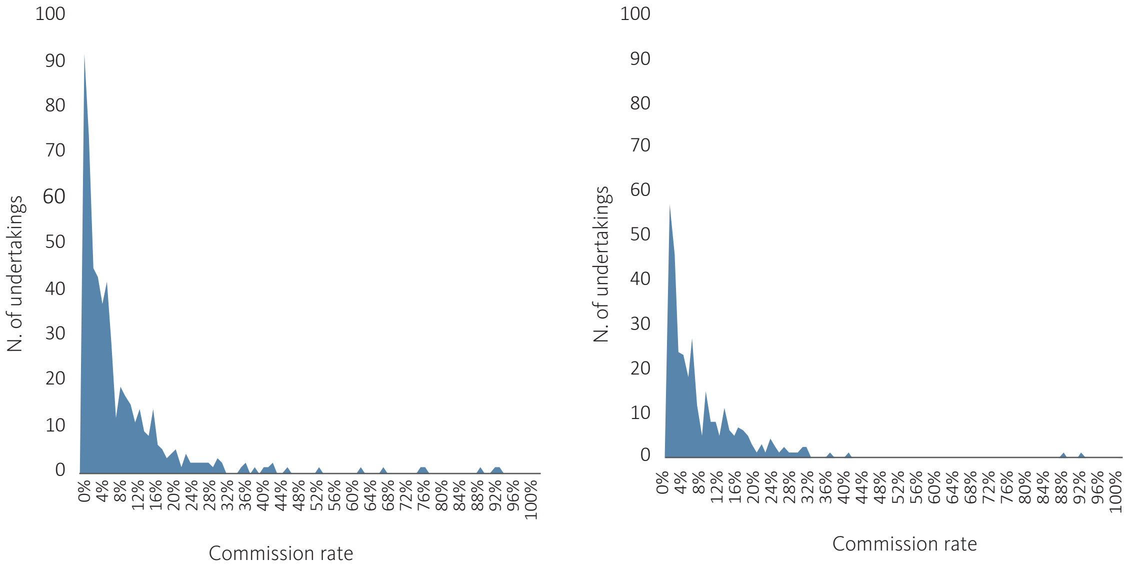
> *"They called us a few times, asking "would you not take this as well?"...We also received a lot of advertisements for these products from the bank..."*

Figure 6 — Commission rates for the index-linked and unit-linked insurance line of business by Member States (on the left) and GWP growth and commission rates by Member States for index-linked and unit-linked insurance (on the right) — 2018



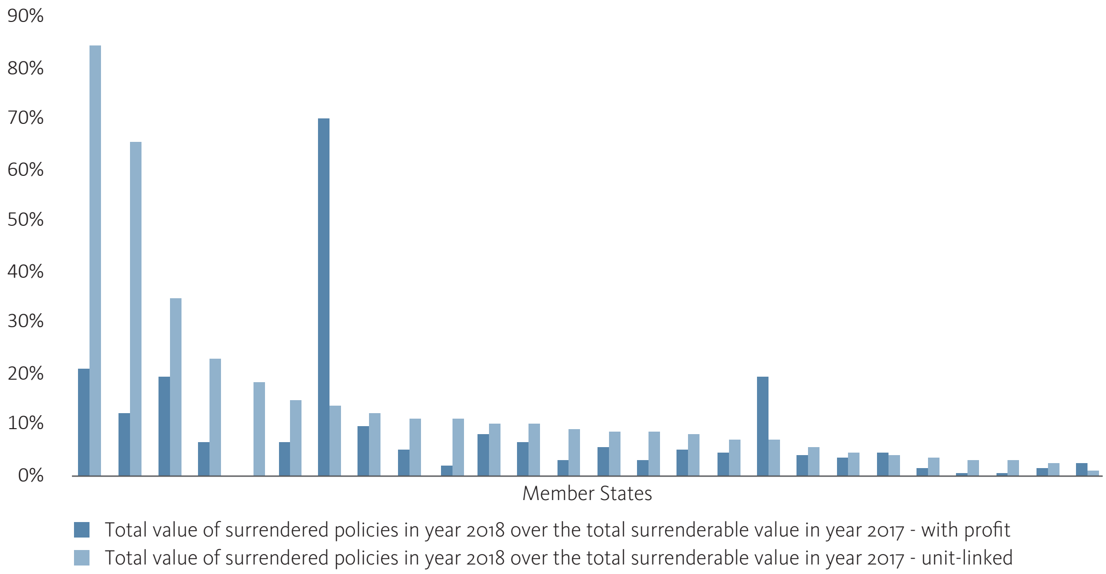
Source: EIOPA Solvency II database.

Figure 7 — Unit-linked commission rates frequency distribution of all insurance undertakings (on the left) and of those insurance undertakings with a new contracts ratio between 5% and 75% (on the right) — 2018



Source: EIOPA Solvency II database.

Figure 8 — Ratio of total value of surrendered policies to total surrenderable amount — 2017-2018



Source: EIOPA Solvency II database.

An analysis of the ratio of the total value of surrendered policies over total surrenderable amount, as an indicator of early surrenders (see Box 2 in Annex I), indicates potential ongoing mis-selling. This ratio is higher for unit-linked insurance than for with-profit participation in 27 Member States (Figure 8).

Low returns, and complexity (including fee structures), are also areas of concern because of the impact they could have on returns and the potential mis-match between consumers' expectations and actual returns.

Although information at the product level is not available in the Solvency II data, an analysis of information on gains and losses from assets held in unit-linked or index-linked contracts gives rise to concern over returns in unit-linked assets and potential low returns for unit-linked products. The EEA return ratio for all assets held in index-linked and unit-linked contracts dropped from 8% in 2017 to -5% in

2018 with significant differences among insurance undertakings (Figure 9):

- in 2017, 369 (out of 604 [22]) insurance undertakings had a return ratio below the EEA average;
- in 2018, 488 (out of 571 [23]) insurance undertakings had a negative return ratio, with 257 insurance undertakings having a return ratio below the EEA average;
- the dispersion — measured as standard deviation — was also larger in 2018 than in 2017 (8.5% vs 5.3%). In 2018 more than 80% of the sample had a return in the range ±1 standard deviation from the mean, while in 2017 it was 94%.

Similarly, although Solvency II data only provide information on costs borne by insurance undertakings that are not necessarily reflective of costs passed on to consumers, it can be observed they can have an impact on 'net returns'.

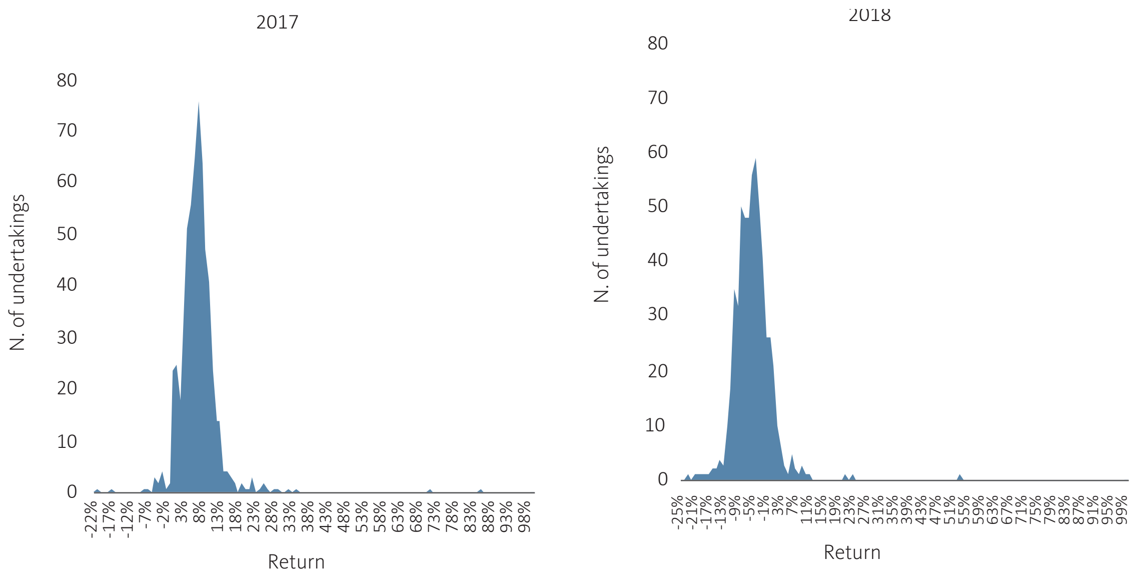
The analysis carried out for the *First Costs and Past Performance Report* [24] although not representative of the EEA market as a whole, confirms some of the concerns highlighted — taking into account product-level information. The report indicates that the unit-linked or index-linked products' annual net returns, weighted by GWP, varied from 6.70% (2014) to 2.62% (2017) and showed significant market fluctuations. In addition, the analysis shows that costs vary across jurisdictions, premium types and risk categories. On weighted averages, costs overall reduced yields by 2.50% (250 products/funds) for single premium business.

Specific concerns — also confirmed by consumer interviews — exist with regard to the fact that these products are often bought to take advantange of tax incentives and costs are overlooked.

Positive developments in the unit-linked market can also be observed. Unit-linked products can offer consumers higher returns in exchange for higher risk and greater choice, especially in a low interest rate environment. In addition, unit-linked-related complaints continued decreasing (-30% [25]) at the EEA level. This decrease could be partially because conduct risks relate to unit-linked products sold in the late 1990s and early 2000s when clear transparency and suitability requirements were not in place.

In addition, recent legislative changes have also arguably led to improvements in disclosure of returns and costs. NCAs, as part of their ongoing supervision of Packaged Retail and Insurance-based Investment Products (PRIIPs) Key Information Documents (KID), have identified several instances in which costs and returns are more clearly disclosed, helping consumers to compare products and have a better understanding of the fees and returns and to choose those products that suit their investment objectives better.

Figure 9 — Return ratio for assets held in index-linked and unit-linked contracts: frequency distribution for all insurance undertakings — 2017 and 2018



Source: EIOPA Solvency II database.

1.1.3. OTHER LIFE INSURANCE, MORTGAGE LIFE AND OTHER CREDIT LIFE POLICIES: KEY TRENDS

The types of product that fall under other life insurance are varied. For example:

- in Ireland, a sample-based analysis shows that, under other life insurance contracts, insurance undertakings report loan protection insurance and life savings insurance on behalf of credit unions;
- in Romania, although undertakings are beginning to develop specific health products falling under this line of business, most of the other life insurance contracts, at the moment, are credit protection-type products sold through bancassurance distribution channels; and
- in Czechia, most other life insurance products are biometric risk products, sold as a package with accident and health insurance, but there are also several group contracts for credit protection insurance.

A retail risk indicators analysis of other life insurance shows continued growth and high commission rates. Other life insurance is the only product category for which life insurance complaints increased (15%) ([26]).

However, by taking into account information reported by NCAs and stakeholders and information emerging from consumer interviews, most concerns relate to credit life and credit protection insurance products (e.g. mortgage life, credit protection for revolving credit facilities). This is particularly the case in relation to bancassurance distribution channels, whose role grew across Europe between 2011 and 2017 ([27]).

Conduct risks have been reported with regard to group policies in which the policyholder is the bank, increasing conflicts of interests and limiting consumers' rights and obligations on the distributor.

An analysis of product category data, available from Solvency II, shows significant differences among Member States in terms of product types. In 12 Member States, 'collective' products represent more than 15% of total other life insurance contracts; however, these are not only mortgage life policies.

An analysis of product category and product type information, for those Member States in which bancassurance distribution channels account for more than 40% of total life GWPs ([28]), shows that (Figure 10):

- other life insurance contracts in these Member States account for 39.9% of total EEA other life insurance contracts, representing 33.1% of the total GWPs ([29]);
- among the other life insurance contracts that fall under either the collective or the 'other' product category, 38.4% of contracts clearly relate to credit protection-type products ([30]) and 13.4% are clearly not credit protection-type contracts.

Potential consumer detriment stemming from credit protection-type products sold through bancassurance also relates to (cross-)selling and pressure sales techniques leading to consumers being 'pushed' into buying a product that may not suit their needs or which they do not need at all. Among the type of pressurised sales/forced cross-selling techniques, NCAs and consumers — through interviews — reported the following.

- Some credit institutions often offer an interest rate discount or other type of discount on credit products only if consumers take a protection/life insurance policy recommended by the credit institution. This could lead consumers towards buying a credit protection insurance product, which they may not need or may not fit their needs, solely to get a discount.

> ***"At each bank we went to they told us 'if you want good conditions you also need to get a home insurance and mortgage insurance with us'"***

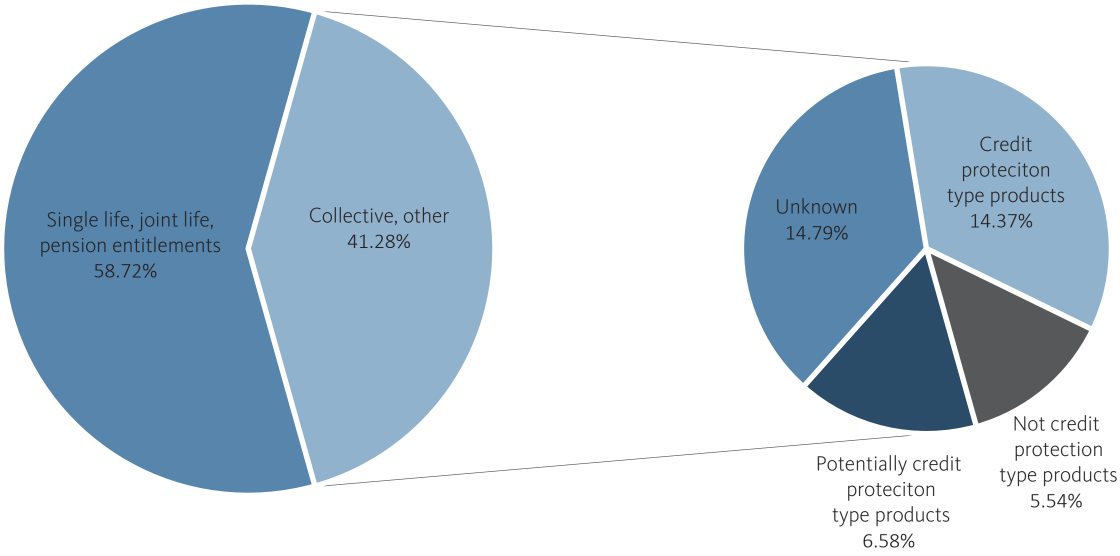
- Some credit institutions take advantage of behavioural biases to push consumers towards buying credit protection insurance from an insurance undertaking within the same financial conglomerate to generate commissions (see below).
- The pressurised sales environment, under which these products are sold, also leads consumers into not paying full attention to policy exclusions and therefore not being aware of what is and is not covered.

> ***"It was basically one package all together... We had the feeling it was 'take it or leave it'"***

A large portion of the consumers interviewed also believed that these products are mandatory by law.

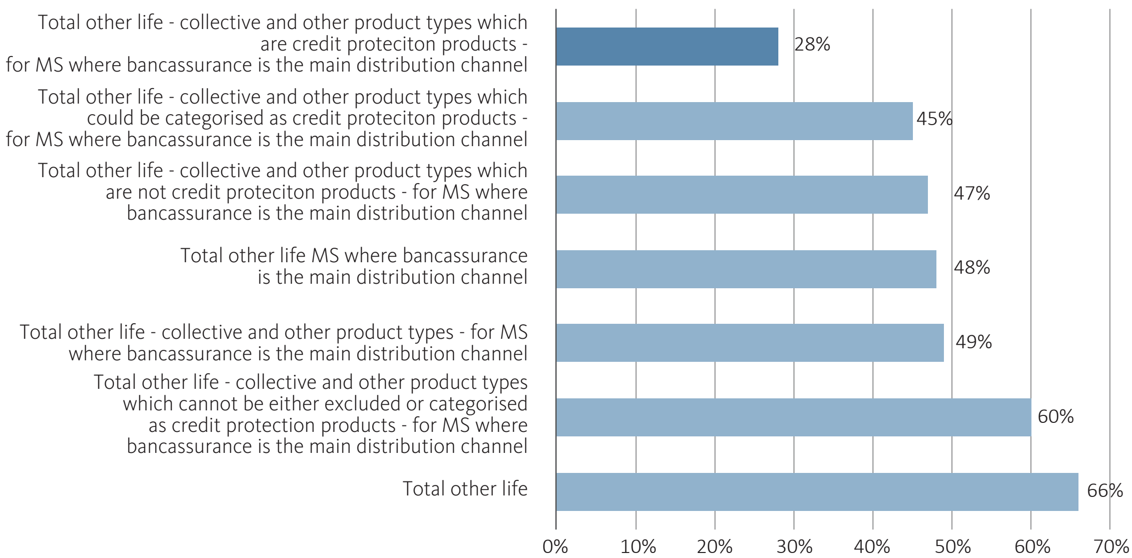
An analysis of Solvency II data supports these concerns. The other life insurance claims ratio ([31]) in those Member States where bancassurance is the main distribution channel is significantly lower (i.e. 48% vs 66%) than the EEA claims ratio. This is mainly led by the significantly low claims ratio (28%) for products, clearly identified as credit protection products.

Figure 10 —Percentage of total other life insurance contracts in selected Member States by product category and type of product — 2018



Source: EIOPA Solvency II database.

Figure 11 —Other life insurance claims ratio across the EEA, for selected Member States, and for selected product categories and product types — 2018



Source: EIOPA Solvency II database.

High commissions, often influencing these products being pushed on to consumers, are also a concern. An analysis of Solvency II data shows that, in 2018, as in 2016 and 2017, with commission rates above 10%, other life insurance had the highest commission rates. Other life insurance commission rates, in 2018, were:

- above the weighted EEA average in 20 Member States;
- above the average of all Member States (17.5%) in 17 Member States — in 11 other life insurance GWPs also experienced growth (Figure 12); and
- above 30% in four Member States.

The weighted average commission rates are twice as high as the EEA average (20.3%) in those Member States where bancassurance distribution channels write more than 40% of total GWPs.

An analysis at the insurance undertakings level shows that:

- out of 615 insurance undertakings ([32]), 151 had commission rates above 30% and 50 above 50%; and
- out of 403 insurance undertakings ([33]) that in 2018 had a new contracts ratio between 5% and 75% ([34]), 114 had commission rates above 30% and 50 above 50% (Figure 13).

Despite the above-mentioned concerns, credit protection products if adequately developed (i.e. adequate target market assessment) and distributed (i.e. taking into account consumers' demands and needs and ensuring that conflicts of interests are adequately managed) can be beneficial to consumers, offering protection against debts due on the consumer's estate in the event of their death, as also emerged from consumer interviews.

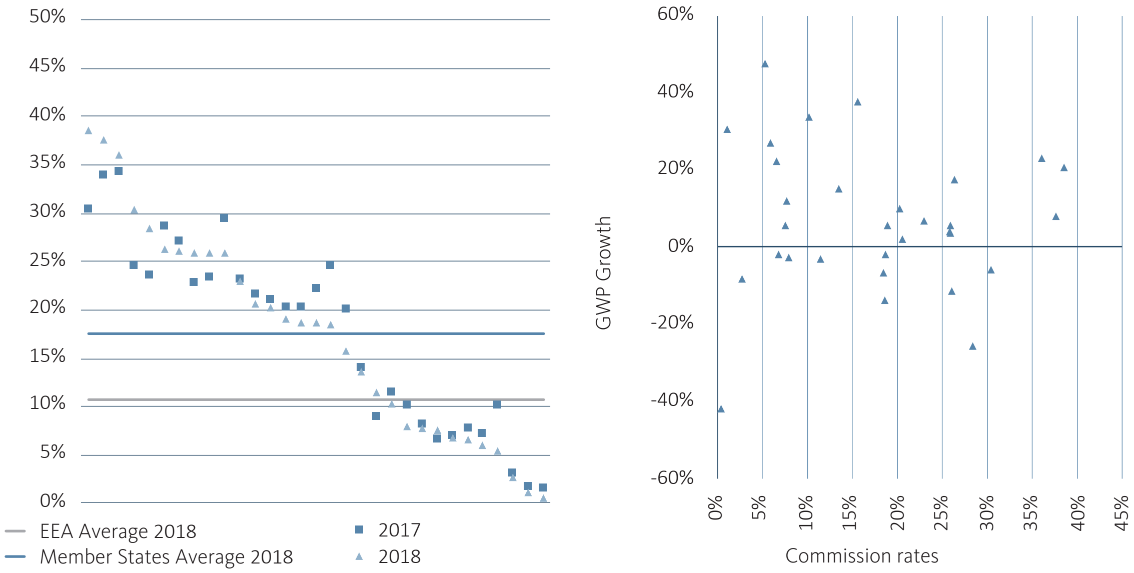
> ***"It reassures me that part of the loan will be covered by the bank in case one of the partners passes away"***

Bancassurance distribution models can also lead to positive consumer outcomes by serving as a one-stop shop, lowering costs for manufacturers, distributors and consumers. Around one third of the 25 NCAs that responded to EIOPA's questionnaire reported having identified neither any source of consumer detriment nor potential conduct risks in relation to bancassurance.

In the light of the identified risks, several Member States have adopted specific measures to ensure good consumer outcomes stemming from these products and/or bancassurance distribution models.

