

IRSG advice on Consumer Trends Report

1. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends¹. To date, EIOPA has produced eight Consumer Trends Reports. The term 'consumer trend' is not defined in EIOPA's Regulation. EIOPA therefore devised the following working definition:

"Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty"

The term 'trends' is understood in a broad sense: it covers, for example, evolutions in volumes of business or in the relationship between customers and undertakings/intermediaries, as well as the emergence of new products or services, or other linked financial innovations. The trend may already be consolidated for a number of years, but it may also be only emergent, with the possibility of becoming significant in the future.

The report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals or issues requiring supervisory measures. EIOPA seeks to identify possible consumer protection issues arising from identified trends. Nevertheless, positive developments are also identified and highlighted.

For the development of Consumer Trends Report, EIOPA follows an agreed upon methodology, which includes collecting inputs from stakeholders.

2. Questions to the IRSG

In line with the methodology, like in the past years, EIOPA would like to collect from IRSG informal input to inform the work on the Consumer Trends Report. While in past years EIOPA followed a standard questionnaire collecting data on trends observed in

¹ Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA

the previous year (i.e., 2019 Report covered 2018) for products, for specific topics and financial innovations, this year, taking into account the impact the Coronavirus/COVID-19 situation has had and continues having on the insurance sector and on insurance consumers, detailed questions focused on the Coronavirus/COVID-19 situation have been included. This is because the 2020 Consumer Trends Report is expected to focus on the impact which the Coronavirus/COVID-19 situation has had on the insurance sector from a consumer protection and conduct perspective.

The questionnaire follows a similar structure as the questionnaires shared in past years; however, the following changes are worth highlighting:

- Three questions on issues and risks and positive initiatives observed during the Coronavirus/COVID-19 situation have been included;
- The inputs sought on specific products are not only relating to trends observed in 2019. Inputs are also sought on any product-specific initiatives, risks, or issues observed as a result of the Coronavirus/COVID-19 situation;
- The focus topics/financial innovations related questions are focused on the Coronavirus/COVID-19 situation, whilst covering also some innovation aspects.

In addition to your experience as stakeholders, it would be very useful if you could attach or provide the links to any relevant source of information to complement your feedback. IRSG Members are also strongly encouraged to refer to specific examples they may have observed at national or European level.

The deadline to provide input is **30 June 2020**.

2.1. Top 3 risks and positive developments observed in relation to the Coronavirus/COVID-19 situation

2.1.1. Top 3 Consumer Protection Issues

IRSG Members are kindly requested to provide information about the top 3 consumer protection issues observed with regard to the Coronavirus/COVID-19 situation. While information on product specific issues is requested below, in this question IRSG Members are kindly invited to highlight what, either in their collective view or for each Member, are the most concerning consumer protection issues which emerged in the Coronavirus/COVID-19 situation.

Note: The wording 'first', 'second', and 'third', is not meant to rank the top 3 issues.

Consumer Protection Issue 1

Overview on Guidance by Supervisors:

Besides EIOPA's Recommendations and Guidance on COVID-19 measures most National Competent Authorities (NCAs) have published additional instructions for insurers and intermediaires towards their customers (examples of British FCA, French ACPR and German BaFin):

- **EIOPA:**

https://www.eiopa.europa.eu/browse/covid-19-measures_en

- **FCA:**
<https://www.fca.org.uk/publications/guidance-consultations/product-value-coronavirus-draft-insurance-firms>
- **ACPR:**
https://acpr.banque-france.fr/sites/default/files/medias/documents/20200421_cp_clients.pdf
- **BaFin:**
https://www.bafin.de/EN/Aufsicht/CoronaVirus/CoronaVirus_node_en.html

Desislav DANOV, Bulgaria, Consumers:

Disrupted communication with the insurer/intermediary.

Monica CALU, Romania, Consumers:

The pandemic crisis has shown a strong dependence on digital skills and digital inclusion, as well as specific exposure to the exclusion of elderly population or people with disabilities, especially due to the movement restrictions taken by authorities during lock-down. Several financial institutions, including insurers across EU provided a range of good practice with regard to those issues and it would be desirable to extend these practices whenever possible to the entire financial sector that could help building a more inclusive economy and a more resilient society at various shocks.

Unfortunately, in Romania, the population that has sufficient digital skills to be able to securely carry out transactions in the virtual environment is quite small compared to the European Union average. The elderly, those from disadvantaged backgrounds or those from rural areas are particularly disadvantaged. According to the latest Eurostat statistics, in the European Union, almost two thirds (64%) of citizens between the ages of 16 and 74, who lived last year in a household with children under 16, had basic digital skills or above the basic level, the lowest percentage being registered in Bulgaria and Romania.

In terms of the number of people with digital skills, Romania is on one of the last places in the ranking, along with Bulgaria in 2019: just over 20% among the rural population, 32% of the population in small towns and suburbs and 39 % population in large cities. Romania also has a low degree of banking, only about 60% of the population has a bank account and far fewer use online payment services.

Again, Romanians in rural areas, but also those with disabilities are the most affected. This makes difficult not only the possibility of making payments through internet banking, but also the possibility of concluding distance contracts, including the purchase of insurance products.

The digital signature is not frequently used in Romania by individuals. It is spread mainly to the enterprises for business and fiscal purposes. As part of its response to the COVID-19 outbreak in Romania, the Romanian government has taken additional measures to reduce in-person interaction with public authorities.

Under the Government Emergency Ordinance no. 38/2020 ("GEO 38/2020"), all Romanian public authorities are required to take necessary measures for accepting electronically signed documents from the public and issuing to that end electronically signed official documents. However, although the enactment of the above-mentioned government emergency ordinances is a good step forward towards digitalisation, we are still missing national implementation rules.

These aspects of low digitalization, poor banking and other criteria related to age, disabilities and area of origin reveal an increased risk of economic and financial exclusion for a significant number of consumers in Romania, but the situation can be found in several poorer states in southern and eastern Europe.

Alin IACOB, Romania, Consumers:

COVID-19 strongly hit consumers and financial services users in Romania.

Even if the government (at the request of consumers and financial services users) issued a Governmental Emergency Ordinance (nr.37/2020) which postponed monthly installments for loans (mortgage and personal loans) by the end of the year at the latest, no word was mentioned about what happened with the associated insurances (life insurance, unemployment insurance, home insurance).

So, it is a real risk that some consumers, which were included into this scheme, would not pay their insurance premiums in time and they will be in danger to be excluded if the insured risk will occur.

We asked the industries (both banking and insurance) to better inform consumers and financial services users that they still need to pay their insurance premiums in time to benefit from the insurances (even if the monthly instalments for loans were postponed), to avoid any confusion about this issue and to avoid any potential detriment to consumers.

Christian GÜLICH, Germany, Consumers:

Life-insurances:

Detrimental consequences for consumers may emerge from new stipulations which are aimed at an additional increase of commissions for intermediaries for newly concluded life insurance contracts from March 2020 on. Consumers are only protected against these higher costs, if insurers actually implement what they have promised: higher commissions will exclusively be paid from cost reserves which occur due to the general drop of the number of contract conclusions, i.e. less contracts, but higher commissions.

Other detrimental consequences for consumers may emerge from these new stipulations by some life insurers for cases of early cancellation: the period in which the intermediary has usually to pay back parts of the acquisition commissions to the insurer is partly exempted (sometimes for 12 months).

<https://www.procontra-online.de/artikel/date/2020/03/corona-hilfe-bayerische-erhoht-provisionen/>

This exemption may in contrast increase the risk of mis-selling cases, all the more in a period during which it is rather difficult to sell any new contracts. All

these new stipulations must not counteract the Product Oversight and Governance requirements following to IDD (article 25).

Michaela KOLLER, Germany, Industry:

Consumers appear to be exposed to more scams, frauds and cyber attacks during the pandemic. This may be due to consumers spending more time at home and online due to the lockdown measures taken in most countries, and could be explained by weaker security safeguards installed on home electronic devices. The stresses of lockdown measures and the distractions in the home of teleworking, homeschooling, etc. may also make consumers less cautious when online or opening emails.

Insurers have made extra efforts to keep their customers well informed during the crisis, for instance by setting up dedicated websites. Some companies have also made additional efforts to help protect customers from fraud, particularly the online fraud that has increased during the crisis.

Liane HIRNER, Austria, Industry:

The COVID-19 crisis illustrates what a key role digitalisation plays – from business continuity to public safety. However, consumers in home office also had to witness the downsides of digitalization, i.e. increased cyber-crime: hackers sent out spam mails to fake coronavirus information websites containing a digital virus. Information mails that are allegedly sent from the WHO as well as websites advertising access to vaccines or tax benefits contain links that disclose personal data, passwords or credit card information.

Social media or WhatsApp allegedly offer COVID-19 test kits. Online-fake-shops allure consumers with “Corona special offers” like face shields – by clicking on these websites the digital infrastructure at home is infected.

People at home were increasingly addressed by online gambling offers or movie-streaming-platforms allegedly free of charge that sent out invoices later on.

As COVID-19 continued to spread, Google registered a dramatic increase of phishing websites in 2020 from 149.000 in January, 293.000 in February to 522.000 in March.

Cyber insurance can help in various ways, either through financial protection or “hands-on” IT assistance. Almost 100% of the population is exposed not only to the physical virus COVID-19 but also to any kind of digital virus. However, individual risk awareness and insurance penetration levels are still extremely low. Therefore, cyber insurance should be seen as a default product under the demands and needs test of the IDD.

Juan – Ramón Plá, SPAIN, Industry:

Business interruption for intermediary clients, particularly in the hospitality sector, is an issue mentioned by many countries.

Anthony O'RIORDAN, Ireland, Professional Associations:

Continuity of service provisions: One of the main issues for consumers is the continued service provision by insurers and related services. Confinement measures and employment safety presented challenges to consumers and insurers alike. Insurers took the appropriate measures to continue services while protecting their own employees, e.g. by shift systems, hygienic measures for essential staff, swiftly rolled-out digital services, working from home.

