EIOPA-22-247  
21 March 2022

Questionnaire gathering input for the

EIOPA 2022 Consumer Trends Report

# Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends[[1]](#footnote-1). To date, EIOPA has produced ten 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.

# Questions

Like in the past years, EIOPA would like to collect informal input from stakeholders to complement the other sources of information available for the Consumer Trends Report. In addition to relevant information/answers, it would be very useful if supporting documents/links could be provided to complement your feedback. References to specific examples observed at national or European level are also strongly encouraged.

The deadline to provide input is **Friday 20 May 2022**.

# Top 3 risks and positive developments observed in the market

# Top 3 Consumer Protection Issues

**Kindly highlight what are the most concerning consumer protection issues. The information on product specific initiatives will be requested in section 3 of the questionnaire.**

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

***Consumer Protection Issue 1***

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| New business models based on AI  The growing use of new technologies in the insurance sector, with potential advantages for consumers, namely in terms of cost, speed and convenience, also brings numerous risks. For example, insurers increasingly rely on Big Data analytics to sell, price and customize insurance offerings to consumers. While this brings potential benefits for consumers, it also brings risks in terms of privacy, discrimination, fairness and exclusion. |

***Consumer Protection Issue 2***

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| Increased exposure to cyber risks  Consumers are unprotected against these risks, namely when the target of these attacks are companies with whom they have celebrated contracts (The market in Portugal shows, for the time being, a shy offer of policies covering cyber risks, aimed at consumers.)  Recently, in Portugal, a telecommunications service provider has been attacked, which left consumers with no access to several services (they were not able to make phone calls, to send SMS, to access the 4G/5G network or to watch TV). Voice and digital customer support were also affected. Consumers were not entitled to any compensation.  Despite the fact that in situations like this consumers have no contract with an insurance company (and although the fact that in this precise situation, in what concerns the damages caused, this is a problem to be solved under the Communications Law and more specifically in what concerns the quality of service) in our opinion, considering a broad sense of the concept of trend and also the impact of this risk in consumers’ rights and interests, it should be considered as a possible consumer protection issue. |

***Consumer Protection Issue 3***

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| Misleading practices  In mass-sold insurance, the consumer is confused with proposals that only address the premium factor, aggravated by an offer that lacks pre-contractual information (especially in apps and online) so that the user knows what they have contracted at the time of the claim.  Our Spanish member ASUFIN reported that many insurance companies are resorting to strategies that could be considered dumping that lead to abusive cuts in compensation, with insufficient valuation criteria to cover the value of the lost asset, with the use of recycled or unofficial spare parts without the consent of the owner of the asset and denying the free choice of repairman or workshop.  <https://youtu.be/B67hMkBSTBs> (Example Publicity of Mutua Madrileña)  Furthermore, insurance linked to loans or mortgages is often imposed on consumers without giving the opportunity to contract insurance outside the entity. In the few exceptions, if the bank's insurance is not contracted, the interest rate is modified by a disproportionate one, which is, in fact, a punitive proposal. These insurances are toxic for the client due to their extra cost (between 60% and 300% of the market premium) and, in some cases, because they are offered under the long-term single premium format (life risk, payment protection and home). This situation is considerably aggravated by the fact that risk life insurance is the only one that has a 30-day withdrawal period, although most of the time this right is not informed.  Discrimination practices  Additional Provisions 4 and 5 of Law 50/1980 on Insurance Contracts (Spanish regulation- <https://www.boe.es/buscar/act.php?id=BOE-A-1980-22501>), which prohibit discrimination against people with disabilities or who have chronic HIV or any other disease, are systematically and universally breached. These provisions prohibit:  • The exclusion of these people: they can’t contract.  • Provide to different insurance solutions than those offered to standard policyholders.  • Propose premium surcharges for health reasons.  This violation of the Law against especially vulnerable users is significant. It affects a group of between 3 and 4 million people in Spain. In addition, no Spanish insurer, whether in its contracting manuals, in its information brochures or on its website, offers prior, justified, an objective information on any criteria in this regard. |