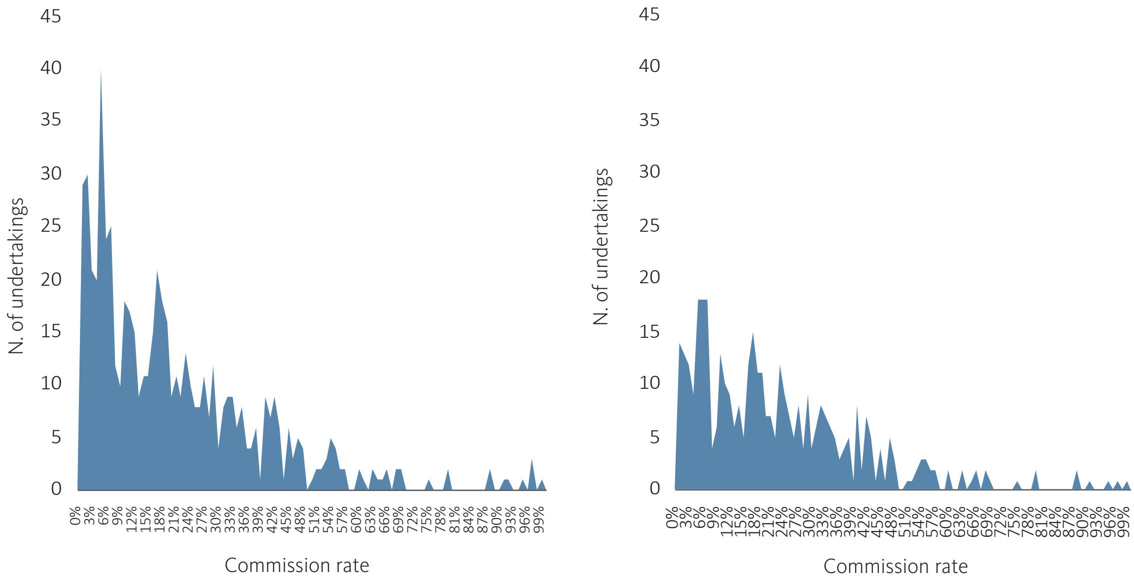
- In Estonia, in addition to a general obligation to inform consumers that they are not obliged to buy the package or can get a policy with equal coverage, consumers who have not been informed about this can cancel the policy at any given time.
- In Germany, under the law implementing the Insurance Distribution Directive (IDD) the Insurance Contract Law has also been reviewed to ensure that beneficiaries in group policies receive the same protection and quality of advice as the policyholders. It also obliges banks to inform consumers, 7 days after they signed the policy and the credit contract, that they have the right to cancel the insurance policy. There is also an ongoing proposal to impose a cap on commissions for sales of these products.
- In the Netherlands, banks are obliged to specify to consumers whether advice in relation to any financial products (including insurance) is given based on an objective analysis. They also have to inform consumers about partnerships with insurance undertakings and about the potential to shop around.

Figure 12 — Commission rates for other life insurance by Member States — 2017 and 2018 (on the left) and GWP growth and commission rates in Member States for other life insurance line of business — 2018 (on the right)



Source: EIOPA Solvency II database.

Figure 13 — Other-life insurance commission rates frequency distribution of all insurance undertakings (on the left) and of those insurance undertakings with a new contracts ratio between 5% and 75% (on the right) — 2018



Source: EIOPA Solvency II database.

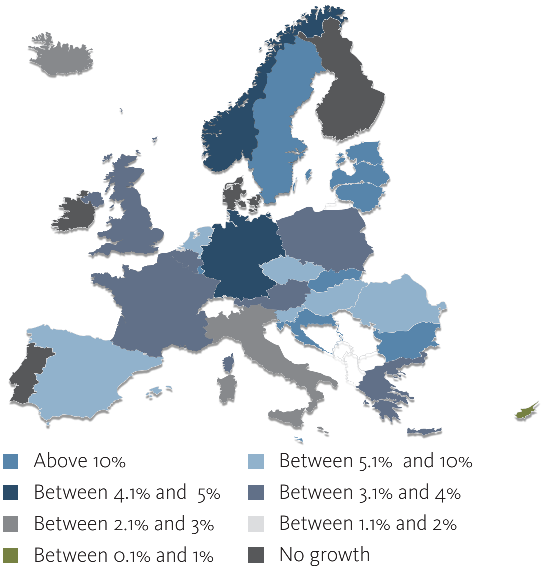
1.2. NON-LIFE INSURANCE

1.2.1. MARKET OVERVIEW

The EEA non-life insurance sector grew by 4.4% in 2018. Growth was particularly strong in eastern European Member States. In Bulgaria, the 23.1% ([35]) growth was mainly led by motor insurance. Similarly, in Lithuania, although growth slowed down, it still attained 10.2%, mainly because of motor insurance. Conversely, growth in the Maltese non-life insurance sector (36.9%) was led by several factors, including the effect of Brexit — with undertakings relocating to Malta — in the same way as in other jurisdictions.

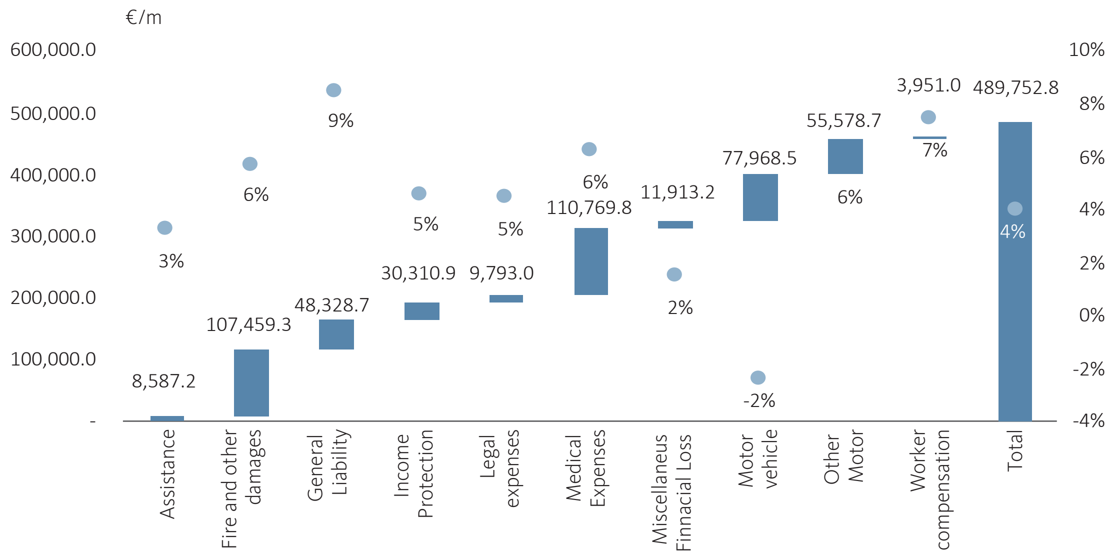
With the exception of Sweden (10.3%) ([36]) — where growth is mainly due to a former Finnish subsidiary now writing business from Sweden into Finland on a freedom of establishment (FoE) basis — all other Nordic markets reported a contraction in non-life insurance GWPs, with Finland reporting the largest contraction of -17.3% — partially also because of the change in group structure of one insurance undertaking.

Figure 14— Non-life insurance growth by Member State — 2018



Source: EIOPA Solvency II database.

Figure 15 — Non-life insurance GWPs in € million (LHS) and year-on-year growth (RHS) for selected lines of business — 2018



Source: EIOPA Solvency II database.

Motor insurance continues to be the most prominent product in the non-life sector (Figure 15). However, motor vehicle liability did not grow, while other motor insurance experienced noteworthy growth (+5.7%). At the Member State level, similar trends can be observed. For example, in Romania motor liability insurance experienced a 2.0% reduction in GWPs and other motor insurance increased (9.4%). This, rather than a contraction in the motor and third party liability (MTPL) market is due to an increase in sales of sub-annual policies.

In Bulgaria, the motor GWP increased for several reasons including the fact that the contracts concluded with one FoE branch operating in Bulgaria were terminated and consumers concluded new contracts with Bulgarian insurance undertaking. In addition, a Supreme Court ruling ([37]) expanded the people entitled to compensation following death caused by a motor vehicle accident.

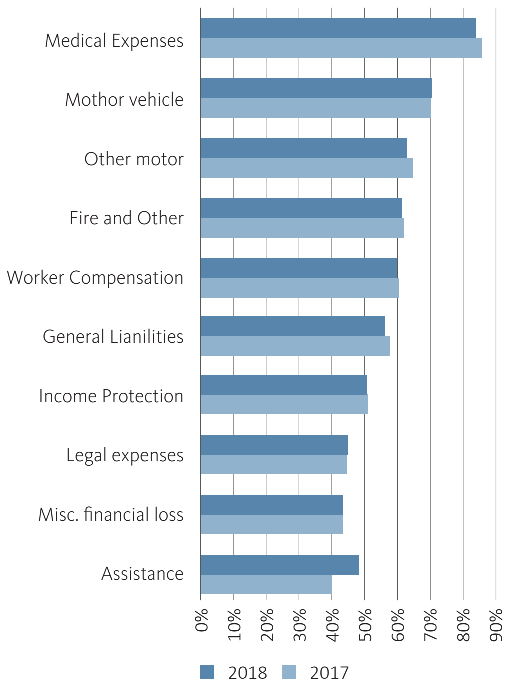
Innovations continue to characterise the trends in the motor insurance sector. In Sweden, 'pay-as-you-drive' and other digital solutions have entered the market. In Italy, the use of black boxes continues to increase: 22.2% of contracts renewed at the end of the fourth quarter of 2018 included discount clauses in relation to black boxes installed in motor vehicles.

Medical expense insurance continues to be the single largest non-life insurance line of business and experienced 6% growth. From a value-for-money perspective, accident and health insurance products continue to fare well compared with other non-life insurance products in several Member States: the medical expense line of business has the highest claims ratio (Figure 16) and the lowest commission rates, with a combined ratio of 97%. This could also be partially because health insurance products are generally highly regulated.

With the exception of a few Member States, which saw a significant increase in complaints and where issues with regard to renewals have emerged, good consumer outcomes for accident and health insurance products appear to be consistent across the EU:

- in 2018, the gap in commission rates across Member States was low with only nine Member States with commission rates above 20%;
- claims ratios for the medical expense insurance line of business increased in 17 Member States;
- overall claims ratios for this line of business are high across Member States with only three Member States reporting a claims ratio below 40% and 26 Member States reporting a claims ratio above 50%; and
- accident and health insurance-related complaints experienced only a marginal increase (2% ([38]) vs a 6% increase for total non-life insurance-related complaints) and represent only 16% of the total complaints at the EEA level.

Figure 16 — Claims ratio for selected non-life insurance lines of business — 2017 and 2018

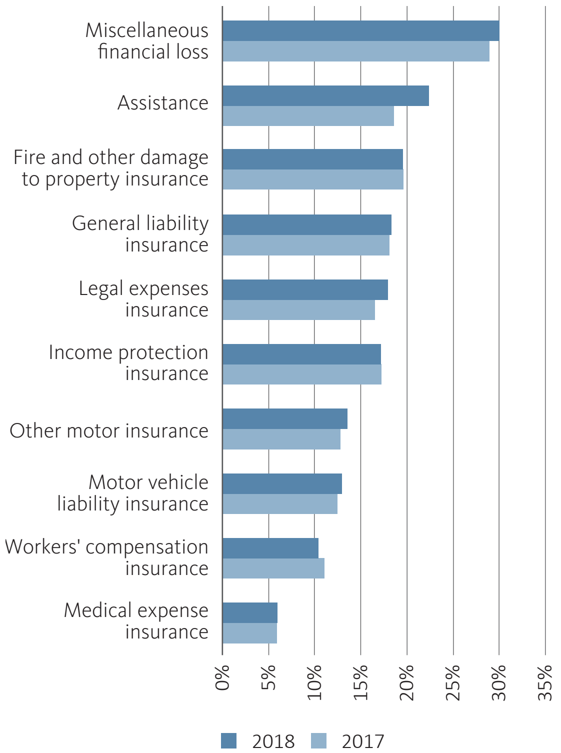


Source: EIOPA Solvency II database.

Fire and other damage to property increased in 27 Member States — in six of them by more than 10%. Although several products fall under the fire and other damage to property line of business ([39]), the increase in some Member States is influenced by the low interest rate environment, which results in more consumers buying real estate.

Commission rates for the fire and other damage to property insurance line of business are the third highest at the EEA level, and claims ratios are low in several Member States — below 50% in 15 of them.

Figure 17 — Commission rates for selected non-life insurance lines of business — 2017 and 2018



Source: EIOPA Solvency II database..

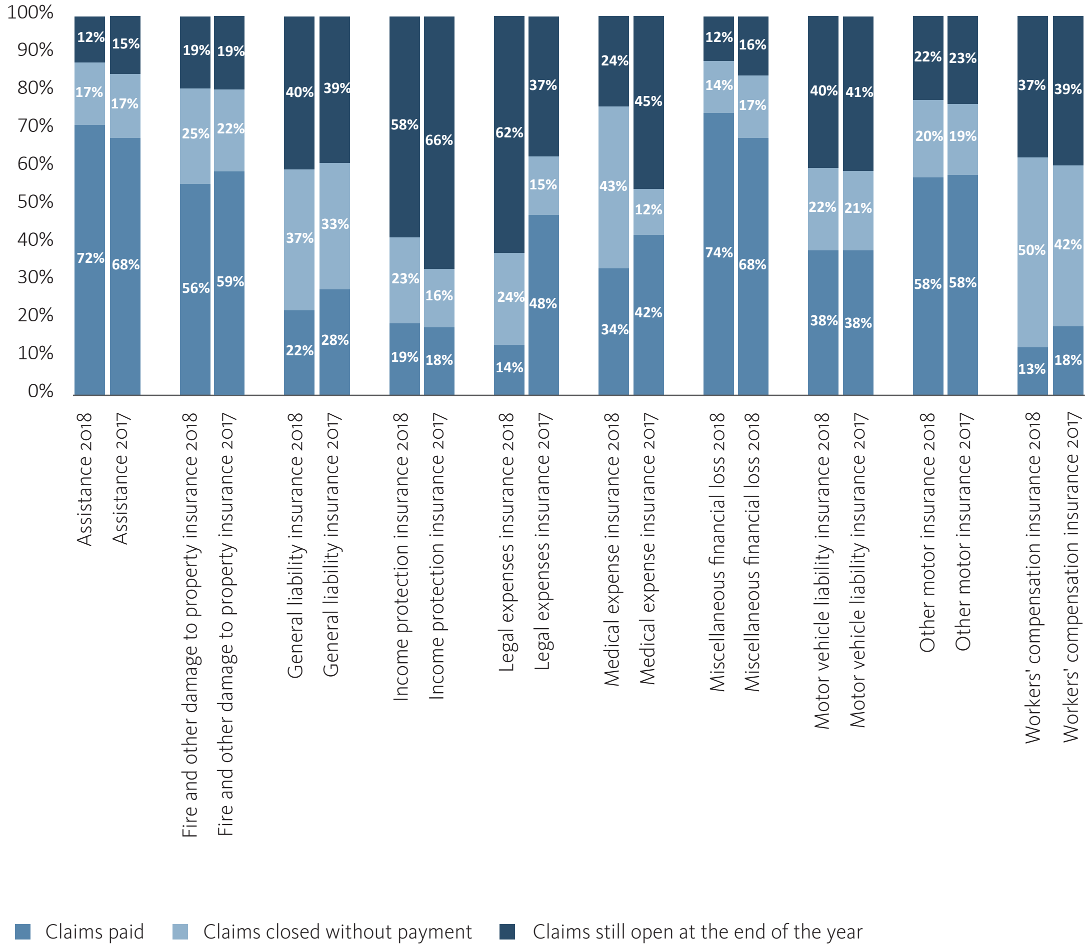
Figure 18 — Claims ratios, commission rates, and GWP growth (bubble size) by Member State for the fire and other damage to property line of business — 2018 (40)

Source: EIOPA Solvency II database.

It is also noteworthy that out of those 10 Member States with claims ratios below 50%, seven had commission rates above 20% (Figure 18) and all of them experienced year-on-year GWP growth (denoted by bubble size). This raises concerns with regard to potential value for money for household insurance. In fact, household insurance-related complaints increased by 9% ([41]) at the EEA level. The most frequent cause of household insurance-related complaints is claims.

General liability insurance experienced the highest growth at the EEA level. In Germany, where general liability is an important line of business, growth was 4.3%. After legal expenses insurance, general liability is the line of business for which the percentage of claims paid at the end of the year decreased the most. Despite this, evidence from consumer interviews shows that they are generally satisfied with this product, although some of them are not fully aware of what is covered/excluded.

Figure 19 — Claims management data for selected non-life insurance lines of business — 2017-2018



Source: EIOPA Solvency II database.

Finally, it is noteworthy that those lines of business that are often characterised by cross-selling practices continued to increase — this could also be due to the small size of these lines of business in most Member States.

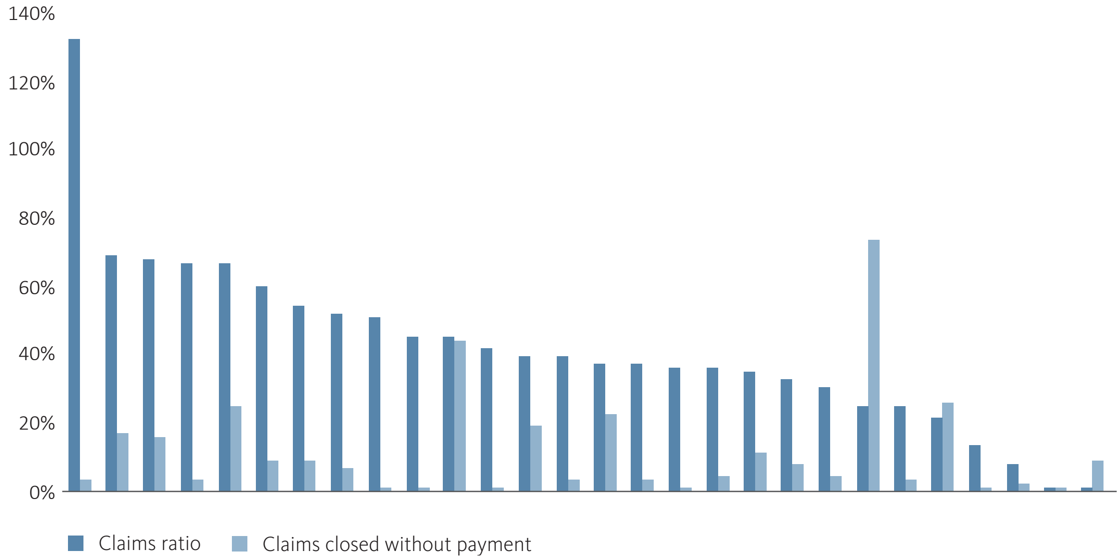
- Assistance, which comprises several products, such as home assistance, travel assistance and auto assistance, reported 3.3% growth, having increased in 21 Member States (above 10% in nine of them).
- Income protection grew by 4.7%, having grown in 26 Member States.
- Miscellaneous financial loss, which comprises several products such as mobile phone insurance and loss of luggage but also lifestyle protection, credit protection (non-life), etc., experienced 1.6% growth. It grew significantly (above 10%) in 10 Member States.

Some concerns with regard to over-insurance/lack of consumer awareness about coverage when buying add-on products continue to be reported by NCAs. These concerns are relevant with regard to assistance products cross-sold with other products.

By comparing claims ratio data with data on the percentage of claims ended without payment at the end of the year for the assistance line of business, it can be seen that claims ratios are low across several Member States and the percentage of claims that ended without payment is also low. This could mean that not many claims are received for these products because of consumers lack of awareness about coverage.

Both in 2017 and in 2018, the total volume of assistance-related claims, by underwriting year, represented only 0.2% of the total volume of total non-life insurance claims. By comparison, in terms of GWP value, assistance represents 2% of the non-life insurance market — this should be interpreted taking into account that products falling under the assistance line of business are generally of a lower value; hence, the disproportion may be higher.

Figure 20 — Claims ratios and percentage of claims rejected in the assistance line of business by Member State — 2018



Source: EIOPA Solvency II database.

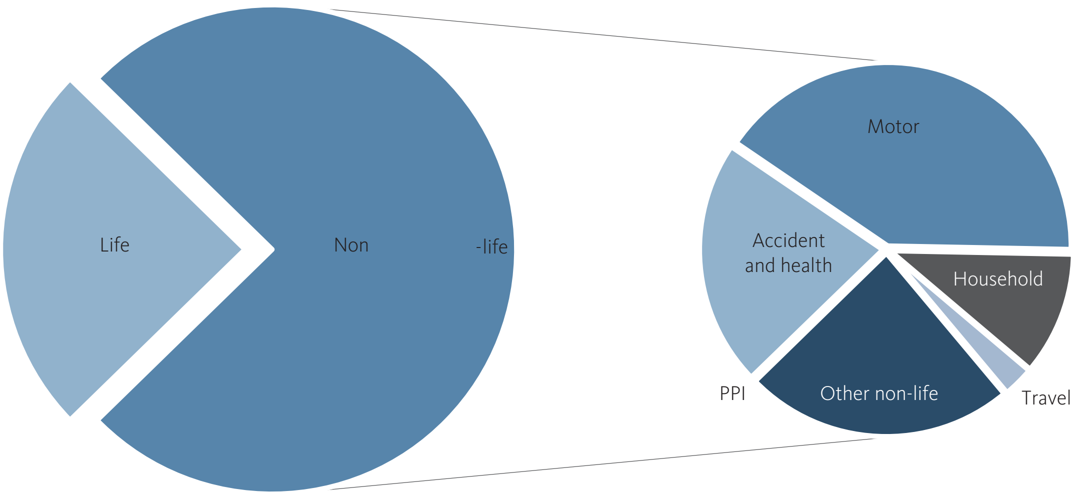
1.2.2. MOTOR INSURANCE CLAIMS' MANAGEMENT: KEY TRENDS

Motor insurance was reported as the second most concerning product for NCAs (after unit-linked insurance), mostly because of claims management issues. Moreover, motor insurance-related complaints continue to be the most prevalent complaints (Figure 21) and have increased by 6% ([42]) at the EEA level.

The significance of motor insurance-related complaints varies among Member States: in Romania they represent 89% of the total number of complaints. In Bulgaria, Latvia and Italy they also represent more than half of the total number of complaints. By contrast, in other Member States, such as Denmark, Norway and Spain they represent less than 20% of the total number of complaints.

