

Consumer Trends Report 2023

Main report

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Consumer Protection Department
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European Insurance and
Occupational Pensions Authority

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EXECUTIVE SUMMARY

Current inflationary trends and rising interest rates can have a negative impact on the (real) returns of insurance-based investment products (IBIPs) and pension products. The cost-of-living crisis can lead consumers¹ to make choices that harm their financial health in the medium to long term, leaving some under-insured. Continued supply chain disruptions, Russia's invasion of Ukraine, led the economy to quickly transition from a period of low inflation and interest rates to high inflation and rising interest rates. This quick transition and the high-inflation can harm insurance and pension consumers in the EU. In 2022, insurance and pension real investment returns have been negatively impacted by poor market performance and high inflation. Consumers also faced reduced disposable income which, coupled with increased premiums and deductibles, may have led some to deprioritize insurance and voluntary pension contributions, exposing them to future risks – i.e., protection and savings' gap. Finally, some consumers may be underinsured as cost of repairs and replacements increased, exceeding their maximum coverage amount. This situation not only resulted in some consumers surrendering and/or cancelling their product but also to an overall decrease (3 percentage points) from June 2022 to July 2023 of EU consumers' financial confidence in their retirement.

Beyond concerns in relation to the impact of inflation, this year's consumer trends work also highlights that some consumers may not be sufficiently and adequately served and/or fairly treated because of their non-dominant traits and characteristics or because they may be in conditions of vulnerability. EIOPA's Eurobarometer 2023 survey revealed a persistent gender gap in insurance and pension access, leading female EU consumers being 10 percentage point less financially confident about retirement than men. Consumers who identify as belonging to minority groups not only have lower access to insurance and pension products/services but there is also a non-negligible amount of EU consumers who believe they are not treated fairly because of their non-dominant personal traits and characteristics. EIOPA's work also highlights that some consumers may be more prone to fall into conditions of vulnerability which in turn can lead to unfair treatment if adequate measures are not put in place. For instance, younger consumers may face higher risks due to unfamiliarity with formal financial services, while older consumers might struggle with digital literacy. Financial exclusion and/or unfair treatment of certain consumers often stems from products and pension schemes not considering diverse consumer characteristics in the way they are designed or distributed.

¹ In this report, "consumers" is understood as a term englobing consumers, savers, pension scheme members and beneficiaries. This term is therefore used to refer broadly to people using or benefitting from pensions and insurance services.

In the insurance sector, value for money risks, even if limited to a few products, can cause a significant number of consumers to have concerns about value for money. NCAs continued reporting value for money risks mostly in relation to unit-linked and hybrid insurance products. Such issues have been confirmed by EIOPA's 2023 Eurobarometer survey. While most consumers feel their products offer good value for money, a significant percentage believe their insurance products do not, with IBIPs being the product for which the highest percentage of consumers believe they are not getting sufficient value for money. In fact, as reported by NCAs, some unit-linked and hybrid insurance products continue having high complexity, high costs and poor performance. These concerns are supported by 2022 Solvency II data which shows that commission rates for the unit-linked line of business increased and overall costs remain stable while returns experienced a significant decrease. Moreover, unit-linked related complaints experienced an important increase from 2021 to 2022.

Recent years have seen a surge in digital distribution in insurance, helped by technologies like text analysis, natural language processing, and machine learning, which can enhance consumers' experience with insurance products throughout their lifecycle. The digitalisation and the development of recent technologies can facilitate document handling, chatbots, consumer acquisition, anti-fraud, and cross-selling. Moreover, consumers are increasingly shopping for insurance products online – 25% of EU consumers have bought at least one insurance product online and a quarter of firms in EIOPA's digital marketing survey indicated that between 1 and 10% of their GWP came from online sales. However, adoption is heterogenous across EU countries and lines of businesses, with non-life insurance products seeing greater digital distribution. While digital distribution offers quicker purchases, informed decisions via price comparison sites, and lower costs for some providers, risks of inadequate regulatory disclosure, limited policy understanding by consumers, and aggressive sales tactics, sometimes resembling dark patterns², exist.

Improved transparency and disclosure, as well as financial literacy initiatives across Member States are enhancing pension awareness, yet many EU consumers are concerned about their ability to retire comfortably. EIOPA's 2023 Eurobarometer survey shows that only 42% of EU consumers feel they will have enough money for a comfortable retirement. This apprehension may be due to the fact that only 23% are enrolled in pension schemes, and 19% have a personal pension³. For greater financial confidence in retirement, transparency and clear information are essential as they promote understanding and enables informed decisions regarding savings and pensions. However, while NCAs have observed important improvements and the number of complaints relating to disclosure and transparency decreased, issues remain. In fact, NCAs continue reporting concerns with pension disclosures relating to the usage of technical jargon or misleading details.

² Please refer to Information box 1 on page 36.

³ These figures come from a representative sample of EU consumers with various occupational statuses: Self-employed (7%), Employee (38%), Manual Worker (6%), Retired (28%), Others not working (19%).

Beyond the above aspects, EIOPA’s consumer trends work highlights recurring risks and opportunities for consumers:

- ▶ Consumer awareness of insurance and pension products with sustainability features has increased, along with availability of such products. Therefore, it is crucial to ensure that sustainability claims, particularly those not yet captured by specific sustainable finance requirements, are not misleading at product and entity levels.
- ▶ NCAs reported cases of mis-selling due to inadequate demands and needs test, overlooked sustainability preferences, poor consumer information, conflicts of interests due to inducements, untimely pre-contractual disclosures, and insufficient advisor training.
- ▶ Amid increasing natural disasters in Member States, some NCAs reported issues related to the Nat Cat protection gap, leading to added consumer detriment during systemic events.
- ▶ Issues with cross-selling practices for credit and payment protection insurance as well as ancillary products continue being reported by NCAs.

1. INTRODUCTION

Article 9 of EIOPA's founding regulation requires the Authority to 'collect, analyse, and report on consumer trends'⁴. EIOPA interprets trends in a broad sense to include developments in the nature, spread and materiality of conduct risks, on the one hand, and conduct risk mitigants, on the other. A trend can be prevalent for several years, or a recently emerging one. For a trend to be included in the Report, it does not necessarily have to be present in all Member States. One of the Report's key objectives is to identify risks for consumers, savers and beneficiaries arising from trends in the insurance/pension market (including exogenous ones), which may require specific policy proposals or supervisory actions from NCAs and/or EIOPA.

EIOPA follows an agreed upon methodology to produce Consumer Trends Reports on an annual basis which has been updated in June 2021 (see Annex document). EIOPA has also been gradually introducing consumer and behavioural research as part of its consumer trends work, to better capture consumers', savers' and beneficiaries' experiences with insurance and pension products. To better inform the identification of risks and trends, in 2023 (like in 2022), EIOPA carried out an EU-wide Eurobarometer survey covering a representative sample of European consumers⁵ to get a comprehensive overview of consumer trends in insurance and pension products/services. The results of the Eurobarometer survey are integrated across the trends highlighted in this Report and, coupled with other data (e.g., Solvency II and complaints data) and intelligence gathered (e.g., stakeholders' inputs), contribute to the identification of trends, risks, and positive developments.

Like in 2022, EIOPA decided to focus the Report on key emerging issues for consumers, whilst highlighting some of the recurrent trends. More details on the overall trends are presented in the Statistical Annex. To this extent, the Report is divided into four main sections. The first covers insurance and pensions trends which this year have been identified as the impact of inflation on insurance and pension consumers, and diversity, equity and inclusion in the insurance and pensions sectors. The second one focuses on insurance-specific trends with a focus on ongoing value for money concerns and on digitalization in insurance. The third one explores pension-specific trends by looking at improvements in disclosure and financial literacy initiatives fostering pension awareness and adoption. The final section discusses developments in terms of access to insurance and pensions, and explores enduring trends and risks that, although not elaborated on in this year's Report, continue to be of significance, as evidenced by the risk heat-map and are actively monitored by EIOPA.

⁴ Article 9(1)(a), Regulation 1094/2010 establishing EIOPA, [Link](#).

⁵ The survey was carried out between 19/07/2023 and 27/07/2023 and targeted EU consumers 18 years and above for a total of 26.168 online interviews.

2. INSURANCE AND PENSIONS TRENDS

2.1. INFLATION IMPACTING CONSUMERS

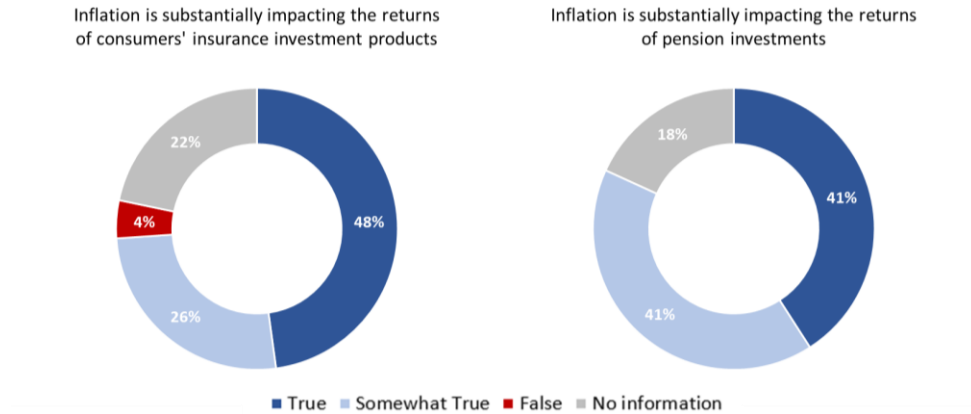
Following the Covid-19 pandemic (2020) in 2021, the continued supply chain disruptions, and the invasion of Ukraine by Russian forces (2022), the global and European economic macro-environment changed. After an extended period of low inflation and low/negative interest rates, the economy shifted to high inflation, prompting central banks globally and in the European Economic Area (EEA) to increase interest rates. This new economic reality directly affects insurance and pensions consumers in several ways. Their real investment returns – i.e., actual gains adjusted for inflation – from their insurance-related or pensions-related investments are impacted. On one hand, higher inflation and higher interest rates have not always been matched by higher market performance and bond-based products have lost nominal value as on the market higher yield bonds are now offered. On the other hand, real returns are lower or negative. Consumers' real disposable income is also reduced due to the increase in the cost of living, leading some consumers to prioritise other expenses rather than insurance investments/coverage or voluntary pension contributions. Further, non-life insurance policies might no longer adequately cover consumers as the price of various goods and services have increased and/or deductible may be higher at renewal making it more difficult for consumers to face financial shocks. This increase in prices also implies an increase in expenses (operational, cost of claims etc.) for insurers and can, therefore, lead to an increase in non-life premium further impacting consumers.

2.1.1. IMPACT ON INSURANCE AND PENSION INVESTMENTS

The vast majority of responding NCAs reported that inflation is substantially impacting consumers' insurance and pensions investments and highlighted inflation as the most concerning consumer-related issue in 2022 (Figure 1).

High inflation hinders insurance and pension consumers' ability to attain their financial objectives and reach their goals by significantly eroding the value of their investments. For example, if an insurance product or pension scheme delivered a net annual nominal return of 3%, but inflation is at 7%, the real return is negative. Ultimately, this could lead to lower pay-outs, and impact both DC and DB pension scheme members. For DC pension schemes, the purchasing power of accumulated savings is diminished due to inflation, therefore if investment returns don't outpace inflation, future pay-outs are reduced. For DB pension schemes, if the benefits are not adjusted for inflation, the fixed pay-outs will lose value over time, reducing the replacement ratio.

Figure 1 – NCAs’ views on inflation impacting insurance and pensions returns



Source: EIOPA’s Committee on Consumer Protection and Financial Innovation, 2023

The unusual macro-economic environment, persisting inflation and the increase in interest rates have not been accompanied by increased market performance in 2022. This further eroded consumers’ returns. Indeed, the return ratio of unit-linked products – derived from Solvency II data and calculated in accordance with EIOPA’s Retail Risk Indicators methodology⁶ – is negative across all EEA countries, with the EEA figure showing a return ratio of -10% in 2022 vs a return ratio of 12% in 2021. As these figures do not consider inflation, real returns (i.e., adjusted for inflation) are lower. More data and insight on the returns and costs of unit-linked, with profit and hybrid insurance products can be found in EIOPA’s Cost and Past Performance Report⁷.

Figure 2 – Return ratio by country – 2022 and 2021



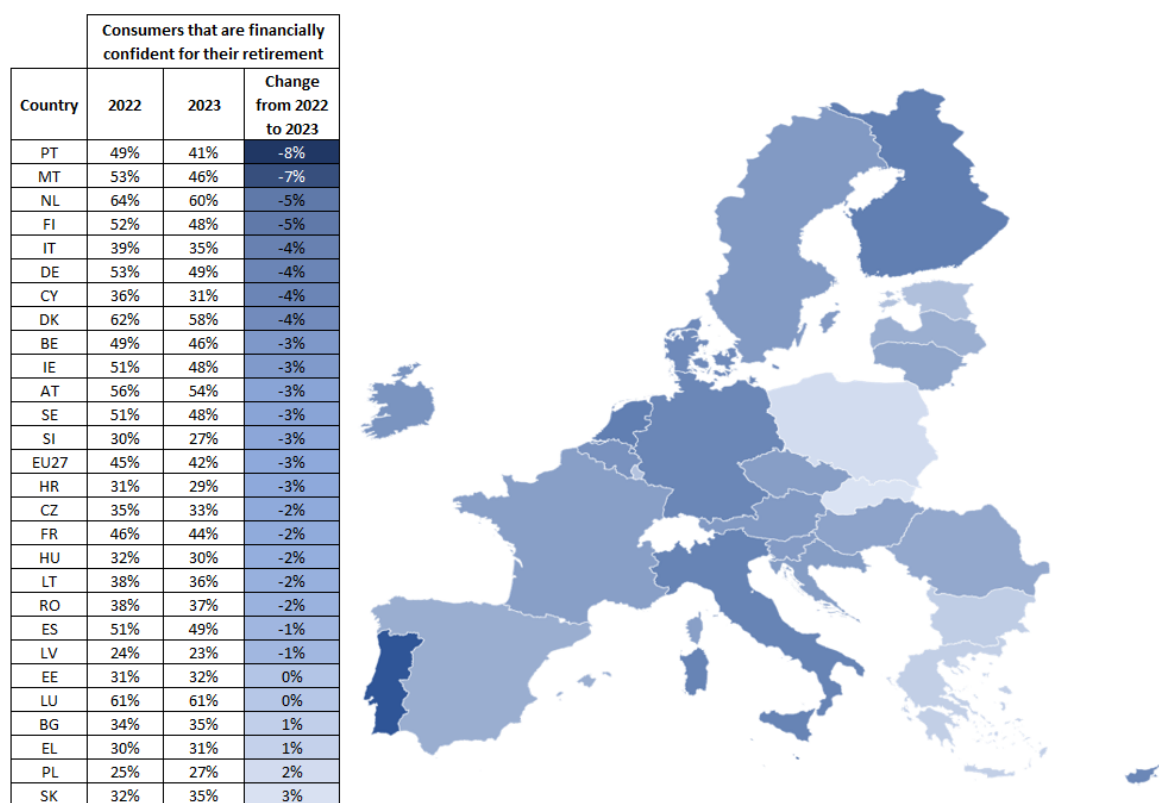
Source: EIOPA’s Solvency II database, EIOPA’s retail risk indicators methodology

⁶ Retail risk indicators Methodology – [Link](#)

⁷ Cost and Past Performance Report - [Link](#)

Low or negative real returns are impacting European consumers’ financial confidence in their retirement. EIOPA’s 2023 and 2022 Eurobarometer surveys show that the percentage of European consumers that are confident in their ability to live comfortably throughout their retirement has decreased by 3 percentage points from June 2022 to July 2023. Some countries have observed sharper decreases in confidence, these include Portugal (-8%) and Malta (-7%) (Figure 3). As consumers seek ways to offset the impact of inflation on their savings and mitigate low real returns on their investments, they may gravitate towards higher-yielding but riskier investments, exposing themselves to higher losses. Moreover, due to rising interest rates, bond-based products— while offering stable returns —also experience a decrease in value as their returns are low compared to inflation. This can result in consumers receiving lower surrender values if they do not hold the product until maturity and/or until the minimum recommended holding period (RHP).

Figure 3 – Change in percentage of EU consumers that are confident in their ability to live comfortably throughout their retirement between June 2022 and July 2023⁸



Source: EIOPA’s Eurobarometer Survey, July 2023

While existing consumers are impacted, some positive developments may also emerge from higher interest rates and upward market trends. For example, in late 2022 and 2023, some providers have

⁸ This graph shows how consumer feel about their retirement.

