

Digitalisation of insurance markets – feedback from consumer organisations

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QUESTIONS ASKED TO CONSUMER ORG.

1. What are the digitalisation and distribution channels used to sell insurances to consumers over the last two years? Has there been an increase in the use of digital channels?
2. Do you identify any specific problems with the way insurances are advertised, distributed and sold to consumers?
3. Are there good developments to highlight e.g. more comparison tools, easy access to consumer information?

OVERVIEW OF CONSUMERS' FEEDBACK

- Increased questions from consumers regarding insurances, the most popular being car insurances.
- Increase in 'cancellation' insurances (COVID-19).
- Observed appreciable competition.
- Proliferation of insurance apps.
- Lack of impartial comparison tools & lack of independent advice.
- Difficulties in the comparability of insurance products.
- Lack of overview of the insurance coverage.
- Very difficult to choose an insurance based on companies' sustainability efforts.
- Consumer complaints regarding unsolicited insurances (especially sold over the phone).
- Data protection concerns.

INSURANCE APPS

- **Stiftung Warentest (DE) tested insurance apps in 2019 to help consumers manage their contracts, problems identified:**
 - Lack of clarity about the relationship between the app providers and the insurance brokers, who conclude a contract on behalf of the consumer.
 - Complaints about contract modifications without the consumer being aware.
 - Low quality of service of the apps.

WHAT THIS SAYS ABOUT IDD?

- Article 20 compliance regarding the assessment of consumer needs.
- Consumer protection safeguards needed:
 - Comparison tools
 - Ease contract termination → cancellation button? (see model of proposed DMFSD)
 - Independent advice → problem of conflicts of interest caused by inducements.
- Digitalisation can make distribution more efficient (e.g. in funds = cheaper access to products like neo-brokers) but in insurance not necessarily the case: e.g. in DE insurance cost the same no matter the distribution channel, the difference is pocketed by the provider.

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