

To: Conduct of Business Committee
From: Malene Bye Rasmussen
cc: Economics & Finance Committee, General Insurance Committee, Personal Insurance Committee
Date: 24-01-2022
Reference: COB-22-004

Subject: CTR - EIOPA publishes the 2021 Consumer Trends Report

Input requested

Members are invited to flag any concerns they may have over EIOPA's depiction of the situation in their market, in the EU generally or any other findings (Rasmussen@insuranceeurope.eu) **by close of business Friday 4 February 2022.**

Summary

On 24 January, EIOPA published its [2021 Consumer Trends Report](#) (CTR)(COB-22-005) along with its summary [heat-risk map](#) (COB-22-006), the second time this format is used by EIOPA. Members are reminded that Insurance Europe submitted its input to the EIOPA CTR survey in July 2021 (COB-21-094).

As in previous years, it can be difficult to decipher the extent of *an issue*, as reporting is not always attributed to (a) market(s). Similarly, language and focus can misrepresent the extent of incidences, as is the case with the reference to 7% of NCAs reporting *unlawful indirect discrimination*. At times, the language used is unclear. Members are reminded that the findings by EIOPA in the CTR reflects input received by EIOPA from various stakeholders and sources (NCAs, insurers, consumer groups, EIOPA's OPSG and IRSG, in addition to solvency II data).

In brief, EIOPA finds as follows in its executive summary:

- On **unit linked products**, the low interest rate environment impacts the products and consumers do not fully understand these products.
- **Digitalisation** brings both opportunities and risks.
- Poor **claims handling** was reported by 9 of 25 NCAs, but there were also positives arising from automation in relation to low value/high frequency claims.
- Issues are flagged in relation to **contract complexity**, and **contract exclusions** have been introduced. A high increase in claims rejections were found in medical expenses and fire and property damage.
- **Premium adjustments unrelated to the risk profile** have been found, mainly in motor and household insurance. The main impact is seen for loyal customers and vulnerable consumers, and unlawful indirect discrimination has also been seen.
- The shift from public to private **pensions** continues, with PEPPs yet to begin being available.
- It is too early to assess the impact of the **EU regulation on sustainability** related disclosures in the financial services sector (adopted in May 2021) but implementation has started as expected.

Within the body of the CTR:

- **Trends related to life insurance** are as follows:
 - The life insurance sector reversed the trend in growth, evidenced by lower gross written premium, and in all markets new contracts were down in at least two product classes (pg 10).

- Unit linked products are again flagged as causing concern due to their complexity and a lack of clarity on costs and benefits (pg 11). Unit linked products are the most complained about life insurance product (pg 12).
- Positively, insurers are changing the composition of underlying products in unit linked products and offering sustainable funds (pg 13).
- There is a re-emergence of issues reported for credit life insurance; the delayed thematic review on this topic is due in 2022 (pg 13).
- **Trends related to non-life insurance** are as follows:
 - Digitalisation continues, positives include the opportunities for consumers to use digital platforms and personalise products. However, undertakings are reported to apply price optimisation, collecting personal data and data on consumers' behaviour. Digitalisation is reported to be most prominent in relation to sales and distribution (pp 15-16).
- Key issues in **claims management** are reported to relate to motor insurance, travel and household insurance. 50% of complaints relate to the claims handling process. Improvements are seen due to technology, which improve efficiencies, accuracy and ease of use. The top 3 issue reported by NCAs concerns exclusions due to lack of clarity and consumers' lack of understanding (pp 19-21).
- Focus areas relating to life and non-life insurance:
 - **Preventative vs protective insurance:** preventive insurance is more prominent in non-life insurance, and issues may arise from data protection/privacy issues (pg 24-25).
 - **Price optimisation:** concerns are reported over the use of drivers other than risk, e.g. socio-economic factors, consumers' inertia, and consumers' willingness to pay for certain products/services. However, this may be mainly due to the high level of competition where this is seen. The consequence of higher premiums are reported by NCAs to affect mainly existing/loyal customers (60% of NCAs reported this), followed by vulnerable consumers (13% of NCAs reported these as affected) and lastly unlawful indirect discrimination causing increased premiums (reported by 7% of NCAs) (pg 27).
*Please note however that 7% of 25 NCAs equals to one or two NCAs reporting on *unlawful indirect discrimination*.
 - **Complaints:** Total complaints are reported to be slightly down (by a few percentage points), possibly due to insurers' forbearance measures (pg 29). Claims continue to be the main source of complaints (pg 30).
- On **pensions** the following is reported:
 - **IORPs** are reported to have generally increased in both members and beneficiaries (pg 33).
 - Those markets that see a growth in **occupational pensions** tend to be markets with a higher percentage of defined contribution (DC) schemes (pg 34).
 - On **personal pensions**, there appears to be a general increase in personal contributions in most markets, although the trends vary significantly between markets (pg 35).
- Focus areas relating to pensions products:
 - It is reported that there is a growing interest by customers for sustainable products, although real changes in offerings remain to be seen (pg 36).
 - The impact of COVID on personal pensions is not clear across all markets (pg 37).