Insurers also introduced flexibility regarding consumers' contractual obligation (e.g. regarding payment delays and deferrals). An example of the types of consumer focused initiatives introduced included:

- Refunds of premiums where cover could not fully be provided, e.g. health insurance
- Short term premium moratoriums, e.g. 3 months, where consumers experienced short term loss of employment
- Maintenance of cover for employees covered under group schemes where employees were temporarily laid off

Guillaume PRACHE, France, Consumers:

The policy reactions to the epidemics are and will further impoverish life insured people, as the French Public Authorities (claiming in Autumn 2019: "the capital guaranteed fund is dead") , the insurance industry and distributors have been all pushing hard people out of lower commission capital guaranteed products to high commission unit-linked ones (typically 6 to 7 times higher commissions), which are also much more complex, much more risky especially as this push started last autumn (2019), shortly before the collapse of the capital markets.

For those who kept their savings in the capital guaranteed contracts (misleadingly named at EU level "with profit" policies - unit-linked contracts are also "with profits" and more often "with losses" see BETTER FINANCE 2019 Report on the real returns of long term and pension savings – French case), the real returns which had already turned negative due to the lower interest rates and the taxation of nominal returns instead of the real ones, will further decrease as the monetary and budgetary policies will further increase money supply and "financial repression" for the years to come.

At the same time those commissions are globally on the rise for unit-linked contracts, in particular for those for retirement where the 15 year ban on inducements has been lifted by the French Government last year.

This is particularly concerning for the future of pensions as explained in [the BETTER FINANCE and AGE Platform Europe common press release on "Corona pensions"](#).

Xavier LARNAUDIE-EIFFEL, France, Industry:

Data reported by well-recognized and independent French consumer representative organization (CLCV) show divergent lower commissions (document uploaded on EIOPA's Extranet):

<https://www.clcv.org/assurance/enquete-assurance-vie-2019-des-ecarts-importants-sur-les-taux-servis-aux-assures-et-sur-le-taux-de-redistribution-des-benefices>

Tito RODRIGUES, Portugal, Consumers:

At the beginning of the epidemiological crisis, there was great concern among people with the possibility of using health insurance to pay for any medical expenses related to the pandemic, as well as travel insurance to cover the costs related to the trips cancellation.

In the case of health insurance, expenses with mandatory declaration of infectious diseases are excluded from all policies, and private health units, as indicated by the Health Public Entity (DGS), are obliged to refer all identified cases to the specialized services of the NHS. This already happened and did not result from any contractual changes made as a result of the health crisis. Following the declaration of the epidemic, there were even several insurers that took the initiative to include in their coverage the co-payment of screening tests, making available and reinforcing online medical services or video consultations. There was also a group of insurance companies that, through a partnership between the National Pharmacy Association and the Postal Office Company (CTT), started to provide home delivery of medicines.

With regard to travel insurance and its use to recover expenses incurred and non-reimbursable in the event of travel cancellations due to the health crisis, we conclude that the policies are very diverse and only in a small number of situations (v.g., in case of quarantine or infection) will people be able to use this insurance for this purpose.

From the outset, insurers made digital means available for interacting with their customers, which may have highlighted the existing asymmetries in terms of digital resources, but we lack some data on this subject.

Consumer Protection Issue 2

Desislav DANOV, Bulgaria, Consumers:

Inadequate business processes, not adapted for.

Monica CALU, Romania, Consumers:

The COVID-19 crisis increased immediate harms on financial consumers in several ways, speculating the vulnerability of the population forced in many situations to remain in lock-down or self-isolation. In this pandemic time there is possible to multiply the risks, especially those related to the loss of data or their unauthorized use of consumers data. Cyber-attacks aimed at profiting from the pandemic coronavirus are expected to intensify with millions of self-isolating at home and relying on digital solutions to work or to conclude contracts and to make payments remotely.

In a new report, "Pandemic Profiteering: How Criminals Exploit the COVID-19 Crisis," Europol calls the spread of the coronavirus a cybersecurity risk in which hackers are abusing the demand for supplies and information.

Cyber-attacks speculate the fear of coronavirus and send phishing messages through electronic communication channels. They attempt to mislead or persuade users to access or connect to a link / website through which data / information / passwords can be subsequently stolen or malware downloaded, in order to disrupt or damage computer systems / the applications used.

Fraud and scams are on the rise: The crisis has provided fertile ground for fraud and scams, including those related to financial products and services - especially in a digital context. These scams range from third parties wishing to gain unauthorized access to individuals' accounts, to entities offering fraudulent or misleading products, such as limited-use insurance or investment products, with a considerable number of exclusions and unclear clauses. Desperate consumers are even more vulnerable to such fraudulent operations than in normal times.

Christian GÜLICH, Germany, Consumers:

Motor insurances:

Less road traffic due to the general lockdown had and still has two positive consequences for insurers and policyholders: less driven kilometres by policyholders and less road accidents. For policyholders less driven kilometres should necessarily imply a reduction of current premiums not only from the moment when they inform their insurer, but from the beginning of their home office work. Insurers strongly differ in their regulation behaviour, as it had been shown by the broker's journal *VersicherungsJournal* of 21 April 2020 (copy of article can be sent if required).

The question, whether these temporary premium reductions will be prolonged to next year or not, does not only depend on the evolution of the road traffic for the rest of this year: as motor insurance is a branch in which competition between insurers is constantly very strong, any additional reductions of premiums are – unfortunately – not very likely, even though the number of road accidents may hopefully continue to be low.

Michaela KOLLER, Germany, Industry:

Some consumers may encounter practical difficulties as a result of the lockdowns. Consumers may not be able to submit claims within the prescribed timeframe due to disrupted postal services, local lockdown restrictions and

altered working conditions. Practical difficulties may also be encountered in carrying out checks that are required (e.g. of vehicles or for medical purposes).

However, the fact that insurers often permit the use of technology (e.g. distant communications, apps, use of photos, videos or detailed descriptions of damage for remote assessment of a claim, etc.) has reduced the difficulties in submitting claims or carrying out checks for many consumers.

In addition, insurers have offered flexibility to help their customers cope with the restrictions and problems created by the crisis, for instance by maintaining insurance coverage and accommodating deadlines and processes where consumers were not able to meet certain of their obligations (eg where claims had to be submitted by specific deadlines, where technical checks on consumers' cars were required or where consumers used their residence as a workspace).

Juan – Ramón Plá, SPAIN, Industry:

Additional costs in case of Covid-19 caused changes after booking or while travelling (liabilities may be unclear).

Anthony O'RIORDAN, Ireland, Professional Associations:

Access to services and new risks: While the confinement measures taken by governments are considered to be targeted and appropriate, they exposed consumers to additional risks, e.g. access to services like medical services, garages etc. Insurers supported their customers, e.g. by waiving certain requirements, organising preferential access to essential services or supporting public measures, like health service provision, with own resources. Finally, consumers have been exposed to other or new risks, e.g. by working from home or using private vehicles for voluntary driving arrangements. Most insurers reacted with goodwill measures to ensure that consumers are adequately covered.

Tito RODRIGUES, Portugal, Consumers:

One of the most perceived consequences of the epidemic crisis resulted in the charging, by private health units, of the protection materials (masks, gloves and alcohol gel, for example) that health professionals used during the care of patients (some even reported cases of charging clearly inflated prices). In this regard, the Health Regulatory Authority (ERS) understands that "an entity providing health care can include personal protective equipment in the prices established for health care, provided that it considers its use necessary for safety and quality of the concrete and effective provision of such care ". There are insurers that share the cost of these protective materials, as part of the outpatient coverage of your health insurance. Others don't.

There were also cases of private clinics that did not allow users to enter the facilities with their own masks, forcing them to purchase protection kits at their

facilities and with prices that were inflated. This procedure was justified by the impossibility of guaranteeing that the protective equipment that the users brought guaranteed the necessary safety conditions.

Consumer Protection Issue 3

Desislav DANOV, Bulgaria, Consumers:

Issues with claims-handling.

Monica CALU, Romania, Consumers:

During the pandemic, there is a high risk that insurers and insurance intermediaries may use abusive and unfair practices towards consumers, even resorting to abusive clauses. In the case of insurance products, for instance: consumers may face challenges when trying to claim compensation related to COVID-19 based on concluded insurance policies. Insurers may reject claims based on unclear or unfair exclusions. There is also the possibility that consumers may lose their insurance coverage in cases such as using their home for work, or if they are unable to make premium payments on time due to financial difficulties or lack of mobility during the lock-down period. Also, several major insurers and airlines are selling travel insurance policies that won't cover consumers on holiday travelling.

To conclude a life and / or health insurance policy, insurers usually rely on a combination of questions on the application form, medical evidence, medical examinations and examinations to determine the risks and assign an appropriate price.

There are situations where the health questions in the insurance application have already been changed by many insurers to identify applicants who already have possible symptoms of COVID-19 and who are therefore at high risk. Usually, these applications are postponed on the pretext of various reasons, until the health status is clarified.

Doctors' reports were more difficult to obtain as during the two months of lock-down in Romania medical professionals was involved in managing COVID-19 impacts. Face-to-face screenings have had to be paused, it was recommended to general practitioners to use telemedicine (a system that is not widespread in Romania in many other EU countries at the moment). This was possible only for a small part of health insurance holders and potential insured, for logistical reasons on both sides (doctors and patients / insured consumers). That means that a large part of consumers were practically excluded from concluding life and health insurance contracts during lock-down or self-isolation.

Christian GÜLICH, Germany, Consumers:

With regard to the impacts of the pandemic on non-life insurances a comprehensive assessment has been published by *Professor Dirk-Carsten Günther and*

Sascha Piontek in the judicial journal "Recht und Schaden", 2020, pages 242 – 250 (on business interruption, cancellation of public events, travel, private liability, health and disability caused by accidents; copy of article can be sent if required).

With regard to travel insurances they insist on the fact that often the wording of the terms and conditions of the contracts leave space for arbitrary interpretation by different insurers (the authors elucidate several positive and negative examples). A clause which only generally stipulates that in case of a pandemic the cancellation or the termination of a travel are excluded from risk coverage is not sufficient. It must be specified that this clause only applies if there is an official "travel warning" for that country or region published by the state authorities before.

