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Europe's life insurance market has no structural value for money problem — but a minority of undertakings do

Europe is at a pivotal moment in its efforts to deepen the Savings and Investments Union (SIU) – a project aimed at turning citizens' ample savings into long-term investments that not only power the continent's green and digital transformation but also help savers build greater financial security for retirement.

The insurance sector – and in particular life insurance, pension, and investment-based insurance products (IBIPs) – is a key pillar for making the SIU a success. These products already play a crucial role in giving citizens access to financial markets to grow their wealth while enjoying a level of protection. Yet, as with other investment vehicles, their potential remains untapped: EU households still hold around 70% of their savings in bank deposits[1] with low to no yields.

All market-based investment options face the challenge of winning the trust of traditionally conservative European savers. The only way to overcome this is by earning that trust — and that means products must offer good value for money, supported by a supervisory system that is efficient and agile.

It's important to emphasize that most insurance and pension products in Europe do offer reasonable value to consumers. Returns in recent years have been generally positive but, at times, failed to beat inflation. For instance, the projected rate of return of unit-linked and hybrid products that we analyzed for our latest Cost and Past Performance report[2] was only 2.6% - and this sample included quite a few high-risk products. If we want consumers to shift their savings towards long-term investments, more can and should be done. Closer supervisory scrutiny of more problematic products is therefore needed — to ensure charges and fees are properly identifiable, quantifiable and not undue, taking into account the target market of the product.

On the positive side, a closer look at costs reveals that recent inflationary pressures have not led to a marked increase in IBIPs' charges. Still, the costs of IBIPs remain higher than they could be, limiting the potential value of some products. Solvency II data shows that commission rates remained stable or declined, suggesting that the supervisory focus on value for money (VfM) is beginning to bear fruit and drive better outcomes for retail investors.

The issue, however, is that value for money is still not delivered consistently across the market. Divergences exist between Member States—and especially between individual undertakings.

EIOPA's work has shown that value for money risks are heavily concentrated in a relatively small segment of the market. Around 15% of products raise VfM concerns, and more than half of these are marketed by fewer than 20 undertakings.

This means that we are not looking at a systemic or structural issue. Instead, it's a handful of providers that must improve their Product Oversight and Governance (POG) processes, including by ensuring adequate granularity for target markets, testing products for value for money and performing regular reviews of costs, charges and performance.

Still, the continued presence of harmful insurance products can have a broader impact on the sector's ability to attract retail investors.

Think of a house with a sturdy roof except for a few badly laid tiles. These flaws – small as they may be – can eventually cause serious damage far beyond the area where the problem began. Likewise, a few poorly designed products with high fees and low returns can erode consumer trust across the sector, especially if they are offered by known household names. If people feel they are not getting fair value, they may stop buying products and move their money elsewhere, into alternative savings options. In a recent survey, nearly one in every five consumers indicated high costs and high fees as reasons for not buying IBIPs or pension products. Not coincidentally, life insurance complaints ticked up in the EU in 2023.

In the current environment, delivering good value is not a luxury — it's a necessity. Households are encouraged to shift from bank deposits to market instruments. But this shift will not happen if investment products are perceived as risky, expensive or opaque. We cannot expect citizens to commit savings if they are unsure whether the product will work in their best interest. Least of all for long-term products where unnecessary costs can significantly diminish eventual payouts. That's why value for money must be the compass guiding the way forward.

EIOPA's surveys offer important insights into what consumers value. Unsurprisingly, low costs and good returns top the list. But nuance matters: consumers are not simply looking for the cheapest product with the highest return. Risk exposure is a key factor. For those willing to take on more risk, unit-linked products with higher risk may offer better value, despite higher costs. In contrast, consumers seeking safety may find better value in profit participation products, which combine lower costs with better net returns than low-risk unit-linked products. EIOPA's latest Costs and Past Performance report showed that more risk-averse consumers were better off with profit participation products than with low-risk unit-linked products.

A narrow focus on costs, therefore, is incomplete and misguided. A broader value-for-money perspective is needed — one that allows for product diversity tailored to different investor profiles. Providers should consider costs not in isolation but as a function of the benefits they offer. They must also ensure that their offerings are genuinely aligned with the target market's goals, needs and risk appetite.

Regulatory and supervisory efforts — including benchmarking and mystery shopping — have aimed to raise standards in product design and distribution. There are encouraging signs, but more needs to be done, including by national supervisors, to identify negative outliers and ensure that underperforming products are either remedied or removed from the market.

The SIU initiative is a genuine opportunity for insurers and pension funds to demonstrate their value: by channeling investments into projects that strengthen Europe's economic and societal resilience — while also offering citizens a fair return on their savings.

Seizing that opportunity requires, first and foremost, that products offer real value and that the small minority of products and providers that fall short of this goal be held to account. EIOPA stands ready to support national supervisors in making this a reality.

To complete the picture, further steps are needed beyond this to ensure adequate consumer protection. To address problematic and complex cross-border cases – particularly where national supervisors cannot or do not step in – EU-level supervision should be made more effective by strengthening existing tools and improving their enforceability. We should also make meaningful progress toward harmonizing Insurance Guarantee Schemes across the EU, so that consumers enjoy equal protection—regardless of where they live or where they purchased their insurance products.