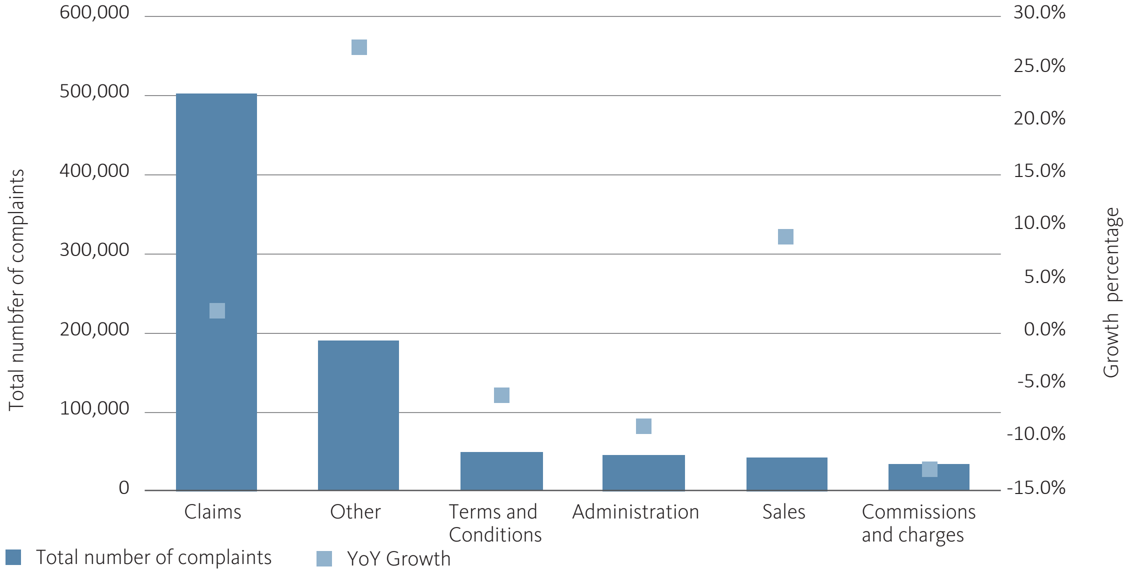
Claims-related issues are generally the most important cause of motor insurance-related complaints; in fact, out of the 15 Member States that reported this information, 10 stated that claims-related issues are the most relevant reason for motor insurance complaints.

Figure 21 — Complaints split by products — 2018 ([43])



Source: Committee on Consumer Protection and Financial Information consumer trends questionnaires.

Figure 22 — Complaints by cause 2018 — total number and year-on-year growth (44)



Source: Committee on Consumer Protection and Financial Information consumer trends questionnaires.

Claims-related issues are a major area of concern for NCAs across the EEA:

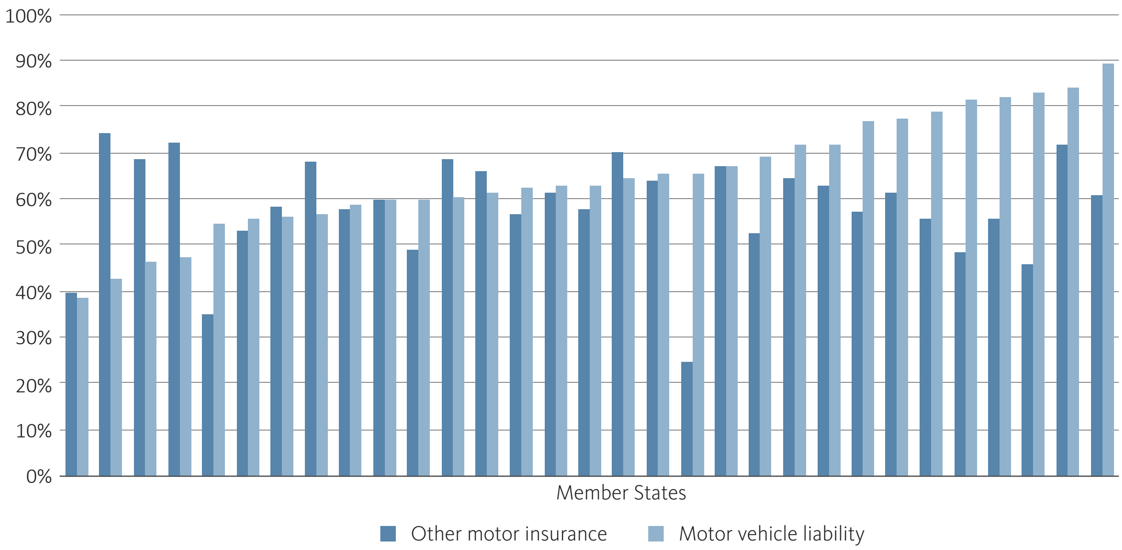
- out of 76 reported top three consumer protection issues, 16 concerned claims management and 24 were related to claims management among other issues;
- claims-related complaints accounted for 58% (45) of total complaints in the EEA; and
- in some markets, claims-related complaints accounted for over 90% of complaints.

It is noteworthy that the ratio of number of claims to GWP is rather low: 1.1% for motor vehicle liability insurance and 2.4% for other motor insurance.

Although NCAs reported various concerns in relation to claims management, including lack of adequate reasons for rejecting claims, most of the issues reported relate to insufficient payment amounts and/or valuation issues. A Solvency II data analysis shows that:

- in 2018, claims ratios decreased in 16 Member States for motor vehicle liability and in 18 Member States for other motor insurance;
- claims ratios are below 60% in 12 Member States for motor vehicle liability and in 16 Member States (in three of them below 40%) for other motor insurance (Figure 23);
- the average gross payment per claim during the year — by underwriting year — dropped from €1,109 in 2016 to €917 in 2018 for motor vehicle liability and from €773 in 2016 to €484 in 2019 for other motor insurance (46);
- despite the average gross payment per claim decreasing, the industry reported a continued increase in the average cost of claims reported;
- although other motor and motor vehicle claims reported via Solvency II — by underwriting year — continued to drop, motor vehicle liability claims that ended without payment increased by 9% in 2018; and
- although the sum of the number of claims for other motor and motor vehicle claims reported via Solvency II — by underwriting year — represented 4% (in 2016), 3% (in 2017) and 2% (in 2018) of total non-life insurance claims, other motor and motor vehicle claims that ended without payment represented 38% in 2016, 10% in 2017 and 39% in 2018 of total non-life insurance claims that ended without payment (47).

Figure 23 — Claims ratios by Member State for motor vehicle liability and other motor insurance — 2018



Source: EIOPA Solvency II database.

Delays in claims management are also an issue, which continues to be reported by NCAs. Solvency II data show that the percentage of claims still open at the end of the year is higher for motor vehicle and other motor insurance than for the total number of non-life insurance claims. Other motor and motor vehicle insurance claims still open at the end of the year — by underwriting year — accounted for 3% in 2016, 30% in 2017 and 22% in 2018 of total non-life insurance claims still open at the end of the year.

Despite the issues highlighted, several positive developments are also taking place in motor insurance claims handling:

- innovation is simplifying and making claims management easier for customers (see Section 1.3.3); and
- in some Member States, to reduce the number of claims-related complaints and improve customers' experience, insurance undertakings are making significant efforts to improve their processes, including by providing real-time information.

1.2.3. ADD-ON INSURANCE/GADGET INSURANCE: KEY TRENDS

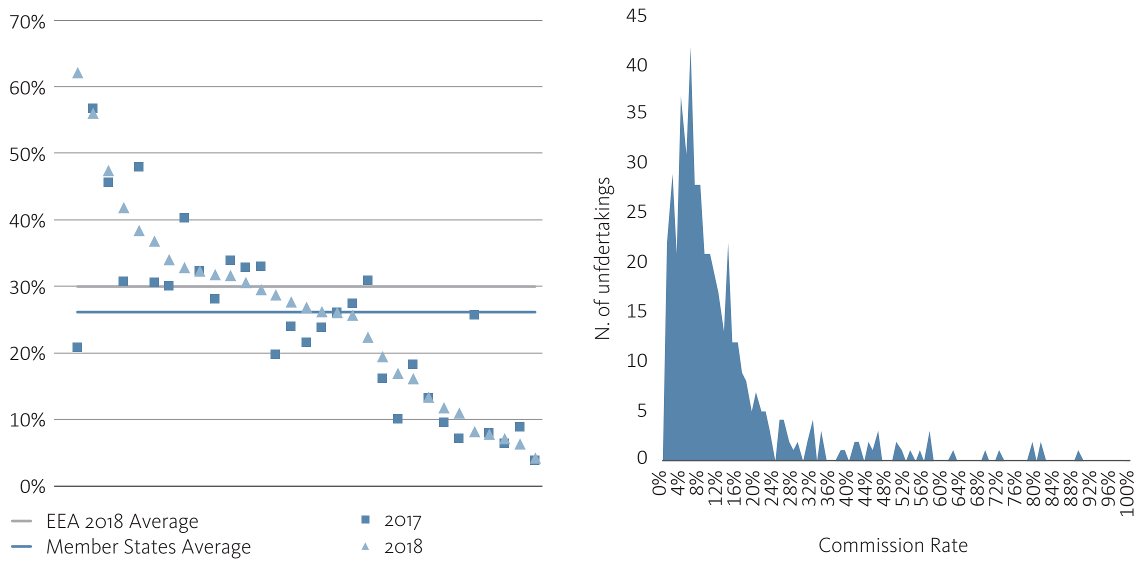
The types of products that fall under the miscellaneous financial loss are varied in nature and include add-on/gadget insurance, such as mobile phone insurance ([48]).

A retail risk indicators analysis of miscellaneous financial losses shows continued growth, high commission rates and systematically low claims ratios. In 2018, the miscellaneous financial loss was the line of business with:

- the highest commission rates;
- the lowest claims ratio; and
- the second lowest combined ratio.

It is also noteworthy that other non-life insurance complaints represent 18% ([49]) of the total number of complaints at the EEA level. Taking into account information reported by NCAs and stakeholders, most concerns relate to insurance sold with electronics such as mobile phones, laptops, kitchen equipment, etc.

Figure 24 — Commission rates for the miscellaneous financial loss line of business by Member State — 2017 and 2018 (on the left) and distribution frequency of commission rates for all insurance undertakings — 2018 (on the right)



Source: EIOPA Solvency II database.

Concerns reported are similar to those highlighted earlier with regard to credit protection insurance (see Section 1.1.3) and with regard to assistance type of products (see Section 1.2.1). Issues related to conflicts of interests, mainly due to high commissions incentivising (ancillary) intermediaries to use pressure sales tactics.

Although not limited to add-on/gadget insurance products, an analysis of available Solvency II data shows high commissions for miscellaneous financial loss. Commission rates are high across most Member States, with only 7 out of 30 Member States [50] reporting commission rates below 15%.

Concerns about pressures sales tactics and consumers' lack of awareness about buying coverage are confirmed by consumer interviews, with most consumers buying such gadget insurance jointly with the main product with no comparison.

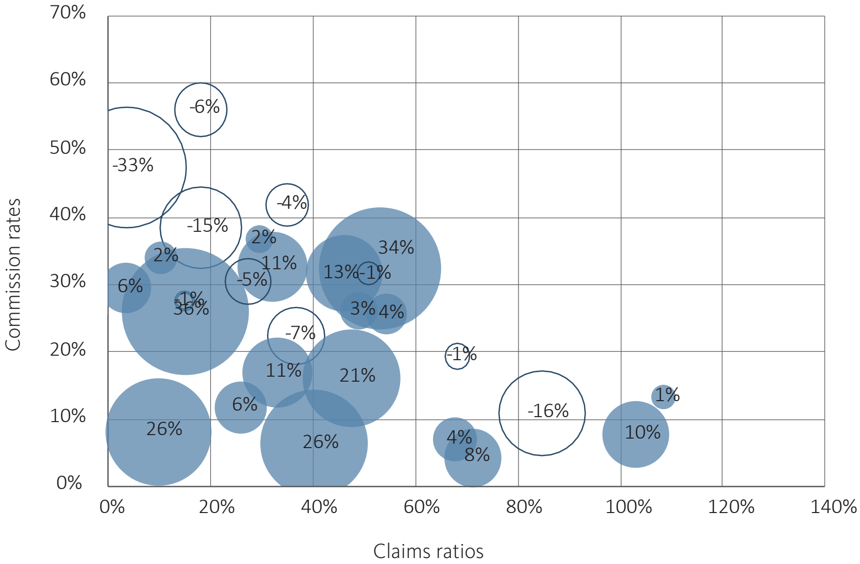
> ***"I purchased it right at the store and didn't have options to compare. The price was ok and I wanted to get the laptop immediately insured"***

These risks are heightened by the potentially low value for money that these products provide for consumers:

- the claims ratios for miscellaneous financial loss have dropped in 16 Member States;
- out of the 11 Member States with commission rates above 30% only three had a claims ratio above 40% and five of them reported a GWP increase (Figure 25); and
- out of the 14 insurance undertakings with commission rates above 50%, 10 experienced GWP growth (two experienced 100% GWP growth); and only two had claims ratios above 40%.

Despite the concerns over whether it is adequately conceived and targeted, gadget insurance can also be a significant benefit to consumers. Evidence from consumer interviews also shows that some consumers consciously look for these products and compare the various offers to find the ones that best suit their needs.

Figure 25 — Claims ratios, commission rates and GWP growth (bubble size) by Member State for the miscellaneous financial loss line of business — 2018 (51)



Source: EIOPA Solvency II database.

1.3. FINANCIAL INNOVATIONS

NCAs continue to report financial innovations across the whole insurance value chain and the overall relationship between consumers, insurance manufacturers and insurance distributors. This includes the way in which insurance undertakings advertise and target products, claim management processes and procedures and ongoing post-sales communications.

Last year's report (52) mainly focused on innovations taking place in the product design and underwriting phase. Conversely, this year's report, focuses on innovations affecting the way in which insurance products are presented and distributed to consumers: Section 1.3.1 focuses on digital ecosystems and Section 1.3.2 focuses on comparison websites. In addition, Section 1.3.3 summarises the various innovations observed by NCAs in their respective market.

Data provided by NCAs shows that financial innovations are mostly present in the non-life sector. Out of 33 reported financial innovations, 16 solely concerned non-life products and 14 others concerned both life and non-life insurance products.

At the product level it can be observed that financial innovations reported for life insurance products solely concern other life insurance, while the (non-life) products mostly affected by financial innovations are the commoditised ones:

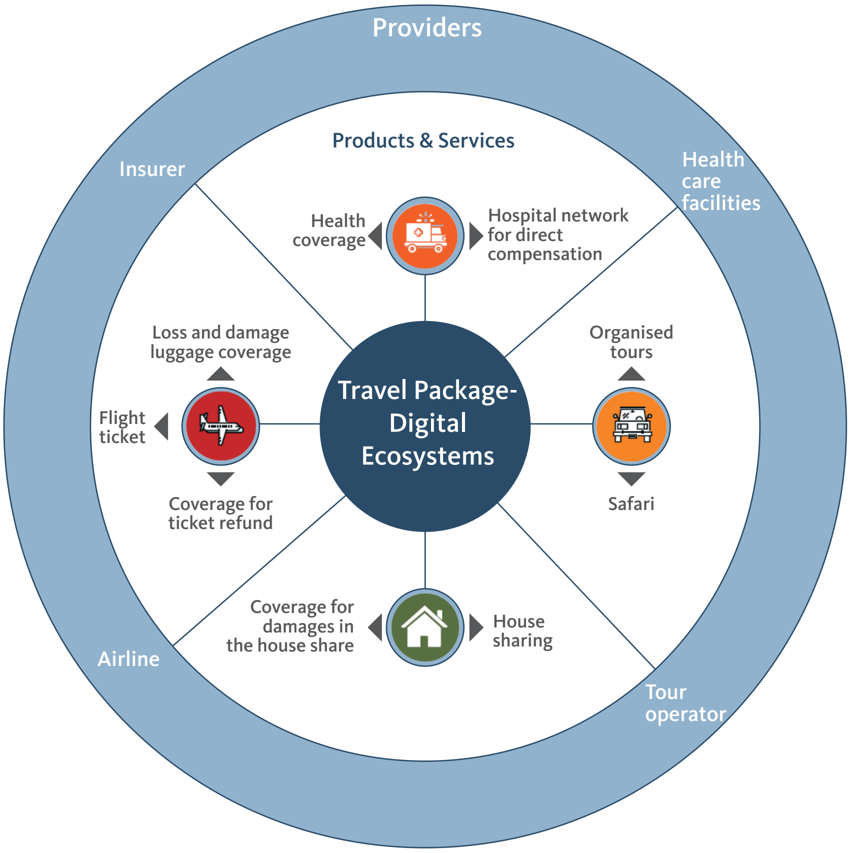
- four reported financial innovations concerned motor insurance products — 12 related to motor insurance products among others;
- 10 reported financial innovations related to household insurance among other products; and
- three financial innovations concerned accident and health insurance — nine related to accident and health insurance among other products.

1.3.1. DIGITAL ECOSYSTEMS

With evolving customer expectations and opportunities presented by new technologies, the traditional insurance model, based on serving customers' needs through the provision of homogeneous products with prices fixed through actuarial models, is slowly being replaced by (insurance) digital ecosystems. These are networks of products, organisations and people aggregated on a digital platform (53) offering a joint holistic 'experience' of services and products.

Insurers that participate in digital ecosystems are enabled to sell targeted and relevant products to consumers using these ecosystems, which until today have generally been focused on a specific topic. The most prevalent ones tend to concentrate on topics such as travel, healthcare, housing and cars/transport (54).

Figure 26 — Example of an ecosystem



Source: EIOPA's own compilation.

Ecosystems are on the rise in Europe, but generally this phenomenon is still at a nascent and emerging stage.

In some Member States conversations to create ecosystems between insurers and other providers are ongoing, but the roll-out of these 'experiences' is yet to become signficant.

- In Czechia, two insurance undertakings have reported that they are actively engaging with e-commerce platforms to offer travel insurance. The offer of payment protection insurance (PPI) is also being explored. A few other insurance undertakings have begun activities to become part of a digital ecosystem.
- Although nascent, digital ecosystems are developing in Poland where motor insurance is being sold through a GPS (global positioning system) application.
- In Finland, where the NCA has been having discussions with insurers about their role in ecosystems and relevant legal limits, including the need to ensure that the various parties' roles and responsibilities are clear, some insurance undertakings are cooperating with platforms that help self-employed people charge for relevant work.

In some other Member States, such ecosystems have a greater presence:

- in the Netherlands, although the number of insurance policies is still limited, there are several car-sharing platforms offering coverage and there is also a peer-to-peer alarm platform, through which insurance is also sold, to minimise robberies and burglary;
- in Italy, this phenomenon is mainly related to car insurance; and
- in Germany, Amazon has also begun offering an insurance product — Amazon Protect.

Ecosystems generally offer opportunities and bring benefits for insurers and consumers by minimising distribution costs. Through ecosystems, which are adequately designed and take into account the target market's needs, insurers can easily access large pools of new customers whose demands and needs are aligned with the relevant product offer. They can also lower the cost of distribution.

From a consumer's perspective, ecosystems can enable and offer cross-sectoral collaboration to create a customer-centric commercial experience ([55]). Ecosystems also allow consumers to access more targeted and tailored products and also facilitate the process of buying insurance contributing to bridging the protection gaps, by 'nudging' them towards having adequate insurance coverage.

This phenomenon, if adequately developed, can also enable competition, not only in terms of product offering but rather in terms of experience — i.e. competition among ecosystems.

Despite significant untapped potential for ecosystems, it is also worth highlighting some conduct concerns. Competition in digital ecosystems is still limited. Although consumers should expect to find a wide range of insurance products available, at present in these ecosystems consumers can often find only one product, which restricts overall consumer choice ([56]). Similarly, although ecosystems should offer tailored products, currently product offer is tailored to the overall platform rather than being tailored to the demands and needs of the customer pool.

Other risks can also emerge from consumer behaviour: consumers may buy coverage inadvertently or may not be paying enough attention to the coverage they are buying, leading to over- or under-insurance coverage. Alongside these risks, other risks generally associated with ancillary insurance products — such as low value for money and lack of proper assessment of customers' demands and needs and overall target market assessment — can be heightened by digital ecosystems.

As insurance is mostly the secondary product sold through these ecosystems, customers do not generally pay attention to the insurance product and may buy coverage they do not need. As insurers are often secondary providers, high commissions paid to ecosystem operators may also incentivise pressured sales techniques. Given that they have control over customers' data and the competitive advantage of having a generally large pool of customers, operators may set up upfront commissions — while offering limited mediation services — to be paid by those undertakings that want to participate ([57]).

Concerns also exist with regard to the fact that ecosystems mainly offer on-demand insurance. This, if not properly targeted, may, on the one hand, increase the cost of insurance coverage and, on the other hand, lead to consumers misunderstanding the benefits of having full coverage.

Ecosystems also bring challenges for insurance undertakings and the insurance sector as a whole. Continuously changing customer expectations can put a strain on traditional insurance business models ([58]). Moreover, given the market power — including data ownership — of certain brands — the relationship between insurance manufacturers and distributors may change, with distributors imposing conditions on insurers (e.g. payment of high commissions) that may not necessarily correspond to the service they offer.

Finally, ecosystems also bring challenges for insurance supervisors, in particular with regard to the supervision of product oversight and governance (POG) requirements and supervision of distribution activities. In fact, it can often be difficult to discern/identify product manufacturers and product distributors. It may also be difficult to identify which participant in the ecosystem carries out insurance distribution activities versus other activities, making it challenging to identify what is within and outside the scope of the IDD.

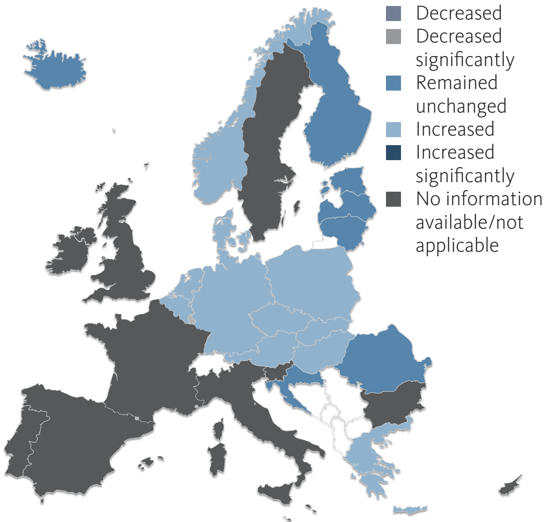
1.3.2. COMPARISON WEBSITES

Price comparison websites and price-aggregators are continuing to increase 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. Overall, although it is difficult for NCAs to monitor the presence and report on the role of price comparison websites ([59]), no Member State reported the role and presence of price comparison websites as a decreasing trend.

