

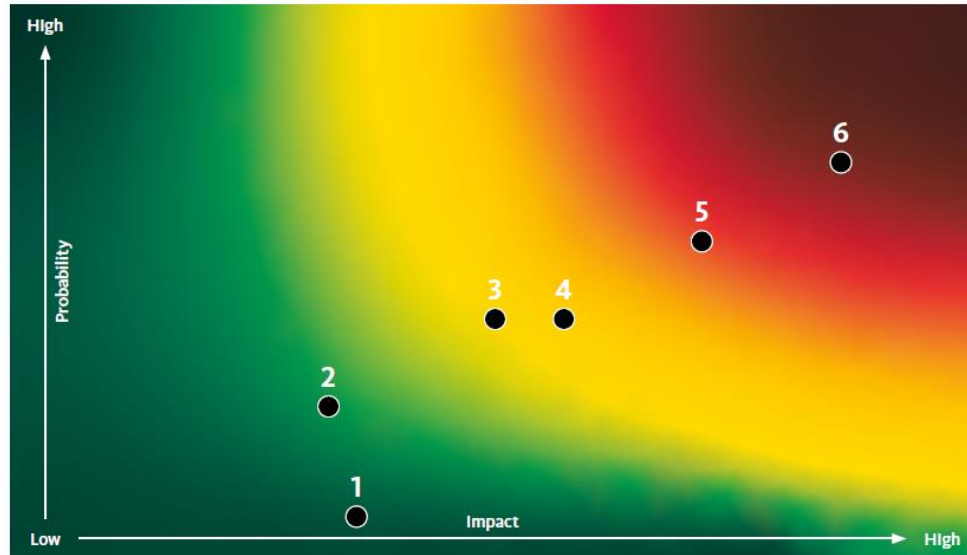
THE INSURANCE SECTOR AND THE EFFECT OF THE PANDEMIC

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Date: 18 March 2021

CONSUMER TREND REPORT

Heat map



IMPACT LINE:

Low impact: Low impact on few consumers and/or very minor impact on many consumers

Medium impact: Low impact on a large number of consumers and/or medium impact consumers

High impact: Large number of consumers may be affected by this risk and/or, this can have a significant impact on the affected consumers.

PROBABILITY LINE:

Low probability: did not materialize and it is very unlikely it will materialize

Medium probability: It is too early to draw conclusions and/or, a mix of issues (good and bad for consumers) have been observed

Higher probability: It already materialized or it is highly likely to materialize

CONSUMER TREND REPORT

Risks raised by COVID-19 crisis

01 Risks related to **business disruption** and operational resilience

02 **Lack of forbearance measures** and flexibility towards consumers who may have found themselves in breach of contractual obligations

03 Instances of problematic business models and low value for some **travel insurance products**

04 **Changes in risk profiles** and changes in consumers' insurance needs not followed by adequate remedial measures

05 Instances of **lack of clarity in terms of exclusions and lack of clear communication** on this, alongside contract complexity

06 **Complex and costly unit-linked products** and structural problems in the unit-linked market

LOW VALUE TRAVEL INSURANCE PRODUCTS

Heightened by the pandemic

Poor value for money driven by:

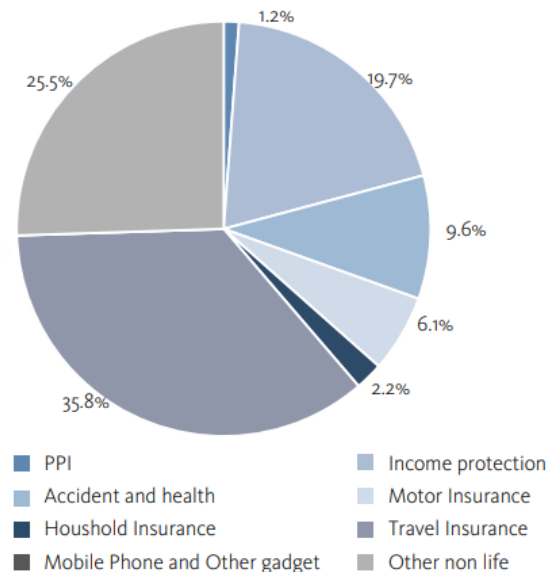
- High commission
- Low claims ratio
- High complaints for low premium reimbursement
- Changes in products' risk profile



Out of EUR 100 premium paid by consumers, distributors were paid
€ 77

Consumers received back in claims only
€ 14

COVID-19 related complaints split by non-life insurance products

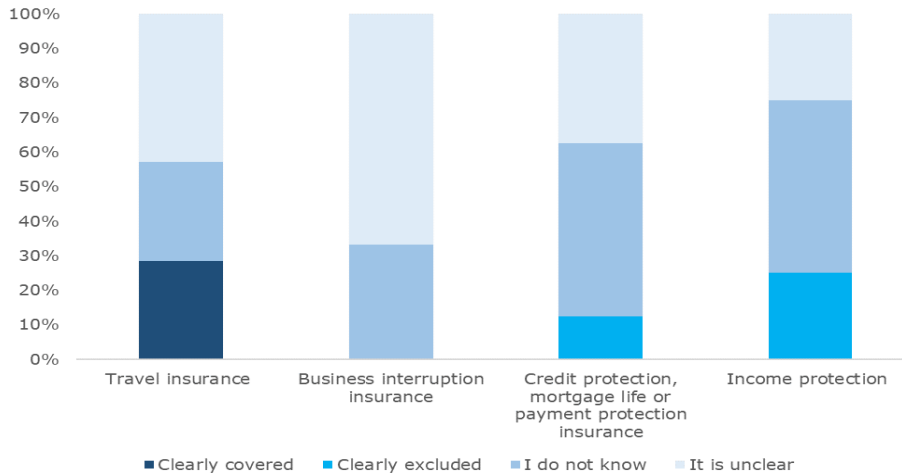


Source: Committee on Consumer Protection and Financial Information consumer trends questionnaires.

CONTRACT COMPLEXITY CONTINUES TO PERSIST

The pandemic surfaced issues around exclusions

Do you know if pandemics are clearly covered or clearly excluded?



“

...I don't know if the pandemic is covered by my travel insurance...

...for my income protection insurance, it doesn't really have to do with the pandemic itself, it will depend on how long I am off work...

...If I die from the coronavirus the mortgage is surely covered, I don't think they analyse the reason for the death ...

”

ISSUES ON UNIT-LINKED MARKET

Main findings



LOW VALUE TO CONSUMERS

Given the high cost and the low interest rate environment, the investment component normally brings low value



COMPLEX PRODUCTS

The consumers are struggling to understand the products which are often sold as mass market products



HIGH & OPAQUE COSTS

Costs are often high, complex and opaque; it is difficult to understand if they are “due” and in line with peers’ products





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