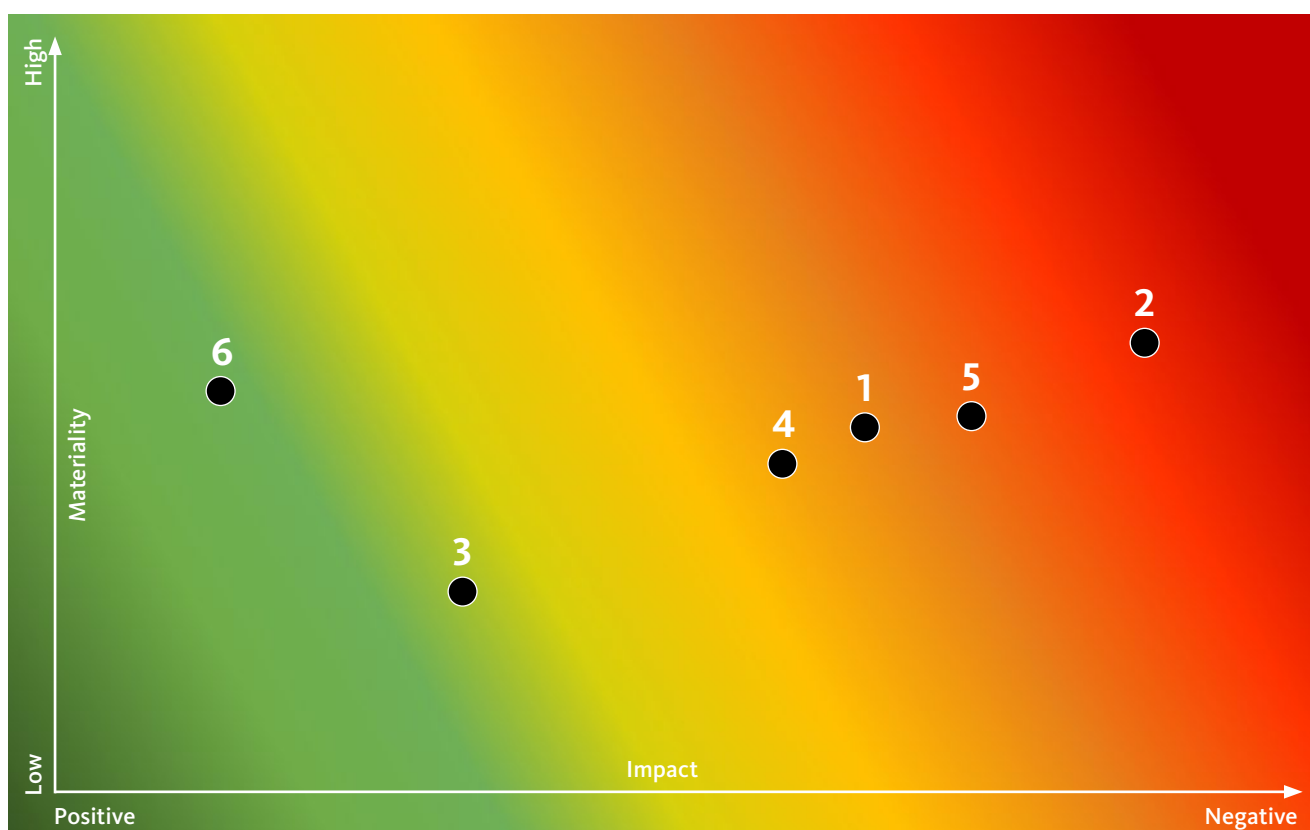


RISK HEAT-MAP

#INSURANCE #PENSIONS #CONSUMERS #FINANCIAL HEALTH

# HEAT MAP OF THE KEY FINDINGS OF THE 2022 CONSUMER TRENDS REPORT



**IMPACT LINE**

**Positive impact:** the finding has a positive impact on consumers.  
**Mild impact:** the finding is to be monitored as it could lead to a positive or negative impact on consumers.  
**Negative impact:** the finding has a negative impact on consumers that can be subject to high detriment.

**MATERIALITY LINE**

**Low materiality:** the finding impacts a relatively low number of consumers.  
**Medium materiality:** the finding impacts a considerable number of consumers.  
**High materiality:** the finding impacts a high number of consumers.

**OUTLOOK**

**Increasing outlook:** the finding has been observed in the past but the incidence/evidence increased.  
**Stable outlook:** the finding has been observed in the past and the situation has not changed.  
**Decreasing outlook:** although the incidence/evidence of the finding has been decreasing, this still represent a major trend/finding.

The heat-map, which takes into account the data collected for the report and relevant supervisory judgement, represents actual findings which have been identified at the European level; it may not be a specific accurate reflection of risks in different Member States.