With the increase in the presence and role of price comparison websites, it is noteworthy that their legal construction and role varies significantly. In some Member States, price comparison websites are all for profit and act as insurance intermediaries. For example:

- in Austria, there are three main comparison websites offering a variety of products and they are all for profit;
- in Hungary, price comparison websites have an important role and are for profit, working as online brokers; and
- in Italy, based on a mapping exercise carried out by the NCA in 2013/14 ([60]), six main price comparison websites, operating as insurance intermediaries, were identified.

Figure 27 — Trends in comparison websites — survey of NCAs



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

In other Member States, there are some not-for-profit price comparison websites operating alongside for-profit sites. These not-for-profit entities, however, are varied in nature:

- in Denmark, alongside other for-profit price comparison websites, the insurance association operates one that is not for profit and is the largest in the market;
- in the Netherlands, the consumer association runs such a website alongside several other for-profit sites; and
- in Norway, the Norwegian Consumer Council operates a comprehensive not-for-profit and non-commercial comparison website.

Only in two Member States (Iceland and Liechtenstein), based on information provided by the NCAs, are price comparison websites yet to develop.

With regard to the type of product that these websites offer, most price comparison websites play a role in the distribution of non-life insurance products. In Lithuania, Latvia and Italy, comparison websites are most relevant in the area of motor insurance but also offer household and travel insurance. In some Member States, such websites are also expanding their role. For example, in the Netherlands there are comparison websites that also compare term life insurance products.

Given the general trend towards increased digitalisation, the role of price comparison websites is expected to grow, and this can have important positive impacts on consumers and also on distribution models in general. In fact, price comparison websites represent the first wave of innovation in the insurance sector.

If adequately regulated, supervised and operated, price comparison websites can offer more choice to consumers — allowing them to quickly cross-check and compare prices and services for similar products offered by different insurance undertakings — minimising information asymmetries and bringing more competition to the sector. These websites allow consumers to access a significant amount of information in a logical and easy manner, enabling them to identify the products that best suit their demands and needs.

> ***"I found the information quite comprehensive, I followed reviews, price and conditions"***

The increasing role of price comparison websites, however, brings conduct risks that require supervisory attention. Generally, both for-profit and not-for-profit comparison websites tend to over-emphasise the focus on price rather than on features — including terms and conditions, exclusions, etc. — of an insurance product. There is also the risk that, regardless of their nature, price comparison websites may not provide accurate and up-to-date information, leading consumers to have misconceptions about the products or the nature of the service that is provided.

> ***"I took the insurance because it was the cheapest, when looking online I found the vocabulary confusing"***

Moreover, there are specific conduct risks that can arise in relation to for-profit price comparison websites, if not adequately operated. Generally, the features of price comparison websites 'suggest' to end users that they provide an independent unbiased and full comparison. However, given the commercial nature and commercial objectives of some websites, factors other than lower price, suitability and/or product features may have an impact on the products' ranking.

Consumer associations have conducted studies on such websites and identified significant deficiencies, including:

- lack of proper and full market coverage;
- lack of adequate information; and

- discrepancies between the information provided on the website and in the policy document.

In the light of these concerns, it is noteworthy that such comparison websites are more and more coming under the radar of supervisory authorities:

- in 2014 EIOPA published its report on good practices for price comparison websites (61);
- also in 2014, the Italian NCA carried out an investigation on comparison websites in the Italian insurance market (62); and
- in 2014, the Dutch NCA audited five price comparison websites and in 2015 it carried out consumer research leading to the development and adoption of a code of conduct by the five largest price comparison websites in the Netherlands.

Moreover, with IDD bringing within its scope price comparison websites performing insurance mediation activities, several NCAs have started monitoring them more closely and, where relevant, have taken action against inaccurate comparisons.

1.3.3. OTHER FINANCIAL INNOVATIONS

NCAs have also reported several other financial innovations. The majority of these innovations, rather than relating to InsurTech (insurance technology) and/or innovations in the use of big data, distributed-ledger technology and or telematics, mainly relate to digitalisation processes across the whole product lifecycle bringing significant benefits but also heightening the potential risks that could arise (63).

Among the digitalisation trends, it is noteworthy that several NCAs reported the existence of new tools that are used to easily compare product features and build (modular) products based on one's needs, and other NCAs reported the development of apps for easily submitting claims.

A few NCAs have also reported innovations with regard to telematics in insurance, robo-advice and cyber-insurance.

- The Austrian NCA reported that, on a trial basis, behaviour-based insurance products relying on insurance telematics are being introduced into the market. The most common types are motor insurance products, but connected household policies (for fire alarms) are also being introduced.
- In Greece, undertakings have introduced specific rewards systems (i.e. lower premiums) for consumers adopting healthier lifestyles, which are monitored through various tools.
- The Austrian NCA reported the development and commercialisation, albeit at a very nascent stage, of cyber-risk policies.
- Finally, as part of its ongoing work to monitor robo-advice, the Dutch NCA has reported that robo-advice, which has been in use for quite some time for simpler products, is now beginning to be used for more complex financial products such as disability insurance.

1.4. COMPLAINTS

A high number of complaints — or a significant increase — may indicate potential consumer detriment, including mis-selling, difficult product wording, issues in the claim management process (low payouts, high percentage of refusals, long processing times). However, it could also relate to the fact that undertakings have put in place proactive policies to make it simple and easy for consumers to complain. An analysis of the causes of complaints can assist in identifying potential issues; for example, a high number of claims-related complaints could be the result of issues in the claim management process. What firms do with complaints information is an important indicator of how consumer-centric a firm is in practice.

Although complaints trends can be a useful source to identify potential consumer detriment, they should be analysed jointly with other retail risk indicators.

Following a substantial increase in 2016 and a slight increase in 2017 (64), there was also a minor increase in complaints reported in 2018 (65). Out of 21 Member States for which this information is available, 11 reported an increase while 10 reported a decrease.

Life insurance complaints increased (2%), despite with-profit and unit-linked insurance-related complaints having dropped significantly (-20% and -30% respectively). The increase is due to the significant growth in other life insurance-related complaints (15%).

Life insurance complaints are generally lower in volume than non-life insurance complaints; however, in some

Member States they account for more than 20% of the total number of complaints.

Non-life insurance complaints increased across all products except for PPI-related complaints. Overall, for the 20 Member States that reported disaggregated data by product, non-life insurance complaints increased in 12 while they decreased in eight. Motor insurance-related complaints continue to be the most prevalent complaints and have increased by 6% at the EEA level, having increased in 13 out of 19 Member States that reported this information.

Accident and health insurance is the product that, at the EEA level, generated the second highest number of complaints — 16% of total complaints. Having increased in 12 Member States (out of 18 that reported data), accident and health insurance-related complaints increased by 2% at the EEA level.

1.5. NATIONAL COMPETENT AUTHORITIES' CONSUMER PROTECTION ACTIVITIES

NCAs performed several consumer protection-related activities: some supervisory activities aiming to ensure that the distribution of insurance products complies with applicable legislation, some seeking to foster consumers' financial literacy and others consisting of updating or further developing the conduct regulatory framework.

The different types of activities carried out are closely connected to the various trends, potential issues and positive developments identified by NCAs in 2018.

In 2018, 78 specific consumer protection activities addressing one or multiple products and/or topics were reported by NCAs (66).

BOX 1

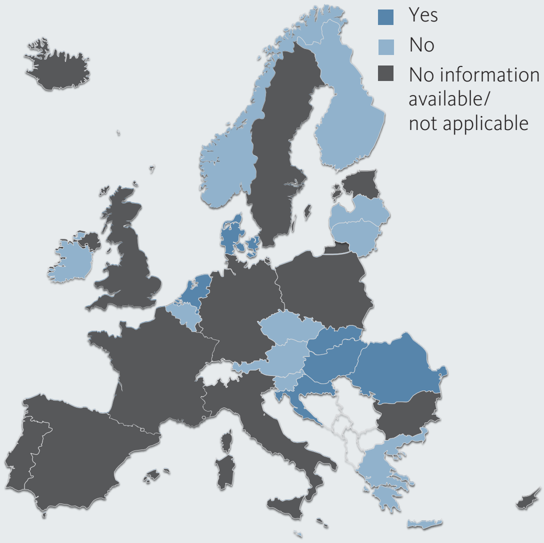
VULNERABLE CONSUMERS — SURVEY OF NCAS

In past ***Consumer Trends Reports***, NCAs reported having begun carrying out specific work to address consumer detriment for vulnerable consumers, as they could be subject to a higher degree of detriment. Although there is no common definition of vulnerable consumers, this term can be applied to different circumstances such as cognitive decline, age, poverty, indebtedness, unemployment and disability. Vulnerability can be seen as one of the inherent characteristics of consumers but it can also relate to the specific transactional situations in which specific consumers find themselves (67). Regardless of the definition and characteristics that are taken into account to assess vulnerability, vulnerable consumers are those consumers that, because of given circumstances, are susceptible to particular detriment.

Some Member States at the national level have defined what vulnerable consumer means. For example, in Ireland, the Consumer Protection Code defines vulnerable consumers as a person (i) with capacity to make his or her own decision but who because of specific circumstances may require assistance, or (ii) who has limited capacity to make his or her own decisions.

Based on the information reported, seven NCAs in one way or another looked at the specific conduct risks that could emerge for vulnerable consumers and tried to address these issues (Figure 28).

Figure 28 — Activities aimed at vulnerable consumers — survey of NCAs



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

- In Denmark, the NCA has observed specific consumer detriment as a result of exclusion/lack of adequate protection (e.g. only online disclosures) for vulnerable consumers arising from digitalisation. Considering that, based on the fact that when determining whether commercial and sales practices are unfair, one also needs to look at the specific characteristics of the target market, the NCA has begun looking at specific issues faced by vulnerable consumers when insurance undertakings undergo digitalisation processes.
- In Hungary, the NCA found that certain unit-linked products were being targeted at more vulnerable elderly consumers.
- In the Netherlands, through its close monitoring of financial innovations, the NCA, on the one hand, is looking at innovations that could lead to a more granular segmentation of the target market to ensure that the solidarity principle is respected and prevent un-insurability risks for vulnerable consumers. On the other hand, through its Project Innovate, it is closely monitoring the development of robo-advice to ensure that its features do not have an adverse impact on specific categories of consumers.
- In Slovakia, the NCA considers low-income consumers more vulnerable, therefore, through its off-site activities it monitors how unit-linked products are being sold to 'this target market'.
- In the United Kingdom, the NCA published a discussion paper on fair pricing in financial services that also touches upon issues relating to vulnerable consumers ([68]).

With the rise in digital technologies, including data-driven algorithms, concerns with regard to potential negative impacts on certain categories of consumers, eventually leading to exclusions, are increasing. In fact, big data analytics can allow for price optimisation, which if not properly implemented can lead to exclusion/unethical consequences ([69]). Beyond the specific use of big data analytics, stakeholders have reported instances of price discrimination — mainly affecting vulnerable consumers — resulting in consumer detriment.

Overall, although there is general agreement among NCAs that vulnerable consumers may be subject to a higher degree of detriment, NCAs' views on whether specific policy and supervisory measures should be aimed at vulnerable consumers differ:

- some NCAs believe that given the 'higher-vulnerability' there should be specific measures;
- other NCAs believe that measures should address issues faced by 'all consumers'; and
- a few NCAs, while believing that measures should be general and broad, are of the opinion that insurance undertakings should take into account the specific issues faced by vulnerable target markets and put processes/measures in place to mitigate conduct risks.

Finally, it is noteworthy that there are also initiatives at the industry level to address the specific issues faced by vulnerable consumers. For example, the Dutch association of insurers pays special attention to digital accessibility for people with disabilities. It is also committed to building the 'financial resilience' of vulnerable groups by improving their financial education and by developing policies for people with problematic debts.

Source: EIOPA's compilation based on information from the Committee on Consumer Protection and Financial Innovation consumer trends questionnaires and other cited sources.

1.5.1. PRODUCT-SPECIFIC ACTIVITIES

Probably because of the value of the products and the risk-based approach to supervision adopted by several NCAs, conduct activities in 2018 focused rather on the life insurance sector. Twenty-seven NCAs reported activities related to life insurance products, 23 focused on non-life insurance products and 26 on both.

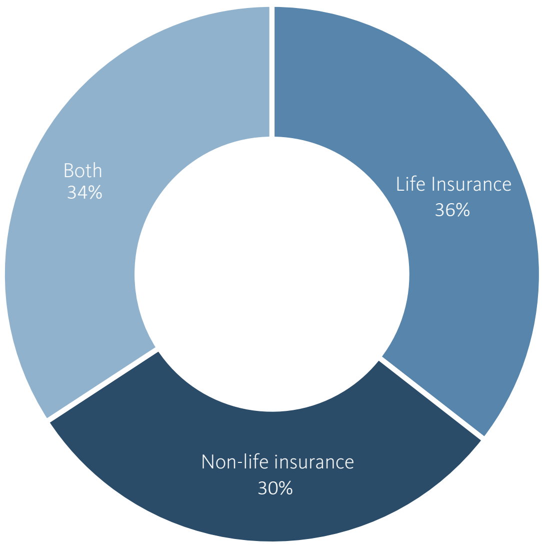
However, the number of non-life insurance-focused activities increased both proportionally and in absolute terms in comparison with the previous year. This shows that, despite the continued focus on the life insurance sector, NCAs are more and more concerned with non-life products (Figure 29).

1.5.1.1. Life insurance

Because of the ongoing concerns with the unit-linked insurance market, several NCAs carried out work in this field. Eleven NCAs undertook activities that covered solely unit-linked products, while 33 other activities looked at unit-linked products among others.

Many NCAs continued their work of analysing the adequate implementation of PRIIPs KIDs with some of them also aiming to identify specific product issues through analysis of KIDs. Examples of activities relating to life insurance product disclosures include:

Figure 29 — Consumer protection activities — survey of NCAs



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

- the work performed by the Austrian NCA to monitor compliance with PRIIPs KID requirements, which concluded that, generally, the industry was compliant;
- a thematic review performed by the Romanian NCA to specifically look at PRIIPs KIDs;

- the work carried out by the Portuguese NCA, as part of its priorities identified in the annual inspection plan, to monitor the structure of PRIIPs KIDs — in particular that insurance undertakings are required to report to the NCA at least 2 days before the date of their disclosure to the market — resulted in some requests to revise the KID; and
- In Estonia and Finland (70), the NCAs also carried out desk-based high-level KID reviews.

More and more NCAs have also begun looking into other issues beyond product disclosures, such as analysing underlying funds to monitor returns but also to identify potential issues — such as illiquidity and high volatility — in relation to some more exotic underlings.

- The Norwegian NCA has initiated the supervision of a number of Norwegian insurance agents selling unit-linked products for insurance undertakings operating in Norway on a freedom to provide services (FoS) basis. It has found that some of these agents offer complex unit-linked products with underlying investments that are difficult to understand and that may entail liquidity risks.
- The French NCA, jointly with other responsible authorities, launched a thematic review to monitor any developments in the market with regard to self-placement.

Despite increased suitability requirements, as already highlighted in Section 1.1.2, mis-selling continues to be a problem. To tackle potential consumer detriment arising from mis-selling, NCAs continued carrying out activities in this field. For example, the Norwegian NCA looked into the quality of advice given to consumers.

Finally, it is noteworthy that dormant life policies continue to be a problem in some Member States. In addition to the work performed over the past years by the Italian and French NCAs, in 2018 the Czech NCA carried out thematic work to ensure consistent policies/processes for insurance undertakings to identify and notify policyholders at maturity/in the event of death. The Italian NCA continued its work and is now addressing dormant life policies within the portfolio of undertakings operating in Italy on an FoE/FoS basis.

1.5.1.2. Non-life insurance

In the non-life insurance sector, several activities focused on the most common and popular products such as motor and household insurance.

Because of the concerns and the overall focus on MTPL, several NCAs carried work in relation to MTPL products. Such work mainly covered claims management.

- In Hungary, the NCA continued its investigation on claims management practices and looked into the type of information provided to consumers during the claims settlement process. Although it did not find infringement of legal requirements, concerns over potential detriment exist.
- In Iceland, the NCA launched an investigation on specific issues relating to 'full compensation' (i.e., when the car is too damaged) and found broadly compliance with the law.

Given the increase in sales of household policies, in Lithuania the NCA performed an ad hoc thematic review and found issues in relation to lack of clarity, in terms and conditions, and of transparency, as well as lack of proper assessment of consumers' demands and needs (i.e. a mismatch between insured value and policyholders' expectations).

In Italy, the NCA carried out specific work on health insurance products by having a structured dialogue and meetings with consumer associations, industry associations and other relevant stakeholders with a view to better understanding what are the potential risks for consumers, the healthcare sector and the insurance sector. Some areas of potential consumer detriment emerged. These include lack of clarity (including vagueness) in the terminology used, leading to potential misunderstandings in terms of coverage and exclusions.

In line with a trend already observed in past years, some NCAs also looked at products that have seen an increase in the number of complaints over the years (e.g. add-ons). For example, the Italian NCA launched a comprehensive thematic review on 'uncorrelated policies' (71) being sold with loans, identifying significant issues and cause for consumer detriment (Figure 30). As a result, it adopted important measures that also take into account specific consumer biases and behaviours.

Interestingly the Romanian and Spanish NCAs looked into new emerging products:

- in Romania, the NCA analysed existing cyber-coverage policies and found that, although the development and uptake of cyber-coverage products are still limited in Romania, support is needed to ensure that cyber-coverage products offered to consumers are adequate; and

Figure 30 — Thematic review on uncorrelated policies: key findings and follow-up measures — 2018

Key issues

In 2018, the italian NCA detected misconduct in relation to policies sold with loands but with no direct relationship (i.e., not PPI). It launched a thematic review and found that:

- **In some instances borrowers are unaware of the coverage sold to them**
- **Forced sales in relation to these policies are widespread**
- **High commissions and very low claims ratios**
- **In extreme cases claims were as low as 1%**

  - meaning that out of €100 the consumer would only get €1
- **Very broad target market with specific reference to the cross-selling (i.e., not standalone sale of the product)**

Measures adopted

For new customers

- Cool off period of 7 days between the conclusion of the loan and the sale of the policy
- Not financing of the policy
- Right to rescind the contract at any time

For existing customers

- Informative letter summarizing the policy and offering a reimbursement if the consumer was not aware of the nature of the policy/having purchased it

Source: EIOPA's own compilation based on information provided by the Italian NCA.

- in Spain, the NCA looked into legal expense insurance and found some deficiencies in relation to bad wording in the contracts and several exclusions leading to significant complaints.

1.5.2. CROSS-PRODUCT ACTIVITIES

A substantial number of NCAs' activities concerned specific topics across a range of products. Activities spanned a number of issues to identify conduct risks that can arise throughout a product's lifecycle.

Despite the increased shift towards monitoring risks that can arise throughout a product's lifecycle, disclosure-related activities continue to be the most common, with 13 of them focusing solely on disclosure-related issues and 34 others covering product information among other issues. Examples of work carried out include:

- the thematic work carried out by the Czech NCA to monitor disclosures for group policies; and
- the work done by the Spanish NCA to monitor motor insurance-related disclosures.

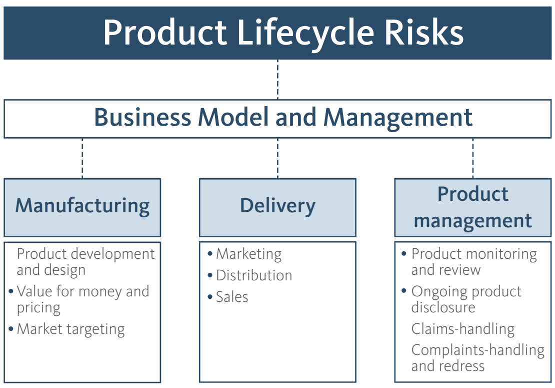
It is noteworthy that, despite significant conduct risks identified through consumer interviews, efforts at the European and national levels to improve disclosures are allowing consumers to be better informed — when they look at such documents. In fact, the consumers interviewed were generally satisfied with the information provided, in particular in standardised documents.

In addition, seven NCAs' activities focused on claims management, while 18 others looked into claims management among other issues.

With POG requirements in force, two NCAs' activities focused on product governance and 12 others looked into product governance among other issues.

- Although POG requirements in the Netherlands have been in place for a few years, given that the IDD extends the application of such requirements to distributors, the NCA looked into the implementation of POG requirements by authorised agents ([72]), in particular whether these 'intermediaries', given their dual role as 'manufacturer' and distributor, were correctly applying POG requirements.

Figure 31 — Product lifecycle risks



Source: EIOPA framework for assessing conduct risks through the product lifecycle.

- In Italy, as part of its work monitoring market readiness, the NCA is carrying out a series of visits (less formal than inspections) looking at the entire POG process. The range of insurance manufacturers and distributors visited takes into account different products and distribution channels.

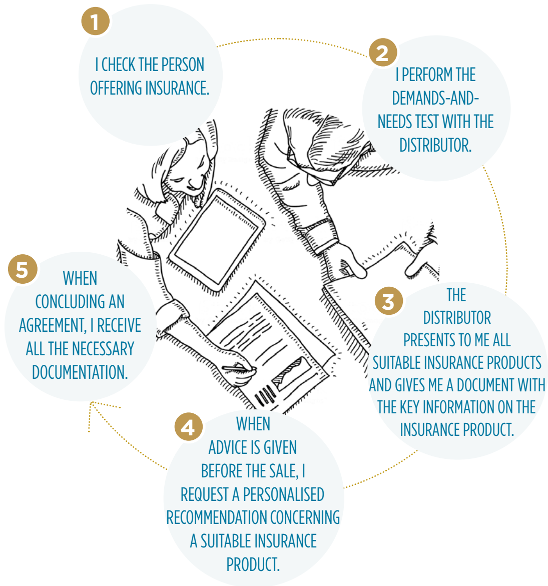
Some NCAs dedicated specific attention to emerging digitalisation issues. In Poland, the NCA created a task force to monitor financial innovations. Its purpose is to identify barriers, especially those stemming from existing regulations, and to monitor risks.