Juan – Ramón Plá, SPAIN, Industry:

Life and Health insurance, only in some countries.

Anthony O'RIORDAN, Ireland, Professional Associations:

Uncertainty about cover: The exclusion of pandemic risk from policies presented a downside for consumers. Insurance cover for extreme events such as pandemic is, if at all, only possible in limited circumstances. A pandemic, however, is likely to be uninsurable at a pure market basis. Solutions need to be found mitigate the risks of future events and avoid consumer detriment.

Tito RODRIGUES, Portugal, Consumers:

With regard to car insurance companies, we believe that they may haven't been able to meet the legal deadlines for the settlement of automobile claims (which are somewhat tight), namely due to the lack of availability of experts or in the event of a reduction in the services provided by auto repair shops.

2.1.2. Top 3 Initiatives Observed

IRSG Members are kindly invited to provide information about the top 3 initiatives observed. These can be initiatives put in place by insurance undertakings and/or insurance intermediaries to ensure the fair treatment of consumers during the Coronavirus / COVID-19 situation. Initiatives referred to in this section should not include charitable initiatives and/or donations, rather they should be focused on specific actions taken to guarantee the fair treatment of policyholders and/or to ease the burden which the Coronavirus/COVID-19 outbreak has put on policyholders.

While information on product specific initiatives is requested below, in this question IRSG Members are kindly invited to highlight what, either in their collective view or for each Member, are the most prominent and important initiatives taken/observed in the Coronavirus/COVID-19 situation.

Note: The wording 'first', 'second', and 'third', is not meant to rank the top 3 initiatives.

Initiative 1

Desislav DANOV, Bulgaria, Consumers:

Attempts to kick-start digitalization.

Monica CALU, Romania, Consumers:

The governments, financial regulators and some of the banks across EU have announced a range of measures to help customers who face financial difficulties if they're affected by the coronavirus pandemic.

Several insurance companies have decided to cover, in 2020, exceptionally, the risks associated with the new coronavirus. Specifically, for life insurance where there is an exclusion of compensation in case of a pandemic, the company eliminated those exclusions by the end of this year, a measure valid for both existing and future contracts. The decision applies to products in the portfolio that cover the death or hospitalization from illness.

Christian GÜLICH, Germany, Consumers:

Life-insurances:

In Germany life-insurers rather quickly reacted to the strong decrease of distribution activities or to possible cancellations of contracts due to short-time work or even unemployment in consequence of the corona-virus crisis: for consumers helpful were new stipulations following to which the payments of premiums could be delayed or exempted more easily and sometimes even without additional interest payments (either for ongoing contracts or for newly signed contracts). Of course there are differences among insurers, how long are these delays or exemptions and if there are any thresholds of accumulated capital.

<https://www.pfefferminzia.de/stundung-beitragsfreistellung-provisionsrueckforderung-das-tun-versicherer-fuer-kunden-und-vermittler-in-der-corona-krise/>

Michaela KOLLER, Germany, Industry:

Despite local lockdowns and movement restrictions, insurers have maintained business continuity — serving customers, while minimising their customers' and employees' exposure to the virus. They have taken additional steps to support their customers, but also society in general and the economy.

COVID-19 has affected each country differently, with differing levels of lockdowns and government advice; this also affects the steps insurers can take to offer support. In addition, each insurer is different in terms of its size and risk profile and is impacted differently by COVID-19 and the lockdowns. Every company's first duty is to ensure it can honour its promises to its customers. This means prudent management of its capital, particularly during times of economic turbulence so as not to put at risk its ability to meet contractual promises to its customers now and in the future. It is therefore important that solidarity actions that go beyond contractual commitments remain voluntary so that each insurer can take into account its market, its customers and its own circumstances.

Insurers have taken many wide-ranging actions, such as:

- Premium/insurance contract flexibility

Insurers offered flexibility, particularly to those most adversely affected by COVID-19 or by national lockdowns. Often on a case by case basis, insurers have agreed: delays in premium payments for a variety of policies and for different periods to best take account of the various national situations and individual needs; switching between tariffs; allowing policy cancellations and suspensions, where appropriate.

- Process and deadline flexibility

Where possible, insurers have been providing flexibility to maintain customers' insurance cover, paying special attention to the practical consequences of the crisis, taking into account that customers may not be able to fulfil certain aspects of their contractual obligations, such as requirements to:

- submit paper documents;
- submit claims by a given deadline; and,
- renew tests, certificates or licences.

- Insurance contract goodwill actions

Insurers are also supporting both their customers and society in general through additional, voluntary goodwill actions. Examples of these many and varied nationwide and company-level actions include the temporary extension of cover and services beyond contractual obligations — by, for example, providing free health cover to medical staff.

- Support for the economy

Insurers also continue to play a key role in supporting the economy. For example, via participation in government-backed trade credit schemes to ensure the continuity of commercial supply chains and by making swifter payments to their service providers.

- Non-insurance goodwill initiatives

These initiatives, too, are many and varied. They include contributing financially to health and research initiatives, donating medical equipment and amplifying government mental and physical health messages.

All the above actions are developed to take account of both the financial capacity of the insurers involved and the needs of the local market. They reflect the different national welfare systems and variations in social security, unemployment and health systems, which create different roles for insurers in each market.

Insurers in many member states are in close contact with national governments and/or national supervisors to explore possible ways of minimising the negative impact of future pandemics on customers.

Initiatives vary from jurisdiction to jurisdiction, reflecting the different national realities, be it the extent and evolution of the pandemic, the government response or the healthcare system. Among the initiatives, insurers in some member states have begun to explore the possibility of pandemic pools or other mechanisms, such as public reinsurance, with governments through public-private partnerships in the area of pandemic risk. These efforts draw on past experience of such partnerships for other, similarly catastrophic risks, such as terrorism or natural catastrophes. I would caution, however, that pandemics differ significantly from terrorism and natural catastrophes in that the latter risks are not systemic and diversification can be achieved.

Juan – Ramón Plá, SPAIN, Industry:

Intermediaries have stayed very active to serve their clients in these challenging times – not only with regard to their insurance/financial needs, but also informing them with regard to the measures to take for mere “survival” (which government initiatives exist etc).

They have followed the national recommendations and rules of public authorities and health agencies in relation to COVID-19. In most cases clients were asked, in line with the public measures decided at national level, to limit physical visits to offices. Intermediaries did and do their best to remain at the service of their clients through telephone, email and various digital means.

Anthony O'RIORDAN, Ireland, Professional Associations:

Continuation of service provision: Irish insurers took necessary measures to ensure that service provision to customers continued without additional threat for consumers (see above for more detail). Solving the challenge of ensuring continued service while maintaining employee safety was a joint effort of insurance undertakings, intermediaries and essential service providers alike.

Tito RODRIGUES, Portugal, Consumers:

The Portuguese Insurance and Pension Supervisory Authority (ASF), within the scope of its regulatory competence, has published a set of recommendations to the sector related to the health crisis and the need to adapt the sector to exceptional circumstances.

Several recommendations were issued in terms of information to be provided to customers regarding the changes that this state of exception may cause in terms of insurance (v.g., as a general rule, all insurers make this information available on their websites) and drawing attention to the situation of great vulnerability where many customers would be, recommending flexibility in dealing with the situations presented to them.

The Supervisor also recommended to insurers flexibility regarding delays in the payment of premiums, reinforced information duties (namely in the case of requests for early redemption of life insurance), extension of the period for periodic inspection and suspension of the right of return during that period, alternatives the display of the green card to prove the existence of insurance, presentation of alternatives in case of unavailability of providers (in the coverage of assistance, for example), possibility of early repayment of pensions plans, etc.

In particular, all cars that had to undergo a periodic inspection between March 13 and June 30 of 2020, saw the deadline extended by five months from the date of registration. And if during this period the vehicle is responsible for an accident and does not have the inspection up to date, the insurer will not be able to exercise the right of return on its owner.

Initiative 2

Desislav DANOV, Bulgaria, Consumers:

None.

Monica CALU, Romania, Consumers:

There are insurers that provide customers with a series of tools that allow them to successfully complete all services at home such as concluding or renewing a policy by phone and e-mail.

Another companies decentralized the services of the Damages Department in order to minimize the circulation of customers for ascertaining the damages.

In Romania, in order to be able to solve more easily, remotely, customer requests, the self-finding facility was introduced for damages covered by own damage policies or for compulsory motor policies up to an estimated limit of 5,000 RON per event (approx. 1000 euros), while, for housing policies, this facility has been increased from 1,500 (about 300 euros) to 5,000 RON (about 1,000 euros). Also, customers can perform their own risk inspection for Casco policies. A series of underwriting processes, as well as the settlement of compensations based on travel, life and health policies, are performed based on the documents received in electronic format.

Also, some insurers return part of motor premiums as coronavirus cuts driving during lock-down.

In order to support clients who are unable to return to their countries of origin due to travel restrictions imposed by various states, some insurers have extended the validity of the insurance by 30 days for clients who had travel medical insurance and were affected by this situation, under However, the condition is that the date of departure and the date of purchase of travel insurance be prior to the date on which the Romanian Ministry of Foreign Affairs and / or the World Health Organization issued a travel warning regarding the existence of risk factors for a certain region or country.

Juan – Ramón Plá, SPAIN, Industry:

The intermediary sector (at European as well as in several countries, led by intermediaries' national associations) is currently drawing up a "state of affairs", setting out the lessons that can be learned from the crisis, looking at the immediate needs of clients.

Intermediaries across Europe are now indeed looking at the most urgent needs of clients, who want to have some insurance (either through insurance or government initiatives / guarantees) in relation to a possible second wave of lockdowns. This issue is expected to come up at renewal of clients' insurance contracts.

Anthony O'RIORDAN, Ireland, Professional Associations:

Reimbursement of private health insurance customers: An essential element of the Irish government's response to the Covid-19 pandemic was the temporary inclusion of the private hospital network in the overall public health capacity of the country. Due to this decision, private health insurance customers were not able to use some of the private services and capacity to which their policies entitle them. Irish health insurers compensated customers for this loss with premium rebates of €300 million. In addition, insurers' medical staff were free to volunteer to assist public health service provision, and insurers offered enhanced benefits to their policyholders through various telemedicine initiatives.