# Top 3 Initiatives Observed

**Kindly 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. Initiatives referred to in this section should be focused on specific actions taken to guarantee the fair treatment of policyholders in general.**

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

***Initiative 1***

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| In Spain: financial education actions have been promoted such as "ESTAMOS SEGUROS" (https://www.estamos-seguros.es/) which provides information about the usefulness of insurance, although it lacks independence and self-criticism. |

***Initiative 2***

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| In Portugal: Creation of a simulator that serves as a reference for the cost of reconstruction of residential buildings in Portugal, with a view to calculate the capital to be insured in Fire and Natural Elements and Multi-risk residential insurance policies.  This simulator was created by the Portuguese Association of Insurers (APS)- which is a non-profit association, established according to the law to defend and promote the interests of the insurance and reinsurance companies operating in the Portuguese market. DECO was invited to give its contributions. Some of our contributions have been accepted and we have been told that others will be accepted in a new version of the simulator.  Although we believe that, given the existence of a legislative vacuum in this matter, the most adequate solution would be a legal model for calculating the costs of reconstruction of residential properties, we think that this simulator is an important tool for consumers, particularly when taking out insurance, but also when carrying it out and especially in the event of an accident, given the fact that the insured capital is the responsibility of the policyholder.  In this sense, and despite the reservations that we presented to APS, in our opinion the simulator constitutes a relevant additional contribution to the strengthening of consumer rights.  More information on the APS simulator can be found at <https://www.apseguradores.pt/pt/ferramentas/simuladores/reconstru%C3%A7%C3%A3o-de-im%C3%B3veis> |

***Initiative 3***

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| In Spain: Insurance intermediaries (ADECOSE, CIAC, GENERAL COUNCIL OF SCHOOLS) have initiated contacts with consumer organizations such as ASUFIN and political parties in order to publicize the abusive practices that they witness in their daily contact with policyholders. Among others, the coercion that is exercised in bancassurance by imposing insurance contracts on their clients implies a loss of business in independent firms since the client is kidnapped for decades by being forced to contract during the duration of the loan. They also detect and denounce clear destruction of value and insurance coverage generated by price war policies. |

# Product related trends

You are invited to explain how the demand and/or offer for the below insurance products has increased/decreased/remained unchanged, during 2021. Please, where relevant, refer to any possible financial innovations, market developments, or positive/improved consumer outcomes you may have observed. Note the specific questions included are aimed at guiding the feedback sought but any issue/trend observed in relation to the products presented below is welcomed.