Some NCAs also looked into professional competence requirements and quality of advice. Following the strengthening of professional competence requirements for intermediaries selling both life and non-life insurance products, the Dutch NCA carried out an investigation to monitor professional competence levels and concluded that in general such requirements are being sufficiently met.

It is also noteworthy that more and more NCAs are increasingly concerned with renewals, in particular higher prices being paid by existing/loyal customers and less policy servicing being offered to such customers. With the purpose of identifying whether products are offering good value for money to consumers, some NCAs have begun looking into pricing of products.

In the United Kingdom, the NCA carried out specific work looking at pricing practices. It concluded that there is significant potential for harm and poor outcomes for consumers, because of firms' lack of adequate POG structures. It also identified differential pricing practices, with some specific customer groups paying higher prices than others with similar characteristics and risks. It found no evidence of direct price discrimination based on data from protected characteristics (e.g. gender, race).

Figure 32 — How to take out insurance safely



Source: Slovenian NCA consumer guide on new insurance rules and consumer protection.

As in the past, a number of NCAs' activities focused on financial literacy and financial education. In Croatia, the NCA continued its financial literacy-related activities with students and teachers. The Romanian NCA launched several financial education initiatives. The Slovenian NCA published a consumer guide, summarising in a user-friendly manner the new IDD requirements and providing guidance to consumers on how to ensure they are adequately protected.

Finally, there are several ongoing industry initiatives to ensure better consumer outcomes. For example, the Spanish insurance association continued its work on 'self-regulation' and developed a good practice guide on non-life insurance product information documents (IPID) ([73]), which is followed by almost all of the insurance undertakings.

2. PENSION SECTOR

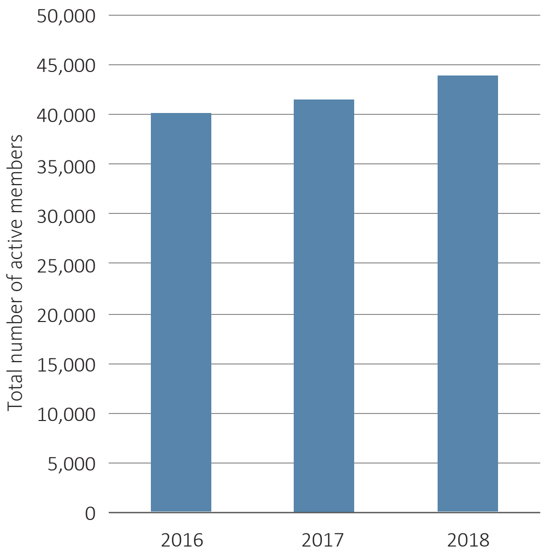
2.1. MARKET OVERVIEW

As in 2016 and in 2017, a continuous stable growth in the total number of active members could be observed in 2018. Although the most important emerging trend relates to innovations and changes in the decumulation phase (see Section 2.2.1), the continuous shift from defined benefit (DB) towards defined contribution (DC) schemes continues to be broadly noteworthy. In 2016 the percentage of active members in DB or hybrid schemes was 41% of the total, while in 2018 this dropped to 34%.

This raises risks such as:

- inappropriate investment risk exposure close to retirement (transition risk);
- not saving enough for retirement (under-saving risk);
- lack of adequate retirement income as a result of the risk of high volatility in the capital market being shifted on to consumers, inadequate contributions and/or inappropriate investment options; and
- lack of adequate advice and risk of inadequate choice of retirement income products (e.g. irreversible choice of annuity, risk of outliving own retirement savings for cash lump sum withdrawal).

Figure 33 — Active members in occupational pension schemes — 24 Member States (75)



Source: EIOPA financial stability statistics.

However, this shift also brings some benefits, such as providing more choice — bearing in mind that choice overload can also be complex — on how to invest contributions, allowing for lifecycling, for example.

2.1.1. OCCUPATIONAL PENSIONS

In 2018, the total population of members in pension funds in the EEA increased by 5%, driven by a strong increase in active membership in DC schemes (30%) (74). Overall, data provided by NCAs shows that active members continued growing (6%) in the 24 Member States for which this information is available.

However, trends and drivers behind them vary significantly among Member States, generally reflecting economic and labour market developments. Some trends are also influenced by reform of the public pension system.

Growth trends should be interpreted taking into account the size of the occupational pension sector in each Member State. For example, in relative terms Malta experienced the highest growth; however, the sector remains small, as the absolute number of active members has not increased significantly because the government's effort to ameliorate employer-employee incentives was not seen to be sufficient. In fact, there are limited incentives in this market for employers and employees to contribute to occupational pension schemes.

In Croatia, where the occupational pension sector is larger than in Malta but still small (i.e. just over 40,000 members), the number of total active members continued to increase. This is partially because some public companies have shown interest and begun building their own occupational pension schemes. Other reforms such as the increase in the retirement age and disincentives to take early retirement (i.e. higher reduction of conversion rate) have also contributed to this growth.

Reaching over 10.5 million active members as a result of an auto-enrolment programme, the United Kingdom occupational pension sector continued to grow. Considering that currently all pre-existing employers are subject to the requirement to offer a workplace pension, the market is expected to remain stable/mature in the coming years. It is also noteworthy that four in five members enrolled into a trust-based scheme are now enrolled into a master trust. From 1 October 2018, existing and new master trusts are required to apply to the Pensions Regulator for authorisation to continue or start operating.

In Italy, the number of members of both occupational and personal pension schemes increased by 4.9% compared with the previous year.

In several Member States, the occupational pension sector reported minor fluctuations in terms of total numbers of active members. In Austria (1%) employers and employees are becoming more and more aware of the need to complement the Pillar I pension system. In Belgium some initiatives are being taken to expand coverage by allowing employees who do not have an employer-sponsored plan, who have a plan with limited contributions or who are self-employed to pay additional contributions in new types of pension plans.

As in 2017, in Finland, the number of active members continued to contract (-11%), as occupational pension schemes are in 'run-off'.

Overall, the shift from DB to DC schemes continues in several Member States (e.g. Germany, Ireland, Netherlands, Norway, Sweden). In Ireland, in recent years, there have been a significant number of closures or restructuring of DB schemes because of the financial crisis. In the Netherlands, although most members still remain part of DB schemes there is an ongoing shift, and proposed changes to the system will further affect this. In Norway, almost 95% of private occupational pension schemes have now shifted from DB to DC systems.

2.1.2. PERSONAL PENSIONS

Trends in personal pensions markets varied significantly, in 2018, across the EEA and are mainly affected by tax regimes as well as by trends in Pillar I and Pillar II pensions.

In Ireland, for example, the total number of consumers who hold a private personal pension product increased by 6%. This is because of the legal requirement for employers to offer access to a personal pension if they do not participate in an occupational pension scheme. Personal pension schemes are also open to all citizens and they can contribute to more than one scheme simultaneously.

In Norway, where the personal pension sector remains small because of unfavourable tax rules in place until 2017, the number of people holding a personal pension product increased by 19% as a result of changes in the tax regime incentivising contributions.

In Romania, where contributions to the mandatory scheme have been reduced from 5.1% to 3.75%, the number of people holding a voluntary pension product increased by 5.83%. However, this sector is still very young and slowly maturing as young people enter the labour market and opt for these voluntary schemes.

2.2. FINANCIAL INNOVATIONS

Although less so than in the insurance sector, financial innovations have also been reported by NCAs in relation to both occupational and personal pensions. As DB schemes are slowly disappearing, most reported financial innovations relate to DC schemes. In fact, out of 19 reported financial innovations, 14 relate to financial innovations in DC schemes, one concerns financial innovations in hybrid schemes and three concern all schemes.

Innovations are mostly related to personal pension products, with 10 reported financial innovations relating to personal pensions, two to occupational pensions and seven to both.

Examples of reported innovations vary significantly. For example, the Lithuanian NCA reported that Pillar II pensions will now operate on a lifecycle basis; it has also reported that people under 40 will now be automatically included in the public pensions system, which will lead to growth in terms of total active members.

In the Netherlands, innovations in the pensions sector concerned the adoption of new technologies. For example, the Dutch NCA reported that occupational pension funds are developing pension administration blockchain applications with the aim of producing a more flexible and transparent pension system at a lower cost.

Following a general digitisation trend, in Spain, a provider launched an app to help consumers better plan their future based on their lifestyle expectations. The app uses information on current contributions to the mandatory pension system as well as information provided by users on lifestyle expectations, geographical location of retirement, etc. Using big data analytics it then provides consumers with personal options for pension plans allowing them to reach their retirement goals.

In the United Kingdom, the NEST (National Employment Savings Trust) Corporation developed ‘sidecar savings’, which is a trial product that combines a liquid emerging savings account with a traditional DC pension. The aim of this product is to help people in a vulnerable position to build short-term financial resilience and, by creating an optimal level of liquid savings, manage shocks while saving for retirement [76].

2.2.1. CHANGES TO AND INNOVATIONS IN THE DECUMULATION PHASE

With life expectancy increasing, a strain is being put on the decumulation phase. To address this issue, changes to and innovations in the decumulation phase are taking place. Out of the 24 NCAs that responded to EIOPA’s questionnaire, nine reported having observed such innovations, eight reported not having yet observed any innovations and seven reported not having enough information (Figure 34).

The type of changes and innovations taking place differ among the Member States. Most changes are mainly related to public reforms; hence, rather than actual innovations, statutory and national measures are being implemented to address potential life expectancy-related risks (Figure 35).

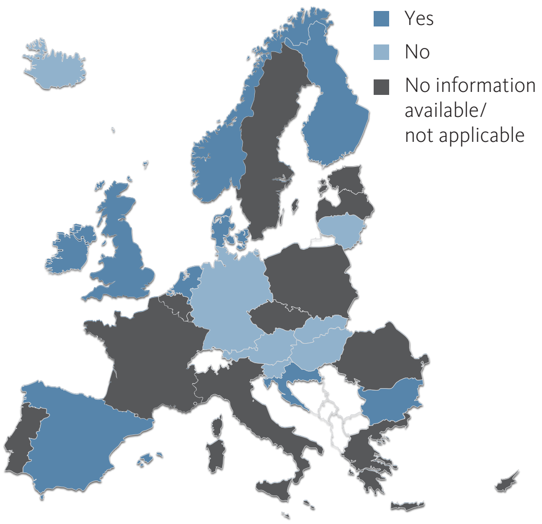
Reforms in most Member States relate to increases in the retirement age:

- in Croatia, the reform of the Pension Funds Act increased the minimum retirement age for private pensions to 55 years;
- in Denmark and Finland, the retirement age has been also increased; and
- in Lithuania, the retirement age is being increased gradually to reach 65 in 2026.

Beyond retirement age increases, other reforms relate to more flexibility in the decumulation phase:

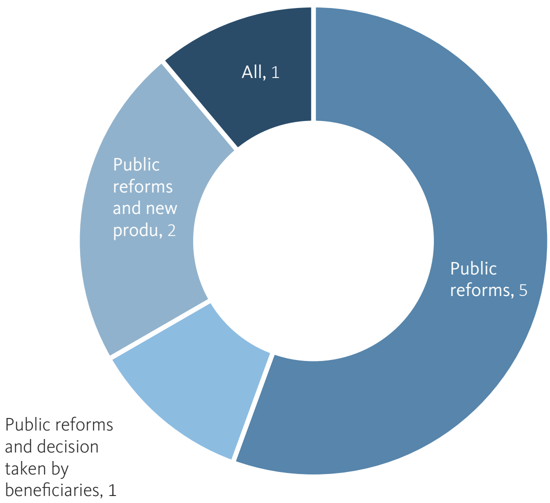
- In the Netherlands, an amendment to the legal framework, allowing consumers to take a lump sum, is being considered.
- In the United Kingdom, the public policy focus has been on ensuring that people benefit from pensions freedom — i.e. more freedom in deciding what to do with their retirement savings.

Figure 34 — Innovations in the decumulation phase — survey of NCAs



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

Figure 35 — Factors driving changes to and innovations in the decumulation phase



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

- In Italy, under specific conditions, pension fund members may ask for an anticipated temporary supplementary pension (known as a RITA). This temporary measure is designed to allow workers, who are unemployed but who have reached the retirement age and completed 20 years of contributions to the mandatory regime, to receive part of their supplementary pension and reduce the impact of early retirement.

Beyond public reforms, it is noteworthy that new products are being developed in Denmark and the Netherlands to face the challenges posed by the low interest rate environment but also to take a lifecycling approach ([77]). Although changes in the decumulation phase concerning beneficiaries' decisions are hard to track, in Spain and the Netherlands the NCAs also reported that beneficiaries are voluntarily deciding to delay taking their pensions, and in Ireland there are specific rules allowing people to keep on working beyond the retirement age.

While these changes in the decumulation phase address a specific need to ensure the sustainability of the sector and address longevity and low interest rate risks, some conduct risks exist, in particular with regard to those changes taking place at the product level.

The risks differ depending on the innovation; however, particular concerns exist with regard to freedom of choice in the decumulation phase. For example, in the United Kingdom it is estimated that over 100,000 consumers enter drawdown without taking regulated financial advice and, as a result, rules on investment pathways are being introduced to ensure that consumers are supported. In fact, the use of choice architecture in the design of retirement income solutions, if adequately designed and used in well-governed pension funds, can lead to good consumer outcomes. However, if not adequately designed and well governed, some conduct risks could arise. These include:

- pension funds using inappropriate investment solutions for each pathway objective;
- pension funds using inadequate and unsuitable choice architectures, drawing consumers away from pathway options; and
- pension funds providing advice without being adequately regulated.

2.2.2. INNOVATIONS IN COMMUNICATIONS

Effective and comprehensible communication with members is essential for them to be aware of both product characteristics and their pension situation. Nevertheless, members, in particular those who have just entered the workforce, reportedly are not engaged with their pensions. In response to the fact that more and more members prefer online and more interactive communication, innovations are taking place across several Member States. Ten NCAs indicated that such innovations are taking place in their Member State, and six others have indicated that such innovations are not yet happening (Figure 36).

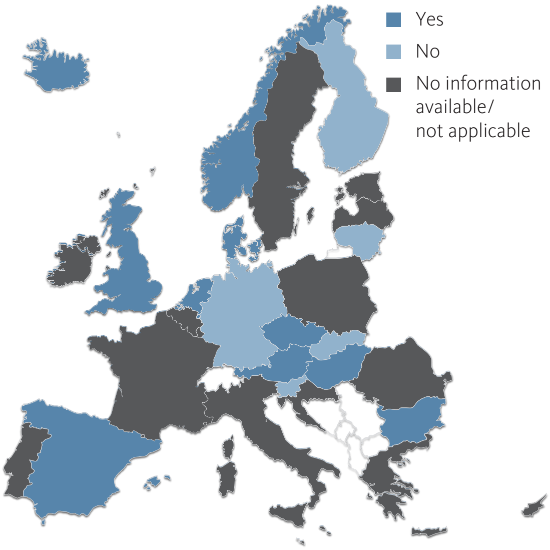
The types of innovations taking place differ among Member States. On the one hand, there are several types of innovations making communications more instantaneous and simultaneous. For example, some funds in Austria and Czechia are planning to introduce mobile devices, apps and chatboxes to make communication more instant.

More pension funds have developed portals — mainly web ones — allowing members to easily check 'their pension situation', and there are also ongoing initiatives to improve the way in which information is presented in statements:

- In Bulgaria, for example, pension funds have developed a retirement calculator, allowing members to easily do projections.
- In Italy, pension funds provide calculators on their websites, based on a specific hypothesis defined by the NCA. Such calculators allow members and potential members to make personalised projections of their retirement benefits.
- In Iceland, all pension funds have established online platforms for members to easily check information on the accumulation and decumulation phases.
- In the United Kingdom, newly introduced requirements stipulate the type of information and manner (e.g. figures in pound rather than percentages) in which consumers should receive it, allowing them to better understand their financial situation. There is also an ongoing industry-led initiative aimed at developing a simpler and more standardised pensions benefit statement.

Finally, it is noteworthy that there are several initiatives, including some which are behaviourally informed, aiming to produce more and better member engagement with

Figure 36 — Innovations in communications — survey of NCAs



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

pensions as well as nudging them to save more for retirement:

- In Denmark, one fund uses consumers' data, including behavioural data, to target its messages and communication to the right audience.
- In Hungary, funds have developed specific educational videos for different target markets.
- In the Netherlands, in line with the requirements of the Pension Communication Act, which aims to make communication more flexible and more targeted, several funds have developed portals providing targeted and behaviourally informed communications with members.
- In the United Kingdom, following several behaviourally informed studies, the NCA developed a wake-up package, which aims to ensure that members are fully aware when approaching retirement. From the age of 50 at 5-year intervals members will receive specific targeted communications on how to access their funds, nudging them towards making better and more informed financial decisions.
- EIOPA is developing designs for pension benefit statements that take a behavioural approach, following the guidance and principles identified in the EIOPA *Report on the Pension Benefit Statement* ([78]). A number of pension benefit statement designs have been developed for DC schemes to provide inspiration for NCAs and institutions for occupational retirement provision. The designs will be finalised by the first quarter of 2020.

2.2.3. PENSIONS DASHBOARDS

With more and more consumers changing jobs multiple times in their lifetimes, the chances of them having been part of multiple pension schemes are higher. This makes it difficult for them to have a clearler vie of their pension situation. In response to this, there are some public and/or industry-led initiatives to create pensions dashboards, enabling consumers to access all their pension information simultaneously online.

Unlike other innovations reported, however, pensions dashboards are less common. Only seven NCAs reported having observed dashboards in their Member State (Figure 37).

Figure 37 — Presence of pensions dashboards — survey of NCAs

Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

Examples of the dashboards reported are varied. Some are industry led, for example the Icelandic pension funds association has created a portal where members can easily access information on their accumulated pension rights — information is listed for each provider. Others are public initiatives such as those in place in the Netherlands and Norway.

There are ongoing projects to build more dashboards:

- in the United Kingdom the government has presented its plan to build such a dashboard (79); and
- at the EU level there is a project to create the European Pension Tracking Service.

Overall, the most imminent benefits of such dashboards are to ensure more transparency and to allow consumers to easily access information about their contributions in one place.

Some risks, which should be mitigated when developing such dashboards, however, also exist. Some risks relate to all types of dashboards, such as the fact that, as dashboards are self-service tools, there is a risk that members may be relying solely on the information they provide and not seeking adequate advice prior to retirement. There is also a risk that the information provided by dashboards may not be provided in a timely manner.

Other risks mainly relate to privately run dashboards, not comprehensive nationwide dashboards. These include risks relating to accuracy, given that the information is collected from different funds and schemes.

2.3. COMPLAINTS

The analysis of complaints data allows NCAs to identify issues that may arise in their jurisdiction. However, as in past years, the small number of pension-related complaints makes it harder to identify trends.

The total number of pension-related complaints continued to grow in 2018 (1%) (80). If the United Kingdom was not taken into consideration, the total number of complaints, however decreased -4% in 2018 (81).

Very few complaints are received in many Member States, and data from bigger schemes significantly influences the total number of complaints. Therefore, it is more accurate to look at single Member States.

For occupational pensions, complaints increased by 4% (82), taking into account information for all Member States that provided disaggregated data, and by 16% not taking into account United Kingdom's data. The number of complaints increased in most Member States for which data are available. Among the nine Member States that were able to provide disaggregated and comparable year-on-year data for occupational pension-related complaints, in five of them the number of complaints increased, in one it decreased and in the other three it remained unchanged.

Among the 12 Member States (83) that were able to provide disaggregated and comparable year-on-year data for personal pension-related complaints, they increased in eight of them.

2.3.1. COMPLAINTS BY CAUSE

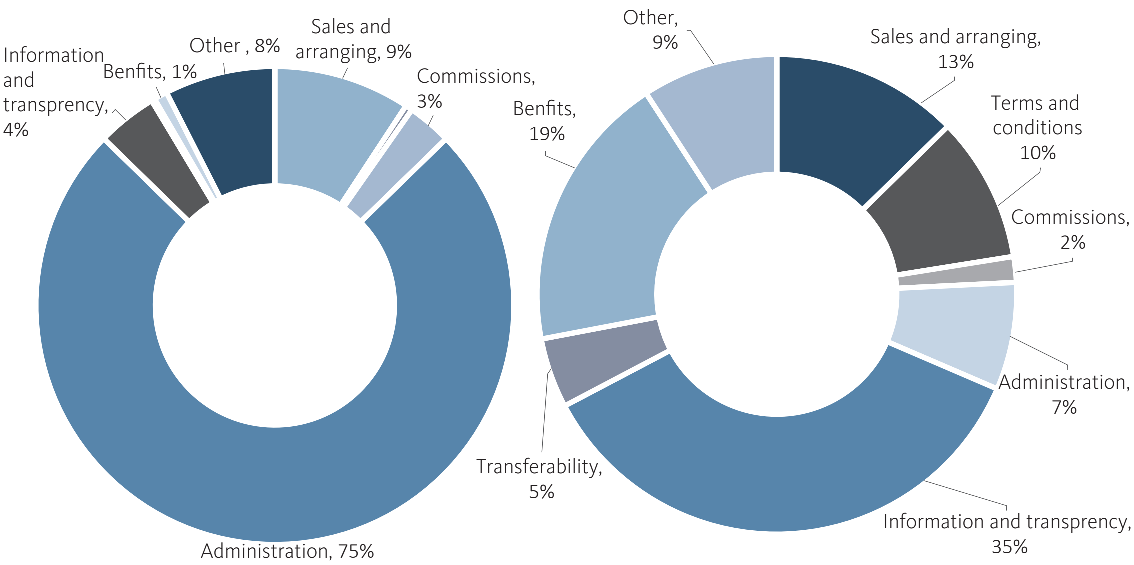
Although the limited number of complaints and different reporting systems across Member States make it difficult to identify trends in the causes of complaints across the EEA, some conclusions can be drawn:

- Administration-related issues are a major source of complaints — more than 75% (84) of complaints (7% if the United Kingdom is not taken into account) at the EEA level concern administration-related issues. They are particularly relevant across a few Member States (e.g. Czechia, Estonia, Greece, Ireland, Italy and the United Kingdom).
- Transparency is also an important source of complaints — the most important cause of complaints if the United Kingdom is not taken into account, with 36% of total complaints being information and disclosure related. In Belgium, Bulgaria, Croatia, Estonia, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Romania and Slovenia they are particularly prevalent. This is probably due to deficiencies with regard to transparency.
- Sales and arranging are an important cause of complaints in Estonia and the Netherlands, representing 9% of total complaints at the Estonia level (13% if the United Kingdom is not take into account). In fact, in Estonia some deficiencies in sales practices have been reported by the NCA.