Tito RODRIGUES, Portugal, Consumers:

A law was published with exceptional measures for the insurance sector and among those is the possibility for insurers and consumers to reach an agreement on the contracting of insurance whose premiums will only be collected later. Also, fractionation of payments, price reductions and even suspension of charges can also be negotiated.

This temporary and exceptional regime enacted for the insurance sector foresees that all mandatory insurance coverage (for example, auto liability insurance, fire

insurance, etc) will remain valid for another 60 days after the premium's expiration date. If the insurance is not paid within this period, the policy is definitively cancelled, but the insured is due to pay for the 60 days of coverage that he has enjoyed.

For insurance directly related to the performance of economic activities, such as work accidents or professional civil liability, suspended or severely reduced, the exception regime imposes the reflection of the break in activity (i.e., break of 40% or higher) in the adjustment premiums, providing discounts on upcoming annuities or refunds of amounts charged.

The referred law, however, does not provide anything regarding the way in which insurance companies will reflect in the price of motor insurance the significant drop in road accidents verified as a consequence of the in the context of the pandemic (which witnessed a significant reduction in road traffic and car accidents).

Despite the rapid evolution of the situation, and contrary to what is usual, the insurance sector has shown a rapid capacity for adaptation. As an example, a health insurance was created for business customers and could be subscribed for a limited period of time to guarantee the protection of employees in relation to Covid-19. It provided for the allocation of a daily allowance for hospitalization and a convalescence allowance.

Initiative 3

Desislav DANOVA, Bulgaria, Consumers:

None.

Juan – Ramón Plá, SPAIN, Industry:

Intermediaries believe EIOPA's 1st April Statement to insurers and intermediaries, urging them to take steps to mitigate the impact of Coronavirus/COVID-19 on consumers, but also indicating that flexibility is needed, to be very useful. It is to be noted that insurance markets, laws and rules are different around Europe but all over Europe the sector is highly regulated and strictly supervised. In this unprecedented situation, there are, understandably, questions that cannot be answered in detail immediately by insurers or by governments. Intermediaries call on the latter to help intermediaries to communicate as clearly and timely as possible to clients while handling the most urgent claims or answering the most urgent questions.

Anthony O'RIORDAN, Ireland, Professional Associations:

Life assurance premium moratoriums. The temporary suspension of premiums due under life assurance term policies, both where policies were written in conjunction with loans such as mortgages, and where policies were free standing. Various measures were in place for payment of outstanding premiums

post the moratorium, with some insurers waiving premiums for the limited periods entirely.

Tito RODRIGUES, Portugal, Consumers:

To reflect the decrease of automobile claims in the first half of 2020 and the consequent increase in operating results, some insurers announced the intention to apply an extra bonus on the premium for the next annuity, but only on non-claims policies, a measure that, despite being positive, may contradict the principle of equity advised by the supervisor (ASF).

2.2. Product related trends

Like in past years, IRSG Members are invited to explain how the demand and/or offer for the below insurance products has increased / decreased / remained unchanged, during 2019. Please, where relevant, refer to any possible financial innovations, market developments, or positive/improved consumer outcomes you may have observed.

In addition, this year, IRSG Members are also invited to explain how the below insurance products have been impacted – this can include higher claims, lower demands, stop of premium payments etc. – in the Coronavirus/COVID-19 situation (Right column). When providing information, IRSG Members are also strongly encouraged to provide quantitative information (e.g., 30% consumer have stop payment premiums for life insurance policies).

Finally for specific products, EIOPA has included some questions which IRSG Members are kindly invited to answer in addition to providing any development observed in the Coronavirus/COVID-19 situation.

Product categories	2019 developments in demand / offer / financial innovations / market environment / market practices / consumer protection	Coronavirus/COVID-19 related developments in demand / offer / financial innovations / market practices / consumer protection
Life insurance - with profit	<p>Desislav DANOV, Bulgaria, Consumers:</p> <p>People are trying to get grip of cash reserves as much as possible. That is why they start liquidating their life insurances, once to stop money outflow and second – to use redemption funds.</p> <p>Christian GÜLICH, Germany, Beneficiaries:</p>	<p><i>When providing inputs on COVID-19 related developments, you are also kindly invited to specify whether you observed higher redemptions of with profit policies and if you observed higher redemptions please also highlight the possible causes (e.g., consumer could not absorb other losses and needed the money) and consequences (e.g., consumers had lower returns, high penalties)</i></p>

Decision of European Court of Justice (ECJ) of 19 December 2019 on right of withdrawal of life-insurance contracts.

The Upper Court of Justice of Austria had asked the ECJ for a final decision in this case: A policy holder concluded a life insurance contract and was informed by the insurer that the right of withdrawal has to be used by a personally signed letter ("Schriftform"). Twelve years later the policy holder withdrew from the contract by arguing that the information on the formal requirement ("Schriftform") of the withdrawal had been wrong following to the national insurance law in Austria and therefore the period for using the right of withdrawal following to article 35 of directive EU/2002/83 is unlimited.

The ECJ has now specified under which conditions the period for using the right of withdrawal is limited nevertheless, even if the insurer has given a wrong information. This period is limited:

- if the insurer does NOT give the information that there is no special formal requirement for the withdrawal;
- if the information given by the insurer is wrong with regard to the formal requirements, but it does NOT hinder the policy holder to use his right of withdrawal in the same way as if he had been informed correctly.

Additionally the ECJ confirmed his previous views:

- if the policy holder does not get any information on his right of withdrawal by the insurer, than there is no limitation of the period in which the policy holder may use this right.

- if the policy holder uses his right of withdrawal correctly, the life insurer has to pay back not only the total sum of premiums, but the surplus as well if it exceeds the total sum of paid premiums.

On **2 April 2020** the ECJ decided additionally that his judgement of December 2019 does not only apply for consumers but as well for policyholders in general, i.e. not only for natural but for legal persons (eg. SME) as well.

Guillaume PRACHE, France, Consumers :

The major trend – pushed by Public Authorities as well- is the growing prohibition of new subscriptions, or with a mandatory minimum percentage in to unit-linked funds. This trend is also affecting more and more new money into existing contracts.

In addition , pushed by Public Authorities, insurers have strongly reduced the 2019 profit sharing , way beyond the 2019 evolution of interest rates.

Tito RODRIGUES, Portugal, Consumers:

With regard to life insurance with a savings component, it is expected that the requests for early redemption on the part of policyholders to increase, in order to cope with the worsening of the economic situation and the consequent fall in income.

In the future, it is possible that the exclusion of risks verified or related to a pandemic situation may be excluded from some policies – possibly due to the reinsurers' imposition. So far we have not been aware of these situations.

<p>Life insurance - unit linked</p>	<p>Desislav DANOV, Bulgaria, Consumers: Not widely spread, no observation.</p> <p>Guillaume PRACHE, France , Consumers: Complaints are on the rise due to the push out of capital guaranteed contracts into unit-linked (as explained in section 1) and at the worst time: after 8 years of bull bond and equity markets (2018 down but more than erased in 2019) and just before the Covid induced market collapse. This forced the French supervisor (ACPR) to issue a late warning to distributors in March this year. The full text of the Press Release by ACPR can be found here (information duties mainly on product risks, demands and needs test and minimum holding period adapted to each personal circumstances): https://acpr.banque-france.fr/sites/default/files/medias/documents/20200310_cp_assurance_vie.pdf</p>	<p><i>When providing inputs on COVID-19 related developments, you are also kindly invited to specify whether in relation to unit-linked policies you observed:</i></p> <ul style="list-style-type: none"> - <i>Higher redemptions/lapses and consequences and causes:</i> - <i>Consumer complaints/issues because of mismatch between expected and actual redemption:</i>
<p>Mortgage life insurance</p>	<p>Desislav DANOV, Bulgaria, Consumers: This product is stable since it is bundled with the mortgage and consumers are actually not able to cease renewals and cut cover otherwise their mortgage may be foreclosed.</p>	<p><i>When providing inputs on COVID-19 related developments, you are also kindly invited to specify whether in relation to mortgage life insurance policies you observed an increase in claims.</i></p>

	<p>Juan – Ramón Plá, SPAIN, Industry:</p> <p>In Belgium, bundling mortgages and certain insurance contracts (fire insurance, payment protection insurance) by offering an extra reduction on the interest rate of the mortgage remains an issue. This decreases the consumer protection and his free choice (e.g. searching for a better insurance solution) because the banks use the extra reduction on the interest rate as an argument “to convince” the client to stay with his insurances contract for the duration of the mortgage (20 – 30 years) There is a urgent need for solutions, e.g. at certain moments the client can –without penalization (interest rate)- choose for a better insurance product/service by another market player.</p> <p>Anthony O'RIORDAN, Ireland, Professional Associations:</p> <p>Some demand for deferral of premiums for say 3 months in conjunction with deferral of mortgage loan payments allowed by banks.</p> <p>Some changes in underwriting practices, including asking whether customers have had COVID-19 symptoms in last 3 months, and postponement of some customers deemed to be at higher risk.</p> <p>No established trend yet in terms of increase in mortgage life insurance claims.</p>	<p><i>If the information is available it would also be helpful if you could specify how pandemics are treated in mortgage life insurance products in your market.</i></p>
--	--	---

Other life insurance (please explain)	<p>Desislav DANOVA, Bulgaria, Consumers: No info.</p>	
Payment protection insurance	<p>Desislav DANOVA, Bulgaria, Consumers: No sufficient data.</p> <p>Monica CALU, Romania, Consumers: Another debatable issue in terms of consumer benefits refers to the situation of PPI and other insurance related to credit agreements in the case of the initiative to adopt moratoriums on the payment of installments for various loans. In Romania, measures for deferral of Loan Payments was adopted: an emergency ordinance was passed on 26 March 2020 by the Government GEO 37/2020, instituting a Moratorium of up to 9 months, available to virtually any type of borrower affected directly or indirectly by the COVID19 context (except for credit institutions), who do not register overdue payments / whose loan is not accelerated. http://ceccar.org/en/wp-content/uploads/2020/04/GEO-37-EN-revizuit.pdf</p> <p>In certain contracts, such as mortgage contracts, as well as in leasing contracts, but also in credit contracts that also include a payment protection insurance product, the payment of insurance premiums is, most of the times, included in the installment schedule. If the installments are suspended entirely, for reasons directly or indirectly</p>	<p><i>When providing inputs on COVID-19 related developments, you are also kindly invited to specify whether in relation to PPI policies you observed an increase in claims.</i></p> <p><i>If the information is available it would also be helpful if you could specify how pandemics are treated in PPI products in your market.</i></p>

related to the Covid-19 pandemic, practically the insurance premiums will not be paid and the debtors will no longer be insured against the events covered by those insurances.