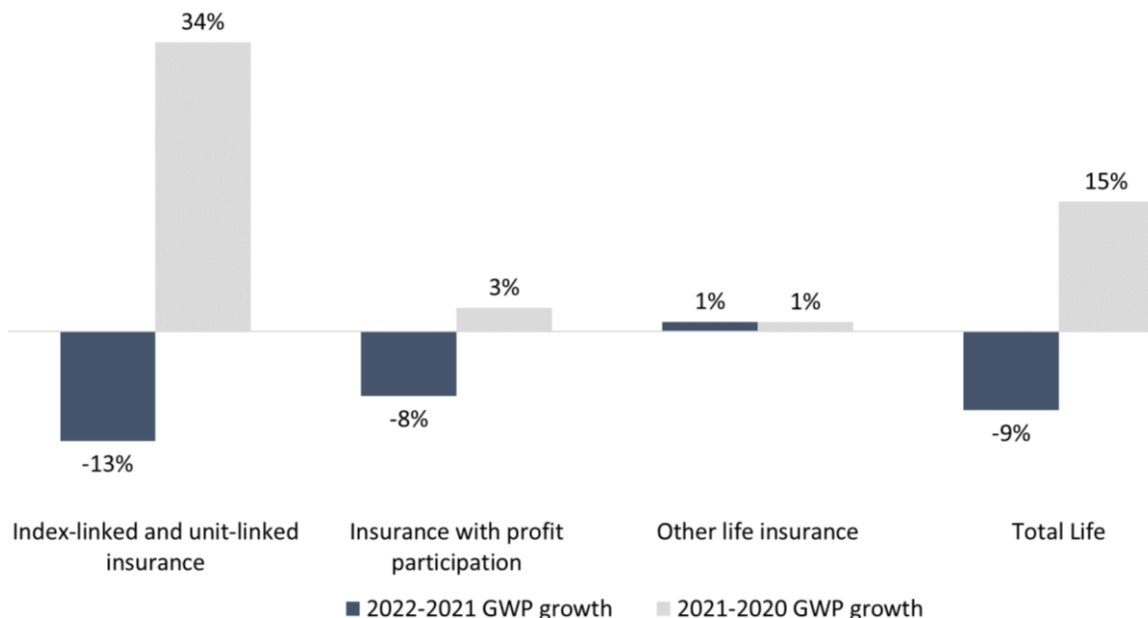
begun offering products with guaranteed returns above 0%. While it is falling short of matching inflation, the guaranteed returns highlight the added value that insurance can provide to consumers. In fact, the expectation is that, given the long-term nature of IBIPs and personal pension products, these products would outperform inflation once inflation falls within the target rate of the European Central Bank.

As highlighted by NCAs, the impact of inflation on investment returns could be mitigated thanks to diversified investment portfolios that include sufficient real assets, and/or inflation-linked assets to compensate the loss of value of fixed-income products. Similarly, indexed insurance or pension products are cited as partially offsetting the impact of inflation, as they often outperform traditional fixed annuities or other fixed-income investments during high inflation periods. This is because indexed products aim to replicate the performance of a specific market index, thereby aligning their returns with market trends – e.g., returns potentially rise with or above inflation and/or they adjust pay-outs based on inflation.

Beyond the direct impact of inflation on consumers' real returns, consumers have less disposable income to allocate to insurance or pensions investments, hindering their long-term financial health. EIOPA's 2023 Eurobarometer survey found that inflation is the most common reason why EU consumers did not buy or did not renew an insurance or (voluntary) pension investment/saving product. In some cases, inflation led some consumers to stop paying the regular premium of their life insurance products or surrendering them either due to disappointing returns or due to limited disposable income (particularly for low-income consumers). 48% of responding NCAs reported evidence of such occurrences, including a few complaints already emerging. While several NCAs and other stakeholders reported a modest increase in surrenders in their markets, Solvency II data reporting as of year-end 2022 does not yet show a substantial increase in surrender ratios for life insurance products.

The decrease in returns for life insurance exacerbated by inflation and lower disposable income, renders consumers, particularly those that have not invested yet, less inclined to do so. Solvency II data reporting shows that total life insurance GWP reported a 9% decrease, having decreased significantly for both the unit-linked and profit participation lines of business from 2021 to 2022 (Figure 4). The total number of life insurance contracts has also decreased by 4% (-8% for the profit participation line of business and -6% for the unit-linked line of business).

Figure 4 – GWP growth for life insurance lines of business – 2022-2021, 2021-2020



Source: EIOPA’s Solvency II database

Considering the significant consumer detriment that could emerge from the macro-economic environment, 48% of responding NCAs have carried out specific work to assess and mitigate the impact of inflation on consumers’ returns. NCAs did so through various supervisory activities, including thematic reviews, off-site inspections, market-wide surveys, investigations, engagements with the industry, communications to consumers, and desk-based research.

Several NCAs recommended that consumers consider longer-term perspectives when making investment decisions, potentially avoiding premature losses because of withdrawing/surrendering contracts. Relatedly, several financial literacy initiatives on inflation were reported by NCAs and the European Supervisory Authorities published a factsheet on inflation for consumers⁹. NCAs also emphasised the need for providers to communicate about the impact of inflation on investment returns to their consumers and/or potential consumers. Other activities included NCAs monitoring that products continue to offer value for money, as undue costs would further exacerbate the decrease in investment returns. Many of the NCAs that have not carried out supervisory activities related to inflation indicated that they have planned to do so in the short term.

⁹ ESAs’ interactive factsheet on inflation and the rise in interest rates – [link](#)

2.1.2. IMPACT ON NON-LIFE INSURANCE CONSUMERS

Beyond investments, high inflation impacts consumers’ ownership of non-life insurance. As insurers face higher costs for claims pay-outs and higher expenses – as evidenced by Solvency II data which shows that total expenses increased across 10 non-life insurance lines of business – they may adjust their premiums accordingly. 78% of responding NCAs (in total 24 NCAs responded) reported evidence of inflation impacting premiums. Moreover, Solvency II data shows an increase of GWP across all non-life insurance lines of business at EEA level (6%) (Figure 36). GWP growth was particularly important for the miscellaneous financial loss (17%), assistance (12%), general liability (10%), and fire and other damages (8%) lines of business.

NCAs reported household insurance (17 NCAs), motor insurance (15 NCAs) and accident/health insurance (11 NCAs) as the lines of business most impacted by inflation. This was also confirmed by EIOPA’s 2023 Eurobarometer survey which shows that around a third of EU consumers saw their insurance premiums increase on those lines of business (Figure 5). Some NCAs reported that, in some cases, products such as household insurance have contractual automatic indexations of premiums, leading to an automatic premium increase in line with the increase in costs.

Figure 5 – EU consumers that saw their insurance product price increase despite their risk situation not changing

Household insurance	Motor insurance	Accident and health insurance
29%	32%	27%

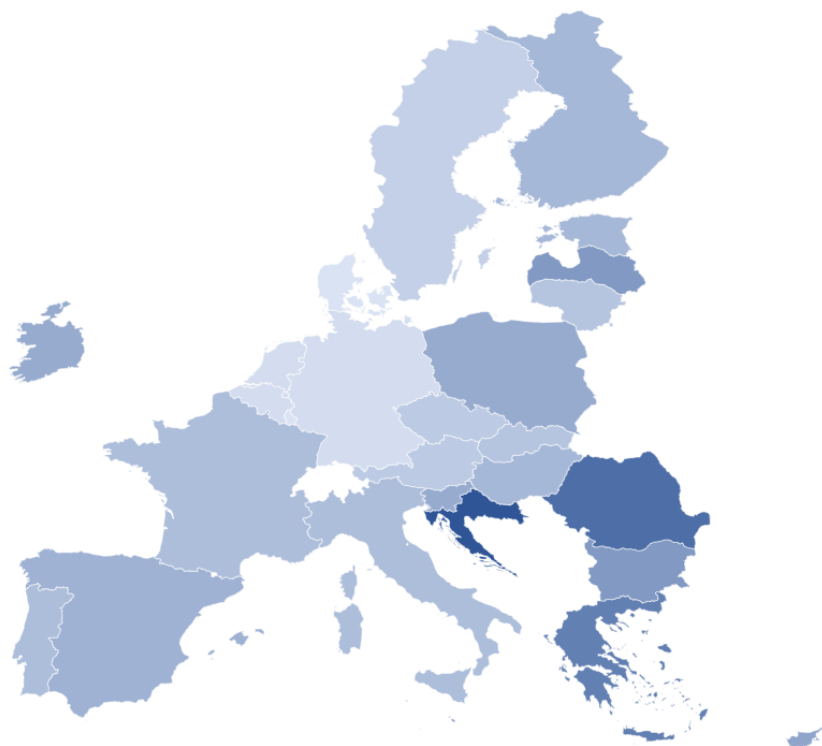
Source: EIOPA’s Eurobarometer Survey, July 2023

Some consumers might be unable or unwilling to pay more for the same coverage, and therefore might chose to decrease their level of coverage or to not renew their policy, leaving them less protected. Particularly for lower income consumers it can be a significant financial burden to pay more for the same coverage, leaving them vulnerable to shocks. Indeed, EIOPA’s Eurobarometer shows that 11% of EU consumers feel underinsured as they cannot afford the type of coverage they need.

Figure 6 – EU consumers that feel underinsured as they cannot afford the type of coverage they need – by Member State

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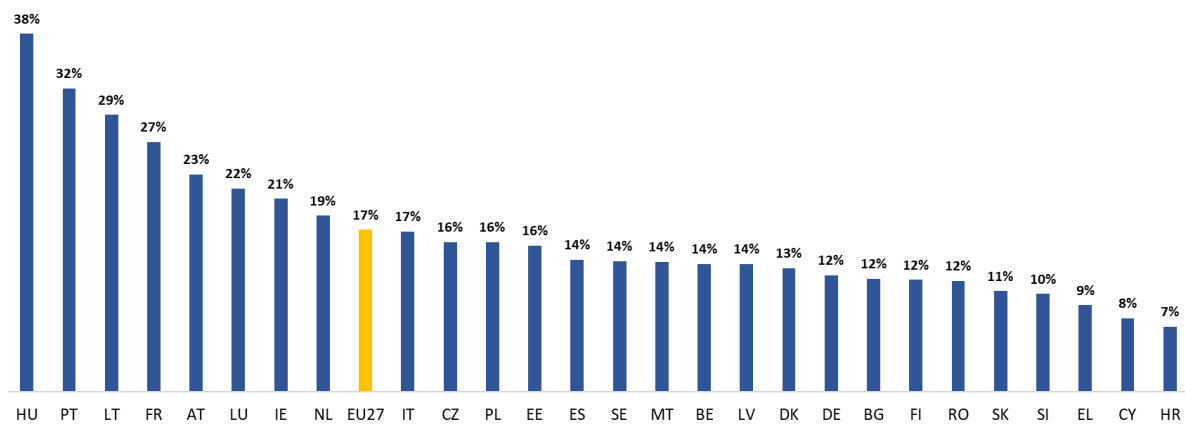
Country	%
HR	28%
RO	24%
GR	21%
BG	17%
LV	17%
MT	17%
CY	15%
IE	14%
PL	14%
SI	14%
ES	13%
EE	12%
HU	12%
FI	12%
EU27	11%
FR	11%
IT	11%
PT	11%
LT	10%
SK	10%
CZ	9%
AT	9%
SE	8%
BE	6%
DE	6%
NL	6%
DK	5%
LU	5%



Source: EIOPA’s Eurobarometer Survey, July 2023

To offset the increased cost of claims and expenses, insurers can also increase deductibles. As shown in Figure 7, 17% of EU Consumers saw their deductibles increase in the last two years, with over a fourth of consumers experiencing this in Hungary, Portugal, Lithuania and France. This could exacerbate the financial strain on consumers in the event of a claim.

Figure 7 – EU consumers that saw the deductibles of their insurance products increase – by Member State

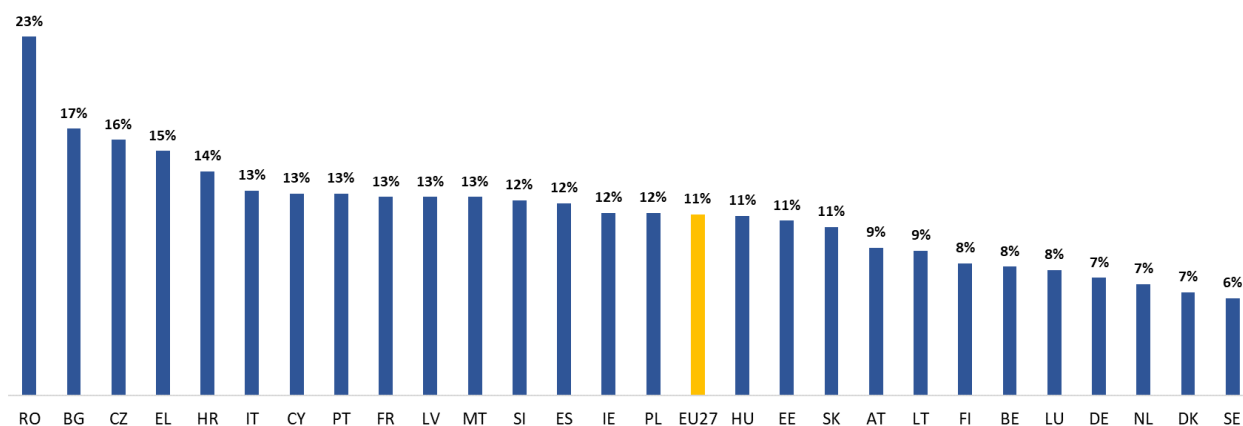


Source: EIOPA’s Eurobarometer Survey, July 2023

Beyond the increase in premiums and higher deductibles, if consumers' insurance coverage does not adjust for inflation or if the payout has a predetermined maximum amount, they may find themselves under-insured. For example, the coverage of a consumer who has insured their house against natural catastrophes up to a certain amount may not be sufficient to cover the cost of repairs or replacement, as inflation caused the costs of rebuilding the house (i.e., construction materials, labor) to rise significantly.

Solvency II reporting for the fire and other damage to property line of business shows a 4% decrease in claims ratio from 2021 to 2022, indicating potential decrease in claims payout to consumers relative to the premium paid. In fact, while premiums may have already increased, coverage amounts may have not been adjusted. Considering that the claims rejected ratio decreased from 2021 (11%) to 2022 (6%), lower claims ratios are not the result of higher rejection rates. However, a greater proportion of claims remained open (30% in 2022 vs 22% in 2021), indicating potential delays in settling claims. In line with these trends, EIOPA's 2023 Eurobarometer shows that 11% of EU consumers felt underinsured as the potential pay-out of their insurance policies would not fully cover expenses due to inflation (Figure 8).

Figure 8 – EU consumers that feel underinsured as the potential pay-out of their insurance policies would not fully cover expenses due to inflation



Source: EIOPA's Eurobarometer Survey, July 2023

High inflation also leads to lower real disposable income as price increases generally outpace wage increases. This can lead consumers to stop renewing crucial non-life insurance coverage or prevent them from buying needed insurance coverage, as they are now required to spend more money on other expenses (e.g., food, energy) – leaving them less protected in case of shocks. Figure 9 shows that the increase in cost of living appears to be the main reason for consumers not buying or renewing non-life coverage. This situation could worsen, especially as government policies that were meant to protect consumers from rising costs (e.g., price caps on goods and services or discounts on energy bills) come to an end.

Figure 9 – Percentage of EU consumers, amongst those who did not buy or renew selected insurance products – by reason leading to the decision

	Household insurance	Accident and health insurance	Any other insurance policies
Because of cost of living increase	58%	56%	61%
Because of other reasons	42%	44%	39%

Source: EIOPA’s Eurobarometer Survey, July 2023

NCA’s recognize the impact of inflation on non-life insurance as a crucial issue facing consumers. In this context 64% of responding NCA’s have conducted supervisory activities aimed at assessing this impact such as off-site inspections, thematic reviews, pro-active engagements with the industry and market surveys. An NCA required its industry to highlight to policyholders the risks of under-insurance and explain the importance of reviewing their home insurance details regularly to ensure they were adequately insured. Another NCA reminded undertakings the legal provisions related to inflation-related premium increases. Yet another NCA reported that some insurance providers were proactive in mitigating the impact of inflation. Indeed, in some Member States, governments and industry partnered to introduce measures such as premium discounts or expanded insurance coverage to mitigate the impact of inflation on consumers.

2.2. DIVERSITY, EQUITY AND INCLUSION (DE&I)

The increasing concerns from authorities, investors, consumers and employees about Environmental, Social and Governance (ESG) issues build momentum for change and highlight the need for setting clear expectations about Diversity, Equity, and Inclusion (DE&I) in the insurance and pensions sectors. In line with the approach taken by the International Association of Insurance Supervisors, which highlights that “*DE&I is particularly relevant to governance, culture and conduct but also to financial inclusion and sustainable development as well as innovation and social responsibility*”¹⁰, and given that last year’s Consumer Trends Report¹¹ already highlighted a gender gap in access to insurance and pensions, this section explores whether the European insurance and pensions sectors are sufficiently equitable and inclusive, serving a diverse customer base. This also includes, but it is not limited to, whether vulnerable consumers are treated fairly – i.e., differently as needed, in light of their diverse characteristics.

To this extent EIOPA explores whether the insurance and pension sectors are:

¹⁰ IAIS Stock take on Diversity, Equity and Inclusion - [Link](#)

¹¹ EIOPA’s Consumer Trends Report 2022 – [Link](#)

- ▶ **Diverse:** There are two different, both relevant, contexts of diversity. One is the diversity in the group of employees, leaders and Board members of insurers and pension funds. The other is the diversity of consumers that are being served by insurers and pension funds, and especially the fact that consumers include vulnerable, traditionally discriminated and minority groups who need also to be suitably served by those providers.
- ▶ **Inclusive:** This concept focuses on inclusive insurance and pensions, specifically ensuring consumer access to suitable financial products. It also refers to the implementation of non-discriminatory policies that prevent discrimination and/or unfair treatment on the basis of factors such as gender, sexual orientation, ethnicity, religion, etc.
- ▶ **Equitable:** This relates to insurance and pension providers aiming for fairness and equal outcomes by allocating resources based on different groups' needs, especially if certain groups are disadvantaged. It also includes treating vulnerable consumers fairly by treating them differently according to their needs and characteristics which may differ from the broader consumers' pool.