In terms of growth trends at the EEA level. commissions (85) are the cause-related complaint that experienced the highest growth. If the United Kingdom was not taken into account, the cause that experienced the highest growth is benefits.

However, in different Member States different trends can be observed. In Belgium, for example, benefit-related complaints increased the most. In fact, in 2015 a new requirement prohibiting redemption prior to retirement age was introduced. As more and more people affected by this provision are reaching retirement age, benefit-related complaints are increasing.

Figure 38 — Pensions complaints by cause including UK data (on the left) and excluding UK data (on the right) — 2018



Source: Committee on Consumer Protection and Financial Innovation consumer trends questionnaires.

2.4. NATIONAL COMPETENT AUTHORITIES' CONSUMER PROTECTION ACTIVITIES

In 2018, NCAs carried out several conduct of business- and consumer protection-related activities to ensure that conduct risks leading to potential detriment were identified, managed and addressed. Most of the activities conducted in 2018 were related to potential emerging risks identified in the pension sector.

Out of the 41 reported activities, there was almost an equal split between activities focusing on personal pensions (seven) and those looking at occupational pensions (11). Twelve activities focused on both.

As for insurance products, information and transparency is an area to which NCAs are dedicating significant resources, with seven activities solely focusing on it and 15 others focusing on it among other issues. This is probably to counterbalance, the continuing shift towards DC schemes.

Avoiding mis-selling and improving advice are also a good way to promote good outcomes for members/policyholders; hence, many NCA-led activities focused on these topics as well as on good governance and administration of pension plans. Finally, financial literacy continued to be an important topic to ensure good outcomes for members, and NCAs also conducted relevant work in this field.

2.4.1. OCCUPATIONAL PENSIONS ([86])

As mentioned above, several NCAs performed activities in relation to disclosure of information and transparency:

- The Belgian NCA is conducting a desk-based assessment of pension benefit statements to evaluate whether the information provided is transparent and understandable with the purpose of identifying good practices.
- In the Netherlands, following the increase in complaints received in relation to information provided prior to retirement date, the NCA began looking at whether the information provided to members is consistent.
- In Norway, the NCA carried out a survey on the information and advice provided to members of DC schemes ([87]). And, while generally there seems to be compliance with regulatory requirements, some deficiencies in relation to the information provided on websites have been identified.
- The Portuguese NCA, in line with the priorities identified in its annual inspection plan, closely monitored the quality of information provided to members in pension fund agreements and pension scheme con-

tracts. It also carried out work to monitor the procedures in place to ensure that members/beneficiaries receive information in due course. Some issues have been identified and some recommendations to improve such procedures have been made.

Such activities aim to address NCAs' concerns in relation to members' low levels of financial literacy, leading them to not fully understanding/engaging with their pensions.

In parallel to improving transparency, some NCAs have also launched specific financial literacy initiatives. For example, in Italy, during a month dedicated to financial education, several initiatives aiming to increase knowledge of pensions took place.

In Denmark, the NCA has launched a survey aiming to map practices in place in the decumulation phase. This is because more and more DC schemes — with no guarantees — are in place; hence, the NCA wants to understand the impact on consumers.

Sales and arranging – to employers – as well as administration and governance of pension funds are areas on which the Dutch NCA focused in 2018. It conducted specific investigations on the quality of advice provided by external advisors to employers regarding Pillar II pensions. The purpose of this investigation was to monitor whether the guidance provided by the NCA had been adequately implemented. The investigation found insufficient implementation; hence, more guidance has been published.

2.4.2. PERSONAL PENSIONS

In the United Kingdom, considering that DB schemes have been declining and auto-enrolment has increased the number of people saving into DC schemes, the NCA launched a retirement outcomes review,to assess how the retirement income market is evolving and addressing any emerging issues. Among the many conclusions of the review, it was found that consumers are increasingly shifting away from annuities towards draw-downs. It further noted that consumers had limited overviews of where their money is going once it is put in a draw-down, with some providers 'defaulting' consumers into cash or cash-like assets. This, coupled with limited competition leading to high draw-down charges, raises concerns about consumer detriment. As a result, the NCA has published a consultation paper proposing several policy changes as well as guidance on how to improve consumer engagement.

In Croatia, the NCA carried out supervisory activities in relation to the treatment by pension funds of non-specific payments — i.e. not regular contributions — from members. It found that some undertakings did not match such payments with the relevant pension contract but rather kept them for a considerable period of time.

Finally, in Croatia, Estonia and Romania, the NCAs performed several financial literacy activities. For example, the Estonian NCA developed an independent information website for consumers to give them a better overview of what a pension is and of the key features of and differences between pension products.

3. STAKEHOLDER INTERVIEWS

RICHARD WEURDING, DUTCH ASSOCIATION OF INSURERS

Richard Weurding is Managing Director of the Dutch Association of Insurers (Verbond van Verzekeraars) since 2006. From 1987 onwards he held various positions within the Association, until he joined the board of management in 2000. Richard is also a member of the Social Economic Council in the Netherlands and a board member of the Confederation of Netherlands Industry and Employers. He is also a member of Insurance Europe's Executive Committee. Richard holds a Law Degree from Leiden University in the Netherlands.

Over the past years the European unit-linked market on average has been growing substantially. However, risks in this market continue being reported. What do you think are the main risks that supervisors should look out for to prevent consumer detriment?

While supervisors may be better placed to answer this question, the most important lesson we have learned, from the situation in the Dutch market, is that insurers should aim at preventing people from purchasing a product which may lead to their 'disappointment'. Hence, insurers should be transparent, have clear and simple policy conditions and manage expectations (i.e., ensure advice is adequate). In short: the customer should be the centre of the product development, sale and post-sale process.

Over the last years we have been observing instances of high commission rates in the unit-linked market. What do you think may drive these trends and what could be the underlying conduct risks?

I can only speak for the situation in the Dutch market, where investment insurance policies (unit-linked and universal life) became popular in the 1990s for repaying mortgages or building capital for supplementary pension. Over the past years, we, as an industry, have learned that it is crucial to have a customer centric business model.

Hence, to avoid mis-alignment of interest/consumer detriment, it is important that sale drivers are aligned to consumers' best interest. This should be reflected in the product development process. POG, under a different name – Product Approval and Review Process – has been in place several years prior to IDD in the Netherlands. These measures have led to better products for consumers.

Following the unit-linked crisis, the Dutch Government has proactively worked with the insurance association and with representatives of consumers to mitigate and address conduct risks that emerged. In particular, a ban on commissions for several insurance products – including unit-linked – was introduced. In your opinion, what other causes were behind the 'crisis'?

Expectations had grown too high. When it became apparent that the actual performance of investment products (i.e., insurance policies) was significantly lower, people scrutinized more these products and the disappointing performance also drew attention to (hidden) costs, which 'became' to be regarded too high in many cases.

Although there was already a ban on contingency commissions, which eliminated the so called hit-and-run practices (churning), there were missing pieces in terms of culture and a strong need for change towards a more consumer-centric approach emerged. Part of this effort, resulted in clearly separating the roles of insurance undertakings and (independent) advisors, to eliminate potential biases and conflicts of interests. A ban on inducements for complex financial products was introduced as part of a broader package.

We, all in concert, have taken steps to protect the interest of our customers. The most important lesson we have learned from this situation is that insurers must act from a consumer centric approach.

To address issues relating to costs and performance, insurers have implemented self-regulation (now part of the legal framework) relating to more clarity and transparency in relation to costs and performance. To also provide redress to consumers which already had a unit-linked product, agreements – between insurers and consumer organisations on financial compensation – for contracts with excessive costs were made and additional steps were taken including giving policy holders the opportunity to easily cancel or convert products.

To allow customers to make conscious decisions about their products – i.e., continue without changes, adjust or surrender – all customers were activated by providing them with up-to-date information about the policy they had, the (expected) value and the choices they could make. Free advice was also provided. For consumers to also seek advice beyond the insurer with whom they had a policy, the industry financed an independent platform.

In addition, the ban on commissions has been effective in addressing biased behaviour. In the latest full evaluation by the Ministry of Finance access to advice did not emerge as a problem.

Despite this, it is worth remembering that markets differ widely across Europe and therefore a ban, although effective in the Netherlands, may not have a similar impact in other markets. The ban was also effective because it was part of a broader package aimed at promoting more customer-centric business models, with several initiatives directly led by the Dutch Association of Insurers. IDD takes an appropriate and proportional approach in this respect, as it significantly upgrades the consumer protection framework with new provisions on transparency, conflicts of interest, remuneration and POG, while still leaving room for specificities in different markets.

Based on your experience from the 'Dutch unit-linked crisis' what are the signals supervisors – and insurers – in other markets should look out for, to prevent this from repeating? What would you advice?

The main signal is the reaction of your own customers; hence it is also important to monitor changes in expectations and to be flexible to respond to changes that the sector has to deal with, so that consumers' interests are safeguarded.

The Dutch Association of Insurers believes it is important that changes in the sector are encouraged and made visible. Insurers and NCAs should talk about conduct risks and monitor them. And that's why for the coming three years 'client interest risks' is one of the three goals of Association.

SUE LEWIS, FORMER CHAIR OF THE FINANCIAL SERVICES CONSUMER PANEL

Sue is the former chair of the Financial Services Consumer Panel [88]. She is also a trustee of a large UK master trust [89] and of the UK national debt charity StepChange. Sue was a member of the European Commission's Financial Services User Group from 2013 to 2016. She works with several multilateral bodies on financial literacy and financial consumer protection.Sue was formerly a senior civil servant, most recently in the UK Treasury, advising government ministers on financial services policy.

As other occupational pension markets develop and expand, do you expect to see more and more innovations in the decumulation phase, beyond the increase in retirement age?

Retirement age is becoming a more flexible concept. Since the introduction in 2015 of 'pension freedoms' in the United Kingdom, people can start to take money from their DC pension pot from age 55. Many do so but often also carry on working, as the state pension is not available until age 65 (rising to age 66 from October 2020). An increasing proportion of the population works even beyond state pension age, often part-time.

Despite the trend towards more phased retirement, we see little product innovation in the decumulation phase. Annuities have become more flexible, but this market has declined significantly due to very poor rates. Pension freedoms have led to more choice, but individuals are ill-equipped to choose the products that will meet their needs as they grow older. They may, for example, run out of money towards the end of their lives, at a time they need it most.

More innovation is needed. In particular, providers could helpfully recognise that the expenditure of many retirees is typically U-shaped: declining over the first 15 years and then rising sharply for those in need of long-term care or support for daily activities.

Most of the reported innovation in the decumulation phase relates to public reforms or public reforms jointly with product innovation and/or beneficiaries' decisions. In your opinion, what is the reason behind this?

In the United Kingdom, public reforms were a response to discontent about the de facto requirement to purchase an annuity, against a background of falling annuity rates. The 'pension freedoms' reforms were announced suddenly, giving industry and beneficiaries no time to prepare. This led to some risks being unmitigated and still going unaddressed.

On the one hand, good financial advice (including regular review) is very expensive and most people are not willing to pay for it. On the other hand, while there is a good guidance service available in the United Kingdom, and an increasing number of online tools to help people make decisions, these are not used often. The government promoted the pension freedoms as a way for people to get access to the money in their pension pot. Many people just want the 25% tax-free cash they can take legally at age 55 and do not think about the long-term consequences.

Even where people look at using their pension pot to generate an income, they usually do not use a financial advisor, but rely on their pension provider's draw-down products. As a consequence, they may pay too much in charges and receive inadequate post-sales advice.

Financial advice is often 'product focused', whereas many people would benefit from holistic advice that looked at all their assets (including housing wealth) and determined the best way to generate an income from those assets.

As people find pensions complex and proper advice is lacking, do you envisage an increasing role for default retirement income options in DC?

The problem with default retirement options is that every individual has different circumstances, and it would be impossible to design a 'one-size-fits-all' option that would benefit all. The UK Financial Conduct Authority has proposed default investment 'pathways', essentially a limited set of retirement income objectives that people can choose from. This is not an adequate alternative to financial advice, but it may present a 'good enough' solution for people who are unwilling or unable to take an active decision about draw-down products.

With the increasing need for advice, risks related to conflicts of interest can emerge. Do you think such conflicts of interests are adequately managed and disclosed?

Advisor commission is banned in the United Kingdom, although advisors on DB-DC transfers can levy a 'contingent charge', which is paid only if the transfer goes ahead. This presents a clear conflict of interest, and the Financial Conduct Authority has found many cases of unsuitable advice on DB-DC transfers. In general, advisor charges are clear — but only 'after the event'.

Moreover, it is almost impossible to shop around for an advisor, as they do not display charges on websites, etc. It is also often not clear what service the customer is receiving from ongoing annual charges.

There are also other risks such as unsuitable products, too-high prices, inability to switch products without penalty, losing entitlement to benefits (by withdrawing too much money) and running out of money due to lack of adequate planning.

What can NCAs do to identify, monitor and mitigate such risks?

In my opinion, NCAs should carry out extensive market monitoring activities and take into account behavioural aspects. Market monitoring should specifically take into account the choices people make and whether these are self-evidently 'bad' choices (e.g. withdrawing from a pension pot and putting the money in cash, paying too much tax or losing entitlement to benefits).

NCAs should ensure that people are better informed about their pension options, ideally several years before 'retirement' age, and that people take up the opportunities to discuss their options before they make a decision.

Finally, NCAs should ensure that charges — of both advice and products — are fully transparent, easy to understand and comparable.

ANNEX I — METHODOLOGY

INPUT FROM NATIONAL COMPETENT AUTHORITIES

The *Consumer Trends Report* methodology was adopted in 2012 ([90]) and revised in 2013 ([91]) to produce more robust *Consumer Trends Reports*. It includes the collection of information from NCAs on a number of quantitative and qualitative metrics.

As far as the qualitative information is concerned, NCAs were requested to fill in four surveys: two for insurance and two for pensions. The two surveys covered (1) the top three consumer issues, positive development and thematic work and (2) financial innovations.

In the first survey, NCAs were asked to report on the main consumer protection activities undertaken during the previous year. In the financial innovation survey, NCAs had to identify the three most relevant financial innovations in their respective jurisdictions. This survey also included specific questions about concrete topics.

Regarding the quantitative data for the insurance sector, NCAs provided data on contracts sold for a series of product categories for insurance and on number of active members and policyholders for pensions. In addition, they also provided complaints data.

Insurance sector submissions were more complete than pension sector submissions. This could be partly because this is the seventh year that insurance data have been collected, whereas it is only the fourth time of collection for pension-specific data.

› Input from stakeholders

For the second time, the report includes interviews with individual stakeholders. Moreover, in accordance with the revised methodology to recur to more data sources, EIOPA asked the Insurance and Reinsurance Stakeholder Group (IRSG) ([92]) and the Occupational Pensions Stakeholder Group (OPSG) ([93]) to provide inputs.

In addition, EIOPA gathered inputs from other stakeholders (Insurance Europe, Pensions Europe, the European Federation of Insurance Intermediaries — BIPAR, the European Consumer Organisation — BEUC, and the European Federation of Investors and Financial Services Users — Better Finance), which either answered directly through a questionnaire or shared their views through their representatives in the IRSG and the OPSG. EIOPA also regularly meets stakeholders to discuss concrete insurance and pensions issues. This year EIOPA also conducted some informal interviews with consumers, which were used to create the 'consumer voices' pull quotes included throughout the report.

› Solvency II data

The Solvency II reporting framework represents the most comprehensive database on the European insurance sector to date. Among other features, it collects premiums, claims and costs data from insurance undertakings on a line of business basis, which has been used in the present report.

However, given its prudential nature, Solvency II's lines of business are risk categories and not product categories (see Annex IV for further information), meaning that, for example, part of the premiums collected through motor insurance policies can be distributed through different lines of business. It also captures without distinction the premiums gathered from individual retail consumers as well as from corporate clients. The data are analysed for 'growth direct business', i.e. gross of reinsurance, as the reinsurance information is not immediately relevant from a consumer protection perspective.

Although data quality checks are regularly performed by NCAs and EIOPA, the quality of the data as well as the value that can be extracted from it (e.g. trends in the indicators over time) is improving over the years. Still, in particular when product by-product information is used, the conclusions should be interpreted cautiously.

BOX 2

SOLVENCY II-BASED RETAIL RISK INDICATORS

The retail risk indicators are a set of indicators developed by EIOPA, with the purpose of assisting in identifying potential areas of concern. Rather than pinpointing concrete and specific risks for consumers, they assist in identifying 'issues of interest' that might warrant further analysis.

In addition to data on complaints, for this report, EIOPA relied on Solvency II data-based indicators, with the aim of making a comparable analysis across the EEA. Beyond the retail risk indicators included in EIOPA's methodology, additional ones have been used for this report, with the aim of analysing data patterns for specific risks reported by NCAs or by stakeholders or for issues that emerged from the consumers interviews.

As these indicators are based on Solvency II data, which is data mainly collected for prudential purposes, they should be interpreted cautiously, taking into account the key issues highlighted below.

Below is an overview of the indicators used in this report and potential explanations of relevant trends:

- *GWP growth* ([94]): High growth could be either a sign of good consumer policies or general market trends as well as a shift in business model. It could also relate to aggressive sales practices, particularly if coupled with high commissions. Finally, high sudden growth could also relate to portfolio transfers. Rapid growth can raise operational and other risks.

  N.B. GWP growth analysis is based on available Solvency II data; hence, it is not possible to differentiate between one-off and ongoing premiums and between premiums generated by existing versus new contracts.

- *New contracts growth* ([95]): Same as GWP growth but measured in terms of number of contracts.
- *Claims ratio* ([96]): Claims ratios can help in assessing whether a product is 'good value for money' for consumers or whether the right target market has been identified. An extended period of time of low claims ratios or sharp decreases may be caused by high claim refusals or low claim payouts, indicating potential mis-selling and bad wording of contracts. A decrease, however, could also relate to positive developments or external factors; for example, a decrease in motor insurance's claims ratio could mean fewer car accidents. Variations in claims ratios could also relate to other indicators, as claims ratios are relative measures based on two values (GWP and total amount paid out in claims). Persistent low claims ratios, if relating to low payouts or high claims refusals could lead to an increase in claims-related complaints.
- *Claims management data* ([97]): Claims management data can be a useful source of information.
  - A high percentage of claims rejected could indicate potential mis-selling or poor wording of contracts/product design. On the other hand, it could also mean that consumers may not be documenting their claims adequately or that they may submit claims for issues not covered. A low percentage of claims rejected, coupled with a low claims ratio, could also signal over-insurance.
  - A high percentage of claims still open at the end of the year can signal delays in handling claims. It could, however, also reflect claim complexity.
  - A high percentage of rejected claims or claims still open at the end of the year may lead to a high number of claims-related complaints and in the long run to a decrease in claims ratios.

- *Commission rates* ([98]): Without adequate governance and control frameworks, high commission rates could provide incentives for distributors to sell products to consumers with the purpose of generating commissions. High commission rates, however, also need to be considered alongside other factors relating to governance structures, including what is taken into account in specific remuneration policies. Furthermore, different distribution models can lead to differences in commission rates.

  N.B. Commissions have been calculated based on acquisition costs — capturing more than just commissions — they have also been calculated by using GWP as one of the variables that includes direct business. Moreover, it is also noteworthy that it is not possible to differentiate between commissions paid for new contracts and for existing contracts.

- *Combined ratio* ([99]): A combined ratio below 100% is an indicator that the undertaking is obtaining profits. High profits may indicate products that offer poor value to consumers or may indicate high incentives for inappropriate sales or marketing behaviour.

- *Surrenders* ([100]): A high value of surrenders could mean problems with the product, including potential mis-selling. High surrenders and high commissions could also mean potential churning problems. The indicator measures the total value of surrendered policies in year^{N} over the total surrenderable value in year^{N-1}.

  N.B. This indicator measures only the total value surrendered in one year over the total surrenderable amount rather than the total number of policies surrendered. Hence, it should be interpreted with caution and in relative terms because, if contracts with higher value are surrendered, the ratio could be higher.

- *New contracts ratio* ([101]): This indicator is to be read jointly with information on commission rates — a very low new contracts ratio could explain high commission rates because the variable is based on GWP. High new contracts ratios can also explain high commission rates because of a shift in business model or significant acquisition costs.

- *Contracts 'portfolio' for other life insurance* ([102]): As other life insurance contains different types of products, this analysis aims to give a better overview of the types of products commercialised, in particular whether group policies are sold.

- *Ongoing costs*: ([103]) High ongoing costs can lead to a potential significant reduction in yield for unit-linked products. This indicator is based on technical provisions and aims to reflect the expected expenses in the next year, compared with the premiums of the next year and the existing best estimate of liabilities. The working hypothesis is that those insurance undertakings that have high expenses over new premiums and the best estimate may have high ongoing costs (these being asset management, administrative, etc.) leading to a potential reduction in yield of policyholders' net returns.

  N.B. This indicator does not give a predication of the real expense ratio within a contract. It is an additional indicator to measure costs; however, these are not product related. Moreover, this is based on estimates reported by insurance undertakings.

- *Return ratio:* ([104]) Low or negative returns on unit-linked assets, particularly if coupled with high costs, can have a significant detrimental impact on consumers. This indicator, which is based on the sum of dividends, interest, rent, net gains and losses, unrealised gains and losses over the assets held in unit-linked and index-linked contracts from the balance sheet at the end of the previous year, aims to reflect the overall return for assets held in unit-linked or index-linked contracts.