The method of suspending monthly credit installments, according to GEO 73/2000 provides that "the obligation to pay due installments on loans, representing installments of capital, interest and commissions, granted to debtors by banks (...) shall be suspended at the request of the debtor by up to 9 months", but there are no provisions regarding the payment of insurance premiums included in certain contracts

So far, the situation has remained unclear regarding a unitary solution due to the non-involvement of the Government and of the supervisory authorities in clarifying the provisions through implementing rules.

Christian GÜLICH, Germany, Consumers:

In January 2020 the German NCA (BaFin) published a new survey on payments to insurance intermediaries, additionally to the first fundamental study of 2017 mainly on distribution practices for PPI:

https://www.bafin.de/SharedDocs/Veroeffentlichung/en/EN/Meldung/2019/meldung_191211_abschlusspr_ovision_abfrage_en.html

The new survey shows that within one year (from 2017 to 2018) the total amount of immediately payable acquisition commissions increased from 2,8 bn to 3,2 bn Euro, other payments from 0,7 bn to 1,0 bn Euro, only the deferred acquisition

	<p>commissions decreased somewhat from 1,1 bn to 1,0 bn Euro. So the total amount of payments to intermediaries rose from 4,7 bn to 5,1 bn Euro, or as a percentage of total premiums from 4,49% to 4,72%. BaFin takes these results as an additional strong argument for introducing not a ban, but at least a cap on commissions for life insurances and especially for PPI. With regard to PPI the BaFin investigation of 2017 revealed that commissions paid to the credit institutions by insurers, are often very high: 12 credit institutions said they received less than 50% of the insurance premium. For other 12 banks, the maximum rate of commission was 50%, while 7 institutions received more than 50%. In a few cases, the commission exceeded even 70%.</p> <p>But unfortunately due to a political "standstill" in the procedure of the evaluation of the life-insurance reform act of 2014 on federal level BaFin's proposal has not yet been implemented. This is all the more astonishing, because the responsible political parties agree upon the conclusion that distribution costs for life insurances must be reduced, especially with regard to the ongoing "low for long" interest rate phase.</p>	
<p>Accident and Health insurance</p>	<p>Desislav DANOV, Bulgaria, Consumers: No sufficient data.</p> <p>Christian GÜLICH, Germany, Consumers: <i>Private health insurances:</i></p>	<p><i>When providing inputs on COVID-19 related developments, you are also kindly invited to comment on:</i></p> <ul style="list-style-type: none"> - <i>Claims trends in relation to traditional health coverage:</i> - <i>Claims trends in relation to add-on health coverage (e.g., dental):</i>

A German private health insurance company will ask the court of appeal (BGH - Federal Court of Justice) in the following case:

The insurer had increased its premiums for health insurances (not additional, but "full" health insurances which replace the mandatory public health insurances).

This increase of premiums must be authorized by an independent fiduciary. If the fiduciary agrees with the increase of premiums asked by the insurer, the policy holders have to be informed about the reasons (for ex.: increase of life expectancy, general increase of disease treatment costs). But the policy holders have the right to consider these reasons as too general and may even go to court.

In this particular case the Upper Regional Court (OLG) Cologne decided in favour of the policy holder in February 2020: it was not sufficient just to give a general hint to the article of the insurance contract law allowing for premium increase (§ 203 VVG), but the insurer has exactly to specify which of the parameter(s) for the premium calculation were relevant in order to justify the increase (especially increase of indemnity or change of mortality tables). So the court stressed the need or requirement for substantiation („Begründungserfordernis“) towards the policy holder.

The reaction of the insurer must be understood in this context: by asking the court of appeal (FCJ) the insurer seeks to know how detailed the information on premiums increase must actually be which has to be disclosed to the policyholder. Additionally it has definitely to be decided if in this particular case he has to pay back the increase of premiums already paid by the policy holder.

	<p>The future decision of the FCJ will hopefully give more details, which data and parameters have precisely to be disclosed by the insurer in order to provide a substantial information on premium increase to the policy holder.</p> <p>Juan – Ramón Plá, SPAIN, Industry:</p> <p>There has been news from the UK, indicating that because of hospital capacity being taken up by Covid-related treatments, the ability to claim under health insurance policies for other (often 'elected') treatments has been severely reduced and, in many cases, stopped altogether.</p> <p>Across Europe, as medical resources are freed from Covid treatments and insureds regain confidence to go to hospitals, there is the potential for a sharp increase in health insurance claims – being the backlog of treatments that have been 'on hold'.</p> <p>There is also an emerging picture of a rise in premiums and/or restrictions as insurers are concerned about the long-term health impact on those who have been exposed to, suffered and/or recovered from the virus (e.g. respiratory, vascular and/or coronary problems, etc.).</p>	
Motor insurance	<p>Desislav DANOV, Bulgaria, Consumers:</p> <p>Drop in premiums due to insufficient digitalization and halted cars market.</p>	<p><i>When providing inputs on COVID-19 related developments for motor insurance, you are also kindly invited to comment on:</i></p> <p>- <i>Claims trends:</i></p>

	<p>Drop in claims due to decrease road traffic intensity. In the same time increased severity of accidents due to lost habits to drive.</p> <p>More: https://www.dnevnik.bg/biznes/2020/05/27/4071777_zastrahovatelite_otchitat_namalenie_na_prihodite/?ref=Capital_CoronaWidget</p> <p>Alin IACOB, Romania, Consumers:</p> <p>In Romania, MTPL insurance is the most popular insurance. Unfortunately, the industry didn't do any rebate to consumers during the health crisis, even if the whole country was under a lockdown for two months.</p> <p>Another important issue is represented by the important increase in the number of complaints. In 2019, ASF received more than 25,000 petitions about insurance-reinsurance market, out of which about 21,000 petitions falling within the competence of the ASF.</p> <p>In 2019, the highest weight is held by the petitions registered on the general insurance class, 99.27%, the petitions registered on the compulsory motor liability insurance class RCA and the Green Card representing 91.94% out of the total.</p> <p>Two insurance companies (Euroins and City Insurance) have accumulated around 80% of the petitions received for the whole market.</p>	<p>- <i>Premium trends:</i></p>
--	--	---------------------------------

More details can be found at the next link:

<https://asfromania.ro/en/press-releases/media-releases/7070-the-status-of-the-petitions-registered-in-2019>

Christian GÜLICH, Germany, Consumers:

Car accidents in the EU:

Still there too many examples that the indemnity of car accidents caused by accidents in another EU member state are not regulated quick enough or even not all (more than 34.000 accidents in which German car drivers were involved in other EU member states in 2018). One of the reasons is the limitation period ("Verjährungsfrist") which differs from MS to MS (for ex. in ES one year, in DE three years). Problems arise when the national institution for car accident indemnity in the EU refuses to pay, because the insurer in the other EU member state has recognized his obligation to pay in principle but defers the payment. That is why German advocates specialized in car traffic law ask for EU-wide harmonisation of limitation periods in these cases and that national institution for car accident indemnity should quickly pay out insured losses. Any deferral of indemnity should not be detrimental to policy holders, but regulated between these institutions and the insurers.

Juan – Ramón Plá, SPAIN, Industry:

Generally motor accident claims were significantly reduced during the lockdown. In several countries

some insurers have been making token refunds to customers. Also depending on results after consolidation, in some countries it is expected that there will be strong competition on renewals, but it is important to keep in mind that quite often this line of business is traditionally an unprofitable class of business for insurers.

Greg VAN ELSSEN, Belgium, Academics:

Also in *Belgium*, the national consumer organisation Test-Achat called for lower premiums, after it found that on average the number of accident lowered with 70%. They also point to the french insurer Maif, who paid 100 million EUR in premiums back to their customers.

<https://www.test-aankoop.be/action/pers%20informatie/persberichten/2020/autoverzekeringen>

In *France*, the French consumer organisation UFC Que Choisir estimates that on an annual basis, the lower pay-outs in car insurance will amount to 1,8 billion Euro. Accordingly, the organisation calls upon insurers to pay back 50 euro per car and 29 euro per motor bike.

www.quechoisir.org/action-ufc-que-choisir-assurances-auto-et-covid-19-2-2-milliards-d-euros-a-retroceder-aux-assures-n78883/

Household insurance	<p>Desislav DANOV, Bulgaria, Consumers: Decrease in new and renewed policies.</p> <p>Juan – Ramón Plá, SPAIN, Industry: In several countries the insurers have agreed to waive notification requirements where as a result of the virus, individuals are required to work from home.</p>	<p><i>When providing inputs on COVID-19 related developments for household insurance, you are also kindly invited to comment on issues relating to coverage and the fact that consumers may have used their homes as a working space.</i></p>
Travel insurance	<p>Desislav DANOV, Bulgaria, Consumers: Severe drop in the number of new policies.</p> <p>Juan – Ramón Plá, SPAIN, Industry: In several countries many travel policies had/have a 'blanket' exclusion of pandemics. Sales of travel insurance have completely stopped during the lockdown as people have been unable to travel, book vacations, etc.</p>	<p><i>When providing inputs on COVID-19 related developments for travel insurance, you are also kindly invited to comment on:</i></p> <ul style="list-style-type: none"> - <i>Treatment of pandemics:</i> - <i>Impact on annual policies claims:</i> - <i>Impact on ad hoc polices claims:</i>
Mobile Phone and other gadgets insurance	<p>Desislav DANOV, Bulgaria, Consumers: Drop, since the average user postpones all unnecessary expenses including renewal of consumer electronics.</p>	

