

EIOPA identifies areas where risks for consumers remain high, notably with unit-linked, credit life/credit protection, and add-on insurance products

- *Transparency and disclosure of information to consumers has overall improved*
- *The digitalisation of the insurance sector continues showing potential for improving the consumer experience and brings new opportunities for insurers*
- *However, areas that could cause potential consumer detriment continue being reported, with possible risks for consumers across the product lifecycle*
- *Particular concerns relate to unit-linked, credit life/credit protection and add-on insurance products as well as claims management in motor insurance*

The European Insurance and Occupational Pensions Authority (EIOPA) published, today, its [2019 Consumer Trends Report](#) outlining major developments in the insurance and pensions sectors affecting European consumers.

Improvements in disclosure practices have been seen and digitalisation remains a broadly noteworthy trend, showing that financial innovations can bring benefits for both insurers and consumers, so long as they are adequately designed and properly implemented.

Accident and health insurance products continue being 'good value-for-money', with the medical expense line of business having the highest claims ratio and the lowest commission rates for non-life insurance products.

Conduct issues related to unit-linked, credit life/credit protection insurance and add-on insurance products have become more prevalent. Claims management in motor insurance, in particular in some markets, also remains an area of concern.

- **Unit-linked insurance.** Concerns continue on the poor levels of consumer understanding, product complexity, unmitigated conflicts of interests, and poor returns – sometimes due to unnecessarily high costs. Issues were identified on the sale of unit-linked policies to vulnerable consumer groups.
- **Credit life and credit protection products.** These are increasingly under the supervisory scrutiny of NCAs and EIOPA. Even though they can bring

significant benefits to consumers, potential for consumer detriment exists given generally high commissions that can lead to unmitigated conflicts of interests and some aggressive sales techniques. A data analysis shows that the ratio of acquisition expenses over gross written premiums, an indicator of commission levels, is high for other life insurance, with 151 insurance undertakings above 30% and 50 above 50%.

- **Add-on insurance.** Despite bringing peace of mind to consumers and generally being a low cost product, add-on insurance is also a potential source of consumer detriment across several European markets. Concerns relate to the possible exploitation of behavioural biases in the context of an increase in cross-selling practices and high commissions.
- **Innovations in the motor insurance.** These are broadly noteworthy, with an increase in policies being sold through comparison websites and an increasing uptake of telematics. However motor insurance-related complaints, due to claims management issues, continue to be the most prevalent complaints and have increased by 6% at the EEA level.

For pensions, with life expectancy increasing, a strain is being put on the decumulation phase. To address this issue, changes and innovations – such as lifecycling or delayed retirement – are taking place.

Moreover, effective and clear communication with members is essential for them to be aware of both the product's characteristics and their pension situation. Given that more members prefer online and more interactive communication, innovations are taking place across several countries. Publicly or privately run pensions dashboards are also appearing, making it easier for consumers to access information on their overall pension situation.

Looking ahead, although regulatory changes that came into force in 2018 (Insurance Distribution Directive and the Packaged Retail and Insurance-based Investment Products Regulation) are already showing some positive developments – mainly in relation to disclosures – it is anticipated that there will be an increasing focus on product oversight and governance, to ensure that products are adequately designed and targeted, thereby ensuring good consumer outcomes.

Gabriel Bernardino, Chairman of EIOPA, said:

'Understanding consumer trends is an essential part of our work to identify where customers might suffer because of poor practices or lack of information. Despite evidence of improved disclosures, problems remain with product design and product review processes and undertakings and distributors must take responsibility for improving consumer outcomes. At the same time, where EIOPA identifies areas for concern we will take action. This was the case for certain business models in travel insurance, where EIOPA recently issued a warning. In 2020, we will launch a comprehensive thematic review on mortgage life and other credit protection insurance sold through banks, to gather evidence on areas of potential consumer detriment.'

The report is available on [EIOPA's website](#).