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| Product categories | Developments in demand / offer / financial innovations / market environment /market practices / consumer protection |
| Life insurance - with profit | *While information on all trends relating to profit participation products are welcome it would be extremely useful if you could highlight any trends you may have observed relating to the shift towards unit-linked and hybrid products. Any trends also relating/which are a cause of the low interest rate environment or high inflation are also highly appreciated.*  **In a scenario of very low interest rates, it is very difficult to obtain any kind of return on savings. In insurance, the premium is not invested, but the mathematical provision – what remains of the premium after expenses have been deducted – so there is a vital element: effective and transparent control of expenses.**  **The problem is that there is no transparency in terms of distributor remuneration. Thus, it is urgent to state that this type of product can only be sold by charging fees.**  **In particular, several Spanish and German brokerages resort (in Spain) to pyramid sales systems with up to seven levels of subcontracting of External Collaborators; When a collaborator from the base sells, he pays back all those above him in his pyramid, generating a huge “bite” in the supposed savings of the consumer that can hardly be recovered with very little interest.** |
| Life insurance - unit linked | *While information on all trends relating to unit-linked products is welcome, if you observed any trends relating to the liquidity of unit-linked funds, surrenders/lapses, and/or changes in products as a result of the increase offer of sustainable funds is also highly appreciated.*  **Given the prohibition for brokers to charge retrocessions in the sale of products such as unit links, we have detected that insurance companies are offering them to open an agency company. We understand that it is about the creation of intermediaries to violate the obligations regarding the prevention of conflicts of interest.** |
| Mortgage life insurance | *With particular regard to trends relating to mortgage life insurance products, it would be highly appreciated if you could highlight if and how they have contributed to the financial security of consumer during COVID-19 crisis.*  **Mortgage-related life insurance is a continuing source of abusive practices:**  **• They are imposed by almost 100% of Spanish financial entities. The alternative of going to the free market is not offered and, if it does, the interest rate penalty is dissuasive.**  **• Banks require the subscription of single premiums (banks sell 97% of these insurances, in premiums, in Spain) that they finance within the loan given the premium that easily ranges between €12,000 and €45,000, generating over-indebtedness and greater risk of loan default.**  **• Sometimes they are imposed at a notarial office, without prior knowledge on the part of the consumer and without being recorded in the pre-contractual information. This is very common if there are deposits because the consumer is faced with a situation with no way out.**  **• The possibility of withdrawal of article 83.1.a of Law 50 (1980 of insurance contract) is not noted.**  **• They present exclusions that are inappropriate for the consumer's activity. For example, policemen, bricklayers, taxi drivers are insured in policies that exclude working in law enforcement, construction, or transportation (for example BBVA).**  **• Insurance is contracted in which the beneficiary is the bank, including the insured capital that exceeds the balance pending amortization, thus depriving the family of the deceased of that benefit that he has paid.**  **• Sometimes, to reduce the premium, and thanks to the lack of understanding of the insurance technique by the bank employee, an amortization insurance policy is made for a duration much shorter than that of the loan. This inconsistency in amortization means that, in the event of death, the insurance does not fulfill its mission and the family retain a debt that can weigh down their quality of life or the continuity of the loan.**  **• Health and professional declarations are falsified. Even the existence of situations of disability to sell the policy.**  **• In general, there is exclusion of pandemics and epidemics, so there was no coverage in relation to COVID.** |
| Other life insurance (please explain) | **The biggest problem detected in Spain is the discrimination of disabled and sick people.** |
| Payment Protection Insurance | *While information on all trends relating to PPI are welcome, it would be good if you could detect any issue in relation to protection gap/exclusions for pre-existing medical conditions*  **Payment protection insurance is totally residual in Portugal.**  **In Spain, this is insurance that cannot be obtained in the non-bank market. Simply because the bank requires contracting with its mediator. It is sold in an oligopolistic context and by imposition. It is often found that:**  **• It is sold to public officials who are not exposed to unemployment or loss of income due to sick leave.**  **• It is sold to retirees and disabled people who are also not exposed to said risk.**  **Coverage is usually very little and poorly adapted to the reality of an environment of job uncertainty. It is also noteworthy that, invariably, they are marketed at a single premium and are financed by the loan, generating over-indebtedness.**  **As there is no competition, the price of the insurance is not negotiated, nor can it be compared with other options.** |
