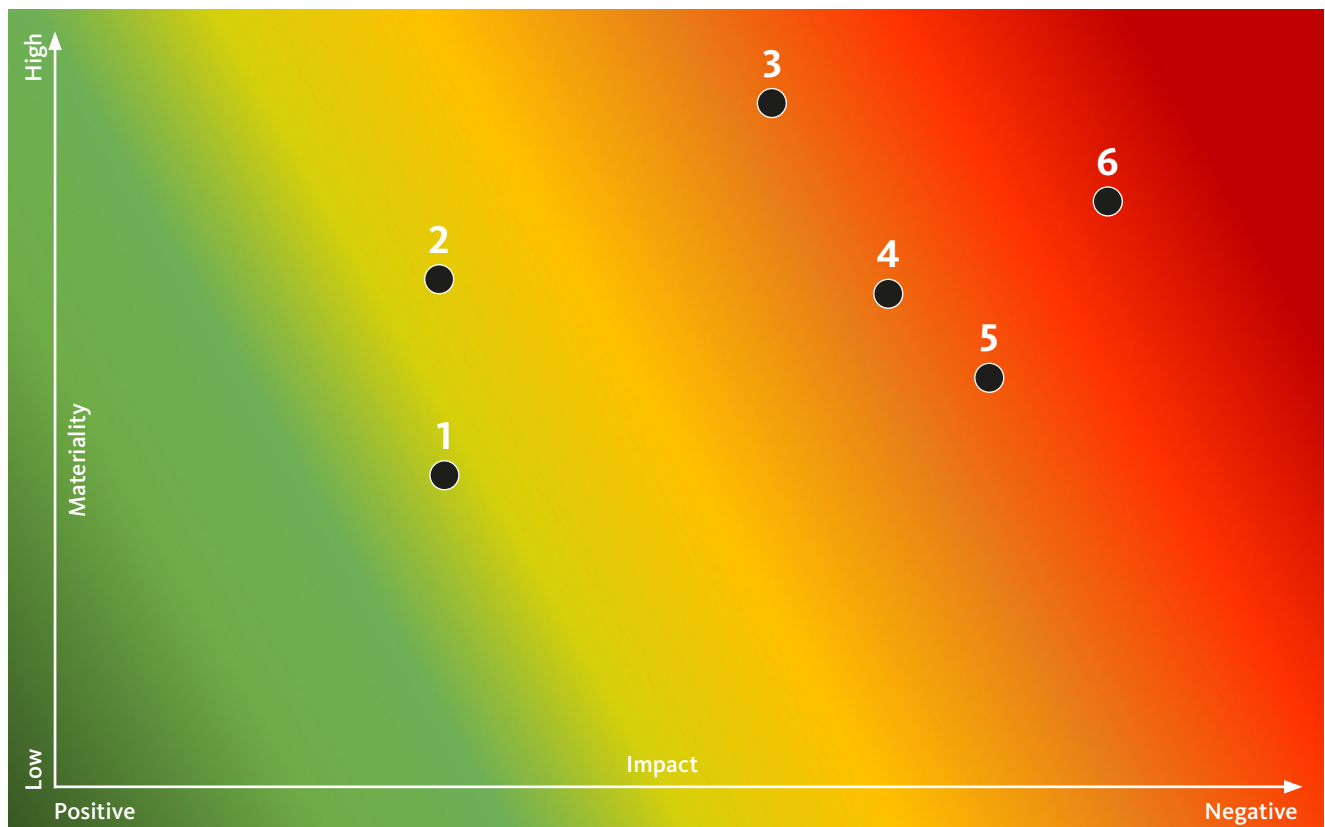




RISK HEAT-MAP

#INSURANCE #PENSIONS #CONSUMERS #COVID19

SUMMARY PRESENTATION OF THE KEY FINDINGS FORM THE 2021 CONSUMER TRENDS REPORT



IMPACT LINE:

- Positive impact:** the finding has a positive impact on consumers
- Mild impact:** the finding is to be monitored and it currently has a mild impact on consumers
- Negative impact:** the finding has a negative impact on consumers that can be subject to high detriment.

OUTLOOK:

- Increasing outlook:** the finding has been observed in the past but the incidence/evidence increased in 2020
- Stable outlook:** the finding has been observed in the past and the situation has not changed in 2020
- Decreasing outlook:** although the incidence/evidence of the finding has been decreasing, this still represent a major trend/finding for 2020

MATERIALITY LINE:

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

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 TRENDS RELATED TO ESG/SUSTAINABILITY DIFFERENT FROM EXCLUSIONS ASPECTS

- a. Particularly in relation to unit-linked products, undertakings are adding new “sustainable” product offerings with consequence increase in marketing communication;
- b. Albeit this being a positive development, some areas of concerns linked to greenwashing remain. Misleading communication, problems with the assessment of the degree of sustainability of products sold given the heterogeneity of ESG labels and customer preferences towards sustainable investments.

Outlook: Growing, given the increased focus on ESG from the insurance sector this trend is expected to grow.

2 FAST PACED DIGITALISATION

- a. The COVID-19 crisis has fast-forwarded digitalisation in the insurance sector, leading to some opportunities such as streamlined processes across the product lifecycle, possible lower costs in the long term leading to higher financial inclusion, wider offering, product personalization and AI leveraging potential;
- b. Despite this, the impact on consumers can be both positive and negative. Some challenges relating to the ethical use of technology, cyber & IT resilience, fraud and scams targeting consumers and undertakings, and possible exclusions of the less digitally savvy can negatively impact consumers.

Outlook: Increasing, as this trend has increased following the COVID-19 crisis.

3 CLAIMS HANDLING

- a. Issues such as claim management delays, low payments, complicated liquidation process, exclusions and transparency remain areas of concern;
- b. However some positive developments have been observed – mitigating the overall negative impact on consumers - notably digital innovations improving the claim process (i.e. more efficient, more user-friendly, facilitation of interactions between providers and consumers).

Outlook: Decreasing, as overall claims handling practices are slowly improving across the EU.

4 PRICE OPTIMISATION

- a. Price optimisation has been reported in some markets for a few years and is growing; its materiality is however still limited. Some undertakings optimise the premium using a number of techniques, often relying on artificial intelligence that are largely independent from the risk profile of the consumer;
- b. This practice leads to consumer detriment by increasing the premium for old/loyal consumers or by increasing the risk of indirect discrimination.

Outlook: Increasing, as insurers are expected to further rely on these techniques including via partnerships with large data owners (or large data owners becoming insurers themselves).

5 EMERGING RISKS RAISING NEW CONCERNS ON EXCLUSIONS AND THE PROTECTION GAP

- a. COVID-19 and climate change risks highlighted issues related to exclusions such as lack of clarity of T&C, unilateral changes to T&C as well as limited consumer understanding. Uninsurable risks are also growing – widening the protection gap;
- b. Overall, the lack of clarity of the exclusion clauses can have a significant negative impact on consumers. Its materiality however, is still limited given it does not concern all lines of business and all products.

Outlook: Increasing, as insurers are reviewing their products following large events combined with the expected increase in nat-cat events.

6 CONTINUED ISSUES RELATING TO UNIT-LINKED PRODUCTS

- a. Unit-linked products emerge one more time as the ‘most’ concerning product due to their complexity and their lack of clarity around costs/benefits;
- b. Even though issues identified do not concern all unit-linked products, badly designed unit-linked products can have a significant negative impact on consumers.

Outlook: Stable, as this issue has been reported for a number of years.

LEARN MORE



Visit the dedicated webpage:

https://www.eiopa.europa.eu/content/consumer-trends-report-2020_en

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