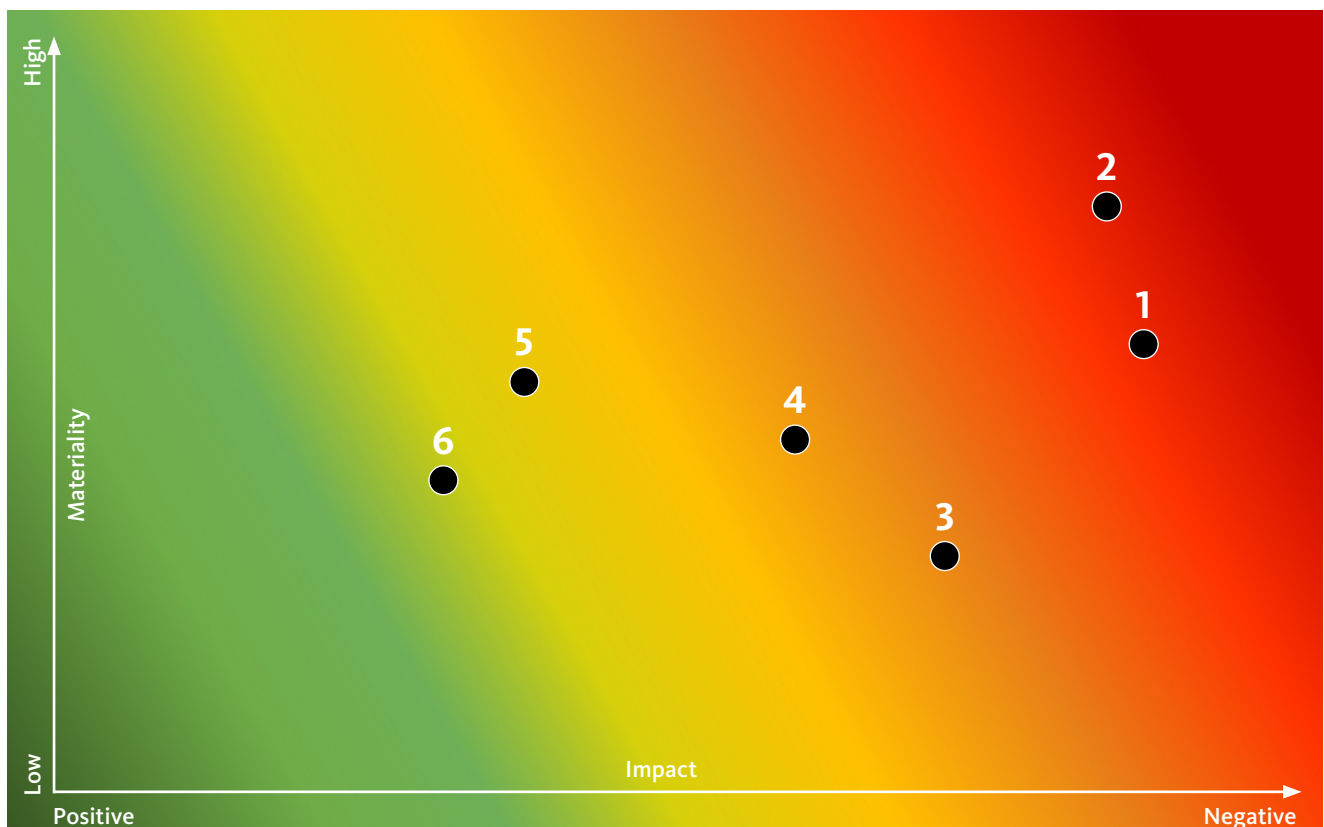




HEAT-MAP

#INSURANCE #PENSIONS #CONSUMERS

KEY FINDINGS FROM THE 2023 CONSUMER TRENDS REPORT



IMPACT LINE:

- Positive impact:** the finding has a positive impact on consumers
- Mild impact:** the finding is to be monitored as it could lead to a positive or negative impact on consumers
- Negative impact:** the finding has a negative impact on consumers that can be subject to high detriment

MATERIALITY LINE:

- Low materiality:** the finding impacts a relatively low amount of consumers
- Medium materiality:** the finding impacts a considerable amount of consumers
- High materiality:** the finding impacts a high amount of consumers

OUTLOOK:

- Increasing outlook:** the finding has been observed in the past but the incidence/evidence increased.
- Stable outlook:** the finding has been observed in the past and the situation has not changed.
- Decreasing outlook:** although the incidence/evidence of the finding has been decreasing, this still represent a major trend/finding.

The heat-map, which takes into account the data collected for the report and relevant supervisory judgement, represents actual findings which have been identified at the European level; it may not be a specific accurate reflection of risks in different Member States.