| Motor insurance | *While information relating to any trends for motor insurance products is welcome, it would be highly appreciated if you could highlight any trends relating to an increase in uptake of pay-as-you-drive products*  **Pay-as-you drive-in auto insurance does not exist in Portugal yet.**  **In contrast, there are pay-per-use insurances in Spain. In general, they are not accepted since they imply interference in the user's habits and privacy.**  **From the consumer’s point of view, we must draw attention to the risk of using said data in the long term and for different purposes. Likewise, we run the risk of affecting a key element of the insurance industry, such as the dispersion of risk and its pooling: providing excellent conditions to some drivers necessarily generates the opposite in others and if the cost of the insurance is excessive for the economy of the latter, we will only get more vehicles circulating without insurance while increasing the benefits of insurers focused on minimal risk.**  **As consumers we must calculate the social impact of a market with exclusion mechanisms.** |
| Household insurance | *While information relating to any trends for household insurance products is welcome, it would be highly appreciated if you could highlight any trends relating to exclusions.*  **Home insurance in Spain is experiencing a negative evolution in terms of coverage to address increasingly lower prices. This leads to the disappearance or reduction to absurdity of necessary coverage (rain, for example, in an Allianz policy; water damage to horizontal or buried pipes in Mapfre; coverage limited to €30,000 in RC in Segurcaixa, etc).**  **In matters of CR for the family, which in Spain is packaged in home insurance, it is common for it to be limited to €300,000 when in Germany, for example, a minimum of €10,000,000 is recommended.**  **Coverage is not updated with the needs of families, but is used to create products that require additional spending or risk is ruled out:**  **• Insurance for scooters or pets when in other countries the same insurers include it in the home by default.**  **• No coverage for private drones, covered in other countries by the same insurers that operate in Spain.** |
| Accident and Health insurance | **In Portugal, there is a great trend towards contracting health care, either at individual or company level, through group insurance (making this type of product included in the package of social benefits of employees).**  **According to our national regulatory body (ASF), in 2019, around 2.9 million people were covered by health insurance (the majority - 56% - in group insurance), with an annual growth rate above 4% in the period from 2006 to 2019. In the same period, premiums and claims costs also recorded an average annual growth of more than 8%. In 2019, the weight of the Health insurance line in the Non-Life business as a whole was around 19.2%, which compares with 9.6% in 2006.**  **The figures demonstrate the evolution and consolidation of the health insurance market in Portugal in the recent years, a trend that, in the context of a pandemic/post pandemic, is predictable that it will continue.**  **Indeed, at the basis of the growth of the health insurance market is above all the greater perception that consumers have of the insufficiencies of the National Health Service (SNS), namely the high average waiting time for scheduling specialist consultations, surgeries and exams, which leads them to look for an alternative that gives them privileged access to the private sector. However, given the current conjuncture, this circumstance is the potentiator of an even greater growth of this trend.**  **Another trend that is worth noting: consumers easily confuse Health insurances and Health Plans. On the one hand, sometimes the consumer is misled and the conviction is created that he is buying a health insurance (when he’s only buying a Health Plan). By the other hand, there is a need to increase the consumer’s literacy level.**  **In Spain, accident insurance lends itself to generating few incidents. Perhaps the scant coverage for prostheses and the general temporary limitation of medical expense coverage at 365 days would be notable.**  **Regarding health insurance:**  **• People with disabilities or chronic illnesses are excluded, violating additional provisions 4th and 5th of Law 50/1980 on Insurance Contracts.**  **• Some insurers apply dissuasive premiums or, directly, cancel the coverage of elderly people or those who have made use of the insurance that exceeds 60% or more of the premium.**  **• The insurance interrupts the treatment of people who are not insured for the following period even if they have not achieved health.**  **• Specialist doctors are paid fees of between €14 and €16, which are reduced by half in general medicine. This causes a high risk of error in doctors who are forced to maintain more than 40 daily visits to maintain consultation expenses. We believe that exploiting professionals to offer cheap premiums while keeping the insurer's profits high is reckless and reprehensible.**  **• Insurers interfere in medical criteria, reserving the right to approve or not treatments or interventions without having intervened in the diagnostic process.** |
