

# [EIOPA identifies consumer protection issues in travel insurance and issues a warning to the travel insurance industry](#)

The European Insurance and Occupational Pensions Authority (EIOPA) published today its [Thematic Review on Consumer Protection Issues in Travel Insurance](#).

With economic recovery, in the aftermath of the financial crisis, coupled with decreasing travel costs, travellers' numbers have been growing each year. This has led to growth in the travel insurance market.

**Travel insurance is mostly a 'small-ticket' business, but it can be critical for consumers, since the impact of insufficient cover or denied claims – in particular for medical expenses while travelling – can be extensive at the individual level.** It has been already in the spotlight of supervisors in some European countries given the specific conduct risks it entails, related to conflicts of interest arising from mis-aligned incentives in distribution channels, consumer behaviour issues arising in so-called 'add-on' markets, and consequential risks of poor value at the level of the product offer.

Furthermore, stakeholders highlighted in their dialogue with EIOPA issues around coverage, denied claims, unclear and conflicting terms and condition similar to the input gathered by EIOPA in the context of consumer trends reporting.

The travel insurance sector is facing important changes with new opportunities but at the same time with heightening existing problems and new risks. Insurance undertakings have been integrating new technologies into their business models leading to changes across the entire value chain, while new kinds of distributors have entered the market. Particular concerns arise with regard to rising commissions, the exploitation of behavioural biases when selling online travel insurance policies, and the potential erosion of product value and features.

To understand better travel insurance products, to identify sources potential of conduct risk and consumer detriment and to take possibly required relevant supervisory actions, EIOPA launched this Thematic Review. EIOPA issued a questionnaire to 201 insurance undertakings operating in 29 European countries to collect evidence. The national competent authorities (NCAs) distributed the questionnaire to undertakings representing approximately 60% of the total gross written premiums of the travel insurance line of business in the national market. In addition, EIOPA collected input from industry and consumer associations, as well as its Insurance and Re-Insurance Stakeholder Group.

The key findings are:

- The travel insurance market as a whole does not appear to face a general market failure, and travel insurance products remain valuable for consumers. However, heightened conduct risks leading to consumer detriment due to problematic business models with remuneration structures based on extremely high commission levels carrying.
- Strong potential of poor value for money for consumers due to some insurers paying extremely high commissions to distributors, in some cases significantly more than 50% of the premium. For example in one case, the insurer paid 5.5 times more in commissions to distributors than consumers received back in claims, with commission level of 77% of the premium paid by consumers. Although the average commissions in travel insurance are around 24% of the gross written premium (GWP).
- Strong potential of poor value for money for consumers due to very wide variations in claims ratio. Some insurers have claims ratios below 20% of the GWP compared to the average claims ratio of 40% of the GWP regardless of the distribution channel.
- Increased conduct risks due to new market players entering the market and selling travel insurance products online as an ancillary activity (airline and ferry companies, price comparison websites, aggregators, banks and supermarkets).
- Potential risks of low quality products and services for consumers due to newly established partnerships with distributors via international tenders. In some cases, these partnerships are based solely on commissions paid to the distributors.
- High degree of consumer detriment due to the potential high degree of dismissed claims through no pre-contractual medical screening and around 70% of insurers excluding pre-existing medical conditions from the coverage of travel insurance products.
- Potential increased costs for consumers as in most cases assessment of overlaps in cover only conducted at the claim stage and not already during the sales process. Insurers assess only at the claim stage, which policy will cover the incident and split costs between insurers.

Given these findings, EIOPA issued today a [Warning to the Travel Insurance Industry as a supervisory response](#) on the issues identified by the [Thematic Review](#). The issues addressed are in particular those problematic business models with remuneration structures based on extremely high commission levels and the business models that combine high commission with extremely low claims ratios, offering poor value for money to consumers.

EIOPA considers that such business models are not consistent with the fundamental regulatory principles set out in Directive (EU) 2016/97 of the European Parliament and of the Council of 14 December 2016 on Insurance Distribution (IDD), such as acting in the best interests of the customer and obligations on product oversight and governance.

EIOPA expects all market participants to comply fully with the IDD.

Notwithstanding that insurance undertakings remain free to set premiums or

prices, they should nevertheless assess their product offering and approval process, including their identification of target markets, to ensure that their products offer fair value to customers and are fully capable of meeting the needs of their customers.

Insurance undertakings and insurance intermediaries should assess their distribution agreements to ensure that they are able to act always honestly, fairly and professionally in accordance with the best interest of their customers.

To ensure better outcomes for consumers in the insurance market, EIOPA and NCAs will closely monitoring how effectively consumers' needs are taken into account in product development and testing as well as during distribution.

In this regard, insurance manufacturers and intermediaries should be aware that EIOPA and NCAs will intensify their risk-based supervision of insurance undertakings and insurance intermediaries, notably in the national markets where risks are identified, including monitoring the market for ancillary insurance products.

NCAs will, where necessary, exercise their supervisory powers, including investigatory powers and powers to impose sanctions for failures to comply with the conduct of business requirements set out in the IDD, including:

- The duty to act in the best interest of customers and not to pay or receive remuneration that conflicts with this duty
- The requirement not to enter into arrangements by way of remuneration, sales targets or otherwise that could provide incentives for the recommendation of a particular insurance product to a customer
- The obligation to maintain, operate and review the approval process for each insurance product, specifying an identified target market and assessing all relevant risks to that target market

Where risks are identified and other supervisory measures are not successful, taking into account the principle of proportionality and in line with national law, NCAs will exercise their powers to impose administrative sanctions and other measures such as:

- Requiring the insurance distributor to cease the conduct and to desist from a repetition of that conduct
- As measure of last resort, in the case of an insurance or ancillary insurance intermediary, withdrawal from the national register

NCAs will share with EIOPA supervisory measures taken to address the business models highlighted by the Thematic Review.