1**CONTINUED VALUE FOR MONEY CONCERNS FOR RETAIL INVESTMENT PRODUCTS** 

- a. While most consumers feel their products offer good value for money, a non-negligible percentage (27%) believe their IBIPs do not offer them value for money, indicating that value for money risks persist in the market threatening consumers' overall confidence in the sector and in IBIPs as a saving vehicle.
- b. Product complexity, including lack of clarity on cost structures and performance calculations, as well as generally high costs and low performance continue to be a concern, with NCAs indicating that value for money products continue to be an issue in several markets.
- c. Inflation is further impacting the value for money of IBIPs and pension products, increasing existing value for money concerns as market turbulences can lead to consumer losses and inflation erodes the value of consumer savings while costs remain stable.

Outlook: Stable, while value for money issues have been reported for several years and while these are being gradually addressed, the speed of this is still too slow. In addition, market turbulence and inflation can increase consumer detriment.

2**INFLATION IMPACTING INSURANCE AND PENSION CONSUMERS, PARTICULARLY VULNERABLE ONES** 

- a. Consumers' real disposable income is reduced due to the increase in the cost of living, leading some consumers to prioritise other expenses rather than making regular contributions to their pensions or IBIPs, or rather than buying/renewing the coverage they may need. This can increase protection gaps as well as the risk of old-age poverty.
- b. Non-life insurance policies might no longer adequately cover consumers as the price of various goods and services have increased leading to some consumers being under-insured.
- c. Increase in prices also implies increase in expenses for insurers, which can lead to an increase in premiums and deductibles, thus further impacting consumers.
- d. While all consumers are affected, the current situation may particularly impact vulnerable consumers or consumers who may be more prone to fall in conditions of vulnerability. For instance, the percentage of younger consumers who stopped making regular contributions to their IBIPs is twice as much as the EU average.

Outlook: increasing, although inflation is expected to lessen, its impact on consumers persists.

3**DISCRIMINATORY PRACTICES AFFECTING CERTAIN TYPES OF CONSUMERS IN RELATION TO EXCLUSIONS/PRODUCT DESIGN AND PRICING PRACTICES** 

- a. Possible discrimination and/or financial exclusion emerging from product coverage and contract-related exclusions tend to have a more negative impact on risks faced by traditionally discriminated groups and/or minorities.
- b. EU female consumers and those who self-identify as minorities are of the view that insurance policies advertised and/or available on the market have a high number of exclusions which target their particular situation. These consumers also reported having less access to insurance and pensions services.
- c. Some pricing practices may also unjustly target certain types of consumers (e.g., elderly and less digitally savvy ones).

Outlook: Stable, although more attention is being paid to diversity, equity and inclusion the risks are expected to remain stable.

4**ISSUES RELATED TO POOR VALUE OF ANCILLARY PRODUCTS, HIGH COMMISSIONS AND AGGRESSIVE SALES TECHNIQUES DESPITE SOME IMPROVEMENTS** 

- a. Risks in relation to poor value of ancillary products or products which are commonly cross-sold with other financial services persist.
- b. In particular, as highlighted in EIOPA's Travel Insurance Warning and EIOPA's Credit Protection Insurance Warning, some of these products are often characterized by high commissions and low claims ratios indicating poor value, particularly because costs are often not justified.
- c. NCAs working on monitoring EIOPA's Warnings reported that they have observed the persistence of these practices coupled with, especially for ancillary products sold online, aggressive sales techniques amounting at times to dark patterns, i.e., practices used in digital interfaces that exploit consumer biases.

Outlook: stable, although some of the risks highlighted by EIOPA are gradually being addressed and manufacturers are also improving their POG processes, the increase in digital sales – if not adequately monitored – can lead to an increase in dark-patterns.

5

DIGITALISATION

- a. Similar to last year, NCAs reported an increase in digitalisation within the EU's insurance and pension sectors.
- b. Enhanced digital engagement in the insurance and pension sectors can increase insurance and pension adoption. Moreover, digitalisation can bring faster claim management processes, faster purchasing experience and reduce operational costs for insurers. For pension providers, digitalization can enable more accurate and timely disclosure of members' pension entitlements, along with increased frequency of interaction with scheme members. However, challenges like digital exclusion, data privacy concerns and aggressive marketing techniques remain.
- c. It is also important to note that consumers prefer digitalisation only in relation to certain aspects of the insurance and pensions lifecycle, hence, it is important that the digitalisation process takes a customer centric approach.

Outlook: increasing, digitalisation of insurance and pension-related process is expected to further increase.

6

SUSTAINABILITY CLAIMS

- a. Consumer demand for products with sustainability features is rising, and consumers are increasingly concerned about the sustainability practices of companies they engage with. Indeed, more consumers are directing their investments towards sustainability factors, and purchasing non-life insurance products with sustainability features.
- b. However, the growing market for products with sustainability features has also led to an increase in misleading sustainability claims, heightening the risk of greenwashing and eroding consumer trust.
- c. The emergence of non-life products with sustainability features is a positive development, even though there is still a lack of clarity concerning the potential sustainability features of non-life products.

Outlook: Increasing, as the offering of products with sustainability features increases, so does the risk of greenwashing, especially for products falling outside specific sustainability requirements.

LEARN MORE



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