



Press Release

Contact: Jerneja Orthmayr
Phone:
+49 (0) 69 95 11 19 35 0

DIGITAL TECHNOLOGIES ARE CHANGING THE WAY CONSUMERS INTERACT AND ENGAGE

- *InsurTech start-ups are increasingly visible, including peer-to-peer insurers; they often work in collaboration with established insurance companies*
- *The use of telematics devices for innovative and increasingly personalised insurance products and services continues to develop*
- *The use of Big Data raise concerns over the possible exclusion of consumers with a high risk profile, but may also enable new ways of increasing financial inclusion*
- *Life-cycle funds are gaining momentum in some national pension markets*
- *There has been a rise in reported complaints in insurance and pensions sector in 2016*

Frankfurt, 8 December 2017 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published its sixth Consumer Trends Report outlining the major developments in the insurance and pensions sectors impacting European consumers.

The report highlights the progressive presence of digital technologies across all stages of the insurance value chain, with biggest changes being observed in distribution channels. As a result of new technologies and the digitalisation of data, new InsurTech players are emerging on the market. Many established insurance companies are upgrading their digital capabilities through the set-up of in-house and external innovation labs, partnering with large technology companies and InsurTech start-ups, including peer-to-peer insurers. Innovative and increasingly personalised insurance products and services are being offered to consumers, for instance by using telematics devices in health, motor and household insurance. While Big Data raise concerns

regarding the possible exclusion of consumers with a high risk profile, some examples of how it can help increase financial inclusion have also been identified.

In addition, new types of insurance products continue to be introduced in the life insurance sector. Here different kinds and levels of guaranteed returns have emerged, where the economic value of these embedded guarantees can be significantly lower compared to traditional with-profit products.

Developments in the European pensions sector indicate the increase in the number of active members both in personal and occupational pensions sectors and the emergence of life-cycle funds as relatively novel offerings in some national pension markets. The report concludes that the use of digital technologies such as mobile phone applications or robo-advisors in the pensions sector is still moderate.

The report also points to a significant increase in the reported level of consumer complaints in the insurance sector, particularly in non-life insurance and mainly related to claims-handling. A slight increase in the number of complaints has also been identified in the pensions sector. In this respect future trends need to be carefully monitored in both sectors.

Gabriel Bernardino, Chairman of EIOPA, said: *"The major trend continues to be digitalisation which creates opportunities to improve customer experience and reduce operational costs of insurance undertakings. At the same time it poses a number of challenges such as financial inclusion and the fair treatment of consumers related to the ethical standards used. Next year, EIOPA will conduct a thematic review on Big Data to analyse these issues."*

The report is available on [EIOPA's website](#).

Note for Editors:

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union. EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.

Peer-to-peer insurers: The so-called peer-to-peer (P2P) insurers are often not very different from traditional undertakings such as mutual insurers (some consider them as "micro-mutual insurance"). In

essence P2P is generally commercialised as a risk sharing network where a group of individuals with mutual interests or similar risk profiles pool their "premiums" together to insure against a risk. The size of the group depends on the type of insurance and the expected benefits to be generated. In Europe, P2P insurance can only be provided either directly through a licensed insurance undertaking or through a broker/intermediary in cooperation with a licensed insurance undertaking. Currently peer-to-peer insurance in Europe cannot operate as a decentralised two-sided platform like other peer-to-peer models in other sectors of the economy.

Life-cycle funds: In life-cycle funds the investment risk of a policyholder's portfolio is progressively reduced as they approach the retirement age. Consequently, the risk is higher in the early savings phase, when retirement is far in the future. This increases the chances of achieving a higher return, eventually leading to higher pension payments. As the time of retirement draws closer, the pension plan will gradually reduce the risk in order to increase the predictability of the future pension income.