2.2.1. ENSURING CONSUMERS ARE ADEQUATELY SERVED

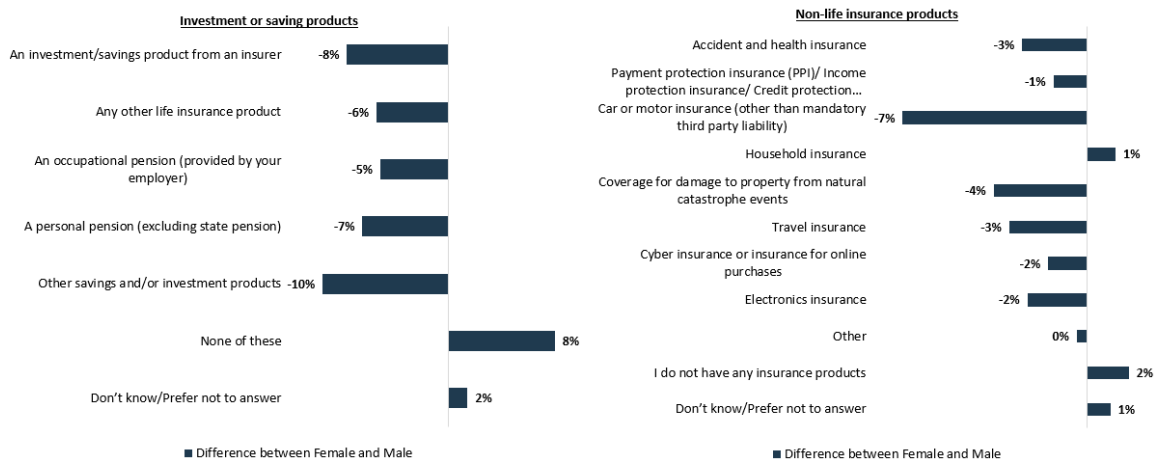
Overall, gaps were identified in the EU regarding consumers with non-normative traits being underserved by the insurance and pension sectors and/or being unfairly treated because of their non-normative traits, risks and issues have been observed. Out of 21 NCAs which responded to EIOPA's survey, 5 believe there may be issues, albeit not widespread, of consumers not being adequately served affecting vulnerable consumers (e.g., belonging to a discriminated group). While these gaps are important and work should be done to address, as described in this report, it is important to differentiate between those instances:

- ▶ Where some consumers may be underserved because of broader societal problems;
- ▶ Where some consumers may choose not to buy the product because coverage, exclusions, and distribution do not reflect their characteristics and/or are not aligned to their needs;
- ▶ Where there are clear instances of discrimination which is not justified by the risk profile.

EIOPA's 2023 Eurobarometer survey confirms that, like in 2022, there is clear and evident gender gap in terms of access to insurance and pensions. In fact, except for household insurance, the percentage of female EU consumers having one or more insurance or pension products or belonging to an occupational pension scheme is lower than male EU consumers.

Figure 10 – Difference between female and male consumers in accessing life/non-insurance and pension products

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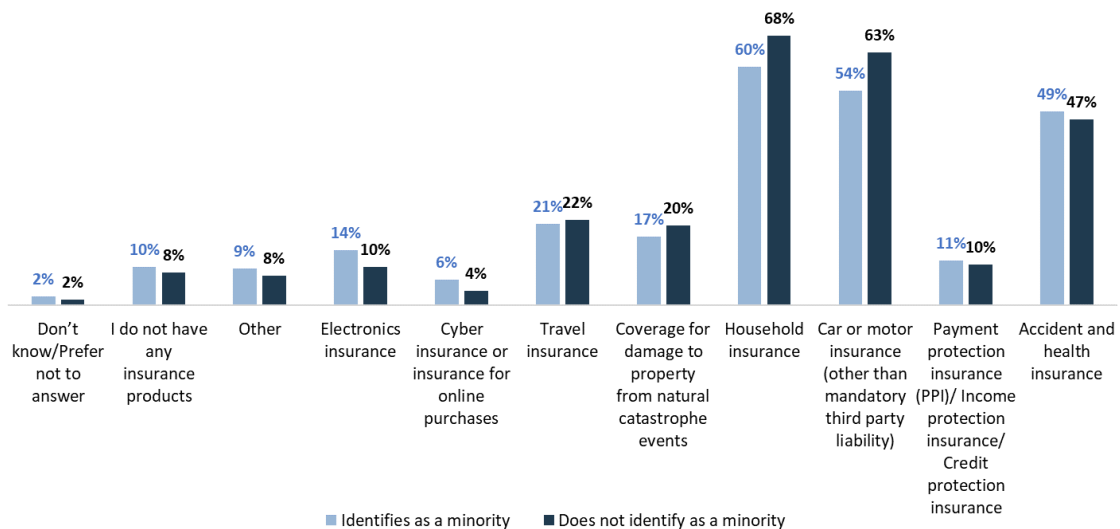


Source: EIOPA’s Eurobarometer Survey, July 2023

Lower access to insurance and pension products for female EU consumers makes them less confident about being able to live comfortably through retirement with only 7% of female consumers (vs 10% for male) being very confident and 30% (vs 37% for male) being confident. This difference may stem from the fact that products and pension schemes are not catering to female-specific needs – although some providers are improving their offerings in this respect – to the gender pay gap.

While a distinct gender gap exists, consumers who self-identify with one or more minority groups experience varying coverage availability across products. While for some products consumers who identify as minorities are more covered, the percentage of consumers who do not have any non-life insurance is higher for consumers who identify as minority than those who do not.

Figure 11 – Percentage of EU Consumers having one of more non-life insurance product (identifies as a minority yes/no)



Source: EIOPA's Eurobarometer Survey, July 2023

Looking at life insurance and pension products, consumers that identify as minority have lower access to insurance and pensions investment-related products (4% difference), leading them to feel less financially confident in their retirement (2 % difference).

Beyond broader societal factors, financial exclusion and/or possible discrimination of certain categories of consumers can mostly be attributed to products and pension schemes that are not designed in a way which takes into account characteristics of different types of consumers, as reported by 4 NCAs. Exclusions in insurance contracts – with 4 NCAs having identified this as the main driver of consumers with non-normative traits not being treated fairly – can also unfairly target consumers belonging to traditionally discriminated groups and/or minorities. In total 48% of EU consumers 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. Both female consumers and consumers who belong to minorities feel that exclusions in insurance contracts unfairly target them more than the EU average (62% for female vs 46% for male and 55% for minority vs 47% for non-minority).

Possible discrimination and/or financial exclusion emerging from product design and contract related exclusions often relates to specific traits and risks faced by discriminated groups and/or minorities. This is particularly relevant for life and/or accident and health coverage – including travel insurance products. Those NCAs that have identified instances of discriminatory and/or unfair practices which results in consumers with non-normative traits having less access to insurance identified this in relation to life, accident and health and travel insurance. For example:

- ▶ In some instances, these discriminatory practices are the result of legacy risks which no longer exist. For example, one NCA reported consumers with HIV faced greater discrimination than those without, regardless of whether they were on anti-retroviral therapies. In fact, while HIV-related exclusions may have been justified in the past in insurance contracts, modern medicine means that people with HIV on regular treatment pose no higher risk than people without.
- ▶ In other instances, practices reported by NCAs related to outright discrimination of certain categories of the population. For example, one NCA reported that some insurers dismissed claims regarding pregnancy-related injuries while covering diseases typically faced by men. Similarly, an NCA reported that some insurance undertakings for accident and health and life coverage had in place automatic rejections of consumers that stated not fully being able to work, resulting in a clear discrimination of people with disabilities.
- ▶ Finally, the way products are designed also reflects the way in which labour and society were structured in the past. One NCA reported accident and health insurance products only covering house support and only covering help if the policyholder is female. Another NCA reported policy

wording which does not reflect accurately different possible family structures (one parent, two male parents, two female parents, etc.).

Beyond product design, the way in which products are distributed may also affect consumers. Some consumers may process information differently and/or prefer alternative ways to buy insurance, factors often overlooked when developing distribution strategies and disclosure documents. According to 3 NCAs, distribution issues are a key factor limiting access to insurance and pension for consumers with non-normative traits, leading to exclusion or unfair treatment. This includes, but it is not limited to, access to information for consumers who are not digitally literate, the ability to access distribution points for consumers with physical disabilities and/or the ability to receive and process information for consumers who may not be fluent in the local language and/or who may process information in a different manner.

Despite the possible discrimination and/or financial exclusion outlined above, some providers are taking positive steps by tailoring their offerings to cater the needs of typically discriminated groups.

2.2.2. ENSURING CONSUMERS IN CONDITIONS OF VULNERABILITY ARE TREATED FAIRLY

EIOPA and a number of NCAs are now paying particular attention to vulnerable consumers. This is notwithstanding the fact that, presently, there is not a universally agreed definition of 'vulnerable consumer'. Some definitions focus on consumers' inherent characteristics (e.g., ethnicity, low income), this can also include situations of a transient nature which, however, mostly relate to the consumers' personal characteristic (e.g., immigration) rather than purely from external factors. Other definitions focus on the present situation or circumstances of the consumer, and some focus on the confluence of inherent characteristics and circumstances. Examples of particular attention to vulnerable consumers include the situation which many consumers faced at the outbreak of the COVID-19 pandemic; hence, for example EIOPA issued a statement¹² aimed at limiting detriment to consumers who may have found themselves in a situation of vulnerability because of the pandemic outbreak.

A number of NCAs (see section 0) have taken specific actions to address vulnerability situations stemming out of specific inherent consumers' characteristics.

Examples of inherent personal characteristics which can lead consumers to be more financially vulnerable include:

- ▶ **Immigration status:** For example, the Dutch NCA carried out a study¹³ which concluded that Dutch nationals with a migration background are on average more financially vulnerable than

¹² Call to action for insurers and intermediaries to mitigate the impact of Coronavirus/COVID-19 on consumers – [Link](#)

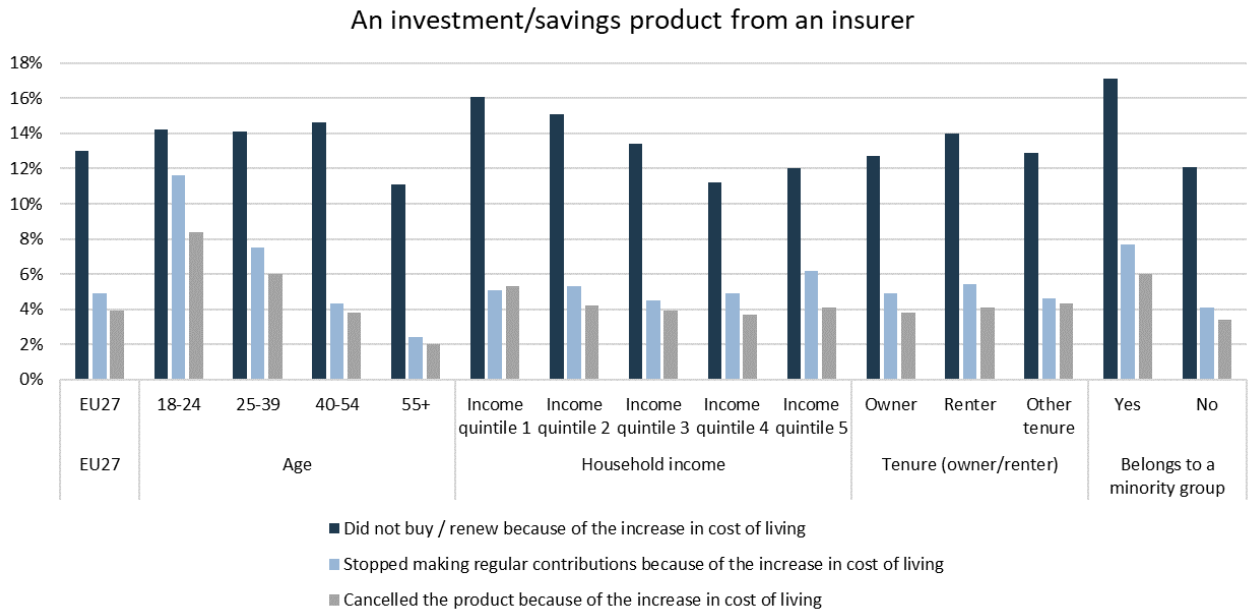
¹³ Study by the Dutch AFM - [Link](#)

Dutch nationals without a migration background. This despite not having less access to formal financial products and services.

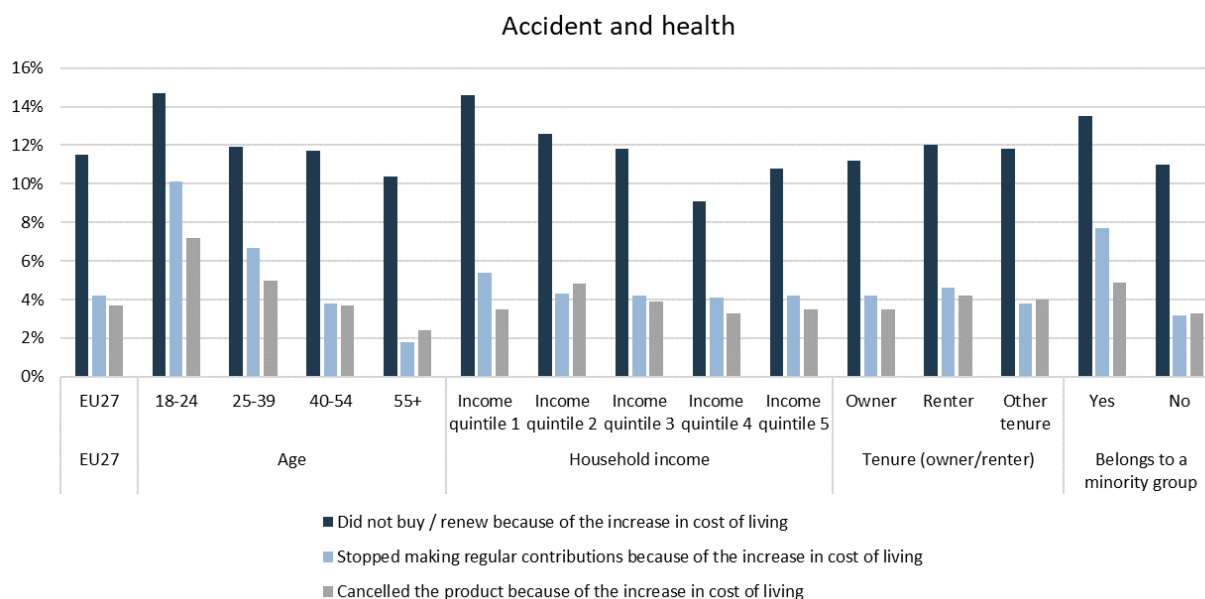
- ▶ **Income/house tenure:** Consumers with lower income, irregular and non-stable income and/or that are tenants can be more exposed to financial shocks such as the current inflationary trends.
- ▶ **Age:** Younger and older consumers can be more prone to shocks and/or more vulnerable either because they are less familiar with formal financial products and services (younger consumers) or because they may have limited digital literacy (older consumers).

Figure 12 below shows that younger consumers, likely due to greater financial instability, and consumers who identify as a minority have been particularly impacted by inflation. In fact, across all product categories examined, the percentage of consumers who have either not bought or renewed, stopped making regular contribution and/or premium payments, or cancelled the product is always higher for younger consumers and consumers belonging to minorities (IBIPs and Accident and health insurance are shown in Figure 12, for personal pensions, household and any other insurance products please refer to the annexed Eurobarometer survey results).

Figure 12 – Percentage of consumers who did not buy/renew, stopped making regular payments or cancelled selected insurance and pension products – by age, income, house tenure, and minority (yes/no)



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Source: EIOPA’s Eurobarometer Survey, July 2023

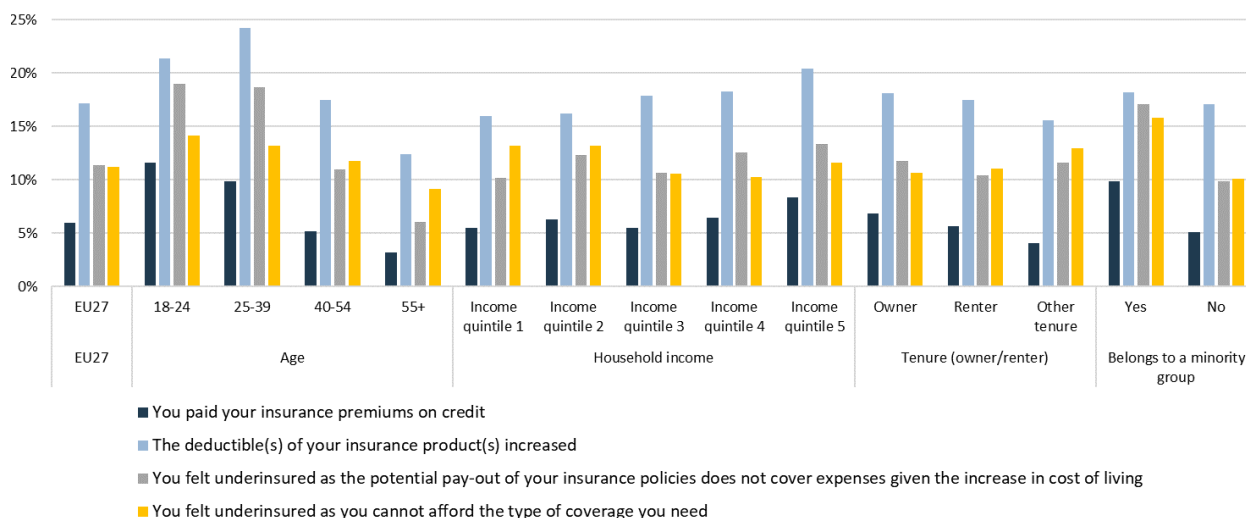
At times, the difference in percentage points is extremely high, indicating that they may be in conditions of vulnerability. For example:

- ▶ The percentage of younger consumers who stopped making regular contributions to their IBIPs is twice as much as the EU average; and
- ▶ The percentage of consumers who belong to minorities and who have stopped paying the regular premium of their accident and health or any other insurance products because of the cost-of-living crisis is twice as much as the EU average.

