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## Simpler and better value products to enhance trust, increase retail investment

Although Europeans save more than their American peers, they remain worried about their financial situation at retirement. In 2022, the EU saving rate was at 12.7%, compared to 3.7% in the US.<sup>1</sup> Despite this relatively high savings rate, only 42% of Europeans feel financially confident in their retirement, with confidence levels varying significantly by gender – 37% of women and 47% of men, according to EIOPA’s 2023 Eurobarometer Survey.

The high EU saving rate shows potential for increased direct retail participation in capital markets. Nevertheless, more efforts are needed to ensure that Europeans have access to a broad range of long-term saving products which offer value for money. This includes insurance-based investment products, life insurance and personal pension products. The Survey also shows that European consumers who save through these products tend to feel more secure about their retirement.<sup>2</sup>

Increasing retail investment in capital markets requires a higher level of consumer trust in product providers

(currently, consumer trust in insurance manufacturers is 45%, while trust in pension providers is 38%).

Therefore, it is important that consumers are offered choices that are simple, transparent and easy to understand, including regarding key trade-offs such as safety versus potential for higher returns, liquidity versus better long-term returns.

Products must align with consumers’ needs and objectives and offer value for money. Products with low returns and high costs (about 15% of the products within EIOPA’s Costs and Past Performance sample) can significantly impact consumer trust.

The digital transformation of the insurance and pensions sectors is creating new opportunities by lowering costs and enabling the development of increasingly tailored and personalised offers that better meet individual needs. Providing Europeans with insurance-based investment and pension products that deliver adequate and sustainable returns can also contribute positively to capital markets more broadly.

Beyond the core objectives of delivering adequate, safe and sustainable returns, increased insurance and pension savings can supply the capital needed to finance the long-term growth of the real economy and its green and digital transitions, while ensuring diversification of investments across the continent.

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### To improve returns and close pension gaps, consumers would benefit from more diversified savings.

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The increased choice and availability of products and the range of product features can sometimes feel overwhelming for consumers, making it crucial to simplify and clarify options to avoid confusion. Hence, it is important to promote the development of simpler products informed by behavioural insights, focusing on how consumers perceive and understand product features.

Enhancing the governance of conduct risks by assigning clearer responsibilities on the boards of insurance undertakings and pension providers would help ensure that, throughout their lifetime, long-term products offer consumers value in line with their needs and objectives.

We must also streamline the distribution process. Incorporating new technologies such as AI, machine learning, and open finance can facilitate this. These tools allow insurance distributors to obtain information about customer needs indirectly, reducing the number of touchpoints during the pre-contractual phase and delivering a more effective purchasing process which fully considers the needs of consumers.

To facilitate innovation while protecting consumers, robust and impactful conduct of business supervision is a must, avoiding “one-size fits-all” blanket measures. It is important to swiftly and decisively identify and address cases of misconduct, using appropriate enforcement measures, including those that cover cross-border business activities.

Increased cross-border activities by insurers and pension providers can deepen the Single Market by providing consumers with a wider range of investment opportunities for their savings and pensions. Citizens must trust that rules are enforced consistently throughout Europe. When national supervisors are unable or unwilling to act, the supervisory framework needs to allow for swift remedial actions at European level to address consumer detriment.

1. Eurostat, Household statistics; Bureau of Economic Analysis
2. Amongst respondents with an occupational pension scheme and/or a private/personal pension product, 53% report feeling confident in their retirement. In comparison, only 38% of those who rely on a State pension report being confident in their retirement.