



Press Release

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EIOPA PROVIDES UPDATE ON CONSUMER TRENDS

- *Consumer analytics and Big Data allow for more customised products, but may raise privacy and segmentation concerns.*
- *Due to the low interest rates environment, financial risks are increasingly borne by consumers, yet consumers are often not sufficiently supported in taking on these risks.*
- *A lack of transparency about complex products, some issues regarding claims management and low levels of financial literacy continue to be key supervisory concerns.*
- *For the first time, the Report analyses specific consumer trends in the pensions sector.*

Frankfurt, 15 December 2015 – The European Insurance and Occupational Pensions Authority (EIOPA) published today its fourth annual Consumer Trends Report for the European Economic Area. For the first time EIOPA analyses not only the insurance sector, but also the occupational and personal pensions sectors.

In the insurance market, EIOPA has identified the following **new and emerging trends**:

- Advanced analytics of consumers' characteristics and "Big Data" allow products to be better adapted to the needs of consumers. At the same time, certain privacy concerns and segmentation strategies need to be carefully monitored.
- More efficient management of potential conflicts of interest is needed. This trend is heightened by the increasing complexity of some insurance products.

- Training and professional competence requirements need to improve for insurance intermediaries to protect consumers' interests. The forthcoming Insurance Distribution Directive will introduce important reforms in this respect.

A number of **trends detected in the previous years** remain significant:

- Further digitalisation of the insurance sector offers more opportunities, but at the same time may create new consumer protection concerns.
- Consumers do not always receive sufficiently clear and understandable information about their insurance coverage.
- Supply of and demand for unit-linked life insurance products is increasing in the context of the low interest rate environment, but consumers often have difficulties to understand the risks, level of guarantees, costs/charges and other characteristics of these products.
- Issues related to the management of claims, in particular in the motor insurance sector, continue to be a main source of consumer complaints.
- Low levels of consumer financial literacy remain challenging, and the levels vary significantly across Europe.

In the pensions sector, EIOPA continues to observe:

- A shift of risks to members and beneficiaries, due to the change from Defined Benefit to Defined Contribution schemes.
- The growing importance of information and transparency, including the disclosure of costs and charges, in part because of shifts towards Defined Contribution schemes. Individuals are increasingly required to take complex financial decisions affecting their retirement planning, yet information is not improving fast enough.
- The increasing importance of the transferability of pension rights, driven in part by the recent financial crisis and the continued impact of EU enlargement, which have both triggered further personal mobility across Europe.
- The increasing liberalisation of options in the so-called decumulation phase (i.e. the phase when accumulated pension benefits start to be drawn).

Gabriel Bernardino, Chairman of EIOPA, said: *"Our mission is to ensure that customers are protected, treated fairly and get value for money. Our Consumer Trends report is essential for identifying emerging risks to this mission, and for seeing*

how well we are doing over time. We see an emerging trend on the use of innovative customer analytics and Big Data, which leads insurers to develop more customised products and innovative segmentation and pricing techniques. This may be positive for consumers but also may give rise to new consumer protection issues. Going forward, this is an area where it is fundamental to develop balanced regulatory and supervisory approaches that adequately protect consumers and support innovation.”

The Report can be viewed on EIOPA’s website: <https://goo.gl/cWD09r>

Note for Editors:

Unit-linked life insurance product – insurance contract that provides a combination of life insurance and investment, where the risks for the investment part are borne by the policyholder.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA’s core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.