	<p>Juan – Ramón Plá, SPAIN, Industry:</p> <p>It is worth highlighting the case in Belgium, where there has been a big increase of complaints, noted by the Ombudsman. Here below a relevant section of the annual report of the ombudsman. This triggers also the problems with the scope of the IDD and a sufficient consumer protection. The mobile-sellers are now ancillary insurance intermediaries who are exempted from the scope of IDD</p> <p>http://www.ombudsman-insurance-annualreport.be/2019-ombudsman-assurances-rapportannuel/</p>	
Other non-life (please explain)	<p>Desislav DANOV, Bulgaria, Consumers:</p> <p>No info.</p> <p>Christian GÜLICH, Germany, Consumers: <i>House Insurance :</i> The Federal Court of Justice (BGH / FCJ) published in February 2020 a crucial judgement with regard to non-transparent terms and conditions of house insurance contracts.</p> <p>The terms and conditions of a house insurance contract excluded damages resulting from storm surge. In this particular case the insured house was located 16 km from the seashores (Baltic Sea), and the damage was caused by flooding from a river which, due to the storm surge, could not flow into the sea. The insurer refused to pay to the insured</p>	

loss, because it considered the storm surge as principal cause for the flooding. But the FCJ denied this argumentation. The FCJ pointed out that the insured loss was caused by water coming from the river and not from the sea. That is why the storm surge has to be considered only as the "mediate" ("mittelbar") reason for the damage caused at the house.

Additionally the terms and conditions of the contract did not outline neither any definition of "storm surge" nor any more or less far-reaching possible damages caused by storm surges. That is why the "average" policyholder was right in his understanding to ask for the indemnity of the damage, and in consequence the insurer was condemned to pay the insured loss.

Juan – Ramón Plá, SPAIN, Industry:

In some countries (notably the UK) Insurers have flagged a potential rise in fraudulent claims under Employers Liability (EL) policies. Questionable claims are being made where people may be performing additional roles that they say they may not have been fully trained for as a result of furloughing of staff and with less people around in workplaces, there is less chance of there being witnesses to the 'incident'.

Across Europe, there are also concerns that EL claims may rise as employees claim that they have not been provided with proper personal protective equipment (PPE). This may particularly be relevant for activities that are strongly exposed, such as health (both private and public workers) and other essential sectors (depending on the country, armed

	<p>forces, energy, construction, food supply, transport, etc.)</p> <p>Some insurers have agreed to modify their unoccupancy clauses under commercial property policies (eg from 30 days to 90 days) whilst shops were prohibited from opening, but as the lockdown eases, these insurers have stated that they will not be extended the term any longer.</p> <p>Notably in the UK, a number of insurers are including an exclusion for Covid-related claims on renewal of insurance intermediaries' professional Indemnity Insurance (PII). They are also increasing premiums substantially. Other insurers have withdrawn from the market entirely significantly restricting intermediaries' ability to get affordable cover.</p> <p>Tito RODRIGUES, Portugal, Consumers:</p> <p>According to the news and some contributions from supervisory bodies, there was an exponential increase in computer attacks. In this sense, we cannot fail to regret the almost absence of offering these insurances for private subscription in the Portuguese market. The offer that exists is aimed at business risks. This is a market with potential for future growth.</p>	
Other, including non-product	<p>Desislav DANOV, Bulgaria, Consumers:</p> <p>The market players lack fully or partially contingency plans for similar situation. Many insurers and big</p>	

related issues	<p>intermediaries lack proper IT architecture for crisis related cases. The legislation and the supervisor do not support digitalization.</p> <p>Juan – Ramón Plá, SPAIN, Industry:</p> <p>There are certainly some initial trends to be noted in the various European markets but overall, it is early to make statements on what the influence is of Covid-19 on demand/offer etc.</p>	
----------------	---	--

2.3. *Ad hoc* questions

In addition to providing views on trends and issues observed with regard to specific products and the impact which COVID-19 has had on these products, IRSG Members are kindly invited to provide their views, examples, and comments on the following specific questions.

1. Lack of consistent approach to exclusions and/or mismatch with customers' expectations

Claims due to unexpected events such as epidemics, government prohibitions and travel warnings may not be covered under several insurance policies (travel insurance, workers compensation cover, professional liability insurance, general liability, business interruption cover, life insurance, etc.). As a result:

- Detailed scope varies between Member States and insurance policies and often exclusions are not clear;
- Some insurers have voluntarily taken goodwill/consumer friendly positions and paid out claims;
- Some insurers have paid out claims as in some jurisdictions in case of doubt caused by ambiguous or unclear clauses the party who caused the ambiguity should bear the detriment;
- On the other hand, in some instances insurers may have changed their policies or stated that COVID-19 related issues are not covered even though exclusions are not expressly mentioned in their insurance policies.

Please set out your views on the issue above including what are the possible risks for the sector and for consumers. Where relevant please also share whether you observed any specific issue in your market. Please share examples of how pandemics and other unexpected events are treated in insurance policies in your markets.

Desislav DANOVA, Bulgaria, Consumers:

There is no sufficient information as to the consumer friendliness of Bulgarian Insurers' behaviour but one may safely presume that they were not able to react to the rapidly changing situation not to speak of any special policy towards consumers. In general insurers were taken aback by what is going on and were following the development trying to minimize their own losses.

Monica CALU, Romania, Consumers:

On April 28, 2020, the National Center for Communicable Disease Surveillance and Control (CNCSBT) published a document updating the COVID-19 surveillance methodology. The section "Death in patients confirmed with COVID-19" of this methodology specifies the following:

"Death in a confirmed patient with COVID-19 cannot be attributed to a pre-existing disease (eg cancer, haematological conditions, etc.) and COVID-19 must be reported as the cause of death, regardless of suspected pre-existing medical conditions that they favored the severe evolution of COVID-19. COVID-19 must be mentioned on the

death certificate as the cause of death for all deceased persons to whom COVID-19 caused or is alleged to have caused or contributed to the death. "

These provisions, which require the specification as the cause of death on the death certificate of COVID-19 infection, even in cases where COVID-19 is believed to have caused or contributed to the death, will have a negative result for these persons that had concluded various policies (life, health, and even travel, if they were on the territory of Romania for this purpose). The beneficiaries of the compensation due in case of death of the insured will not be able to benefit of compensation in the most frequent cases of death.

<https://www.cnscbt.ro/index.php/info-medical/1695-metodologia-de-supraveghere-a-covid-19-actualizare-28-04-2020/file>

Christian GÜLICH, Germany, Consumers:

With regard to the impacts of the pandemic on non-life insurances a comprehensive assessment has been published by *Professor Dirk-Carsten Günther and Sascha Piontek* in the judicial journal "Recht und Schaden", 2020, pages 242 – 250 (on business interruption, cancellation of public events, travel, private liability, health and disability caused by accidents). Cf. our comment on *Consumer Protection Issue 3* above.

With special regard to *disability* caused by disease or by accident it is always necessary to exactly reconsider the terms and conditions of the contract. Policies covering professional disability caused by disease ("Berufsunfähigkeit") include Covid-19 cases (if disability reaches 50%). In contrast policies covering disability by accident ("Unfall") usually exclude "contamination" ("Infektion"). Contamination may be included by a so-called "enlarged contamination clause", but only if it is explicitly enumerated as covered risk, but this seems to be very seldom. That is the same for dread-disease-policies, which cover only explicitly enumerated diseases.

<https://www.versicherungsmagazin.de/rubriken/branche/coronavirus-wie-bleibende-schaeden-versichert-sind-2620319.html>

Michaela KOLLER, Germany, Industry:

In most, if not all, EU markets, insurers have introduced measures appropriate to their national markets to support their customers during the pandemic. Examples are most prevalent where customers are most adversely affected by COVID-19 or by national lockdowns. Examples include:

- offering - where appropriate - flexibility about premiums, interpretation of insurance contracts, processes and deadlines to customers;
- taking additional steps in the form of voluntary goodwill gestures, which were developed to take account of both the financial capacity of the insurers involved and the needs of the local market.

The difficulty, of course, is that pandemics pose challenges to the principles of insurance (the pooling of risks) and insurability. Pandemics are global by nature, potentially affecting many individuals and economic sectors at the same time. They

also have no predictable time limit and there is very little understanding yet as to the risk itself.

Liane HIRNER, Austria, Industry:

As indicated in EIOPA's statement of 1 April 2020, retroactive intervention "could create material solvency risks and ultimately threaten policyholder protection and market stability, aggravating the financial and economic impacts of the current health crisis." As a general rule, claims not covered by a premium paid cannot be compensated.

Juan – Ramón Plá, SPAIN, Industry:

I believe that the article written by Karel Van Hulle for Bipar provides an interesting view on the "insurability" of pandemics (uploaded on EIOPA's Extranet).

Anthony O'RIORDAN, Ireland, Professional Associations:

Uncertainty about the cover provided presents a potential consumer threat. It is important to differentiate between "unexpected" events and "extreme events" like the Covid-19 pandemic. An unexpected event might occur where the frequency of an event or the experienced losses exceed the expected and modelled. Such events are regularly insured or cover is available. Extreme events like the Covid-19 pandemic are different to these unexpected events. The world-wide and cumulative impact of the pandemic and the measures to prevent the virus from further spread affects economies and societies. Such an event is not supported by the insurance model of risk transfer and mitigation over time and large numbers of insureds. It can be considered that such risks are uninsurable on a market basis.

Other such events which might have a similar impact on the global economy and society might for example be wide and deep cyber incidents.

As highlighted, in some markets several insurance undertakings have taken goodwill initiatives towards the benefit of consumers and have paid beyond what is covered in policies. If relevant and if available share initiatives taken by insurers in favour of consumers.

Desislav DANOV, Bulgaria, Consumers:

No info of such initiatives at Bulgarian market.