| Travel insurance | *While information relating to any trends for travel insurance products is welcome, it would be highly appreciated if you could highlight any impact that COVID-19 had on travel insurance – have you seen undertakings changing the structure of their products?*  **As usual in the sector, new risks create new business opportunities, giving rise to new products. Thus, despite the fact that most traditional travel insurance provides funds for treatments, which exclude expenses related to covid-19, at the present there are several policies that cover this disease, either because they were created after the pandemic was declared, or because they have been reformulated in the meantime to respond to this new need for travellers.**  **In Spain, practically all insurers exclude epidemics and pandemics in their contracts. It has not generated major incidents: we understand that insurers have not resorted to this exclusion, but they maintain it in their policies, which creates uncertainty regarding future behavior. On the other hand, the capital for health care has been increasing, but it is minimal in terms of coverage associated with bank cards and supplements.** |
| Mobile phone and other gadget Insurance | **In Spain, the marketing of insurance for mobile terminals is one of those that generates the most conflict, since it combines marketing from telephony points of sale without insurance training or from apps without pre-contractual information and a tendency to fraud by the user to circumvent the surprising exclusions that present these policies.** |
| Other non-life (please explain) | **In Spain, policies for scooters are appearing, for example, that cover the RCivil derived from an accident. These insurances offer adjusted premiums, but could be avoided if better home insurance solutions were offered, as in other countries, so they can be interpreted as avoidable insurance. In addition, the sums insured do not adequately protect against significant injuries caused to a victim.** |
| Other, including non-product related issues | **In Spain, there is a tendency to lose the quality of coverage and its management. The free choice of workshop is difficult (right art 18 Insurance Contract Law), diverting the repair to the agreed workshop, poorly paid and which is forced to have replacement vehicles that the company sells as a benefit to the customer.**  **In addition, we are aware of the following practices:**  **• Monetary prizes are used for employees who manage to avoid sending an expert.**  **• Monetary rewards are used for employees who manage to pay less than the assessed amount.**  **• Claims are auctioned between large expert offices at a fixed price, affecting the final expert reports; that is, the cabinet collects in advance, adjusts the experts and what is left over is profit.**  **• Some insurers offer the experts monthly compensation quotas; that is, the expert begins the month with a payment limit to be approved.**  **For many years now, DECO has been alerting to the existence of discriminatory practices in the portuguese market, on the part of economic operators vis-à-vis consumers who want to access credit and associated insurance, as they have had an increased risk of health. In this context, many consumers had serious difficulties in accessing credit for housing (and consumption), due to the impossibility of accessing the associated life insurance usually required by institutions. On the other hand, even if, in order to access these credits, consumers were not required to sign an insurance contract, many wanted to subscribe it and also encounter serious difficulties, as they have had an increased health risk. So, they were more unprotected, compared to others who do not have had these constraints.**  **So, since November 2021, Portugal has a legal framework (Law No. 75/2021, of 18 November) that provides for the right to be forgotten for people who have overcome or mitigated situations of aggravated health or disability risk.**  **Under the Law, who have overcome or mitigated situations of aggravated health or disability risk have, as a consumer, the right to be forgotten when contracting housing credit and consumer credit, as well as in contracting mandatory or optional insurance associated with the aforementioned credits, ensuring that:**  **a) They cannot be subject to an increase in the insurance premium or exclusion of guarantees from insurance contracts;**  **b) No health information relating to the medical situation that gave rise to the aggravated health risk or disability may be collected or processed by credit institutions or insurers in a pre-contractual context.**  **No health information related to a situation of aggravated health risk or disability may be collected by credit institutions or insurers in a pre-contractual context, provided that the following have taken place, uninterruptedly:**  **a) 10 years from the end of the therapeutic protocol, in the case of an aggravated health risk or disability overcome;**  **b) Five years from the end of the therapeutic protocol, in case the pathology overcome has occurred before the age of 21;**  **c) Two years of continuous and effective therapeutic protocol, in the case of an aggravated health risk or mitigated disability.**  **The Law came into force on January 1, 2022, however, still lacks regulation.** |