While not across all products and scenarios examined, lower income consumers have also been impacted, with, for example, more lower income consumers not having bought an IBIP, a personal pension, or a household insurance product because of the cost-of-living crisis.

Figure 13 – Percentage of consumers who encountered specific situations over the past two years – by age, income, house tenure, and minority (yes/no)

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Source: EIOPA’s Eurobarometer Survey, July 2023

As shown in Figure 13 younger consumers and consumers who identify as a minority are also more prone to having paid their insurance premium on credit, having seen their deductibles increase, having felt under-insured because of the cost of living, and having felt under-insured because of they cannot afford the coverage they need.

Looking at digitalization, older consumers are more vulnerable. In particular, the percentage of older consumers who agree that submitting claims online is easier is 5 percentage points lower than the EU average for all age groups. While it has been highlighted for a number of years that older consumers can be more vulnerable in light of digitalisation, barriers impacting lower income consumers – who may not have regular access to digital devices where they can easily receive and process the information – should not be underestimated.

2.2.3. ACTIVITIES BY NCAS RELATED TO DE&I

While issues of insufficient inclusion and unfair treatment of vulnerable consumers have not been reported as widespread by NCAs, risks have been observed in different markets and EIOPA’s 2023 Eurobarometer shows that such risks exist. NCAs were asked to rank 22 risks, which are present in the European insurance market, by indicating which ones are the most relevant for their own market and the most impactful for consumers. To this extent, NCAs ranked 10 out 22 – meaning medium to high – the risk of exclusion due to overlooked needs and 14 out 22 – meaning medium to low – the risk of exclusion due to distribution practices. To this extent, NCAs have put in place initiatives and are carrying out supervisory activities to look into the fair treatment of vulnerable consumers, including off-site investigations (2 NCAs), thematic reviews (3 NCAs), or other activities (4 NCAs).

Beyond activities carried out by NCAs, either governments or other entities such as insurance associations or insurers have put in place measures to ensure the fair treatment of all consumers:

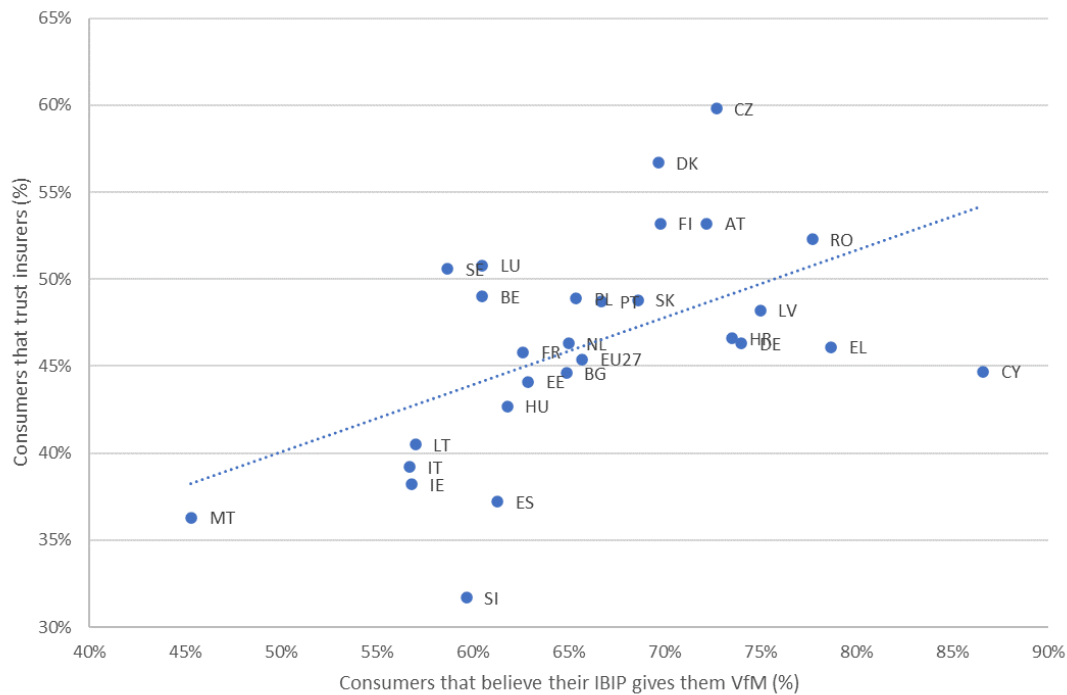
- ▶ In Malta, the government has issued a scheme 'HOPE' with the aim of ensuring that people who cannot get life insurance for their mortgage due to either previous critical illness, or disabilities, are able to. Under this scheme, if consumers are denied at least twice coverage from local insurers, they can apply for the scheme up to €250,000.
- ▶ Insurance Ireland has set out a Code of Practice to ensure cancer survivors receive fair treatment when they apply for mortgage protection insurance. Once the Code of Practice is adopted, insurers will disregard any disclosed cancer diagnosis where specific circumstances apply.
- ▶ In 2022, France Assureurs' members have agreed on a common approach to the definition of "vulnerability in old age" and have developed criteria to better detect it. The work aimed at mapping all practices to best help potentially vulnerable customers, such as: incentivising distributors and staff to address this challenge; nominating a "vulnerability officer"; implementing a double-check process for insurance operations if the customer shows signs of vulnerability; and adapting customers' appointments to their specific needs.
- ▶ In Belgium in the context of mortgage protection insurance, there are specific legal provisions which give consumers the possibility to refer to a tariff bureau, which sets the conditions and premiums under which the consumer has access to insurance. The Belgian law provides the right to individual continuation of work-related health insurance without having to endure an additional medical examination or complete a new medical questionnaire (see articles 208 and seq. of the Law of 4 April 2014 on insurance).

3. INSURANCE TRENDS

3.1. VALUE FOR MONEY IN INSURANCE

Over the past years, EIOPA and NCAs have highlighted continued value for money concerns. Indeed, while most products in the market offer value for money, there are a number of products which still offer little to no value for money, risking a loss of consumer confidence. By looking at consumers’ views on whether their IBIPs offer them value or not vis-à-vis consumers’ views as to whether they trust insurers a moderate correlation (0.5) can be observed (Figure 14).

Figure 14 – Correlation analysis between percentage of consumers who believe their IBIPs offer them value for money and the ones who trust insurance providers



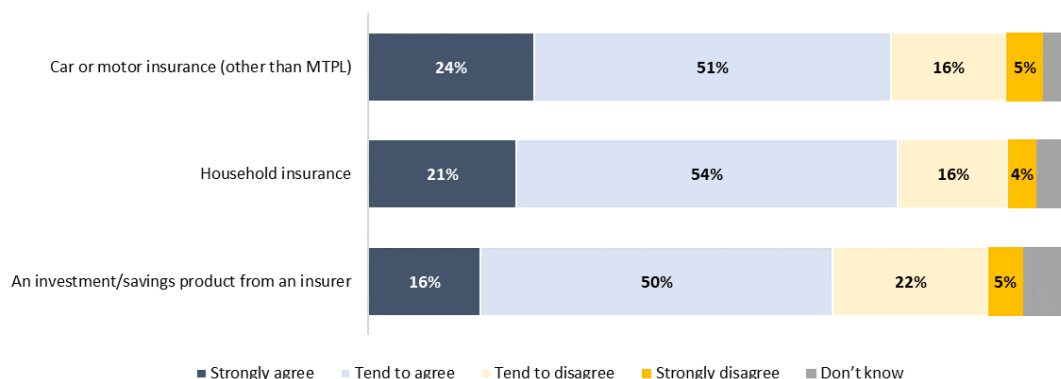
Source: EIOPA’s Eurobarometer Survey, July 2023

According to EIOPA’s 2023 Eurobarometer survey, while most consumers feel their products offer them value for money, a non-negligible percentage believes their insurance products do not offer them value for money. Moreover, consistent with past concerns from EIOPA and NCAs about value for money risks in the IBIPs market, consumers also believe that IBIPs may pose greater value for money issues compared to other products. EIOPA’s Eurobarometer Survey, as of July 2023, shows

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that the percentage of consumers who believe their products do not offer them value for money is the highest for IBIPs (27%) when compared with household (20%) and motor insurance (22%).

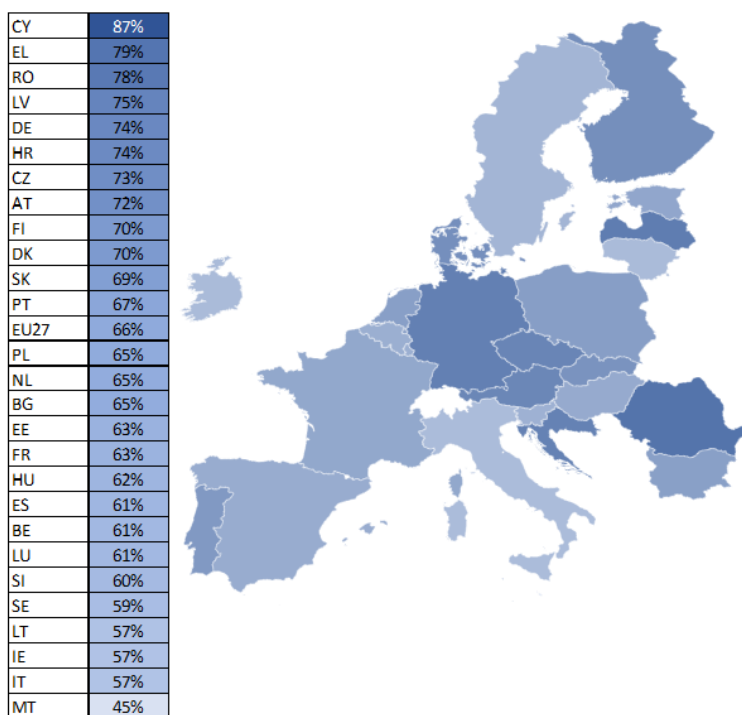
Figure 15 – Percentage of EU Consumers who believe selected insurance products offer them value for money



Source: EIOPA’s Eurobarometer Survey, July 2023

The ranges of consumers who believe that their IBIP offers them value for money ranges from below 60% in Members like Belgium, Italy, Malta, Sweden and Lithuania to close to 90% in Cyprus, and close to 80% in Greece and Romania.

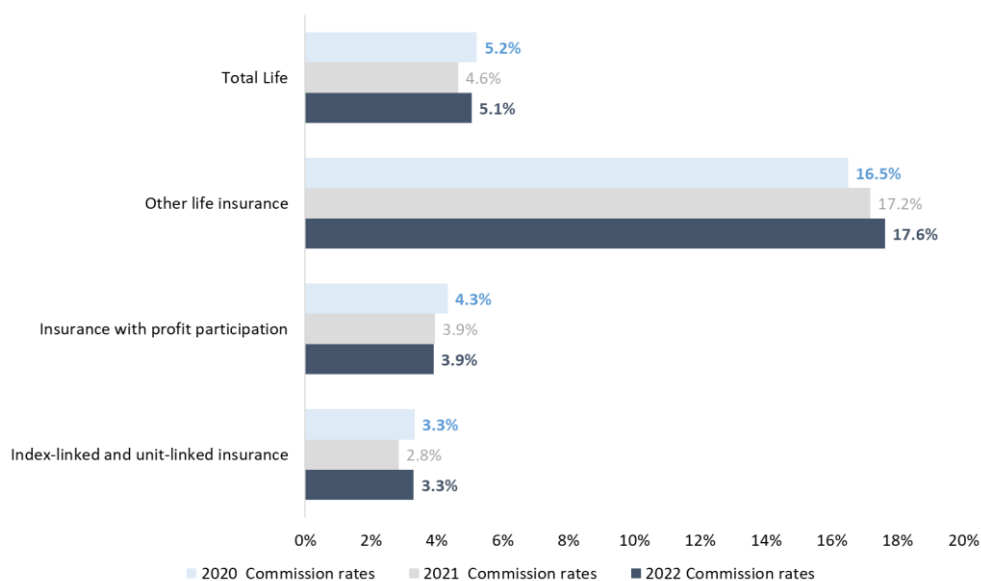
Figure 16 – Percentage of EU consumers who believe their IBIPs offer them value for money – by Member State



Source: EIOPA’s Eurobarometer Survey, July 2023

Unit-linked products continue being the most concerning products for NCAs. 18% of the top 3 issues for consumers reported by NCAs relate to unit-linked products. Solvency II data shows continued concerns on the value some products may offer. In fact, commission rates for unit-linked insurance and with profit participation products increased again in 2022. This after having dropped in 2021 for unit-linked products and having remained stable for insurance with profit participation.

Figure 17 – Commission rates for selected life insurance lines of business



Source: EIOPA’s Solvency II database

Similarly, while costs remained stable as calculated according to EIOPA’s Retail Risk Indicators¹⁴ formula and also evidenced by EIOPA’s Cost and Past Performance Report¹⁵, in 2022 returns significantly dropped which may have increased consumers’ value for money concerns.

Possibly because of market turbulence and the continued high costs of some products there was a significant increase in unit-linked related complaints (+69%), while IBIPs related complaints remained negligible given the long-term nature of these products. This is based on the number of Member States (13) which reported this information split by product categories both for 2021 and 2022. Relatedly, Member States with recent structural problems in the unit-linked market have a higher share of unit-linked related complaints. For example, in Poland where the NCA recently carried out a market-wide product intervention, unit-linked complaints out of total complaints account for over 6% vs the EU average of 1%.

¹⁴ EIOPA’s Retail Risk indicators Methodology – [Link](#)

¹⁵ Cost and Past Performance Report - [Link](#)

In their ongoing monitoring, most NCAs continue to report issues of high and unjustified costs, complex features – e.g., partial and variable guarantees, bonus structures – which lead to higher costs for consumers and to higher complexity.

Beyond value in product design terms, there are continued concerns with the quality of advice and possible conflicts of interests in the sale of IBIPs and in particular in the sale of unit-linked products. In fact, when asked to score consumer issues, NCAs scored ‘poor product design and poor definition of the target market’ 5th out of 22 issues, ‘poor product monitoring and review’ 6th and possible mis-selling and conflicts of interests 7th. Some NCAs report that, in some instances, insurance intermediaries do not provide adequate advice even though they collect all the relevant information, indicating that while processes and procedures are in place this can lead to poor outcomes and/or intermediaries not being able to understand and provide advice on the products they sell.

Concerns in relation to conflicts of interests and poor advice are confirmed by EIOPA’s 2023 Eurobarometer:

- ▶ The percentage of EU consumers believing it is difficult to get unbiased advice on the optimal coverage for their need is 60%;
- ▶ The percentage of EU consumers believing the commissions and fees paid to insurance intermediaries and advisors are transparent and clear is 29%.

Beyond value for money concerns for unit-linked products and IBIPs in more general terms, NCAs continue reporting value for money concerns about products which are often cross-sold with other financial products or as ancillary to other goods and services (see Section 5.5).

3.1.1. ACTIVITIES BY NCAS RELATED TO VALUE FOR MONEY

To address the value for money concerns, EIOPA and NCAs worked closely and, already in 2021, issued a Supervisory Statement on Value for Money¹⁶ and in 2022 they developed a methodology to ensure convergence in the way in which NCAs identify and address value for money.¹⁷ Beyond these, in 2024 EIOPA plans to share with NCAs some value for money benchmarks in light of the methodology issued for public consultation in December 2023¹⁸.

In terms of activities carried out by NCAs it is worth highlighting that:

- ▶ The Italian NCA carried out reviews on the implementation of POG processes in terms of concrete results for consumers through off-site and on-site actions. These focused on the tests

¹⁶ Supervisory statement on assessment of value for money of unit-linked insurance products under product oversight and governance - [Link](#)

¹⁷ Methodology to assess value for money in the unit-linked market - [link](#)

¹⁸ Consultation on the Methodology on Value for Money Benchmarks - [link](#)

carried out to assess the value for money of products in relation to the identified target market and the methodologies used in post-sale monitoring. As a result, the Italian NCA published for consultation a draft letter to the market containing supervisory expectations in October 2023¹⁹.

- ▶ The Bulgarian and Romanian NCAs carried out inspections to address value for money risks and concerns including addressing issues of mis-reporting and mis-information in the Key Information Document, and poor definition of the target market and product testing.
- ▶ The German NCA published for consultation a more detailed methodology on how to identify and address value for money risks in the German insurance market.
- ▶ The Croatian NCA conducted a value for money review of CPI products of an insurance undertaking – looking at fees, costs and premium in bancassurance distribution channel.
- ▶ NCAs are working on the follow-up to the bancassurance thematic review, which includes looking at value for money aspects.

3.2. DIGITAL DISTRIBUTION TRENDS IN INSURANCE

3.2.1. CONSUMER BENEFITS DUE TO DIGITAL DISTRIBUTION AND INNOVATIVE TECHNOLOGIES

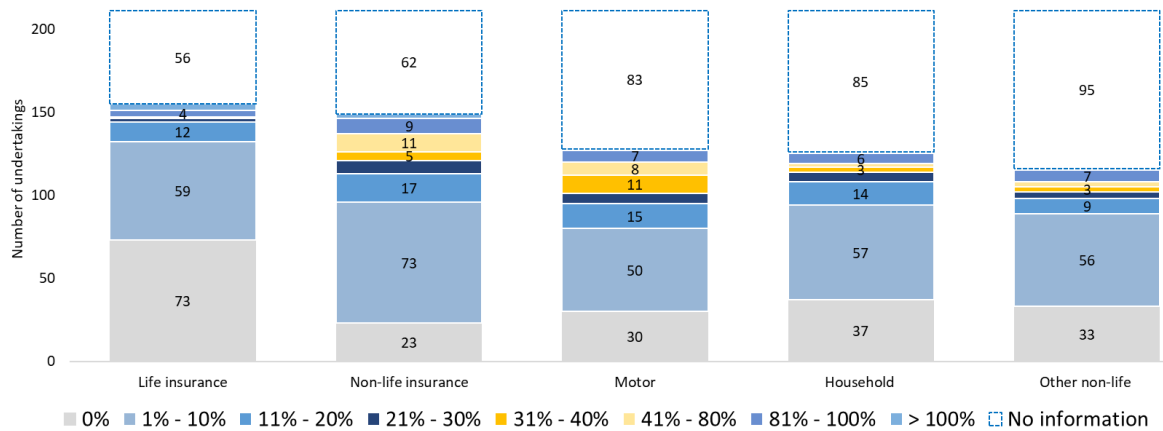
Recent years have seen a growth in digital distribution within the insurance sector. Technologies such as text analysis and natural language processing are increasingly used for document handling and chatbots. Additionally, machine learning is used for consumer acquisition, anti-fraud measures, and cross-selling. Looking at the results of EIOPA's 2023 digital market monitoring survey (Figure 18) – on average for all lines of business – it can be observed that a fourth of the undertakings make between 1% and 10% of GWP in online sales. Looking only at non-life insurance, as many as 50 undertakings reported making between 11% and 100% of GWP in online sales.