Monica CALU, Romania, Consumers:

Several insurance companies have decided to cover, in 2020, exceptionally, the risks associated with the new coronavirus. Specifically, for life insurance where there is an exclusion of compensation in case of a pandemic, the company eliminated those

exclusions by the end of this year, a measure valid for both existing and future contracts. The decision applies to products in the portfolio that cover the death or hospitalization from illness.

A very small number of insurers have announced that they will exceptionally cover the risks associated with the coronavirus epidemic, although pandemics are often exempt from insurance contracts. In the case of full health insurance, hospitalization situations in the public system caused by COVID-19 infection will be covered. Regarding life insurance, hospitalizations and deaths caused by the new coronavirus and exemption from the payment of insurance premiums due to death will be covered. In case of travel insurance abroad, emergency medical care and repatriation will be covered, for events caused by diagnosis with COVID-19, within the amount insured on the policy, in countries without travel alert or included in the Yellow Zone and within the amount of 500 euros for the countries in the Red Zone; In the case of additional travel cancellation insurance, the events for illness or death will be covered, as a result of diagnosis with the new coronavirus, and in the case of - additional travel interruption or extension insurance will be covered, within the amount insured on the policy, the events caused by isolation or quarantine and those caused by diagnosis with COVID-19.

Also, some insurers return part of motor premiums as coronavirus cuts driving during lock-down.

Christian GÜLICH, Germany, Consumers:

In the media several initiatives have been reported (cf. our critical comment on *Consumer Protection Issue 1* above).

<https://www.pfefferminzia.de/stundung-beitragsfreistellung-provisionsrueckforderung-das-tun-versicherer-fuer-kunden-und-vermittler-in-der-corona-krise/>

More examples have been published by the independent broker's *VersicherungsJournal* (copy of articles can be sent if required).

Michaela KOLLER, Germany, Industry:

See previous responses.

Juan – Ramón Plá, SPAIN, Industry:

For instance, in Spain, where all insurers waived applicable exclusions on health policies and most insurers on life (pure risk) policies, therefore providing coverage for Covid-19 related treatments or in the event of death or permanent disability. Also, the insurers have set up new policies, free of charge, on behalf of all health workers, providing life and temporary disablement coverage. Additionally, in Spain as well as in other countries, they have undertaken measures granting payment delays, without affecting coverage, as well as refunds to certain categories.

Anthony O'RIORDAN, Ireland, Professional Associations:

The nature and impact of goodwill and fairness mechanisms is very dependent on market and product particularities. In Ireland, multiple goodwill and fairness measures were taken, e.g. the extension of cover for work from home and voluntary driving, the waiving of vehicle inspections which were not available or very limited, premium holidays and premium paybacks in some business lines (e.g. motor and private health) or the extension of payment deadlines.

Finally, in some markets changes in coverage or declaration by insurers on what is covered/not covered have also been observed. If some insurers have changed their existing policies or stated that COVID-19 related issues are not covered please provide your views and examples.

Desislav DANOV, Bulgaria, Consumers:

No info.

Monica CALU, Romania, Consumers:

As the unemployment rised at unprecedented level due to the closure of businesses and other activities, some insurers have introduced COVID-19 exclusions, particularly on income protection.

Christian GÜLICH, Germany, Consumers:

Cf. our previous comments.

Michaela KOLLER, Germany, Industry:

I am not aware of changes to *existing* policies. Where there has been uncertainty about coverage owing to policy wording, some insurers have chosen to interpret the terms and conditions in favour of their customers (notably in business interruption insurance). Again, this has been done on a voluntary, case-by-case basis. Until more data is available to assess the full impact of the pandemic on different product lines, insurers continue to take a cautious approach in line with the business model of insurance: pooling the risks of the many to cover the losses of the few.

Anthony O'RIORDAN, Ireland, Professional Associations:

There has been a perceived lack of clarity as to the extent of coverage in some cases, particularly relating to business interruption insurance. Transparency about coverage is vital. The industry needs to assess how coverage or financial mitigation of impact can be provided in extreme circumstances such as this.

The inclusion of cover for such an event might either not be possible on a market basis or, where possible, it might require significant efforts from customers and insurers alike. The fundamentals of risk management are risk awareness, prevention, resilience

and insurance. Making exclusions clearer and explaining the underlying reasons to consumers is an important task. Potential future solutions may require public/private cooperation.

2. Business disruptions, delays, operational risks and financial innovations:

While in several Member States insurance business has been deemed an essential activity, given the extent of lock-downs and confinement measures, market situation and increased number of claims and complaints, an increase in operational risks and disruptions could have emerged. With the increase in deaths and operational issues, the number of dormant life policies may have also increased during the outbreak.

Although insurance undertakings have put in place digital/remote solutions for claims management and complaints handling, given the possible high increase in travel, health, life, income protection, etc. claims and complaints management delays and disruptions could have occurred.

Please set out your views on the above. Please also share any issues observed relating to and examples of any operational disruptions observed and actual or possible consumer detriment as a result of observed delays in claims handling and/or increase in dormant life policies.

Desislav DANOV, Bulgaria, Consumers:

No huge death related issues since Bulgaria has only less than 100 COVID related deaths so far.

Digitalization is in its infancy so there are constantly issues due to inadequate business procedures and outdated legislative solutions.

Monica CALU, Romania, Consumers:

In the last few months, the insurance industry has taken, at an accelerated pace, a series of special measures to protect both its customers and employees from the risk of COVID-19 infection, while ensuring the continuity of current operations.

Much of the insurance policy is sold with a mortgage. The decline in new mortgages is likely to lead to a reduction in protection policies. However, re-mortgages may increase and there is an opportunity for protective sales to be made alongside these re-mortgages.

New customers may not be able to bargain due to financial difficulties induced by the pandemic, but may be more interested in insurance due to the increased awareness of the health threat that COVID-19 poses to health.

Face-to-face insurance sales will be limited due to social distance measures. Distribution that relies exclusively on electronic means may be less affected or unaffected. There may be some remote distributors who are seeing an increase in new business, as consumers have more time to complete applications and have become more aware of the need to cover risks, especially health and life risks.

However, given the restrictions imposed by state authorities to prevent the spread of COVID-19, some processes and operations have involved modifications or adaptations.

Insurance companies have taken, since the first days of the declaration of the state of emergency, at an accelerated pace, important measures to support customers in this difficult period, but also to maintain permanent contact through electronic means of communication, given that much of the staff of these companies work from home.

Christian GÜLICH, Germany, Consumers:

Business disruption policies do not concern private policyholders, but B2B contracts. In Germany broker's associations reported already in March that some insurers tried to exclude pandemic as a covered risk and asked for a "solidarity fund" by the insurance industry.

<https://www.procontra-online.de/artikel/date/2020/03/solidaritaetsfonds-der-versicherer-waere-jetzt-angebracht/>

In Bavaria a regional compromise was found that insurers will pay 15% of the insured sum to hotels and restaurants for a period of 30 days, the "rest" should be paid by the regional state. But this compromise was not considered as enough, in consequence in other regions in Germany claims were made by SME. A first judgement was recently pronounced by the local tribunal in Mannheim (Landgericht) declaring that a general stipulation of shutdown of business by state authorities is sufficient for indemnity – under the conditions that the terms and conditions of the contract enumerate the "contamination protection law" ("Infektionsschutzgesetz") as insured loss and that pandemic is not explicitly excluded.

<https://www.versicherungsmagazin.de/rubriken/branche/betriebsschliessungsversicherung-versicherer-muessen-zahlen-2623457.html>

EIOPA should contact broker's association BDVM in Hamburg (www.bdvm.de/en/) for ongoing details.

Michaela KOLLER, Germany, Industry:

Insurers have paid particular attention to the practical consequences of the crisis on their customers and, where possible, have provided flexibility with regard to processes and deadlines for claims management and complaints handling.

This includes taking into account, where relevant, that customers may not be able to fulfil certain aspects of their contractual obligations due to the lockdown, such as requirements to:

- submit paper documents;
- submit claims by a given deadline; and,
- renew tests, certificates or licences.

Although insurers have experienced some delays in promptly dealing with all claims and requests according to the usual timeframes, delays have been minor and insurers have demonstrated strong operational resilience despite the lockdown measures in place.

Juan – Ramón Plá, SPAIN, Industry:

Whilst there may inevitably have been some disruption as many workers within the insurance industry – like everyone else - adjust to working from home, but insurance intermediaries have made the transition with considerable success and have been there to provide assistance and/or help their clients submit their claims, without incidences worth mentioning.

Anthony O'RIORDAN, Ireland, Professional Associations:

I am not aware of any significant disruptions in insurance service provision in the Irish market.

COVID-19 has crystallised the benefits of financial innovation/digitalisation both for insurers and intermediaries as well as for consumers. It is essential for business continuity and for maintaining the access to insurance for consumers (online sales and distribution, other policy servicing activities). Online channels could facilitate timely information sharing in stress situations (e.g., updated websites, “push” notifications in mobile apps). Use of technology could also facilitate timely product design changes (e.g., updated pricing models taking into account increased risks; quick launch of new products taking into account new/emerging risks and consumer expectations etc.). The benefits of innovative business models are also more evident (e.g., parametric insurance, on-demand insurance). While financial innovations can assist in delivering better consumer outcomes, some risks – such as lack of adequate advice, inaccurate claims assessments, increased cyber risk etc. – may have emerged because of the sudden shift towards financial innovations and digital channels as a result of the COVID-19 outbreak. Concerns relating financial exclusion could also crystallise as some consumers do not have access to digital tools and/or experience with digital products and services.

Please set your views and share examples of how financial innovations have assisted in better ensuring the fair treatment of consumers in the COVID-19 situation and facilitated the provision of insurance services and/or mitigated some of the risks related to the COVID-19 outbreak. Please also set your views and share examples of how the COVID-19 situation may have increased consumer protection risks relating to financial innovations.

N.b. While examples, views and information on the usage of digital channels are welcomed, IRSG Members are strongly encouraged to also share any example and information in relation to where more innovative solutions such big data analysis, AI and other have assisted in claims payments, claims assessments, etc.

Desislav DANOVA, Bulgaria, Consumers:

Those issues are irrelevant for the moment due to lagging digitalization in the Bulgarian insurance sector.