  N.B. This indicator does not give a predication of the return for single unit-linked contracts. In is an indicator to measure overall returns for assets held in unit-linked or index-linked contracts; however, this is not product related.

Finally it is also important to note that Solvency II data are reported by lines of business under which multiple products fall and vice versa (i.e. a product's premium could be allocated to multiple lines of business).

› Publications

EIOPA complements the information received from NCAs and stakeholders with a series of publications that are referred to in the footnotes of this report. These sources have provided valuable information about certain trends in the insurance and pension sectors.

› How the information is processed to produce the report

As the present report has a supervisory nature, the input received by NCAs is prioritised over other sources. The input gathered from stakeholders and from publications is nevertheless very valuable, particularly in the case of stakeholders, as they are directly affected by the developments in the markets. This allows EIOPA to have a perspective complementary to the input provided by NCAs. In addition, in the case of NCAs that were not able to provide input, EIOPA can use this information to have an overview of developments in these Member States.

Table 1 — Number of NCAs that participated in each survey

Survey	Number of responses
Insurance — Complaints	25
Insurance — Financial innovations	25
Insurance — Top three issues and thematic work	29
Pensions — Active members	24
Pensions — Complaints	25
Pensions — Financial innovations	24
Pensions — Top three issues and thematic work	27

Source: EIOPA Committee on Consumer Protection and Financial Innovation.

Given that the input collected is extensive, it is not possible to incorporate all the information gathered into the report. In cooperation with NCAs and the Committee on Consumer Protection and Financial Innovation, EIOPA selects the most relevant information, taking into account its availability, relevance and nature.

The availability of data (e.g. a reduced number of NCAs were not able to provide any input to EIOPA), the comparability of data (e.g. some NCAs reported complaint data lodged before the Authority, while the majority of NCAs used complaints data reported by insurance undertakings), or the differences in resources (e.g. industry organisations commonly have more resources than consumer organisations, and also some NCAs have more resources than others) are some of the limitations to this methodology.

EIOPA is aware of these limitations and tries to approach them with a balanced perspective. For example, in order to address issues such as the limited comparability of data provided from different Member States, the quantitative information on GWPs, active members or complaints is complemented with qualitative questions asking NCAs to indicate, on a best-effort basis, if the number of complaints and sales have increased significantly, increased, remained unchanged, decreased or decreased significantly.

Overall, information gathered is extensive and from a wide variety of sources, allowing EIOPA to confidently identify trends in the European insurance and pensions markets.

ANNEX II — LIST OF NATIONAL COMPETENT AUTHORITIES

Austria	AT	Financial Markets Authority (FMA)
Belgium	BE	Financial Services and Markets Authority (FSMA)
Bulgaria	BG	Financial Supervision Commission
Croatia	HR	Croatian Financial Services Supervisory Authority (HANFA)
Cyprus	CY	Ministry of Finance Insurance Companies Control Service (ICCS) Ministry of Labour, Welfare and Social Insurance; Registrar of Occupational Retirement Benefit Funds
Czechia	CZ	Czech National Bank
Denmark	DK	Financial Supervisory Authority (Danish FSA)
Estonia	EE	Estonian Financial Supervision Authority
Finland	FI	Finnish Financial Supervisory Authority (FIN-FSA)
France	FR	Autorité de Contrôle Prudentiel et Resolution (ACPR)
Germany	DE	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Greece	EL	Bank of Greece Hellenic Ministry of Labour, Social Security and Social Solidarity
Hungary	HU	Central Bank of Hungary
Iceland	IS	Financial Supervisory Authority (FME)
Ireland	IE	Central Bank of Ireland Pensions Authority
Italy	IT	Istituto per la Vigilanza sulle Assicurazioni (IVASS) Commissione di Vigilanza sui Fondi Pensione (COVIP)
Latvia	LV	Financial Capital Market Commission
Liechtenstein	LI	Financial Market Authority (FMA)
Lithuania	LT	Bank of Lithuania
Luxembourg	LU	Commissariat aux Assurances
Malta	MT	Malta Financial Services Authority
Netherlands	NL	Financial Supervisory Authority (AFM)
Norway	NO	Financial Supervisory Authority of Norway
Poland	PL	Financial Supervision Authority (KNF)
Portugal	PT	Insurance and Pension Funds Supervisory Authority (ASF)

Romania	RO	Financial Supervisory Authority (ASF)
Slovakia	SK	National Bank of Slovakia
Slovenia	SI	Insurance Supervision Agency
Spain	ES	Ministry of Economy — Directorate-General of Insurance and Pension Funds
Sweden	SE	Finansinspektionen (FI)
United Kingdom	UK	Financial Conduct Authority (FCA) The Pensions Regulator

ANNEX III — PENSIONS: DEFINITION AND SCOPE

The *Consumer Trends Report* covers both occupational and personal pension plans and products **under the direct supervision of EIOPA Member States** [105].

However, EIOPA Member States were invited to provide, on a best effort basis, data on every type of **privately managed pension plan, pension product and/or pension provider registered in their respective jurisdictions**, including all investment products having a clear objective of retirement provision according to inter alia national social and labour law (SLL) and/or fiscal legislation and excluding the 'Pillar I' pensions managed by the State or public entities (**Pillar I-bis pensions in countries in central and eastern Europe are also included**). Therefore, all non-public pension plans/products could be included in principle, irrespective of whether they are occupational or personal. Plans/products that are defined in the legislation but are not yet actually offered to the public (and/or have not yet collected any members) should also be included. 'Pure' annuities (i.e. that are not linked to an accumulation phase) are not considered pensions for the purpose of this exercise.

This last approach would align the scope of this exercise, with the exception of those pension schemes that are not under the direct supervision of EIOPA Member States, with that of **EIOPA's pensions database** [106], being the definitions included therein that are relevant to the present report.

ANNEX IV — SOLVENCY II LINES OF BUSINESS

Non-life lines of business	Definition ([107])
(1) Medical expense insurance	Medical expense insurance obligations where the underlying business is not pursued on a similar technical basis to that of life insurance, other than obligations included in the line of business 3.
(2) Income protection insurance	Income protection insurance obligations where the underlying business is not pursued on a similar technical basis to that of life insurance, other than obligations included in the line of business 3.
(3) Workers' compensation insurance	Health insurance obligations which relate to accidents at work, industrial injury and occupational diseases and where the underlying business is not pursued on a similar technical basis to that of life insurance.
(4) Motor vehicle liability insurance	Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land (including carrier's liability).
(5) Other motor insurance	Insurance obligations which cover all damage to or loss of land vehicles (including railway rolling stock).
(7) Fire and other damage to property insurance	Insurance obligations which cover all damage to or loss of property other than those included in the lines of business 5 and 6 due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft.
(8) General liability insurance	Insurance obligations which cover all liabilities other than those in the lines of business 4 and 6.
(10) Legal expenses insurance	Insurance obligations which cover legal expenses and cost of litigation.
(11) Assistance	Insurance obligations which cover assistance for persons who get into difficulties while travelling, while away from home or while away from their habitual residence.
(12) Miscellaneous financial loss	Insurance obligations which cover employment risk, insufficiency of income, bad weather, loss of benefit, continuing general expenses, unforeseen trading expenses, loss of market value, loss of rent or revenue, indirect trading losses other than those mentioned above, other financial loss (non-trading) as well as any other risk of non-life insurance not covered by the lines of business 1 to 11.

Life insurance lines of business	Definition
(29) Health insurance	Health insurance obligations where the underlying business is pursued on a similar technical basis to that of life insurance, other than those included in line of business 33
(30) Insurance with profit participation	Insurance obligations with profit participation other than obligations included in line of business 33 and 34.
(31) Index-linked and unit-linked insurance	Insurance obligations with index-linked and unit-linked benefits other than those included in lines of business 33 and 34.
(32) Other life insurance	Other life insurance obligations other than obligations included in lines of business 29 to 31, 33 and 34.

ANNEX V — ABBREVIATIONS

DB	defined benefit
DC	defined contribution
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESA	European Supervisory Authority
FoE	freedom of establishment
FoS	freedom to provide services
IBIPS	insurance-based investment products
IDD	Insurance Distribution Directive
IRSG	Insurance and Reinsurance Stakeholder Group
GWP	gross written premium
KID	key information document
LHS	Left hand-side
MTPL	motor and third party liability
NCA	national competent authority
OPSG	Occupational Pensions Stakeholder Group
POG	product oversight and governance
PPI	payment protection insurance
PRIIPS	packaged retail and insurance-based investment products
QRT	quantitative reporting template
RHS	Right hand-side

ANNEX VI — CONSUMER INTERVIEWS

In order to get more direct evidence of consumers' experiences with insurance products and services, in 2019 EIOPA hired two firms to carry out formal consumer interviews. The aim was to get first-hand responses from a carefully selected group of consumers and gather their experiences and feedback on issues pre-identified by EIOPA — based on information reported by NCAs and stakeholders.

To ensure a broad and balanced sample of consumers, EIOPA identified four Member States — with different insurance markets — where consumer interviews should be carried out.

One firm conducted market research to define representability criteria and then selected a sample of consumers. To do so, the firm studied data around local demographics, the insurance market and consumer behaviours and, based on this research, it developed sample criteria, resulting in the design of three to four participant profiles for each of the pre-identified Member States. The profiles chosen have been based on demographic criteria (age, gender, education, living area, employment status) as well as on use of the insurance products chosen by EIOPA for this exercise.

Based on these criteria, another firm identified three consumers per Member State and carried out telephone interviews using a standardised script. Consumers were chosen based on the 'sample profiles'.

Overall, the interviews covered the following consumers and products:

- 10 interviewees with MTPL insurance (with or without CASCO/add-ons), including one based on a black box;
- six interviewees with gadget/add-on/ancillary insurances;
- five interviewees with mortgage life insurance/payment or credit protection;
- six interviewees with insurance based on investment products;
- one interviewee with health insurance; and
- three interviewees with personal/third-party liability insurance.

Table 2 shows the consumer profiles for each of the four Member States.

Table 2 — Profiles of the personas selected for the consumer interviews

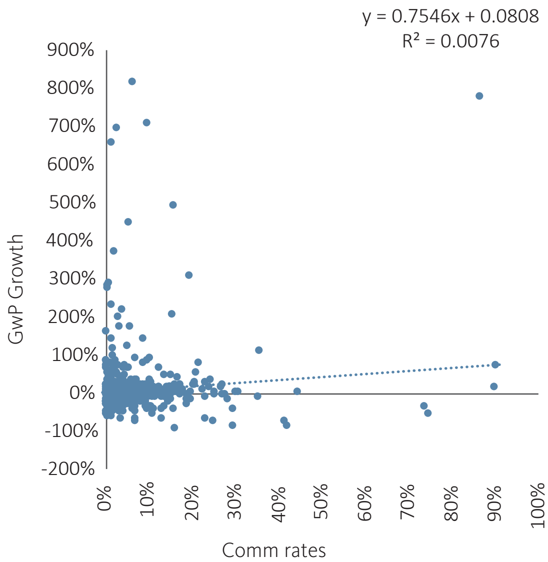
Member State 1	Ideal profile from market analysis
Unit 1 — The super-insured	Woman, between 40 and 55 years old, well educated but not necessarily with a tertiary level of education, living in a small-medium town. Insured with different products, preferably with an IBIP life insurance, a general liability insurance and an MTPL (ideally with a CASCO add-on).
Unit 2 — The outlier	Woman, between 40 and 55 years old, well educated but not necessarily with a tertiary level of education, living in a small-medium town and representing the 'average' citizen in the selected Member State but an 'outlier' in her behaviour as an insurance consumer. She should have as few insurance policies as possible: ideally, she should not have the products listed for unit 1.
Unit 3 — The digital oriented	Man, between 25 and 40 years old, living in a big city. Possibly a young professional, ideally a freelance or a small business owner. He is very active in the digital environment and very technology driven.
Member State 2	**Ideal profile from market analysis**
Unit 1 — The educated 'gambler'	Man, less than 35 years old, with a tertiary level of education. He prefers to acquire information by means of online research and he has a tendency to change insurance provider, in particular in the health sector. It is better if he is employed in order to avoid the influence of his job status.
Unit 2 — The retired	Man, over 65 years old, living in the countryside or in a residential neighbourhood, well educated but not necessarily with a tertiary level of education. He has been using the same insurance products (especially health and life policies) with the same companies for a long time.
Unit 3 — The face-to-face 'impressionable'	Woman, middle aged and highly educated. She prefers to get information through direct contact with providers/intermediaries. She is sceptical of online tools, but at the same time she has an aptitude for changing her insurance policies.
Member State 3	**Ideal profile from market analysis**
Unit 1 — The digital young	Woman, between 18 and 31 years old, with at least a secondary school diploma, living in a lower income/vulnerable area, freelance. Preferably, she uses online tools intensively and buys insurance products through online devices. The ideal candidate should have bought an MTLP with black box.
Unit 2 — The traditional young	Man, between 18 and 31 years old, with at least a secondary school diploma, living in a rather wealthy area. He should be employed but he should still be considering insurance products and seeking advice from intermediaries. However, the ideal candidate should have at least bought an MTLP policy in his life.
Unit 3 — The digital adult	Man, between 50 and 65 years old, with at least a secondary school diploma. He should have a stable job, be well travelled and going digital in terms of attitude towards insurance. The ideal candidate should have bought an MTLP (with or without a black box).

Member State 4	Ideal profile from market analysis
Unit 1 — The peaceful	Woman, middle aged, with a middle school diploma or secondary level education. She tends to get information through consolidated channels (brokers, advisors, but also friends and relatives) and she tends to maintain the same products.
Unit 2 — The broker-oriented	Man, between 30 and 50 years old, possibly from a small city. Very classic in his purchasing activities, he should have bought health and MTPL insurance through a broker.
Unit 3 — The young driver	Woman, between 18 and 25 years old, well educated but not necessarily with a tertiary level of education. She should have motor insurance and an add-on CASCO.

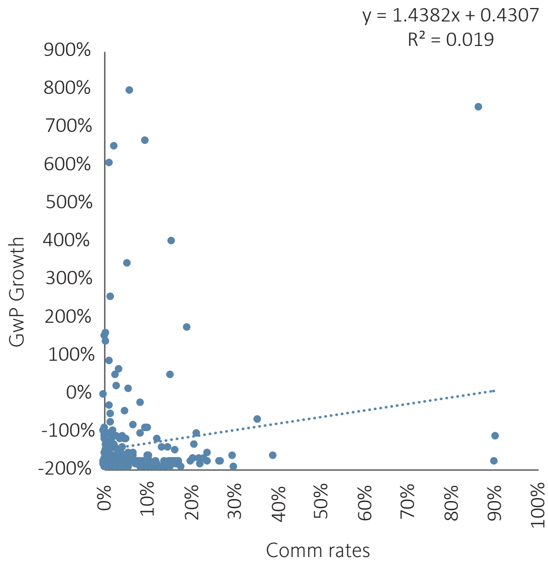
ANNEX VII — CORRELATION ANALYSES

Graph panel 1 — Correlation analyses for index-linked and unit-linked insurance

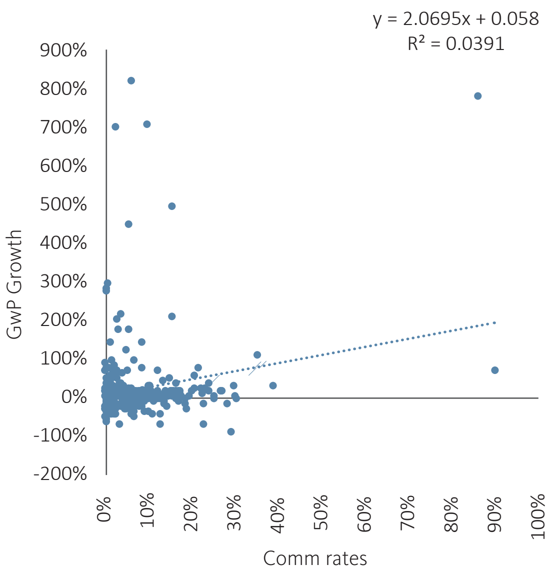
There is no correlation between GWP growth and commission rate.

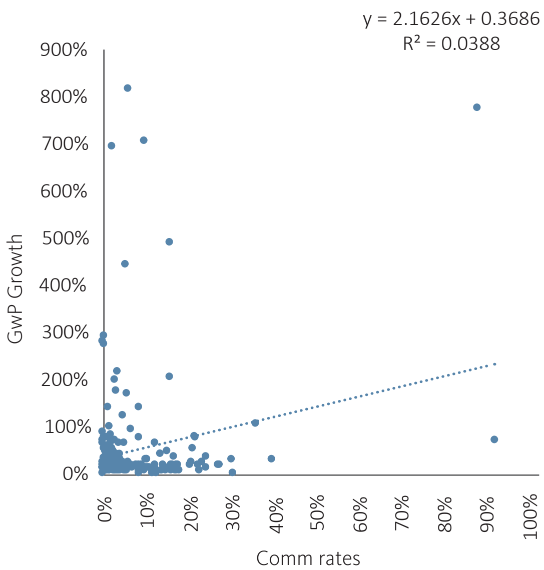


Although it is slightly higher, there is also no correlation between positive growth and commission rates.

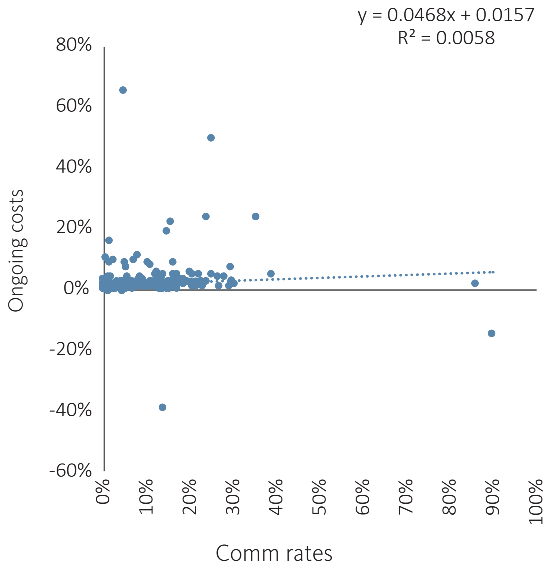


Although there is no correlation looking at those insurance undertakings that have a new contracts ratio between 5% and 75%, it can be observed that there is slightly more correlation.

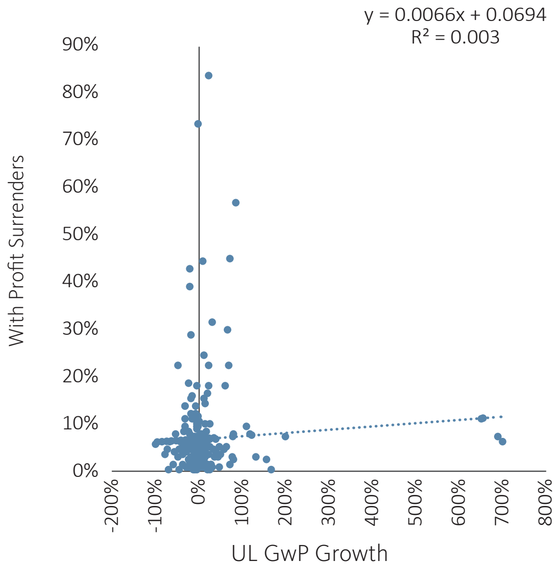




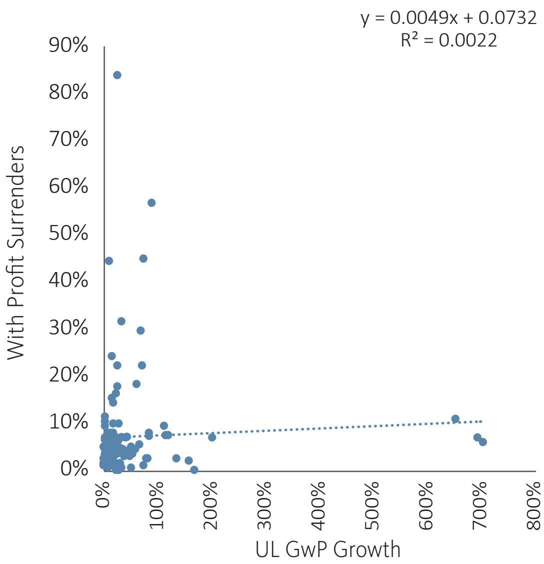
An analysis of commission rates and ongoing costs also shows that there is no correlation between these two variables either for all undertakings or for those undertakings with a new contracts ratio between 5% and 75%.



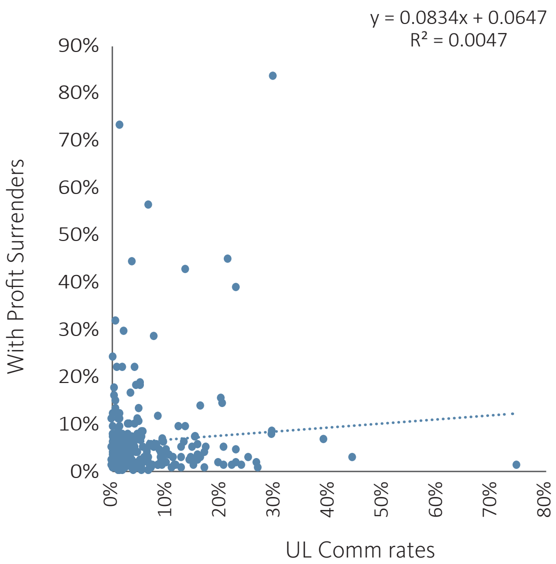
An analysis of GWP growth for unit-linked and with-profit surrenders shows that there is no correlation between the two variables for all undertakings.



The same applies to those with positive growth in unit-linked business.