Adoption, however, remains heterogenous across different EU countries as well as across different industry players. Based on EIOPA's 2023 digital market monitoring survey (Figure 18), 129 undertakings for life insurance and 85 for non-life insurance either did not report making GWP from online sales or did not have that information.

Figure 18 – Online sales GWP as a percentage of total GWP by line of business

¹⁹ [Link](#)

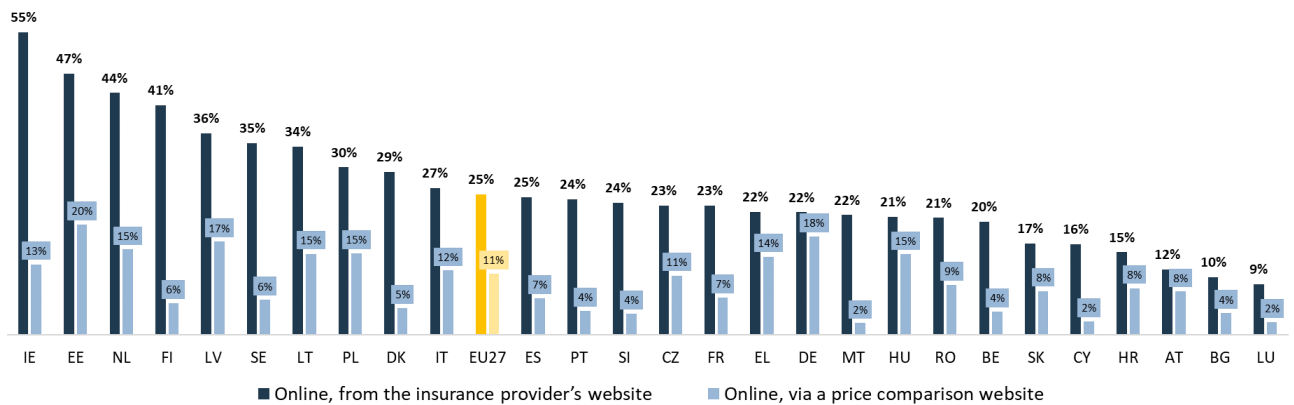
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Source: EIOPA’s 2023 digital market monitoring survey

Relatedly, consumers are increasingly engaging with insurance online. EIOPA’s 2023 Eurobarometer Survey shows that 25% of EU consumers have purchased at least one product from an insurance providers’ website (Figure 19) – ranging from 55% in Ireland to 9% in Luxembourg – 11% of EU consumers have purchased insurance from a price comparison website (Figure 19), and 4% have purchase insurance online through other distribution channels. Undertakings reported similar numbers via the digital market monitoring survey as 20% of undertakings for life insurance and 21% of undertakings for non-life insurance reported collecting between 80% and 100% of online GWP via the company’s own website or other own digital distribution channels.

Figure 19 – Insurance distribution channel used by EU consumers – by Member State



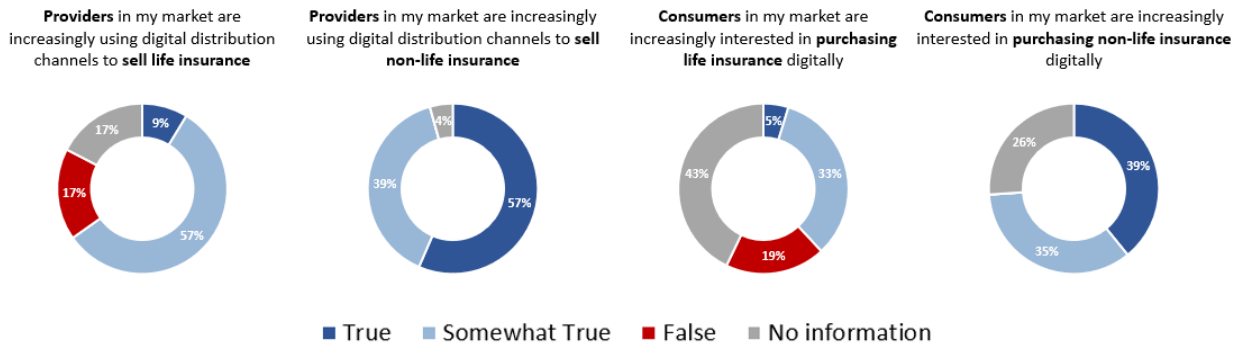
Source: EIOPA’s Eurobarometer Survey, July 2023

While digital distribution has increased for both life and non-life products, NCAs noted that for non-life insurance it has increased more (Figure 20). This is confirmed by EIOPA’s digital market monitoring survey (Figure 18), where only 23 undertakings reported 0% of GWP coming from online sales on the non-life insurance line of business, whereas 73 undertakings did so for life insurance

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line of business. The higher adoption for non-life may be due to consumers preferring face-to-face advice when buying more sophisticated products such as IBIPs or household insurance with various options, while for less sophisticated products like travel insurance they prefer faster processes.

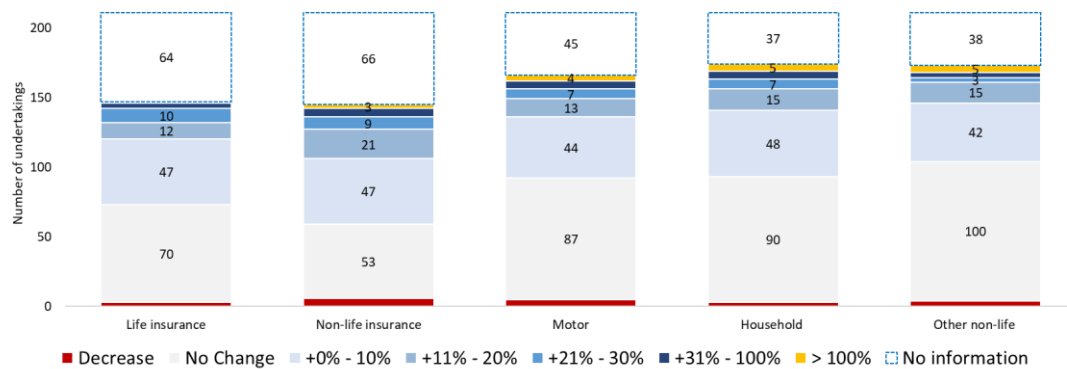
Figure 20 – NCAs’ views on digital distribution in their market



Source: Committee on Consumer Protection and Financial Innovation, 2023

In terms of outlook, digitalisation in distribution is expected to keep on growing as approximately half of the undertakings with information expect a rise in GWP from online sales across various business lines. 39 undertakings expect this to exceed 11% of total GWP in non-life insurance, while 27 expect a similar increase in life insurance (Figure 21).

Figure 21 – Expected evolution of online sales GWP as a percentage of total GWP by line of business



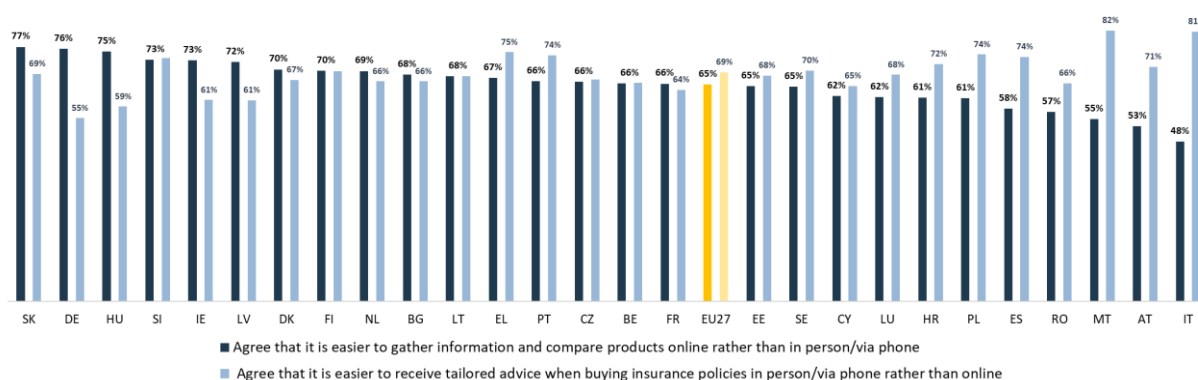
Source: EIOPA’s 2023 digital market monitoring survey

NCAs have rated digitalisation in distribution as a key positive development, leading to benefits like a faster and more convenient purchasing experience (reported by 65% of responding NCAs), informed decision-making thanks to price comparison websites (reported by 48% of responding NCAs). Additionally, 26% of responding NCAs noted that digitalization can reduce distribution costs

for insurers²⁰ which can result in lower consumer prices. However, 56% of surveyed NCAs did not observe this effect (the remainder had no information). Relatedly, EIOPA’s 2023 Eurobarometer survey and Solvency II data, even though it requires careful interpretation, show that in countries with higher percentages of consumers that purchased insurance online the non-life commission rate tends to be lower (0.4 correlation). The same was not observed for life insurance commission rate (0.03 correlation) possibly because life insurance sales remain predominantly in person.

Digitalisation allows providers to make product information readily available on their websites, increasing accessibility for consumers. Indeed, 65% of EU consumers find it easier to gather information and compare products online rather than in person/via phone – unsurprisingly, this figure is higher for younger consumers (72% for those aged 18 to 39 vs 59% for those aged 55 or above). However, in a fully online and automated purchasing process consumers have fewer opportunities to ask questions as well as less reflection time as the purchasing process tends to be faster online – especially in cases where the contract is concluded on mobile phones (e.g., no thorough understanding of informative and contractual documentation). EIOPA’s 2023 Eurobarometer survey shows that most EU consumers (69%) find it easier to receive tailored advice in person or over the phone, rather than online (Figure 22). Based on this, consumers might prefer a hybrid approach where they gather information online on the various products and features, and then seek more tailored advice in person/via phone – particularly for more sophisticated and/or complex products.

Figure 22 – EU consumers views on insurance digital distribution – by Member State



Source: EIOPA’s Eurobarometer Survey, July 2023

3.2.2. RISKS OF DIGITALISATION IN INSURANCE DISTRIBUTION

While these benefits can increase insurance awareness and adoption, there are also risks stemming from the increase in digital distribution such as poor accessibility of regulatory disclosure (reported

²⁰ This is particularly true for large providers as the implementation of customized IT solutions may be expensive for smaller providers.

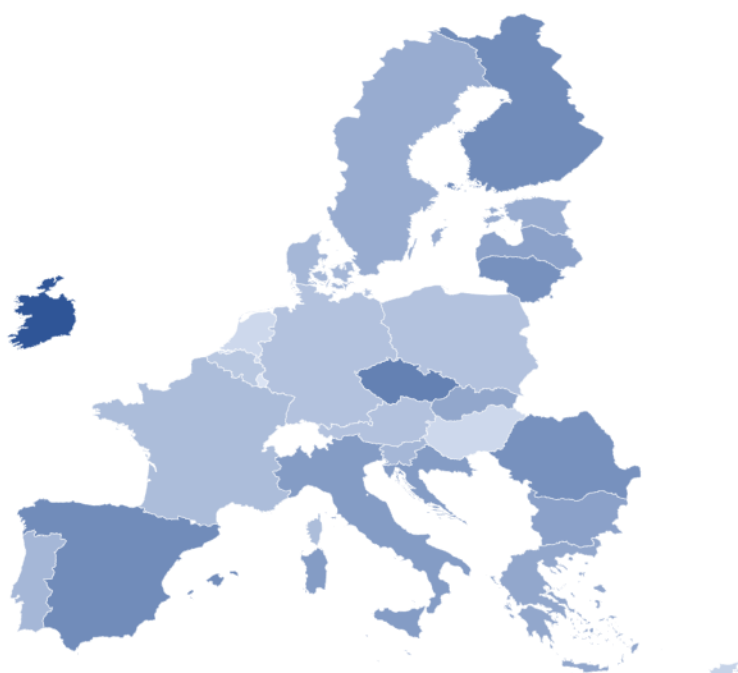
by 22% of responding NCAs) as consumers may access the information on small screens (e.g., their phone) and/or as the information included in disclosures may not be adequately understood.

Beyond issues relating to non-availability and/or poor disclosures, sales in online environments can also result in practices that pressure consumers into buying insurance. In 2023, 9% of responding NCAs reported the emergence of dark-patterns. Another 26% of responding NCAs have reported the emergence of aggressive marketing techniques such as cross-selling (i.e., pushing additional policies on consumers) or misleading statements. Amongst these practices are practices that can place selective emphasis on certain features of the product (i.e., highlighting only on the positives characteristics), that make it difficult to access the product regulatory disclosure, that make use of vague terminology or jargon in policy details, or that have interfaces difficult to navigate. Indeed, EIOPA’s 2023 Eurobarometer survey shows that EU consumers faced misleading sales techniques – at times amounting to dark patterns – when purchasing insurance online:

- ▶ Overall, 13% of EU consumers (increasing to 20% when selecting those that have purchased insurance online in the last 2 years) faced statements saying that a lot of people already bought the insurance policy – i.e., a message meant to incite consumers into buying the product.
- ▶ 18% of EU consumers (increasing to 28% when selecting those that have purchased insurance online in the last 2 years) were told that the price quoted was limited in time, another message designed to incite consumers into buying the product (see Figure 23).

Figure 23 – EU consumers that saw statements saying that the price quoted was limited in time when purchasing insurance digitally – by Member State

Country	%
IE	34%
CZ	26%
ES	24%
FI	24%
LT	23%
RO	23%
IT	21%
HR	21%
BG	20%
LV	20%
EL	19%
SK	19%
EE	18%
SE	18%
EU27	18%
PT	16%
DK	16%
SI	16%
FR	15%
DE	14%
PL	14%
MT	14%
AT	14%
BE	13%
CY	11%
HU	10%
NL	10%
LU	8%



Source: EIOPA's Eurobarometer Survey, July 2023

Information Box 1 – Dark Patterns

Among the challenges that consumers face during their online journey, are the so called “dark patterns”, a term initially introduced by Dr. Harry Brignull²¹. The term is used to refer to elements of the interface design that can steer consumers towards making decisions that are usually in the provider interest and that would have otherwise not been made if consumers were fully informed and offered viable alternatives. Dark patterns can mislead and deceive consumers, tricking them into making a purchase or signing up to a service, giving up personal data, or inducing them to purchase insurance without understanding important T&C or coverage aspects. Examples of dark patterns include important information visually obscured to promote a specific option, preselected default option that is in the provider's interest, emotionally manipulative framing of the design, forcing to accept cookies etc²². Studies show that such interface design is an increasingly common occurrence in digital platforms including social media websites, shopping websites and mobile apps and, and that in many cases, consumers are unaware of how they affect their decisions. Recently, the EU digital legislative framework has introduced safeguards for consumers through provisions that specifically prohibit providers of online platforms to design, organise or operate their online interfaces in a way that deceives or manipulates consumers or in a way that materially distorts or impairs their ability to make free and informed decisions²³.

Further, because of the way in which disclosures are presented or because of specific aggressive sales techniques, consumers with low level of financial literacy might buy IBIPs without necessarily understanding what they are investing in and/or may have difficulties in understanding the coverage they are buying. This could also stem from the promotion of certain investments by so called “influencers” influencing particularly younger consumers – albeit a low amount was reported to be insurance-related by NCAs and stakeholders. There can also be computational errors and misleading price comparison websites – one NCA noted complaints about such websites – but also risks that are not unique to digitalisation like misleading quotes and inadequate coverage.

Moreover, consumers' data privacy concerns persist. 17% of EU consumers (increasing to 26% when selecting those that have purchased insurance online in the last 2 years) felt that they were asked to provide personal data not needed for the comparison of insurance policy offers. And like with any other online service, consumers might be misled by fraudsters such as “ghost brokers” – i.e., fake insurance distributors – into giving them personal information. One NCA reported acting against such occurrences by publishing a list of approved insurance distributors' website.