Christian GÜLICH, Germany, Consumers:

It has generally been observed that insurers and distributors have to strengthen their efforts to hold and intensify the contacts to clients by online media, as a recent study confirms (“Word Insurance Report 2020”):

<https://www.capgemini.com/de-de/research/world-insurance-report/>

Michaela KOLLER, Germany, Industry:

The crisis has highlighted the importance of having a digital-friendly regulatory framework that allows for business continuity in times of pandemic and further emphasises the need for regulators to address the remaining regulatory obstacles to digital finance. This is now more important than ever, as customers’ demand for digital interactions and the digitalisation of the insurance industry are likely to accelerate as a consequence of the COVID-19 pandemic.

The European Commission has even made specific reference to COVID-19 in the recent consultation on its digital finance strategy, underscoring the importance of digital finance in the context of a pandemic where people rely heavily on remote services.

I would question, however, the reference to a “sudden shift towards financial innovations and digital channels as a result of the COVID-19 outbreak”. Insurers were actively engaged in financial innovation and were using digital channels prior to the outbreak, and to suggest that it is even possible to suddenly shift to financial innovation seems to me a bit of an exaggeration. Any such business models or uses of new technology will have considerable gestation periods and could not have simply been conceived, adopted and rolled-out in the space of a few weeks.

Anthony O'RIORDAN, Ireland, Professional Associations:

With the spread of Covid-19 across Europe, Irish insurers invested significantly to ensure that operations continued without any major disruption. Investments in digital infrastructure and enabling b2c communications were a key aspect of these activities.

Examples of solutions which have been implemented include:

- Provision of remote digital advice relating to investment and insurance, either without or in conjunction with face to face, underpinned by enhanced documentation and communication with customer via email.
- Provision of remote medical consultancy
- Enabling of fully online submission of health related medical claim information

3. Interpretation of insurance contracts and consumer obligations:

While in some Member States measures have already been put in place to address this issue, consumer detriment may have emerged as a result of the strict interpretation of insurance contracts and of consumer obligations. In fact, as consumers may have not been able to perform other obligations included in insurance contracts (e.g., for household policies only use the house as a place of abode or carry out necessary motor vehicle and medical checks), this could have resulted in loss of coverage and/or changes in coverage terms for renewals.

Please share information on whether you have observed issues stemming out of strict interpretation contractual obligation and/or initiatives put in place by insurers 'providing forbearance' to consumers. Please share information and any initiatives put in place by insurance undertakings to 'favour' consumers and allow for forbearance in the COVID-19 situation.

Desislav DANOVA, Bulgaria, Consumers:

Bulgarian insurers keep interpreting the contracts as if nothing has happened.

Christian GÜLICH, Germany, Consumers:

With regard to the impacts of the pandemia on non-life insurances a comprehensive assessment has been published by *Professor Dirk-Carsten Günther and Sascha Piontek* in the judicial journal "Recht und Schaden", 2020, pages 242 – 250 (on business interruption, cancellation of public events, travel, private liability, health and disability caused by accidents; copy of article can be sent if required). Cf. our comments on No. 1 above.

Michaela KOLLER, Germany, Industry:

Insurers have paid particular attention to the practical consequences of the crisis for their customers and, where possible, have provided flexibility with regard to processes and deadlines for claims management and complaints handling.

This includes taking into account, where relevant, the fact that customers may not be able to fulfil certain aspects of their contractual obligations due to the lockdown, such as requirements to:

- submit paper documents;
- submit claims by a given deadline; and,
- renew tests, certificates or licences.

Although insurers have experienced some delays in promptly dealing with all claims and requests according to the usual timeframes, delays have been minor and insurers

have demonstrated strong operational resilience despite the lockdown measures in place.

Anthony O'RIORDAN, Ireland, Professional Associations:

A number of measures, as listed above, were put in place by Irish insurers to ensure that customer benefits could be maintained. Examples are extended payment deadlines, waived requirements on vehicle testing or premium holidays.

The measures taken were taken in the context of contract wordings, but seeking to ensure that cover could be continued or provided where possible, while maintaining the viability and stability of insurers.

4. Changes in risks' level and product reviews

The COVID-19 outbreak has already had a severe impact on the insurance sector and on insurance policyholders. In particular, as consumers have been asked to change their habits and behaviours, risks levels may have shifted or decreased and/or consumers' protection needs may have changed significantly. For example, while comprehensive EU-wide data on actual mobility trends and consumer patterns is not available, initial information gathered shows that trends may be shifting.

Some insurance undertakings have voluntarily taken or announced initiatives with some reviewing their product to reflect lower risks and some other deciding to return part of the premiums for some products. In some other markets, government interventions have been observed.

Please state your views on the issue above, including whether you have observed in your jurisdictions initiatives aimed at changing insurance products to reflect changes in risk level and/or possible issues, if such reduction in risks is not reflected. Please also share views on the risks for the sector in reviewing their products given the rapidly changing situation. Where relevant kindly provide examples and explanations.

Desislav DANOVA, Bulgaria, Consumers:

No.

Christian GÜLICH, Germany, Consumers:

Cf. our comments on No. 1 above.

Michaela KOLLER, Germany, Industry:

Insurers have continued to meet their obligations under IDD product oversight and governance rules (POG) and continually assess whether products add value to

consumers. It is in insurers' interests to offer a diverse range of attractive products that meet consumers' needs.

However, short term action is not the right solution. The value of an insurance product should be assessed throughout the lifetime of the product and not at a specific point in time and based on the very limited period of time of the current lockdowns.

It would be arbitrary to take any action on the basis of a relatively short period of time where claims may have decreased, while not considering that increases in claims may follow as restrictions ease.

It is too early to fully assess the impact of COVID-19 across all business lines. For some products, the number of claims may have increased (eg home, health, death, funeral, business interruption insurance), while in others it may have decreased. For non-life insurance lines, the claims ratio is still unknown.

Moreover, there are significant differences in national approaches to restrictions and lockdown measures as a consequence of the current crisis. In certain markets, full restrictions were never in place, particularly with regards to the use of motor vehicles. This will mean the appropriate short and long-term responses to the crisis vary between jurisdictions.

Liane HIRNER, Austria, Industry:

There are at least two reasons why changes in design of long-standing insurance products should be encountered with precaution:

1. While measures taken by national governments in the context of COVID-19 (so-called "lock-downs") took a few weeks, insurance contracts typically cover a period of one year (or even more). Any product or premium has to be assessed at least against a representative sample of contractual periods instead of a limited segment.
2. A further aspect is the sustainable character of the event COVID-19, i.e. do risk parameters substantially change for the future, i.e. the next years, or are these changes only of temporary nature?

Juan – Ramón Plá, SPAIN, Industry:

In Spain, this has not been the case so far and I am not aware about other jurisdictions.

Anthony O'RIORDAN, Ireland, Professional Associations:

It is still difficult to assess the impact of the Covid-19 pandemic and the related confinement measures over time. Taking motor insurance and traffic risks as an example, reduced traffic activity can indicate a reduced risk and lead to a reduced

number of claims. On that basis some insurers took voluntary action of premium paybacks to support their customers. However, the wider impact will have to be assessed and is highly dependent on the duration of confinement measures and potential changes in behaviour.

As a reaction to the higher infection risks on public transport, we might experience a disproportionally high increase in traffic with the economy going back to work. If people are widely using opportunities to remain working from home, traffic might remain at a lower level than pre-confinement. Other risks, like for example cyber, might significantly increase due to the increased reliance on digital service provision and tech. The long-term impact which Covid-19 will have on the ability of the economy to recover will take some time to assess. While travel insurance for instance might be less used under confinement, it is possible that failures of tour operators and related service providers could lead to an increased risk.

Some business models or national regulations might already provide tools that partially address the issues presented in this note (e.g., 'seasonal' MTPL policies where consumer can temporarily de-register the vehicle for some months, on-demand/pay-as-you-go products adjusting premiums to the actual time "on risk", etc). Please state your views and share examples on whether you have observed any business models or financial innovation related initiative that has helped/eased in addressing the possible risks highlighted.

Desislav DANOV, Bulgaria, Consumers:

No such cases observed.

Monica CALU, Romania, Consumers:

It is vital that insurance providers treat consumer claims fairly, providing clear, transparent information and, where possible, encouraging a flexible interpretation of policy rules in COVID-19 circumstances. Consumers also need to know how their insurance providers are dealing with issues directly related to COVID-19 — health and travel insurance, investment portfolio performance and online payment facilities.

Financial institutions need to allocate resources to digitalization and to enhance innovations that facilitate the timely collection and resolution of consumer demands, including through digital channels. Financial institutions should deal with urgent complaints properly.

Climate change and this pandemic is creating new risks and societal needs highlighting the urgency for insurers to adapt services to the shifting landscape.

Christian GÜLICH, Germany, Consumers:

Cf. our comments on No. 1 above

Liane HIRNER, Austria, Industry:

For millennia the concept of insurance is the “double-pooling” of losses over time and a sufficiently large community at risk.

Situative or “on risk” insurance significantly reduces one out of these two essential components, i.e. the risk pooling over time. Applied on a broader scale, narrowing insurance cover to periods of pure risk will ultimately lead to a maximum segmentation of the customer base, i.e. individual insurance tariffs or accounts per customer, deleting the benefits of risk mutualisation and leaving consumers with higher individual prices (per hour, day, week etc.).

Furthermore, “on/off” insurance increases the pressure on consumers to check anytime whether they are appropriately covered in each situation. Considering the low levels of financial literacy, protection gaps are likely to emerge.

Juan – Ramón Plá, SPAIN, Industry:

In different countries there are insurances that already base the premium on demand/use, but these practices existed before Covid-19.

Anthony O'RIORDAN, Ireland, Professional Associations:

Some measures which have been taken by Irish insurers to support customers and the wider society during the crisis are detailed above. Other examples observed are:

- insurers stay on cover for temporarily abandoned business units (e.g. warehouses or offices) if certain security measures are taken.
- premiums for taxis not used for business purposes are adjusted, reflecting lack of use during confinement.