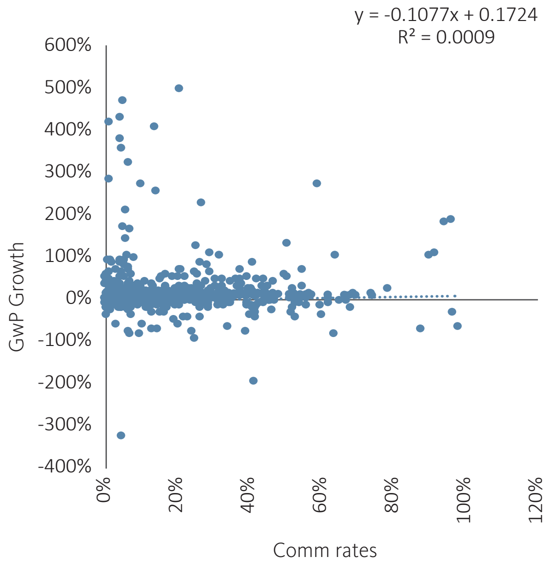
Finally, there is also no correlation between with-profit surrenders and unit-linked commission rates.



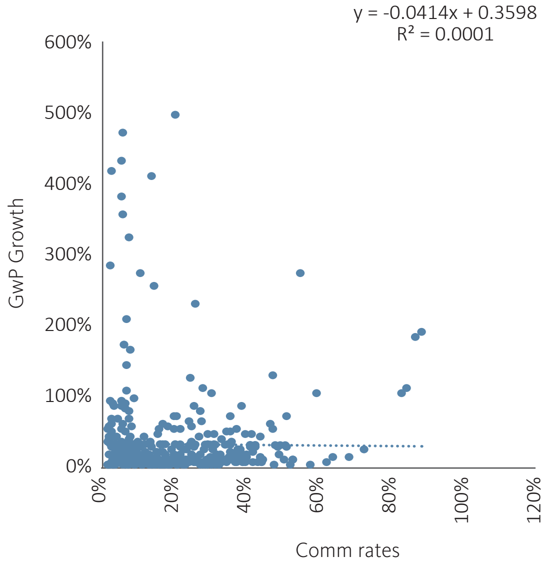
Source: EIOPA Solvency II database.

Graph panel 2 — Correlation analyses for other life insurance

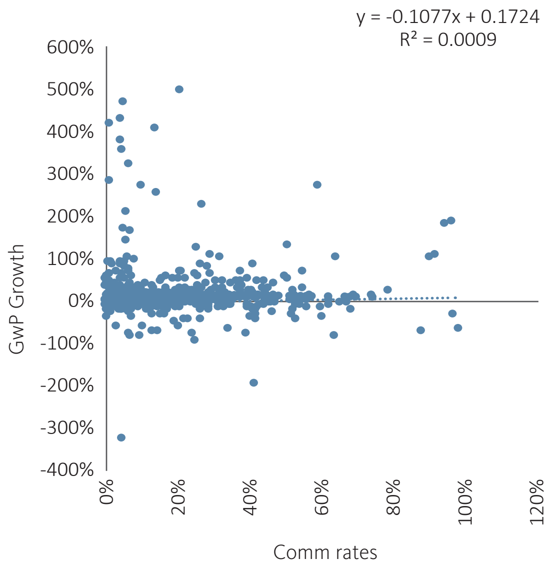
Because of the heterogeneous nature of this line of business there is even less correlation between other life insurance GWP growth and commission rates than for unit-linked business.



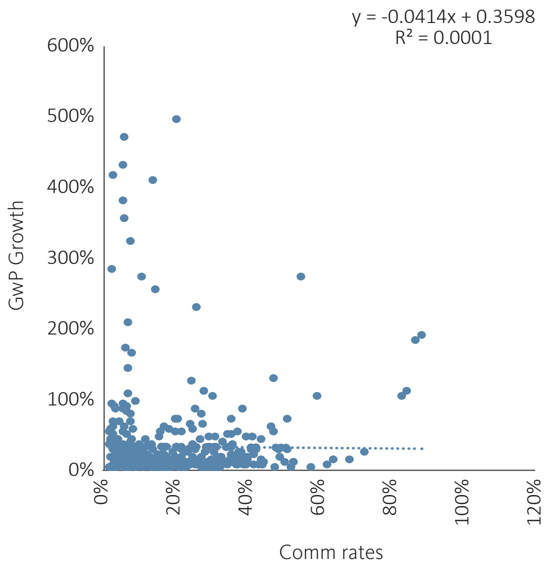
That includes positive growth.



As for unit-linked insurance, if only those undertakings with a new contracts ratio between 5% and 75% — albeit minimal — are considered, it can be observed that there is a stronger correlation.



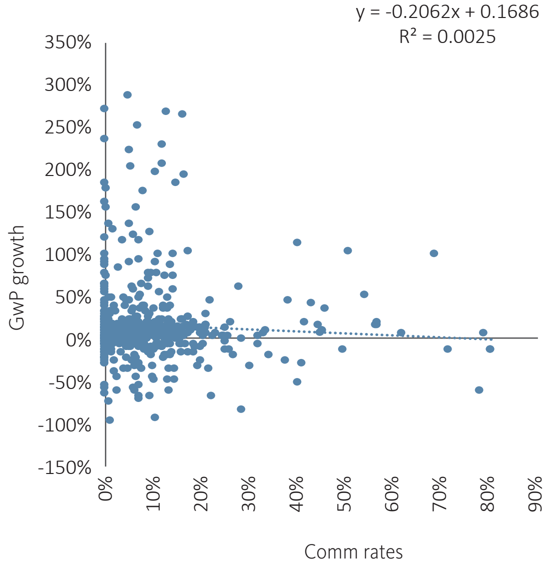
This applies, in particular, between positive growth and commission rates.



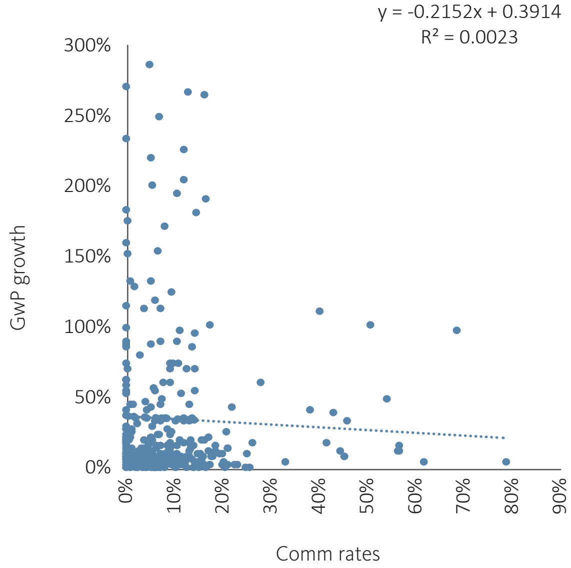
Source: EIOPA Solvency II database.

Graph panel 3 — Correlation analyses for miscellaneous financial loss

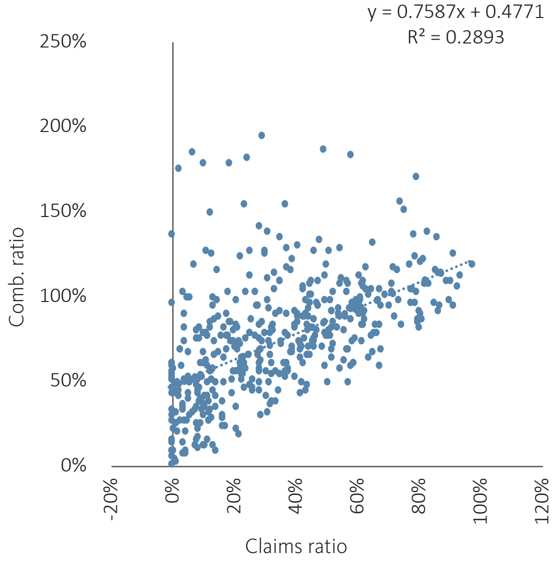
As for other lines of business, there is no correlation between GWP growth and commission rates.



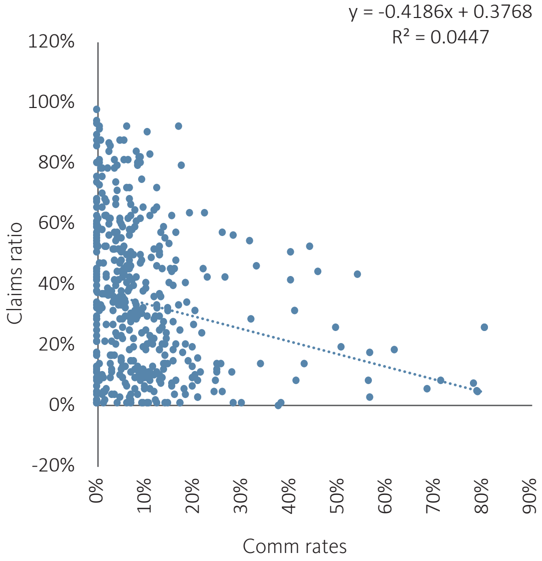
That includes between positive growth and commission rates.



There is correlation between claims ratios and combined ratios — as claims expenses and GWP are a key variable in both indicators.



However, there is no correlation between commission rate and claims ratio.



Source: EIOPA Solvency II database.

ENDNOTES

(1) Calculated by measuring total GWP over total gross domestic product, the EEA life insurance penetration rate went from 5.6% in 2017 to 5.8% in 2018 and the EEA non-life insurance penetration rate went from 3.0% in 2017 to 3.1% in 2018.

(2) Article 9(1)(a), Regulation 1094/2010 establishing EIOPA.

(3) Article 29 of the EIOPA Regulation.

(4) EIOPA, *Retail Risk Indicators Methodology Report*, November 2015.

(5) EIOPA, *Methodology Report for Collecting, Analysing and Reporting on Consumer Trends*, November 2012; *Review of Consumer Trends Methodology*, October 2013.

(6) Unless otherwise specified, Solvency II data growth trends do not take into account foreign exchange market (forex) fluctuations and inflation.

(7) Insurance with profit participation does not contain information from IS.

(8) Note that for IE the growth in insurance with profit participation does not correspond to an expansion of the market but relates mainly to a single firm acquisition and the associated acquisition of the existing book of with profit business.

(9) +13.6% taking into consideration currency fluctuations between euros and Croatian kuna.

(10) +15.7% taking into consideration currency fluctuations between euros and Hungarian forint.

(11) +17.0% taking into consideration currency fluctuations between euros and Norwegian kroner.

(12) Total life insurance contracts for this calculation only include insurance with profit participation, index-linked and unit-linked, and other life insurance contracts.

(13) Average annual premium for index-linked and unit-linked insurance in 2018 was €3,259, for with profit participation insurance €1,385 and for other life insurance €424.

(14) Total life insurance contracts for this calculation include only insurance with profit participation and index-linked, unit-linked and other life insurance contracts.

(15) EIOPA, *Thematic review on monetary incentives and remuneration between providers of asset management services and insurance undertakings*, April 2017.

(16) This takes into account the issues reported solely for unit-linked insurance.

(17) The only two other products for which Member States reported commission-related issues being the most prominent cause are household and motor insurance products.

(18) It is important to note that, given that commission rates are calculated based on acquisition costs, those Member States where there is 'a ban on commissions' in place are also included in this analysis; however, values for these Member States are very low.

(19) Representing 85.4% of the unit-linked market.

(20) Representing 60.5% of the unit-linked market.

(21) Given that commission rates are calculated taking into account acquisition costs over GWP, undertakings with a signification proportion of new business or no new business may have extremely high commission rates; hence, the new contracts ratio has been used as a 'correcting factor'.

(22) Representing 95.5% of the unit-linked market.

(23) Representing 95.6% of the unit-linked market.

(24) EIOPA, *First Report: Costs and Past Performance,* December 2018.

(25) Data from AT, BE, CY, DK, FI, FR, LI, LU, NL, SE, SK and UK have not been included, either because they are not available or because they are not comparable year on year because of a change in reporting.

(26) Data from AT, BE, CY, DK, FR, FI, LI, LU, NL, SE, SK and UK have not been included either, because they are not available or because they are not comparable year on year because of a change in reporting.

(27) McKinsey, *Bancassurance: It's time to go digital*, March 2019.

(28) See EIOPA, *Evaluation of the Structure of Insurance Intermediaries Markets in Europe,* December 2018. This analysis, however, does not include PT, because it was not possible to analyse information on type of product.

(29) This GWP figure is based on the GWP amount reported under quantitative reporting template (QRT) S.14.01.01.

(30) These have been calculated by looking at the 'type of product' information reported by insurance undertakings through QRT S.14.01.01. Given that this is not a closed category, several insurance undertakings reported information that cannot be categorised either as credit protection insurance or as other types of insurance that fall under the other life insurance line of business such as hybrid insurance-based investment products (IBIPs traditional term life insurance products. Moreover, given that the information is varied, this is based solely on EIOPA staffs' interpretation of the information provided and solely on EIOPA staffs' understanding of the relevant information.

(31) Because of the need to split this analysis by contact types, this claims ratio is calculated using QRT S.14.01.01 data.

(32) Representing 99.2% of the other life insurance.

(33) Representing 82.0% of the other life insurance.

(34) Given that commission rates are calculated taking into account acquisition costs over GWP undertakings with a signification proportion of new business or no new business may have extremely high commission rates; hence the new contracts ration has been used as a 'correcting factor'.

(35) +23.1%, taking into consideration that the Bulgarian lev is pegged to the euro.

(36) +17.4%, taking into consideration currency fluctuations between euros and Swedish kroner.

(37) Decision No 1/2016, 21 June 2018, Supreme Court of Cessation of the Republic of Bulgaria.

(38) Data from AT, CY, DK, FI, FR, LI, LU, NL, SE, SK and UK have not been included, either because they are not available or because they are not comparable year on year because of a change in reporting.

(39) Coverage for the premises of small and medium-sized enterprises as well as other commercial businesses also falls under this line of business.

(40) Negative growth is represented by white bubbles.

(41) Data from AT, CY, DK, FI, FR, LI, LU, NL, SE, SK, UK have not been included, either because they are not available or because they are not comparable year on year because of a change in reporting.

(42) Data from AT, CY, DK, FI, FR, LI, LU, NL, SE, SK and UK have not been included, either because they are not available or because they are not comparable year on year because of a change in reporting.

(43) Data from BE, ES, IE, CY, DK, FI, FR, LU, SK, SE and UK, has not been taken into account because either they have not been reported or because data for all products have not been provided.

(44) Data from AT, CY, DK, ES, EE, FI, FR, LI, LU, NL, SK, SE and UK have not been included, either because they are not available or because they are not comparable year on year because of a change in reporting.

(45) These data do not include CY, DK, ES, FI, FR, LU, SK, SE and UK, as they have not been reported for those Member States.

(46) Note that this is based on R170 not taking into account claims from past years.

(47) Note that this based on R180 taking into account claims from past years.

(48) In 2015, EIOPA carried out a thematic review of mobile phone insurance, highlighting in more detail some of the issues presented in this section. EIOPA, *Report on Consumer Protection Issues Arising from the Sale of Mobile Phone Insurance*, November 2015.

(49) Data from BE, CY, DK, ES, IE, FI, FR, LU, SK, SE and UK has not been included because either they have not been reported or because data for all products have not been provided.

(50) Data for IS are not available.

(51) Negative growth is represented by white bubbles. The graph does not include data for IS.

(52) EIOPA, *Seventh Consumer Trends Report*, December 2018.

(53) Accenture, *Evolve to Thrive in Emerging Insurance Ecosystems*.

(54) McKinsey, *Insurance beyond digital: The rise of ecosystems and platforms,* January 2018.

(55) Swiss Re Institute, *Digital ecosystems: extending the boundaries of value creation in insurance,* January 2019.

(56) BEUC, *Position paper: Ensuring consumer protection in the platform economy,* October 2018.

(57) See issues highlighted by EIOPA's thematic review, *Thematic Review on Consumer Protection Issues in Travel Insurance*, October 2019.

(58) Accenture, *Evolve to Thrive in Emerging Insurance Ecosystems*.

(59) EIOPA, *Evaluation of the Structure of Insurance Intermediaries Markets in Europe,* December 2018.

(60) IVASS, *Investigation into Comparison Websites in the Italian Insurance Market,* November 2014.

(61) EIOPA, *Report on Good Practices on Comparison Websites,* January 2014.

(62) IVASS, *Investigation into Comparison Websites in the Italian Insurance Market,* November 2014.

(63) EIOPA, *Framework for Assessing Conduct Risks through the Product Lifecycle,* February 2019.

(64) This did not take into account PPI related complaints.

(65) This is based on information from 21 Member States as 6 Member States have not yet reported complaints information to EIOPA and 4 others have changed the source of complaints.

(66) NCAs reported the most relevant activities undertaken during 2018, but this does not represent an exhaustive list of all the consumer protection activities undertaken by the NCAs that participated in the survey. Some of the activities reported were confidential, so they have not been included in this report.

(67) European Commission, *Consumer vulnerability across key markets in the European Union,* January 2016.

(68) FCA, *Fair Pricing in Financial Services,* October 2018.

(69) EIOPA, *Big Data Analytics in Motor and Health Insurance: A Thematic Review,* May 2019.

(70) FIN-FSA, Press release, 14 February 2019.

(71) These are insurance policies that, although they are sold with loans, they do not have a direct correlation with the loan but rather with the object that the loan is financing.

(72) Authorised agents are similar to managing general agents.

(73) UNESPA, *Guía de buenos prácticas en el uso terminológico utilizado en el documento de información de productos de securos no vida* (*Good practices guide on using terms in the non-life insurance product information document* — in Spanish).

(74) Source: EIOPA financial stability statistics.

(75) These Member States are AT, BE, BG, DE, DK, EL, ES, FI, HR, HU, IE, IS, IT, LI, LU, LV, MT, NL, NO, PL, PT, RO, SE, SI, SK, UK.

(76) More information available in NEST, Press release, 12 November 2018.

(77) EIOPA, *Sixth Consumer Trends Report*, December 2017.

(78) EIOPA, *Report on the Pension Benefit Statement: Guidance and principles based on current practice, November 2018*.

(79) UK Government, Pensions dashboard business case, roadmap and plan, May 2019.

(80) This includes AT, BE, BG, EE, ES, FI, HR, HU, IE, IS, IT, LI, LT, MT, NL, PT, UK.

(81) The UK has the highest number of complaints, accounting for over 90% of total pensions complaints.

(82) This includes EE, ES, HR, HU, IE, IT, LI, NL, UK.

(83) This include BG, CZ, EE, ES, HR, HU, IS, IT, LI, LT, RO, UK.

(84) This includes BE, BG, CZ, DE, EE, ES, HR, HU, IE, IS, LI, LT, LV, MT, NL, PT, RO, SI, UK.

(85) This includes BE, BG, CZ, EE, ES, HR, HU, IE, IS, LI, LT, MT, NL, PT, RO, UK.

(86) Activities relating to both personal and occupational pensions are covered in this section.

(87) Available at: https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2019/informasjon-og-radgivning-til-medlemmer-av-innskuddspensjonsordninger--kartlegging-av-livsforsikringsforetakenes-praksis/ (April 2019, in Norwegian).

(88) Financial Services Consumer Panel.

(89) A multi-employer DC pension scheme with nearly 5 million auto-enrolled members.

(90) EIOPA, *Methodology Report for Collecting, Analysing and Reporting on Consumer Trends*, November 2012.

(91) EIOPA, *Review of Consumer Trends Methodology*, October 2013.

(92) EIOPA IRSG, Feedback statement to EIOPA questionnaire on the *Consumer Trends Report*, April 2018.

(93) EIOPA OPSG, Feedback statement to EIOPA questionnaire on the *Consumer Trends Report*, April 2018.

(94) In Solvency II cell notation, the formula used is as follows: [(S.05.01.01.02 R1410*YN* S.05.01.01.02 R1410*YN* - 1)/ S.05.01.01.02 R1410*YN* - 1] × 100 for all lines of business between C0210 to C0240 for life insurance, [(R0110*YN* - R0110*YN* - 1)/R0110*YN* - 1] × 100 for all lines of business between C0010 and C0120 for non-life insurance.

(95) In Solvency II cell notation, the formula used is as follows: [S.14.01.01 (C0050*YN* - C0050*YN* - 1)/C0050*YN* - 1] × 100 for health, with profit, unit-linked and other life insurance lines of business.

(96) In Solvency II cell notation the formula used is as follows S.05.01.01.01 (R0310/R0210) × 100 for each line of business between C0010 and C0120.

(97) In Solvency II cell notation, the formula used is as follows: claims paid S.20.01.01 R0180 [C0140 /(C0110+C0140+C0160)] × 100 for all non-life lines of business; claims rejected [C0160/(C0110+C0140+C0160)] × 100 for all non-life lines of business; claims still open at the end of the year [C0110/(C0110 + C0140 + C0160)] × 100 for all non-life lines of business

(98) In Solvency II cell notation, the formula used is as follows: (S.05.01.01.02 R2210/S.05.01.01.02 R1410) × 100 for lines of business from C0210 to C0240 for life insurance, and (R0910/R0110) × 100 for each line of business between C0010 and C0120 for non-life insurance.

(99) In Solvency II cell notation, the formula used is as follows: S.05.01.01 [S.05.01.01.01 (R0310 + R0610 + R0710 + R0810 + R0910 + R1010) R0210] × 100.

(100) In Solvency II cell notation, the formula used is as follows: [S.05.01.01.02 year*N* R2700]/[S.12.01.01.01 year*N* - 1 R0300] for lines of business C0220 and C0230.

(101) In Solvency II cell notation, the formula used is as follows: (C0050/C0040) × 100 for with profit, unit-linked and other life insurance lines of business.

(102) In Solvency II cell notation, the formula used is as follows: S.14.01.01.02 C0100 > S.14.01.01.01 C0040.

(103) In Solvency II cell notation, the formula used is as follows: S.13.01 C0060 R0010/(S.13.01 C0070 R0010 + S.1201 C0080 R0010 + S.12.01 C0030 R0010 + S.12.01 C0040 R0030 + S.12.01 C0050 R0030).

(104) In Solvency II cell notation, the formula used is as follows: S.09.01 (C0070 + C0080 + C0090 + C0110 year*N* where assets are held in index-linked and unit-linked contracts)/S.02.01 C0010 - R0220 year*N* - 1.

(105) This would mean that pension plans such as the 'book reserves' and pay-as-you-go schemes are out of scope.

(106) EIOPA, *Database of pension plans and products in EEA: Guide for compilation and methodology*, December 2014.

(107) Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), pages 227 and 228.

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