# Focus topics

In addition, you are invited to provide input on the following focus topics:

* + 1. **Greenwashing**

Greenwashing is the risk of portraying the insurance company as sustainable and of marketing products as allegedly meeting ESG standards while the green claims are unsubstantiated. This is a risk which can emerge in different phases including: (1) business model and management in relation to portraying the company as being sustainable as marketing technique; (2) manufacturing in relation to identifying products as green when they are not; and (3) sale & distribution in relation to portraying products as being green when they are not.

**Q1: In your market(s) have you observed an increase in offering of products with "sustainable/green" features (e.g. underlying "green" funds)? Have you observed an increase in consumer appetite for these types of products? Please give more information below.**

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| In Spain, there is a limited supply of products that are advertised as “green”. In addition, since there is no real and broken-down information on the assets, it is not possible to verify whether or not we are facing greenwashing.  There is also no demand for this type of product.  On the contrary, there is this report that highlights the interest of the insurance industry in investing in weapons:  <https://www.bancaarmada.org/images/informe45_BancaAseguradorasArmadas_CAST_DEF.pdf> |

**Q2: In your market(s) have you observed evidence of greenwashing as described above? If so please indicate for which type of products this evidence relates to (e.g. unit-linked, with-profit, hybrids), and at what stage of the product lifecycle was greenwashing identified (e.g. Business model and management, Manufacturing, Sales & distribution). Please give more information below.**

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| In Spain, it is reported as opaque. In general, they are marketed by banks that include in said products assets of their corporate clients or third parties. Let us remember that an Investment Fund requires MiFID formalities and Unit Linked insurance that contains said Fund does not.  Insurance agents and brokers are not informed, as are their clients, of the exact composition of the Funds, not knowing the assets that make up these portfolios. They are traded on faith, not knowledge. |

**Q3: For your market(s), please provide below your view with regard to Greenwashing. What are the main risks for consumers that you see? In your view, which actions/tools should be undertaken/implemented to mitigate such risks?**

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| All misleading is harmful to those who suffer it and the environment for not bringing the promised benefits.  It is evident that an insured who intends to support activities or companies with a certain commitment to the environment should not be led to do something else and, perhaps, the opposite.  It would be interesting for the user to know the details of the assets in which he is investing. As usual, more transparency is needed.  The additional risk is incurring in a simulation of transparency, something that is also common.  In general, we think that one of the main and most efficient instruments to mitigate the risk of greenwashing is the development of harmonised definitions of the “green” products concerned, according to minimum standards. This would help consumers to understand what they are buying, enhancing their confidence and trust, promoting the markets and preventing misleading Greenwashing. |

* + 1. **Protection Gap**

The Insurance Protection Gap measures the difference between optimal insurance coverage and actual coverage in every country. In other words, the protection gap describes uninsured losses in any given country. This gap is naturally dynamic and affected by many factors, such as economic strength, changes in GDP and population, as well as risks such as climate change, cyber, pandemics or technological and behavioural developments. In addition to these aspects this topic will also explore increases in protection gaps because of insurance providers cancelling coverage because the risk has become uninsurable – e.g., recent nat cat events – or too expensive to insurance – e.g., recent cancellations in assistance coverage and/or energy bills payment coverage because of sudden increases.

**Q1: In your market(s) have you observed evidence of protection gaps as described above? If so please indicate for which type of products this evidence relates to (e.g. travel insurance, natural catastrophe coverage, cyber coverage), and at what stage of the product lifecycle were protection gaps identified (e.g. business model and management, manufacturing, sales & distribution). Please give additional information below.**

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| At the moment, in Spain:  • In general, RCivil coverage for individuals or families has contractable insured sums that do not protect them patrimonially in the face of a serious event. For example, with 300,000€ insured, it will be difficult to face damage to several homes and some victims after a fire. Furthermore, as has been mentioned, many activities of a modern family are left out of coverage.  • The risks arising from the digitization of the family are not being adequately covered, nor are phenomena such as claims of bullying in one direction or another.  • Multi-risk insurance usually includes legal defense that, in any case, excludes the claim against the insurer itself, which is one of the probable sources of conflict.  • Legal defense coverage includes sums insured for the free choice of lawyer, which makes such a right unfeasible (€250 in Direct Line, €600 in Mapfre).  • The elderly, disabled and sick are excluded from many contracts, especially personal risks.  • Residents of certain zip codes are beginning to be excluded from hiring: AI is applying biases derived from open data that report higher risk of unemployment, crime, etc.  • Drivers under 25 years of age are offered unaffordable premiums in such a way that non-insurance or fraudulent contracting through an intermediary is facilitated. Requires mutualization.  In Portugal, at the beginning of the pandemic, some health insurance covered Covid tests, carried out, for example, within the scope of emergency care services, in private health units. Insurers considered them included in the single emergency fee usually charged to consumers. After a while, and because the risk became unsustainable for insurers, they stopped covering it and consumers began to pay for these tests. The same happened with the protection kits. |