²¹ Source: Deceptive Patterns – [link](#)

²² Dark patterns in insurance: practices that exploit consumer biases – [link](#)

²³ Article 25 of Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 of 19 October 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC (Digital Services Act) - [link](#)

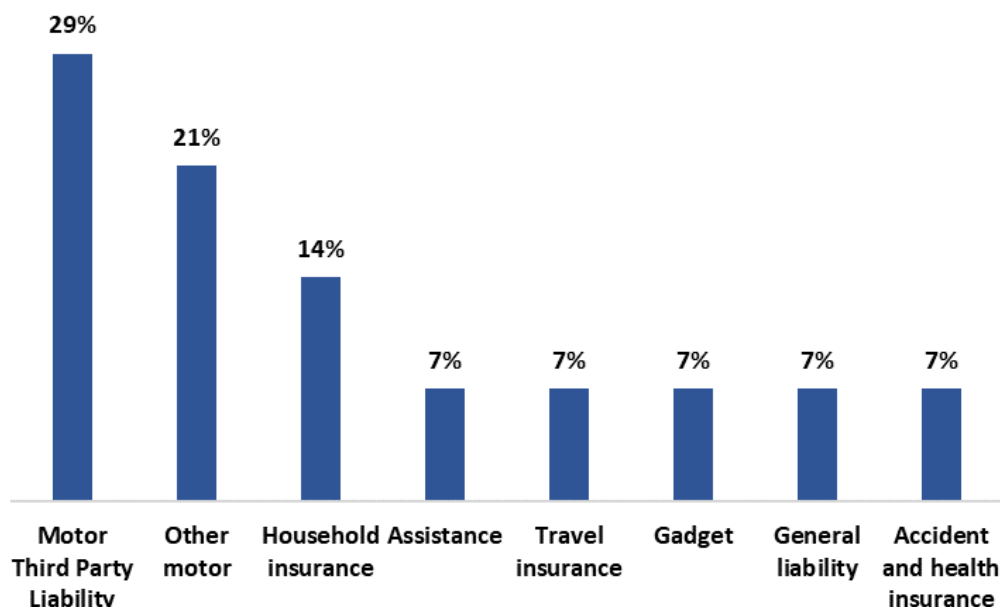
3.2.3. DIFFERENTIAL PRICING PRACTICES

Due to the increasingly digital insurance processes, more and more insurers and insurance distributors have access to data which is not relevant for risk assessment purposes. This includes for examples data on habits and preferences including willingness to pay for certain products and services, on propensity to shop around on price elasticity data and on loyalty towards providers.

Based on this collected data, on top of underwriting risk-based actuarial tariffs (expected cost of claims) and other premium adjustments to consider costs of service (e.g., commissions paid to distribution channels and other overheads like taxes, salaries, cost of capital, etc.), some insurance manufacturers, often faced by competitive pressures, further adjust the premium using a number of different practices which are unrelated to the underwriting risk profile of consumers. Such practices are often referred to as differential pricing practices – already in its 2021 Consumer Trends Report²⁴ EIOPA highlighted the emergence of such practices in some markets.

In 2023 out of 6 NCAs which indicated that they actively look into differential pricing practices 4 reported having found issues in their market. These NCAs reported that differential pricing practices mostly concern products which are often sold digitally and are highly commoditized (Figure 24) indicating that insurers seek competitive advantages by implementing these practices.

Figure 24 – Products which according to NCAs’ views are mostly concerned by differential pricing practices



Source: Committee on Consumer Protection and Financial Innovation, 2023

²⁴ Summary representation of the key, COVID-19-related, findings from the 2020 Consumer Trends Report (europa.eu) - [Link](#)

While consumers' views on premium increases and/or premium offers cannot solely be attributed to differential pricing practices, it is worth noting that EIOPA's 2023 Eurobarometer Survey suggests that some of these practices may occur. In fact, in July 2023 consumers reported having observed:

- ▶ The same provider offering a lower premium to new customers for the same product for accident and health (10%), household (9%) and motor (12%) insurance;
- ▶ Their premium increase when they renewed their contract but, in their view, their risk situation had not changed for accident and health (27%), household (29%), and motor (32%) insurance;
- ▶ Their current provider offering them a lower price after they communicated their intention to cancel their contract for accident and health (9%), household (9%) and motor (12%) insurance.

3.2.4. ACTIVITIES BY NCAS ON DIGITAL DISTRIBUTION

Given current risks and future risks as digital distribution increases, supervisory efforts are underway to monitor the evolution of digital distribution and to mitigate its risks. 15 NCAs have conducted supervisory activities around digital distribution, particularly related to motor insurance (9 NCAs), household insurance (5 NCAs), travel insurance (5 NCAs), life insurance (4 NCAs) and accident and health insurance (4 NCAs). 5 NCAs reported carrying out thematic reviews, of which one assessed that – throughout the digital purchasing process – consumers are adequately informed (e.g., clarity of website and of pre-contractual information), that suitability of products is assessed, and that consumer consent is sought at the appropriate stages of the process. Another NCA published a report with risks and benefits of robo-advice for financial products. The same NCA also found that the quality of the 'appropriateness assessment' conducted by insurers for execution-only income insurance policies varied significantly and issued several points of attention to insurers. Another NCA reviewed providers' identification of consumer needs when distributing insurance products through digital channels, with no shortcoming identified. One NCA sent supervisory notices to several price comparison websites regarding inaccurate information about the relationship between insurer, intermediaries, and website operator. Two other NCAs assessed the quality of the information provided to consumers via online sales. Yet another NCA reviewed the digital purchasing process for IBIPs, and in another instance the digital purchasing process of second-hand cars combined with a car insurance product.

More specifically on differential pricing practices, NCAs also took actions:

- ▶ The Irish NCA undertook a review to assess how differential pricing is used in the private car and home insurance markets in Ireland and its impact on consumers. It focused on these products because of the societal importance but also because these products lend themselves to the application of differential pricing techniques due to the large volumes of customers, the significant premiums and the levels of customer inertia associated with them. The principal

conclusion from this review was that the practice of price walking, a common differential pricing practices technique, could result in unfair outcomes for some consumers.

- ▶ The Italian NCA carried out a survey on the use of Machine Learning (ML) algorithms by insurance undertakings. ML algorithms in retail processes mainly relate to fraud prevention and claims management, particularly for motor liability insurance. Some undertakings use ML algorithms in motor insurance to better predict the probability of customer churn at renewal: the probability calculated with ML is compared with that determined through traditional Generalised Linear Models (GLMs) and, together with an estimate of the expected profitability of the policy, helps to define a possible discount at contract renewal.²⁵

Looking ahead, multiple NCAs plan to undertake various activities related to digital distribution, including off-site inspections, thematic reviews, desk research, and financial literacy programs. Moreover, following EIOPA's Supervisory Statement on differential pricing practices published in 2023²⁶, 10 NCAs will look into differential pricing practices.

Finally, the EC presented in May 2022 new proposed rules aimed at protecting EU consumers from misleading online financial marketing practices and empowering them to make informed decisions when concluding remote contracts²⁷. Among other aspects it introduces right of withdrawal for non-life insurance and pension products, requires providers to introduce online “withdrawal button” and bans the use of “dark patterns”.

²⁵ Survey on the use of ML algorithms by insurance undertakings in their relations with policyholders - [link](#)

²⁶ Supervisory statement on differential pricing practices in non-life insurance lines of business - [Link](#)

²⁷ Proposal for a Directive of the European Parliament and of the Council amending Directive 2011/83/EU concerning financial services contracts concluded at a distance and repealing Directive 2002/65/EC - [Link](#)

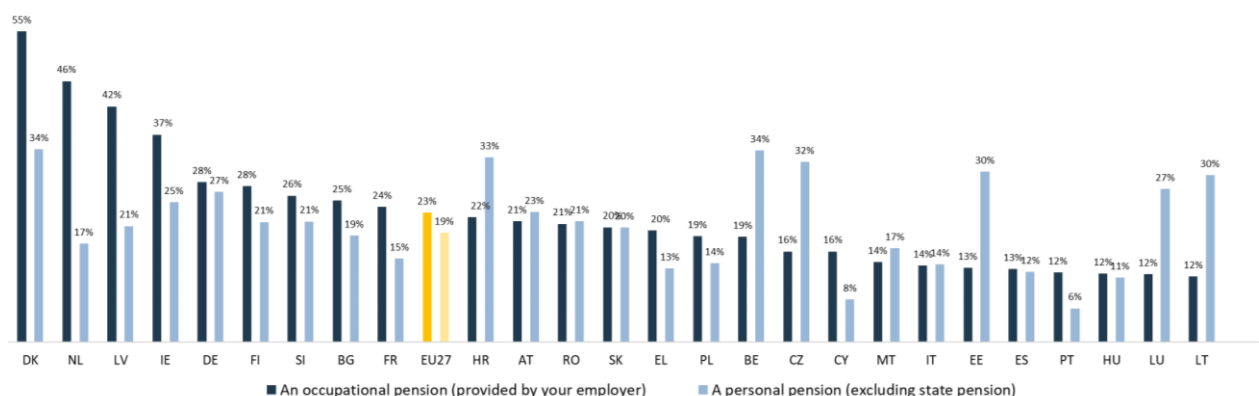
4. PENSION TRENDS

4.1. IMPROVED TRANSPARENCY AND FINANCIAL LITERACY INITIATIVES FOSTERING PENSION AWARENESS AND ADOPTION

According to EIOPA’s 2023 Eurobarometer survey only 42% of EU consumers are confident that they will have enough money to live comfortably throughout their retirement – this varies greatly across countries with highest levels of confidence in Luxembourg (61%), the Netherlands (59%) and Denmark (58%) and the lowest in Latvia (23%), Slovenia (27%) and Poland (28%). The low confidence among EU consumers regarding retirement could be partly due to the moderate/low penetration of pension services: 23% of EU consumers are members of an occupational pension scheme and 19% of EU consumers own a personal pension product. Moreover, consumers that are part of an occupational pension scheme or have a personal pension product feel more confident in their retirement (53%) than those without an occupational pension scheme or personal pension product (37%) (Figure 25).

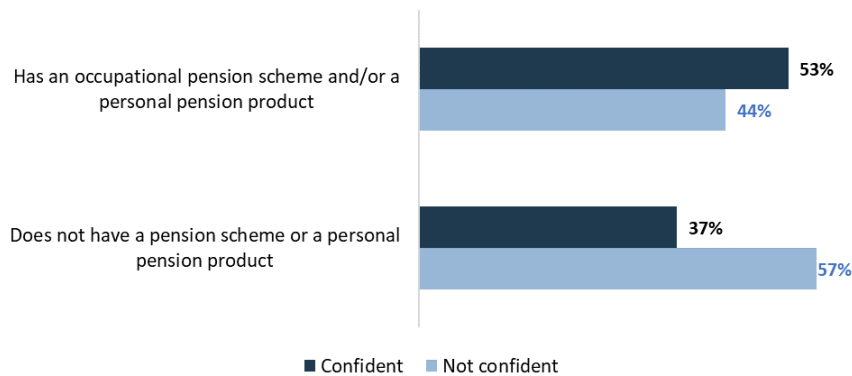
These figures come from a representative sample of EU consumers with various occupational statuses such as self-employed (7%), employee (38%), manual worker (6%), retired (28%), others not working (19%) and should be interpreted within that context.

Figure 25 – EU consumers access to pension-related investments by Member State (top)²⁸ and EU consumers’ confidence in retirement by pension-related investments they own (bottom)



²⁸ Like for other Eurobarometer questions, EU respondents are subjectively assessing their situation. Therefore, even in countries without occupational pensions provided by the employer, such as the Czech Republic, some respondents reported having one.

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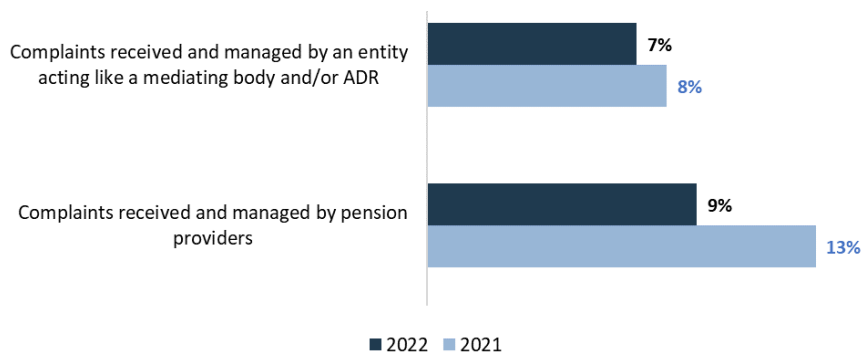


Source: EIOPA’s Eurobarometer Survey, July 2023

To increase the financial confidence of EU consumers in their retirement and the percentage of consumers that are members of an occupational scheme or own a personal pension product, adequate disclosure and transparency is crucial as it fosters pension-related knowledge and empowers individuals to make informed decisions about savings, investments, and pension plans. It also helps EU consumers appreciate in a more concrete way (e.g., via projected benefits) the importance of saving for retirement at all stages of a person’s working life to ensure a stable income in later years.

However, 6 out of 20 responding NCAs have observed instances of unclear information in pension-related disclosures to savers such as too much technical jargon, inadequate format, incomplete or misleading information. Indeed, one NCA reported errors in the reported benefits due to incorrect investment returns, while two other NCAs noted a lack of transparency concerning cost structures. Issues such as the pension benefit statement not being distributed to members as well as incomplete or insufficient disclosure by providers also persist. In 2022, complaints related to information and transparency account for 9% of total complaints received and managed by pension providers and 7% of total complaints received and managed by an entity acting like a mediating body and/or ADR (Figure 26).

Figure 26 – Pension complaints related to information and transparency as share of total complaints – 2022 and 2021



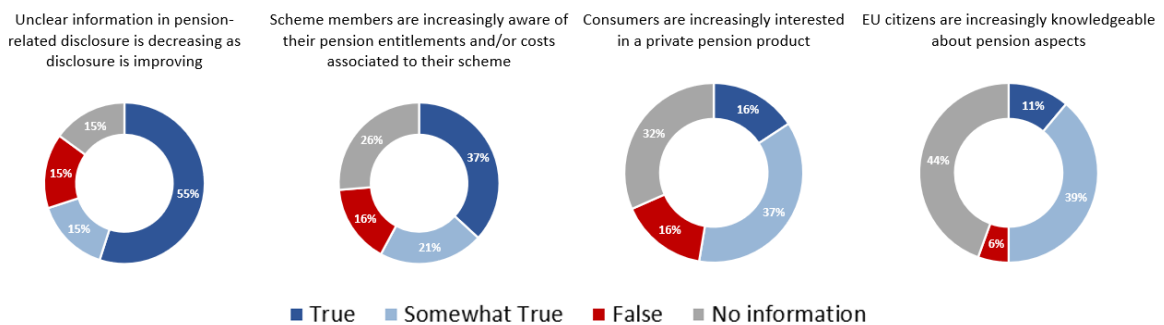
Source: Committee on Consumer Protection and Financial Innovation, 2023

These shortcomings can cause confusion about pension entitlements and result in misinformed decisions, potentially diminishing retirement savings and hindering consumers’ financial security. They can also lead to consumers not trusting providers, as only 38% of EU consumers trust pension funds according to EIOPA’s 2023 Eurobarometer survey. This figure is less than the one for insurers (45% trust) and the one for banks manufacturing or distributing insurance (44% trust).

While some issues in pensions disclosures linger, improvements are being observed. For example, one NCA that recently followed-up on an extensive review it carried out 5 years ago, reported a general improvement in pension-related disclosures around costs and returns, with some lingering issues for a few providers (e.g., unclear information about cost structures and insufficient information about real investment returns). Looking at complaints data received and managed by pension providers, complaints related to cost and charges decreased from 2% of total complaints in 2021 to 1% of total complaints in 2022.

Most NCAs – 14 out of 20 NCAs – reported a general improvement in pension disclosure with clearer information disclosed to EU consumers, in part due to digitalisation (80% of responding NCAs) as well as to the pension benefit statement providing succinct information to scheme members (75% of responding NCAs). Complaints related to information and transparency also decreased in relative terms, as they represented 13% and 8% in 2021 while in 2022, they represent 9% and 7% (Figure 26). Relatedly, NCAs reported an increase in members awareness of their pension entitlements and costs associated to their scheme, and an increasing interest in private pension products (Figure 27).

Figure 27 – NCAs’ views on pension-related disclosure and pension awareness in their markets



Source: Committee on Consumer Protection and Financial Innovation, 2023

Financial literacy initiatives are also important to promote consumers’ pension awareness and adoption. 55% of responding NCAs conducted activities aimed at increasing pension awareness and literacy in their markets by distributing educational pension-related material. The channels utilized for dissemination encompassed television, radio, newspapers, websites, and social medias – the latter of which was highlighted as particularly useful to target younger generations. Various NCAs

reported having lessons, guides, or brochures on their websites covering retirement planning as well as general information on pension aspects (e.g., explaining the three pension pillars). One NCA reported carrying out a social media campaign whose goal was to raise awareness on the importance of saving for retirement. 3 NCAs reported monitoring the financial literacy of consumers in their markets via consumer surveys, one of which noted that one third of respondents were unable to estimate their future pension income. Another of these 3 NCAs highlighted that all respondents were interested in knowing more about their occupational pension, especially the pay-out phase, however only a third of the respondents could estimate their future benefits.

National pension tracking systems (PTS) can also be particularly useful in increasing consumers' pension awareness – as reported by some NCAs and as highlighted in EIOPA's Technical advice on the development of pension tracking systems²⁹. Indeed, consumers in countries with PTS valued the clear and succinct pension-related information received via their PTS. Moreover, consumers in countries that have PTS appear to have more access to pension services:

- ▶ Consumers in countries with PTS are somewhat more likely to be part of a pension scheme (0.48 correlation)
- ▶ Consumers in countries with PTS are somewhat more likely to own a personal pension product (0.47 correlation)

Considering improvements in pension disclosure and transparency as well as thanks to financial literacy programs and pension tracking systems, 50% of responding NCAs noted that EU consumers are increasingly knowledgeable about pension (Figure 27). EIOPA will continue to monitor the evolution of pension disclosure and transparency and its effect on pension awareness and adoption.