## 1 MACRO-ECONOMIC ENVIRONMENT IMPACTING CONSUMERS' FINANCIAL HEALTH

- a. The increase in inflation and increase in the cost of living has a direct impact on consumers financial health as it lowers their disposable income, which can lead consumers to make financial decisions impacting their broader financial health.
- b. Certain categories of consumers, including vulnerable groups, could encounter difficulties in keeping up with payments for regular premium insurance products, or may opt to temporarily stop their contributions to voluntary pension schemes.
- c. Consumers may also decide to delay the buying of an insurance product they may need making them more vulnerable and prone to present and future shocks.
- d. In relation to life insurance, consumers may also decide to surrender their policy early to have more income to face day-to-day expenses and address financial needs, leading to possible negative consequences such as surrendering at market down-turns or facing early surrender penalties lowering the value that consumers get.

Outlook: Increasing, as this trend follows the current macroeconomic trends including the high increase in inflation.

## 2 CONTINUED ISSUES IN THE IBIPS MARKETS HEIGHTENED BY CURRENT MACRO-ECONOMIC TRENDS

- a. Instances of poor product design and concerns in relation to some unit-linked products offering poor value for money remain.
- b. Mis-selling of IBIPs because of conflicts of interests and high commissions also continues to be an issue reported in some Member States and consumers believe it is difficult to get un-biased advice.
- c. These concerns are exacerbated by the current market downturn and inflationary environment, in fact, while costs remain stable (real) returns can be low/negative, affecting the value these products offer consumers.

Outlook: increasing, while issues around IBIPs have been reported for several years, market turbulence and inflation, with costs remaining stable, impact product's real returns.

## 3 INCREASE IN CONSUMER APPETITE FOR IBIPS AND PENSION PRODUCTS WITH SUSTAINABILITY-RELATED FEATURES

- a. Consumers' appetite for sustainability-related investments is continuously growing. In an effort to meet this increase in demand, insurance and pension providers have adapted their offers to increasingly propose products with sustainability-related features.
- b. As sustainable offerings increase, so does the communication and marketing around them. Issues arise when these claims are either misleading or unsubstantiated, hence leading to the emergence of greenwashing.

Outlook: increasing, appetite for products with sustainability-related features is expected to keep on growing.

## 4 INCREASE IN INSURANCE PROTECTION GAP

- a. Natural catastrophes, cyber-attacks, pandemics, and other systemic events have been increasingly occurring in past years. The appropriate insurance coverage can be invaluable as it allows consumers and SMEs to be compensated in case such events materialize. However, as these risks become more frequent there are questions as to whether they are insurable or not.
- b. EU consumers and SMEs are often not covered in case of systemic events, for example in 2019 only 35% of the total losses caused by extreme weather and climate-related events across Europe were insured, such gaps may increase.
- c. According to the EU-wide Eurobarometer survey a considerable number of consumers and SMEs are of the view that they may not be able to sustain various shocks.

Outlook: Increasing, while the insurance protection gap has been an issue also in past years, recent events have accentuated it.

## 5 LACK OF CLARITY IN INSURANCE POLICIES' TERMS AND CONDITIONS, PARTICULARLY IN RELATION TO EXCLUSIONS

- a. Lack of clarity in terms and conditions, particularly in relation to exclusions, continue to be an issue and cause further consumer detriment when systemic events materialize, raising questions and doubts on the extent of coverage.
- b. Complaints received by NCAs relate in large part to unclear or complex documentation, particularly about terms and conditions making the coverage and exclusions unclear for consumers. NCAs also noted gaps in financial literacy which hinders consumers' understanding of their policies or of the existence of such policies.

Outlook: Stable, these issues have already been identified in past years.

## 6 DIGITALISATION AND TECHNOLOGY

- a. NCAs have reported multiple digital initiatives across the EU insurance and pension markets with the pandemic acting as a catalyst for further digitalisation of various insurance and pension-related processes.
- b. Greater digitalisation of the pensions sector could help attract younger generations to take an interest in their pension and not see it as a faraway event, hence ensuring that newer generations are saving for their retirements.
- c. Greater digitalisation also allows to improve processes (e.g., claims handling) and lower costs in the insurance sector as well as insure risks which may have previously been un-insurable.
- d. Still, some risks do arise such as less tech savvy members being excluded from increasingly digitalised processes, concerns in relation to data protection and privacy issues and possible discriminatory underwriting practices.

Outlook: increasing, digitalisation of insurance and pension-related process is expected to further increase.

## LEARN MORE

 Visit the dedicated webpage:  
[https://www.eiopa.europa.eu/content/consumer-trends-report-2020\\_en](https://www.eiopa.europa.eu/content/consumer-trends-report-2020_en)

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