**Q2: In your opinions, what are the main reason(s) leading to a protection gap in your market(s) (e.g. affordability, behavioural biases, exclusions, regulatory environment)? Can you provide some examples?**

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| It depends on the gap concerned, namely on the risks that may not have sufficient coverage. For instance, in the case of an aging population, namely in what concerns pension and health insurance, we think the main reasons are affordability, exclusions and regulatory environment (or the absence of a legal framework that ensures accessibility without age restrictions for all - therefore affordability for all too).  In what concerns natural catastrophes, we think the main reasons are Regulatory environment (or lack of a legal framework / political will).  In addition, it can be added:   * Non-advised sale: poor coverage products are presented, pretending that they are the same as other more suitable ones. * Discrimination based on age, health status and profession. * The legal environment is adequate but there is no supervision regarding practices that have been known for years as what happens in bancassurance. |

**Q3: Please provide below your view with regard to the protection gap in your market. What are the main risks for consumers that you see? In your view, which actions/tools should be undertaken/implemented to mitigate such risks?**

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| DECO has long been advocating the creation of a disaster fund in Portugal to deal with events of natural origin, likely to generate large-scale human and material losses, based on a legal model of public-private partnership, involving the State and insurers.  In 2010, a draft legislative act was under consultation aimed at creating the basis of a Risk Earthquake Coverage System, consisting of a public fund with autonomous assets, under the supervision of the regulatory body, and integrating insurers and the State. This System intended to make seismic phenomena coverage mandatory for residential properties and was based on the pooling of risk and on the reinsurance capacity in the international market.  In 2019 APS (Portuguese Association of Insurers) presented a new proposal aiming to create an Earthquake Fund.  Since then, as far as we know, there have been no further developments on the matter.  In Spain, several shortcomings have been identified:  • Precariousness of customer service and growing use of technologies that can cause exclusion in certain groups.  • Frequent use of contracts without pre-contractual information, “with two clicks”, which stimulate compulsiveness and irrational decisions. Models based on knowledge and advice are criticized, leading to the belief that they unnecessarily make the product more expensive.  • The current system of out-of-court conflict resolution based on Customer Service and subsequent recourse to the Supervisor does not work; especially when the resolutions of the latter exceed the maximum legal response period, they are not binding and do not admit appeal.  Our Spanish member ASUFIN suggested to provide consumers with low-cost or zero-cost tools to resolve their conflicts with insurers. For example, submitting to consumer arbitration for any incidence of less than 60,000€ would mean providing fast, efficient and free solutions. The current scheme that provides for judicialization is burdensome for the consumer and delays the solution for years, which is why it is a dissuasive for them, especially if the conflict is manifested in small amounts. |

* + 1. **Financial Health**

Financial health or wellbeing is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future. The aim would be to collect information on practices observed to ensure that insurance improves financial health by improving policyholder’s resilience in managing financial shocks – via insurance savings products and payment protection products – and other shocks such as medical emergencies, fires, etc. – via other products.