4.2. PENSION MARKET OVERVIEW

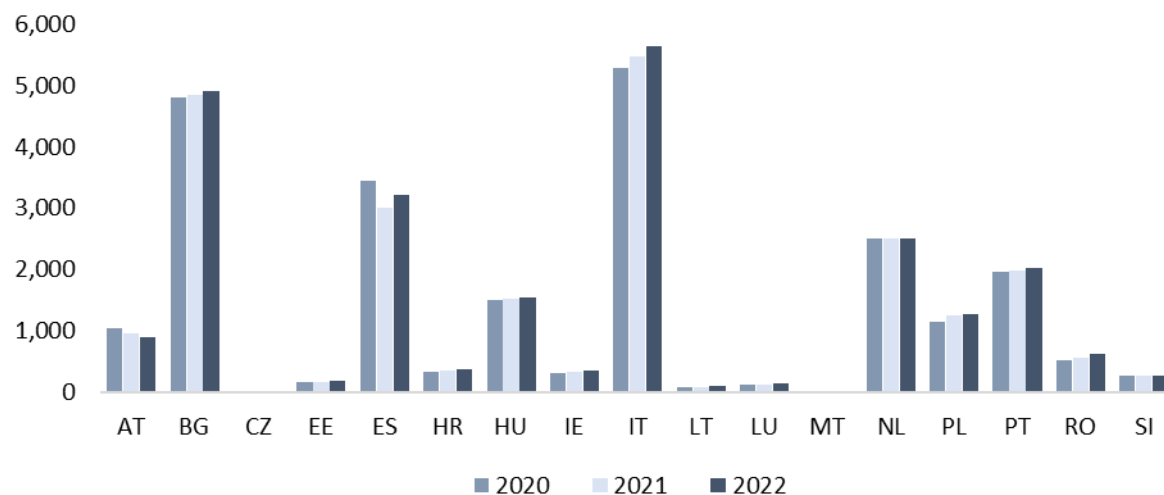
Occupational pension schemes and personal pension products impact Europe's economy by aiding retirement savings and optimizing long-term capital allocation. However, the varied characteristics of these investments across countries create regulatory and supervisory challenges.

4.2.1. PERSONAL PENSION PRODUCTS

Similarly, to last year, Personal Pension Products (PPPs) remain heterogeneous across Member States, both in terms of relevance compared to the overall retirement saving products and in terms of the product features. For more details on the designs and main characteristics of PPPs by Member State, please refer to the Annex document.

²⁹ EIOPA's Technical advice on the development of pension tracking systems – [link](#)

Figure 28 – Number of PPPs contracts by Member State, in thousands – 2022, 2021, 2020



Source: EIOPA’s Committee on Consumer Protection and Financial Innovation in 2023

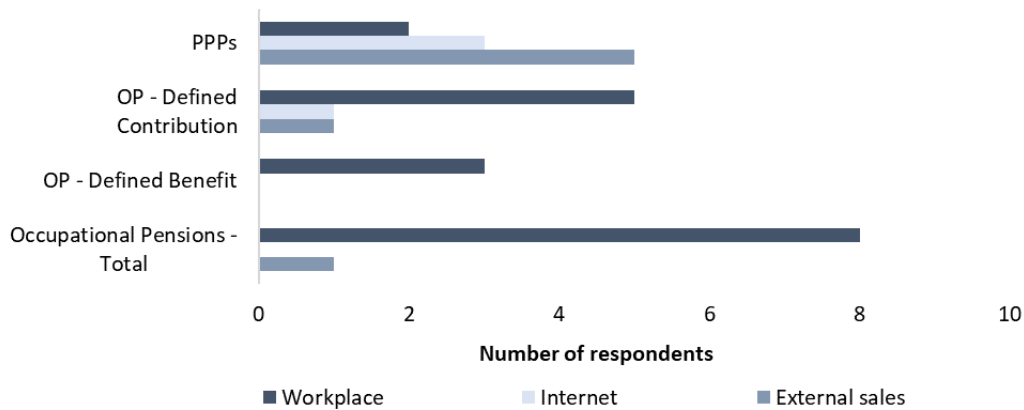
Figure 28 – Number of PPPs contracts by Member State, in thousands – 2022, 2021, 2020 shows a small but steady increase over the past 3 years in the number of PPPs contracts in 13 countries. Tax incentives for PPPs were some of the reasons driving this increase in some Member States. While some NCAs highlighted that PPPs markets remained relatively small compared to second pillar pension markets, they highlighted that was in part because savers are not aware of PPPs. Therefore, in some countries, PPPs providers have been increasingly marketing these products to increase awareness and adoption – one Member State saw a notable increase following such marketing efforts.

Increase in digital distribution, supported by NCAs by way of guidance, also led to an increase in PPPs in some Member States. Indeed, internet and digital channels was the second most important distribution channel for PPPs as reported by 3 NCAs. External sales – as reported by 4 NCAs – remains the most important distribution channel, while the workplace was mentioned as the main channel of distribution only by 2 NCAs (Figure 29).

The two NCAs that reported a decrease noted that this was due to the impact of inflation and the limited disposable income – consumers had less money to allocate to their voluntary pension savings. Another reason for this decrease was an increase in cost of guarantees.

Figure 29 – Distribution Channels for PPPs and Occupational Pensions in number of NCAs

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Source: EIOPA’s Committee on Consumer Protection and Financial Innovation in 2023

4.2.2. OCCUPATIONAL PENSIONS

Despite being defined in the scope of the European Directive IORPs II, IORPs are still highly diverse in terms of structure and relevance across Member States. First, in some Member States Occupational Pension Schemes are mainly supplementary pension schemes set up under collective labor agreements (e.g., Bulgaria, Cyprus, Germany, and Italy). In other Member States Occupational Pension Schemes have a semi-public character and the affiliation of the employers and employees may be rendered obligatory by law. In others the collective schemes are set up on a private basis and are not necessarily mandatory. These different approaches and structures lead to differences in penetrations.

Tax treatment also differ significantly with some Member States only exempting capital gains, others also exempting contributions and others only exempting contributions. Third, the low appetite towards occupational pensions in some countries might be the result of large Pillar I systems as it happens in the southern Member States.

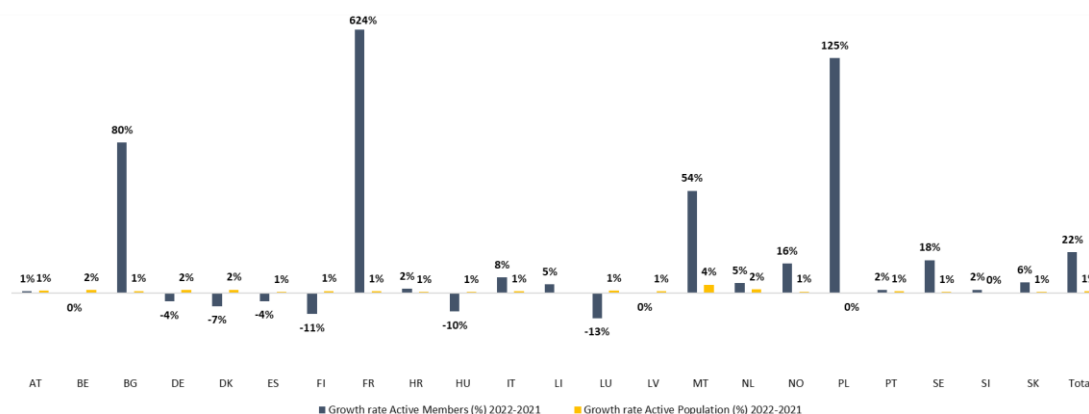
The Annex document (Annex V) provides a detailed overview of the IORPs differences between Member States through a qualitative in-depth analysis on their structure and design. The Annex document (Annexes VI and VII) estimates the significance of IORPs (compared to other providers of Pillar II pensions), both in terms of Members and Assets under Management. Due to lack of data, in this section, only occupational pensions managed by an IORP are taken into account, providing only a partial view of the whole occupational pension sector. This variability changes across countries.

The overall diversity in IORPs market structure leads to different coverages across Member States. Figure 30 below shows the growth in active members across Member States from 2021 to 2022, varying from a 13% decrease in Luxembourg to an increase in France of 624%. Overall, the number of active members increase by 22% from 2021 to 2022, well above the 10.2% increase from 2020 to 2021.

Member states that saw an increase highlighted that was due to national pension reforms, continued implementation of auto-enrolment, use of digital channels, increased interaction between providers and potential scheme members (e.g., online portals), increase in pension awareness, as well as an increase in the active population which led to new mandatory enrolments.

Some Member States saw a decrease. One NCA noted that in its market there was a pension reform which rendered Pillar 2 pension schemes voluntary, therefore such pension schemes saw important decrease in members. Moreover, some NCAs point to the current macro-economic environment as the source of this decrease.

Figure 30 – Growth in Active Members and Growth in Active Population (%) – 2022, 2021



Source: EIOPA IORPs pension database, Eurostat

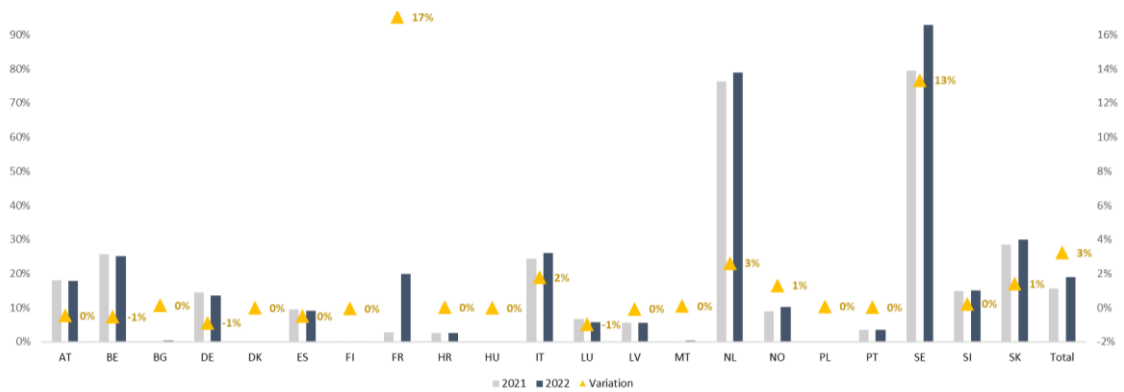
To better assess the evolution of the occupational pension sector in the different Member State, it is important to also consider the active population. Looking at Figure 31, we see that the coverage of occupational pensions – ratio of active members over the active population – has increased in the EEA from 16% in 2021 to 19% in 2022. The highest increase in the EEA can be seen in France (17%) and was due to several insurers having set up an IORP in 2022 and transferred occupational retirement portfolio to these new entities. The second highest increase in the EEA was observable in Sweden (13%) and is due to similar reasons than in France. Indeed, as occupational pensions have traditionally been provided by life insurance companies in Sweden and with the implementation of IORP II, several life insurance companies providing occupational pension have chosen to transform into an IORP.

Moreover, we see that coverage is highest in Sweden (93%) and the Netherlands (79%). This is also in line with the 2023 Eurobarometer findings which show that Swedish respondents reported the

highest share of being part of an occupational pension scheme (67%) and Dutch respondents reported the third highest share of being part of an occupational pension scheme members (46%)³⁰.

While occupational pension coverage is increasing at EEA level, it can still be considered low, carrying a risk of pension gap when reaching retirement, if not complemented by any other source of pension – such as statutory pension (Pillar I), or other form occupational pension schemes not under IORPs regulation and/or PPPs. To minimise this gap, various NCAs have been conducting several initiatives to raise awareness around pension as reported in section 4.1.

Figure 31 – Coverage of occupational pension (ratio of active members over the active population) and variation in the coverage – 2022, 2021



Source: EIOPA IORPs pension database

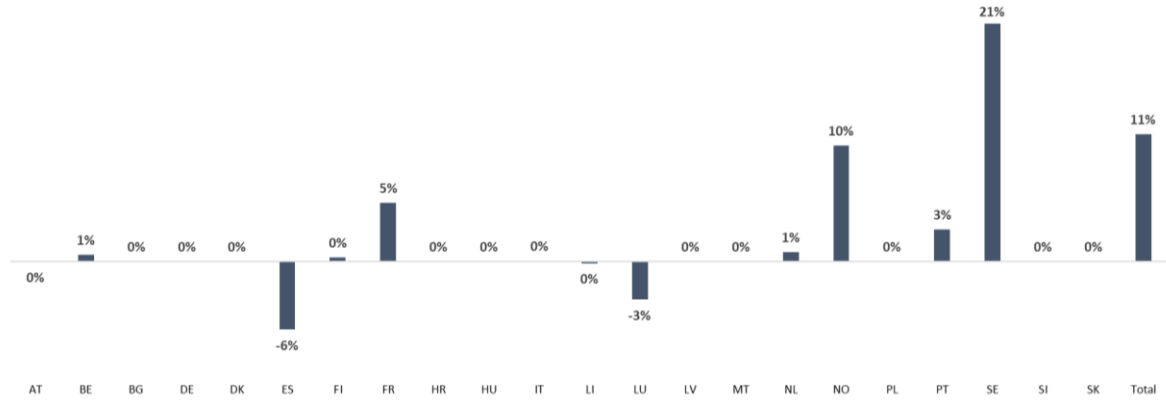
Occupational pension funds can be defined benefit (DB) – where the risk is borne by the sponsor – or defined contribution (DC) – where the risk is borne by the member, or a hybrid of DB and DC. In 2022 the number of new members in DC pension schemes increased by 115% compared to 2021 – mostly due to France (610%), Norway (104%) and Sweden (90%). Moreover, looking at the variation in active members in DC pension schemes as a percentage of total active scheme members, we note an increase of 11%. This shows the continuing shift from DB pension schemes towards DC pension schemes, already identified in previous Consumer Trends Reports. Still, IORPs data shows that DB pension schemes in 2022 added more new members in absolute terms (2.5m for DB vs 2.1m for DC) – as shown by Figure 33 – showing the resilience of this type of scheme.

The increasing importance of DC pension schemes leaves households more exposed, particularly during inflationary periods such as the current one, to market shocks which may impair replacement ratios. The higher exposure to market volatility and potential misalignment of pension fund management companies and the interests of the pension fund members threatens adequate retirement income as reported by NCAs.

³⁰ Discrepancies between IORPs data and Eurobarometer (EB) data can be explained by the fact that EB respondents were not only those part of the workforce: Self-employed (7%), Employee (38%), Manual Worker (6%), Retired (28%), Others not working (19%).

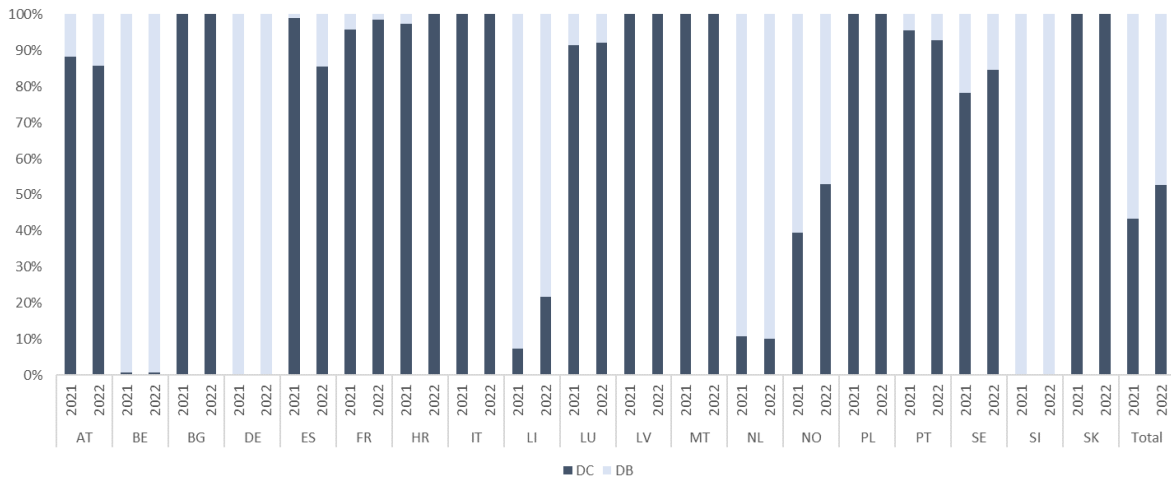
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Figure 32 – Variation in DC pension schemes active members as % of total active scheme members – 2022, 2021



Source: EIOPA IORPs pension database

Figure 33 – New Members by type of scheme and by Member State in % – 2022, 2021



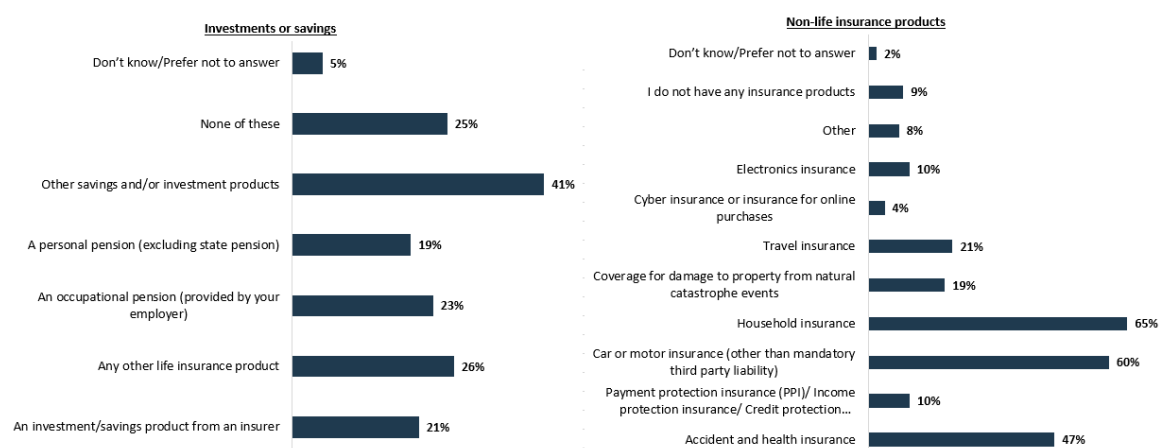
Source: EIOPA IORPs pension database

5. DEVELOPMENTS AND RECURRING TRENDS

5.1. DEVELOPMENTS IN INSURANCE AND PENSIONS ACCESS

Access to insurance and pensions services contributes to increased financial health. According to the 2023 EU-wide Eurobarometer survey, 25% of EU consumers do not own any type of selected saving products. And, while the percentage of EU consumers who do not own any non-life insurance product is significantly lower (9%), this is driven by motor insurance (60%) which is mandatory in all Member States and household insurance (65%) which is mandatory in most Member States when the house is financed with a mortgage. Accident and health insurance is the third most owned non-life insurance product (47%).

