

EIOPA's conduct of business strategy and outlook in the area of consumer protection

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Overview



- Background, conduct of business strategy and consumer protection cycle
- Outlook focusing in particular on files of particular interest to actuaries:
 - Retail risk indicators; and
 - Digitalisation and big data

Protecting consumers



Prudential dimension

Sound regulation and supervision of insurance undertakings

Conduct dimension

Sound regulation and supervision of the 'conduct of business' of insurance undertakings and insurance intermediaries

Goal

Transparent insurance products that meet consumer needs and that are understood by consumers

EIOPA strategic approach to consumer protection



EIOPA Regulation:

Transparency, Simplicity, Fairness EIOPA's
Strategy²
towards a
comprehensive
risk-based and
preventive
framework for
conduct of
business
supervision

PRIIPs¹: Key
Information
Documents
(KIDs) for
packaged retail
and insurancebased investment
products

IDD: New directive on insurance distribution,³ replacing the pre-existing IMD (2002)

COM's Green
Paper on
Retail
Financial
Services incl.
topic of
digitalisation

Key elements of consumer protection cycle

Distribution

on IBIPs:

Interest,

sales

Conflicts of

Inducements.

Execution-Only

■ IDD delegated acts



Monitoring

Complaints

- EIOPA Complaints Handling Guidelines
- Consumer Trends Report

Thematic reviews

on market conduct

- Retail risk indicators (see
- by EIOPA and Product Intervention Powers

 Subject to political developments:

Resolution

Insurance

Guarantee Schemes

Design / transparency

- Product Oversight & Governance Arrangements (within IDD)
- PID for non-life
- KID for IBIPs

separate slide) Market monitoring

Outlook: Retail risk indicators



Commission rates

High commission level may lead to misleading and aggressive selling practices.

Consumer protection importance: high

Combined Ratio (non-life)

A combined ratio below 100% indicates that the undertaking is obtaining profits. High profits may indicate products which offer poor value to consumers or high incentives for inappropriate sales or marketing behaviours.

Cons. protection importance: medium

Lapse Ratio (life)

High levels of lapses, especially early lapses, may indicate poor product design or high pressure sales.

Consumer protection importance: high

Claims Ratio (non-life)

Very low levels of claims ratios during an extended period of time may indicate value-for-money or conduct issues. Low claims ratios may suggest high volumes of refused claims, which may indicate mis-selling or bad wording of the product.

Consumer protection importance: high

Outlook: Digitalisation & big data



Addresses information asymmetry/transparency

Empowerment

Better customer experience

Personalised products based on own behaviour

Opportunities for consumers

Challenges for consumers

Data protection issues?

Exclusion

Pre-ticked boxes approach

Non-digital population left behind

Behavioural economics: information overload?

Enhanced risk management via new types of real-time algorithmic data ('5V')

Targeted and individualised policies

Enhanced transparency and competition

Innovation

Reduced distribution costs

Opportunities for industry

Challenges for industry

Solidarity model to be re-thought?

Risk of concentration

Revamping existing distribution channels

Cyber risk

New types of risk like possible liability for driver-less cars



Thank you; questions?

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