**Q1: For your market(s), please indicate below how consumers' financial health has evolved in the last 2 years, and how the insurance sector contributed to this evolution (e.g. positively, negatively)? Please give additional information below.**

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| Spain was a country hard hit by the financial crisis of 2008.  Unemployment rates, precarious employment and uncertainty strongly slowed the domestic economy. A clear effect has been seen in the number of mortgages and in the purchase of new vehicles.  COVID has only aggravated this situation.  The current scenario of wild increase in the cost of gas and electricity supplies, public and private transport, food, the difficulty in finding reasonable rents together with the rise in the cost of purchasing a home and the uncertainty caused by the new scenario in the aftermath of the war in Ukraine are completely disrupting the domestic economy.  In Portugal, based on the data from our Support Office for the Over-indebted (number of requests for help), consumers' financial health in the last 2 years remains approximately the same. However, the relevance of the support measures adopted by the Government, within the pandemic, namely moratoria, cannot be overlooked.  We do not have data regarding possible contributions from the insurance sector to this circumstance. |

**Q2: Do you think manufacturers do sufficient efforts to ensure consumers’ financial health/well-being?**

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| In Spain, the distribution and remuneration model is not conducive to an image of responsible conduct between manufacturers and distributors.  The conflict of interest is possible since they survive:  • Reversals, overcharges and rebates.  • Incentive trips for “independent” distributors  • The offer to open exclusive agencies parallel to the brokers in order to avoid conflict of interest prevention obligations.  • Support for multilevel brokerages that generate unbearable expenses that are charged to consumer savings.  • In damage insurance, insufficient capital in civil liability and other quality problems in coverage expose the consumer to severe risks.  • In automobile insurance, the new compensation scales have allowed victims of low to medium intensity injuries to be exposed, causing suffering and uncompensated functional losses.  • The use of non-original spare parts and botched repairs affects the value of the goods that suffer a loss. There is a heritage devaluation that is contrary to the restoration interest provided for in the user's expectations. The distribution and remuneration model is not conducive to an image of responsible conduct between manufacturers and distributors.  The conflict of interest is possible since they survive:  • Reversals, overcharges and rebates.  • Incentive trips for “independent” distributors  • The offer to open exclusive agencies parallel to the brokers in order to avoid conflict of interest prevention obligations.  • Support for multilevel brokerages that generate unbearable expenses that are charged to consumer savings.  • In damage insurance, insufficient capital in civil liability and other quality problems in coverage expose the consumer to severe risks.  • In automobile insurance, the new compensation scales have allowed victims of low to medium intensity injuries to be exposed, causing suffering and uncompensated functional losses.  • The use of non-original spare parts and botched repairs affects the value of the goods that suffer a loss. There is a heritage devaluation that is contrary to the restoration interest provided for in the user's expectations. |

**Q3: Please provide below your view with regard to financial health in your market(s). What are the consumer risks most affecting financial health? In your view, what should be done in order to ensure that consumers have healthy financial habits and take good financial decision?**

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| In our opinion, the main consumer risks most affecting financial health are lack of information from insurers and financial illiteracy. So, in order to ensure that consumers have healthy financial habits and take good financial decision, measures should be taken to reinforce information and transparency duties of the insurers, before the conclusion and during the term of the contract and also measures to promote consumers’ literacy.  In a complex environment, extreme prevention is advisable:  • Use agile, binding and free conflict resolution systems (arbitration)  • Severely punish bad practices and introduce graduation measures for recidivism.  • Requires publicity of sanctions  • Requires prior and public registration in the Registry of General Contracting Conditions of all forms and contractual documents (General Conditions) of insurance.  • Requires investment in financial education of the consumer from school and that this must be designed and executed by entities independent of the sector.  • Requires that the Consumer authorities commit themselves in relation to abusive clauses and practices in relation to insurance. |

**Q5: In your view, what are the causes and consequences of poor financial health?**

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| • There are too many sellers and there is a lack of (good) advisers.  • The model allows the advisor to delegate his function to sellers.  • Financial education, in general, is reserved for the market players that cause the problems.  • The consumer is being induced to compulsive purchases, without rational reflection.  • In some channels, such as bancassurance, there is no sale but taxation in some branches and toxic sales are taking place in others, for example, in life annuities and unit linked.  • The Law is almost good, because it does not fully include the protection framework of the Directives, but its compliance is also not supervised, even with many indicators and complaints of bad practices.  This leads to consumer overindebtedness. |

1. Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA [↑](#footnote-ref-1)