Figure 34 – Percentage of consumers who own one or more of selected saving products³¹ (left) and insurance products (right)



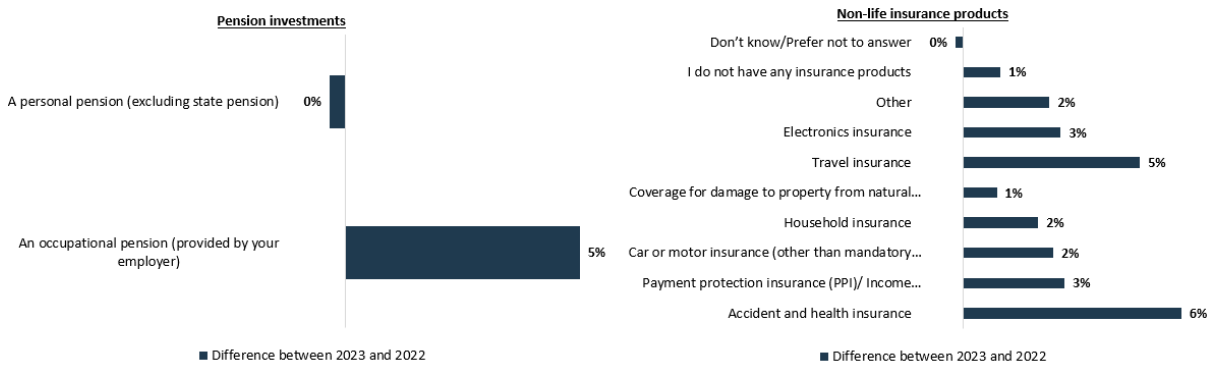
Source: EIOPA Flash Consumers’ Eurobarometer 2023

Looking at the evolution between 2022 and 2023 (Figure 35), investments via occupational pension schemes increased from 18% in 2022 to 23% in 2023, while personal pension products remained stable. Access to non-life insurance generally increased for all products, this despite some consumers being impacted by the cost-of-living crisis. Particular increases can be observed for travel insurance (+5%) and accident and health insurance (+6%). As the pandemic restrictions were lifted, travel resumed, boosting travel insurance sales. Moreover, renewed activity of consumers and business also led to increased coverage across other insurance products.

³¹ Credit protection insurance has been included amongst saving products as consumers often see real estate as a saving vehicle and these products allows them to keep on paying their mortgages in case of unexpected life events.

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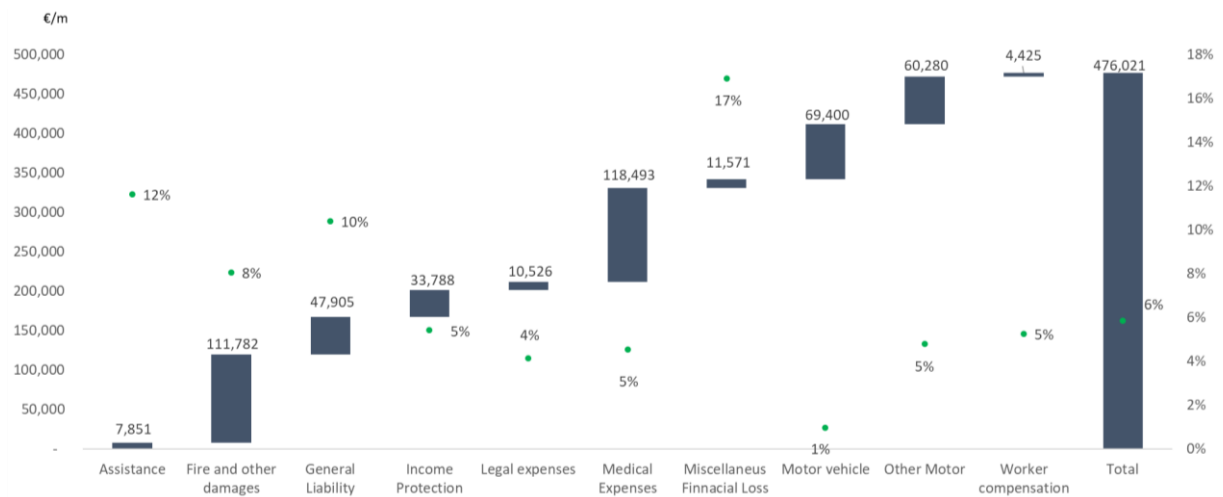
Figure 35 – Difference between 2023 and 2022 of consumers that reported owning pension investments (left) and non-life insurance products (right)



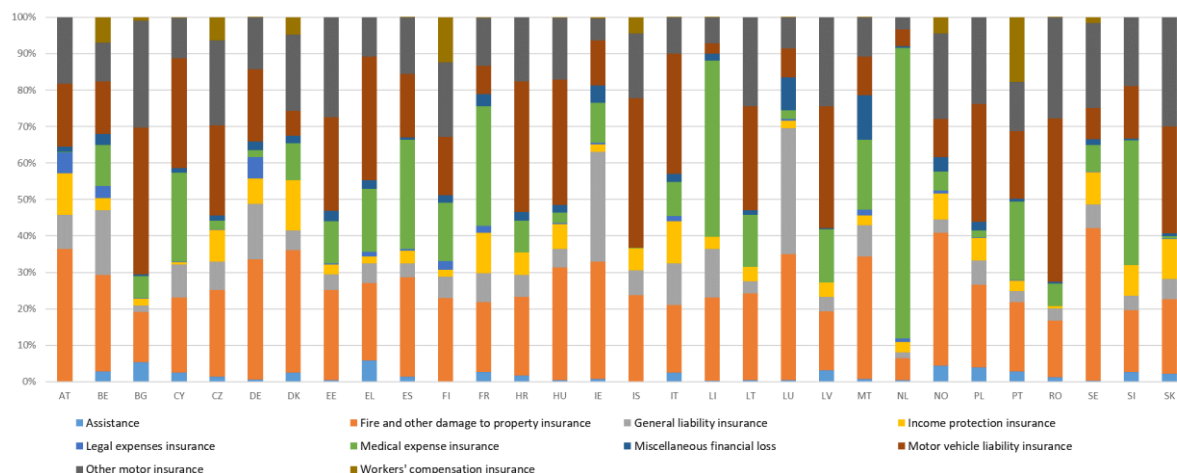
Source: EIOPA Flash Consumers’ Eurobarometer 2022 and 2023

While from different sources and therefore their relationship should be interpreted with caution, the Eurobarometer trends are generally reflected in total gross written premiums (GWP) taken from EIOPA’s Solvency II database (Figure 36). Indeed, year-end 2022 data shows an increase in gross written premium across all non-life insurance lines of business (6%) and more particularly in the miscellaneous financial loss (17%), assistance (12%) and general liability insurance (10%).

Figure 36 - Non-life insurance GWP at the EEA level and 2022-2021 growth (above) and by Member State (below) split by line of business – 2022



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Source: EIOPA’s Solvency II Database (S.05.01)

5.2. SUSTAINABILITY CLAIMS

EIOPA’s Eurobarometer survey shows an increase from 25% in 2022 (EIOPA’s 2022 Eurobarometer survey) to 32% in 2023 of EU consumers that have heard about sustainable or “green” products. The highest increase in sustainable products awareness was observed in Greece (+17pp), in Hungary (+17pp) and in Romania (+15pp). Correspondingly, some NCAs noted a rise in the availability of products with sustainability features, along with an increase in consumer awareness of sustainability aspects. This is a positive development as it is channelling more retail investments toward financing the transition to a more sustainable economy.

However, it is important to ensure that the sustainability claims made at product-level and entity-level are accurate, substantiated, accessible and do not lead to greenwashing. Some NCAs have identified various cases of greenwashing and highlighted the risk of greenwashing as one of the main consumer protection issues in their markets. Moreover, EIOPA’s Eurobarometer surveys show that consumers are sceptical of providers sustainability claims with 51% of EU consumers not trusting providers’ sustainability claims. Moreover, 44% of EU consumers find product’s sustainability related documentation complex (32% find it easy to understand, 24% don’t know). EIOPA will continue to work on monitoring and mitigating misleading sustainability claims in the insurance and pensions sectors. Additionally, to respond to an EC Call for Advice on greenwashing, EIOPA published its greenwashing progress report in June 2023³², and is currently working on the greenwashing final report which will be published in June 2024.

5.3. ADVICE PROCESS

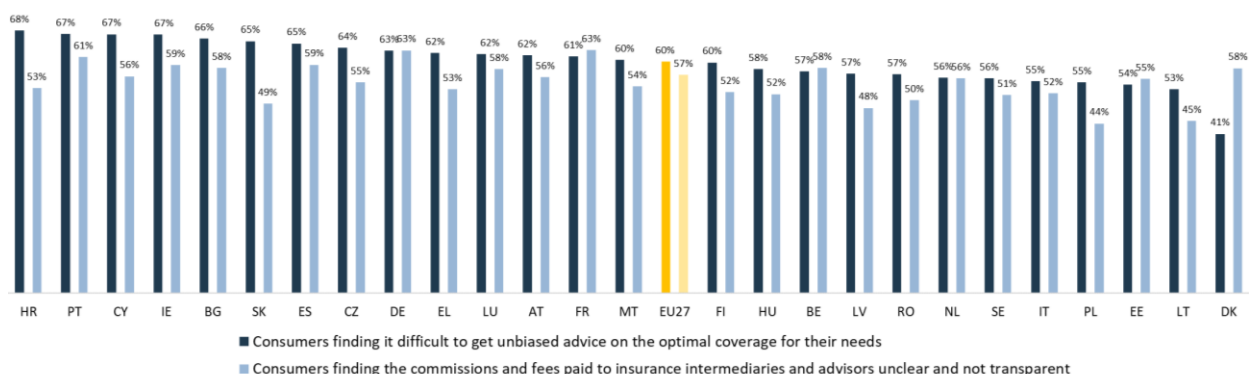
³² EIOPA’s Progress report on Greenwashing – [link](#)

The advice process is important in ensuring that consumers are provided with suitable coverage options that align with their needs and risk profiles. Data shows that complaints (received and managed by insurance undertakings) related to advice and distribution slightly decreased relative to total complaints, going from 8% of total complaints in 2021 to 7% in 2022. They also decreased in absolute terms (-10%).

Despite the decrease in complaints, NCAs found instances of mis-selling such as a lack of demands and needs test, lack of consideration of sustainability preferences, poor information to consumer, conflicts of interests due to inducements, pre-contractual disclosure not provided at the adequate time and a lack of advisor training. To further investigate such instances and prevent consumer detriment, NCAs carried out various supervisory activities related to the advice process in the insurance sector (20 out of 99 supervisory activities reported³³) such as on-site or off-site inspections, thematic reviews and mystery shopping exercises.

From a consumer perspective, even though the percentage of consumers that find it difficult to get unbiased advice on the optimal coverage for their needs remains high, EIOPA’s Eurobarometer surveys show a decrease from 64% in 2022 to 60% in 2023 of EU Consumers. Moreover, EIOPA’s 2023 Eurobarometer survey shows that 57% of EU consumers do not find that commissions and fees paid to insurance intermediaries and advisors are transparent and clear (Figure 37). Looking at Solvency II data, while the commission rate for non-life insurance remained stable, the commission rate for life insurance increased from 4.6% to 5.1%.

Figure 37 – EU consumers views on advice process and commissions paid to intermediaries – by Member State



Source: EIOPA’s Eurobarometer Survey, July 2023

5.4. NAT CAT PROTECTION GAP

³³ Each NCA is asked to report in the survey a maximum of 5 supervisory activities. Therefore, this is not an exhaustive list of all the supervisory activities conducted by NCAs.

Amidst a rising frequency of natural disasters in Member States, some NCAs continue to report issues related to the Nat Cat protection gap causing additional consumer detriment when systemic events materialize. Issues identified by NCAs are a lack of clarity in terms and conditions, exclusions, a mismatch between consumers expected coverage and actual coverage, and slower claims handling as can be seen in Solvency II data reporting which shows a higher proportion of claims open at end 2022 (30%) than in 2021 (22%), while claims rejected decreased from 11% to 6% in the fire and other damage to property line of business (see Part 2.1.2). Moreover, from 2021 to 2022 the total amount of claims in this line of business (i.e., sum of claims open, claims paid, and claims rejected) increased by 87%. Further, EIOPA's Eurobarometer surveys show that the percentage of EU consumers that would be fully or partially covered slightly increased from 51% in 2022 to 53% in 2023. EIOPA will continue to monitor the evolution of the Nat Cat protection gap. Recently, EIOPA published a dashboard on insurance protection gap for natural catastrophes³⁴ and published a Consultation on a staff paper on measures to address demand-side aspects of the NatCat protection gap³⁵.

At national level, the Italian NCA published its first Report on risks related to natural catastrophes and sustainability based on the results of a survey addressed to the market³⁶. Furthermore, the 2023 Italian Insurance Literacy Day was dedicated to the insurance protection gap against Nat-Cat risks in the agricultural sector. This workshop highlighted that NatCat risks in agriculture need to be addressed through a close cooperation between public and private sector and showed a strong demand for specific insurance literacy programs focused on this issue.

5.5. CROSS SELLING

In past Consumer Trends Reports, EIOPA highlighted the risks which can emerge for consumers from cross-selling practices when these are not implemented in their best interest. EIOPA's Warning on the sale of credit protection insurance products³⁷ specifically highlighted risks which can emerge for consumers in the context of cross-sales of credit protection insurance products jointly with loans.

Issues with cross-selling practices continue being reported by NCAs, which when asked to rank different issues, ranked issues with credit and payment protection insurance – including high commissions, low value, etc – as the second most concerning issues for consumers. Commission rates for the other life insurance line of business increased at the EEA level and remain high across many Member States – being above 20% in 14 Member States.

Beyond issues with cross-selling practices for credit and payment protection insurance, issues with cross-selling practices for ancillary insurance products persist. Particularly issues with the sale of

³⁴ EIOPA's dashboard on insurance protection gap for natural catastrophes – [Link](#)

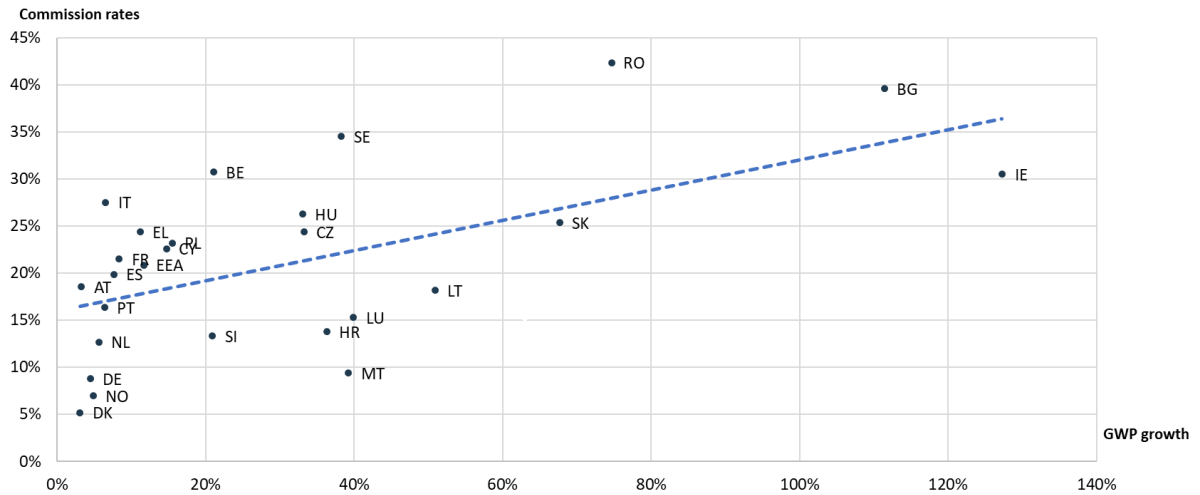
³⁵ Consultation on Staff paper on measures to address demand-side aspects of the NatCat protection gap – [link](#)

³⁶ [Link](#)

³⁷ Warning to insurers and banks on Credit Protection Insurance (CPI) products – [Link](#)

low value – high commissions – travel insurance products persist and Figure 38 shows a moderate correlation (0.6) between GWP growth and high commissions for the assistance line of business, under which a significant of travel insurance products data falls.

Figure 38 – Correlation between commissions rates and GWP growth for the assistance line of business – by Member State (2022)



Source: EIOPA’s Solvency II database

6. ANNEX

6.1. ACRONYMS AND ABBREVIATIONS

EB	EIOPA's Eurobarometer Survey
CFA	Call for Advice
DB	defined benefit
DC	defined contribution
DR	Delegated Regulation
EC	European Commission
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
FMPs	financial markets participants
IBIPs	insurance-based investment products
IDD	Insurance Distribution Directive
IORP	institution for occupational retirement provision
NATCAT	natural catastrophe
NCA	National Competent Authorities
POG	product oversight and governance
PP	with profit participation products
PPPs	personal pension products
SII	Solvency II Directive
UL	unit-linked insurance

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