The [Thematic Review](#), accompanying [factsheet](#) and the [Warning](#) can be obtained via the Website.

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## **Press release – Airbus case: MEPs to discuss US tariffs to be levied on European goods**

These tariffs will compensate for illegal subsidies given to Airbus.

Chairman of Parliament's Trade Committee [Bernd Lange \(S&D, DE\)](#) regretted the US government's "tit for tat" approach in a [statement](#) after the [World Trade Organisation \(WTO\) ruling](#).

The WTO authorised the US to hit EU products with [tariffs worth \\$7.5 billion](#) (€6.8 billion). Tariffs of 10 percent on Airbus and 25 percent on various products including Scottish whisky, French cheese and Spanish olive oil will enter into force on 18 October.

*You can watch the plenary debate via [EP Live](#), and [EbS+](#).*

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## **Press release – Debate with Mogherini on situation in northern Syria will be held this evening**

MEPs are likely to discuss Turkey's military intervention in parts of north-east Syria controlled by Kurdish forces, as US troops withdrew from the area.

The Turkish military started operations in that area against Kurdish-led forces. Kurdish militia played a significant role in helping the US defeat the Islamic terrorist group IS in Syria.

*You can watch the plenary debate via [EP Live](#), and [EbS+](#).*

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## **Article – Hearings: Sylvie Goulard**

## faces more questions from MEPs on Thursday



Following the hearing with Goulard on 2 October, members of the internal market and industry committees asked her additional written questions and then requested a resumption of the hearing. The 90-minute hearing is due to take place on Thursday.

Before the European Parliament votes the new European Commission, led by [Ursula von der Leyen](#), into office, parliamentary committees assess the suitability of the commissioners-designate.

[\*Learn more about the hearings process.\*](#)

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## Article – Deal or no deal: MEPs debate state of play on Brexit talks



The UK is currently set to leave the EU at the end of October 2019. Any extension would have to be requested by the UK government and agreed by the remaining 27 EU countries.

Negotiators agreed the text of a draft withdrawal agreement in November 2018, but it has not yet been ratified. It was rejected by the UK's House of Commons on three occasions. In 2019 new Prime Minister Boris Johnson announced he would seek to renegotiate the agreement.

MEPs discussed the state of play on 18 September and also adopted a [resolution](#) reiterating their support for the EU's position and stating they would reject any withdrawal agreement without a backstop.

During the debate speakers stressed the risk of a no deal Brexit.

Jean-Claude Juncker, president of the European Commission, said: "The risk of

a no-deal remains real and basically is going to come down to a decision by the UK government, but will never be the choice, the preferred option of the European Union. And that's why I think it is better now to focus on what we can do in terms of concluding that deal, something which is desirable and still, in my view, possible."

Manfred Weber (EPP, Germany): "At the moment, it's not Britain that is leaving the EU, but jobs and businesses leaving the UK. A third of the British businesses are planning on or already leaving. Many here in the plenary regret the Brexit outcome, but I must tell you that during the election campaign, it was a powerful argument to tell the Europeans it's stupid and it creates a lot of uncertainty...That's why you helped us a lot."

One of the most difficult issues in the Brexit talks is the backstop to prevent a hard border between Northern Ireland and the Republic of Ireland. EU Brexit negotiator Michel Barnier insisted that the backstop is a pragmatic solution to concrete problems: "We don't want to go back to a physical border between Northern Ireland and the Republic of Ireland; we want to protect the integrity of the single market and we want to preserve the whole island's economy."

S&D chief Iratxe García Pérez, from Spain, called on Boris Johnson to guarantee the acquired right of EU citizens living in the UK: "Ordinary citizens should never have to pay the price of the mistakes made by their political representatives," she said. She also added that her group supports the British people if they want to change their decision on Brexit: "The S&D group has always viewed Brexit as a historical error and we are prepared to support the British people if they do decide to revisit that decision."

Parliament's Brexit coordinator Guy Verhofstadt (Belgium, Renew) said he thought a deal was still possible, but criticised the UK's handling of citizens' rights and called for the "automatic registration of all our EU citizens". Turning to future trade relations, he said: "This Parliament will never accept an agreement where Britain has all the advantages of free trade, of zero tariffs and does not align with our ecological, our health, our social standards..." He added: "We will never accept a Singapore by the North Sea. That will never happen"

Philippe Lamberts (Greens/EFA, Belgium): "We did not choose Brexit but we respect the choice of the majority of voters in the UK. The best demonstration of that is that we are acting in good faith in negotiating the agreement, which will govern the separation that we regret."

"The British government wants a deal, not any old deal, but one that is acceptable to the British parliament and the British people," said Geoffrey Van Orden (ECR, UK), calling for goodwill and flexibility from both the EU and the UK. He questioned the motives of those proposing a further extension of UK membership in the EU. "What's the point of further delay? Some of you may think that if we drag this out a bit more, then there will be a change of regime in Britain and maybe a change of heart. I believe this is a total delusion."

Marco Zanni (ID, Italy) said that EU institutions shouldn't give lectures on democracy to the British Parliament: "I am concerned about the fact that decisions freely taken by people, which don't please the institutions of the EU can never be accepted." According to Zanni, the EU is afraid of losing Britain because this would be a "demonstration of the errors of the past by the EU".

Martin Schirdewan (GUE/NGL, Germany) said: "When I joined Parliament, I heard a Brexiteer saying that an empire had to be destroyed and he was referring to the European Union. The only thing Brexiteers have achieved is to push the UK into its greatest political crisis for decades. One in which workers and pensioners are going to have to pay the biggest price. This policy is neither in the interest of the people of Britain nor of Europe."