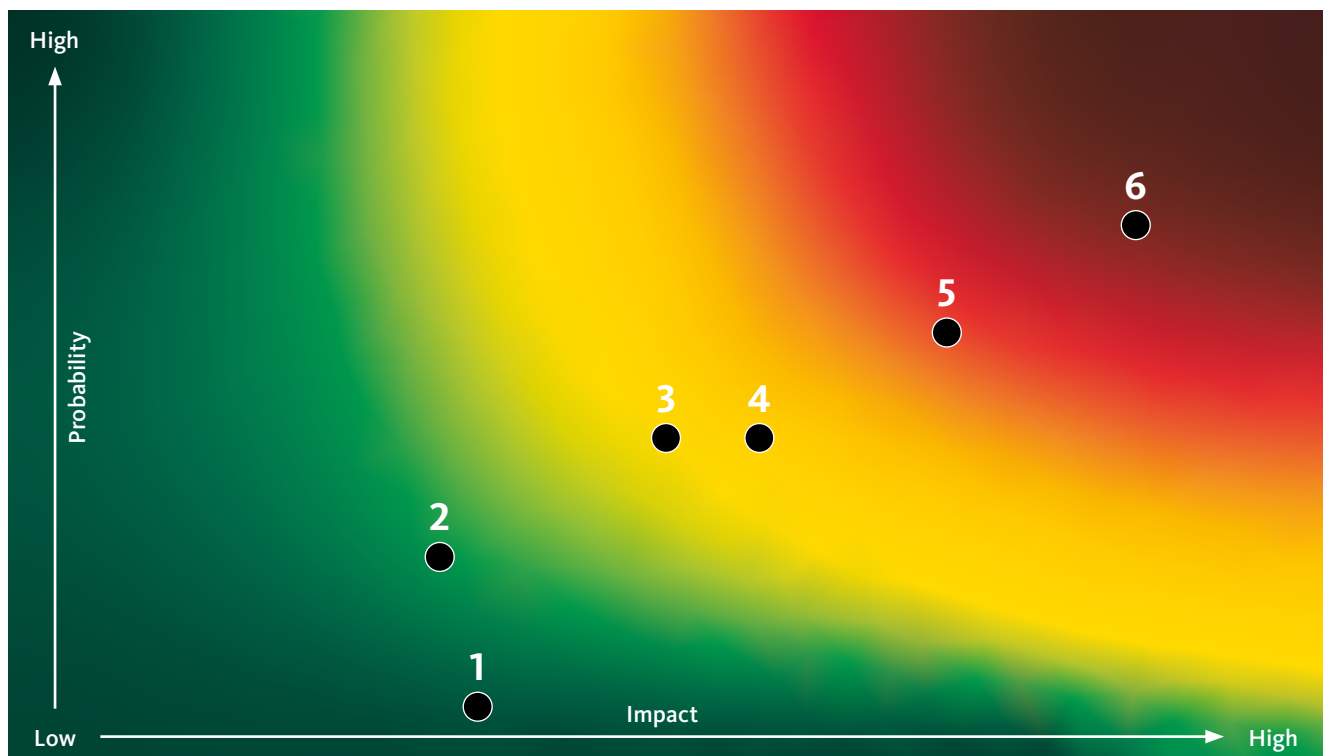




#INSURANCE #PENSIONS #CONSUMERS #COVID19

SUMMARY REPRESENTATION OF THE KEY, COVID-19-RELATED, FINDINGS FROM THE 2020 CONSUMER TRENDS REPORT



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

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

1

RISKS RELATED TO BUSINESS DISRUPTION AND OPERATIONAL RESILIENCE

- a. Insurers, intermediaries and pension funds maintained business continuity
- b. When operational disruptions emerged, they have been isolated and not material
- c. The process of buying products, submitting claims and complaints or seeking information has been as 'normal' as possible

2

LACK OF FORBEARANCE MEASURES AND FLEXIBILITY TOWARDS CONSUMERS WHO MAY HAVE FOUND THEMSELVES IN BREACH OF CONTRACTUAL OBLIGATIONS

- a. Given changes in working habits and travel restrictions consumers may have found themselves possibly breaching contractual obligations and losing coverage
- b. However, insurers showing forbearance towards consumers have been observed
- c. There has not been consistency however across all products

3

INSTANCES OF PROBLEMATIC BUSINESS MODELS AND LOW VALUE FOR SOME TRAVEL INSURANCE PRODUCTS

- a. The COVID-19 crisis, confirmed concerns with regard to travel insurance products; in fact problems surfaced, in relation to both exclusions and to changes in the risk profile of some travel insurance products
- b. However, in many instances pandemics were not excluded and/or insurers took goodwill actions
- c. While some consumers have been impacted, this has not been highly material, i.e. limited to cancellations, as consumer medical expenses have been mostly covered

4

CHANGES IN RISK PROFILES AND CHANGES IN CONSUMERS' INSURANCE NEEDS NOT FOLLOWED BY ADEQUATE REMEDIAL MEASURES

- a. Initial evidence, to be interpreted cautiously given the long-term perspective needed, shows that changes to the risk profile of some products have materialized
- b. Some initiatives have been observed to ensure that products continue meeting the target markets' needs, objectives and characteristics
- c. However, initiatives do not appear to be widespread, requiring close monitoring

5

INSTANCES OF LACK OF CLARITY IN TERMS OF EXCLUSIONS AND LACK OF CLEAR COMMUNICATION ON THIS, ALONGSIDE CONTRACT COMPLEXITY

- a. The COVID-19 crisis highlighted a heterogeneous landscape in relation to exclusions, with differences ranging across markets, products and undertakings. While pandemics may be rightly excluded from certain products, the patchy landscape raises concerns of possible consumer detriment
- b. Issues in relation to lack of clarity in terms and conditions also continue to persist and communications from insurers has not always been clear
- c. Some interventions have already be observed but further work may be required

6

COMPLEX AND COSTLY UNIT-LINKED PRODUCTS AND STRUCTURAL PROBLEMS IN THE UNIT-LINKED MARKET

- a. Because of possible early surrenders, structural problems relating to the features (e.g., high risk, costly products, complex fee structure) of some unit-linked products may surface
- b. Expected lower returns and market volatility can also further exacerbate existing problems, heightening the impact that high costs can have
- c. Affected consumers may be heavily impacted

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