

# Questionnaire to stakeholders gathering input for the EIOPA 2023 Consumer Trends Report

## A. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends<sup>1</sup>. The term 'consumer trend' is not defined in EIOPA's Regulation. EIOPA therefore devised the following working definition:

*“Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty”*

The term 'trends' is understood in a broad sense: it covers, for example, evolutions in volumes of business or in the relationship between customers and undertakings/intermediaries, as well as the emergence of new products or services, or other linked financial innovations. The trend may already be consolidated for a number of years, but it may also be only emergent, with the possibility of becoming significant in the future.

The report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals or issues requiring supervisory measures. EIOPA seeks to identify possible consumer protection issues arising from identified trends. Nevertheless, positive developments are also identified and highlighted.

For the development of Consumer Trends Report, EIOPA follows an agreed upon methodology, which includes collecting inputs from stakeholders.

## B. Questions

Like in the past years, EIOPA would like to collect informal input from stakeholders to complement the other sources of information available for the Consumer Trends Report. In addition to relevant information/answers, it would be very useful if supporting documents/links could be provided to complement your feedback. References to specific examples observed at national or European level are also strongly encouraged.

**The deadline to provide your input is 28 July 2023.**

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<sup>1</sup> Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA

### 1. Insurance product trends

You are invited to indicate with an “X” the column(s) that best reflect the evolution, trends, and issues observed for the product, during 2022. In the column further to the right please include, in a brief manner, any text to highlight any other issues/developments for the relevant product.

	Impact of Inflation	Poor Value for money	Not serving all type of consumers in a fair manner (e.g., exclusions, discrimination against certain categories, excluded categories of consumers)	Increase digital distribution	Increase in differential pricing practices	Please highlight in a brief way any other issues/developments in your market(s) for this product
Life insurance - with profit	X	X		X		<p><b>Better Finance (Germany)</b></p> <p>Strong increase of over-all distribution costs: from about 7 bn/year in average from 2015 to 2020) to 8,349 bn in 2021.</p> <p>Cf. Association of German Insurers (GDV): Life insurance in 2022, p. 31 (table: Kostenquoten):</p> <p><a href="https://www.gdv.de/resource/blob/85242/73b7e57311a24ab21c8ecff81c570323/deutsche-lebensversicherung-in-zahlen-2022-data.pdf">https://www.gdv.de/resource/blob/85242/73b7e57311a24ab21c8ecff81c570323/deutsche-lebensversicherung-in-zahlen-2022-data.pdf</a></p>
Life insurance - unit linked	X	X		X		<p><b>Better Finance (Germany):</b></p> <p>An independent analysis showed that nearly half of index-linked products reached a gross return of only 0% in 2022:</p> <p>IVPF-Website: <a href="https://ivfp.de/indexpolice_n2022/">https://ivfp.de/indexpolice_n2022/</a></p>
Mortgage life insurance	X	X				<p><b>Better Finance (Germany):</b></p> <p>In 2022 the legal cap of commissions was introduced by an amendment of article 50a of Insurance Supervision</p>

						Law (VAG): <a href="https://www.gesetze-im-internet.de/vag_2016/_5_0a.html">https://www.gesetze-im-internet.de/vag_2016/_5_0a.html</a>
Other life insurance (please explain below)						
Assistance						
Travel insurance		X	X			<b>Better Finance (Germany):</b> Ongoing legal procedures against insurers due to opaque terms and conditions of contracts (cf. BdV input to CTR 2022).  <a href="https://www.bundderversichert.de/files/stellungnahme/pdf/de/consumertrends2022_insurancequestionnaire_bdvdv.pdf">https://www.bundderversichert.de/files/stellungnahme/pdf/de/consumertrends2022_insurancequestionnaire_bdvdv.pdf</a>
Income Protection insurance						
Gadget		X		X	X	<b>Better Finance (Germany):</b> Negative award by BdV for the three worst and most useless insurance products of the year (cancer, heavy rain and electronic device insurances):  BdV-Website: <a href="https://www.bundderversichert.de/presse-und-oeffentlichkeitsarbeit/pressemitteilungen/versicherungskaese-des-jahres-fuer-die-geraeteversicherung-easy-all-home">https://www.bundderversichert.de/presse-und-oeffentlichkeitsarbeit/pressemitteilungen/versicherungskaese-des-jahres-fuer-die-geraeteversicherung-easy-all-home</a>
Business interruption			X			<b>Better Finance (Germany):</b>  Decision of Federal Supreme Court (BGH) of January 2023 in favour of a restaurant owner against his insurer (corona case).  Süddeutsche Zeitung: <a href="https://www.sueddeutsche.de/panorama/prozesse-karlsruhe-bgh-betriebsschliessungsversicherung-kann-bei-corona-greifen-dpa.urn-newsml-dpa-com-20090101-230117-99-255109">https://www.sueddeutsche.de/panorama/prozesse-karlsruhe-bgh-betriebsschliessungsversicherung-kann-bei-corona-greifen-dpa.urn-newsml-dpa-com-20090101-230117-99-255109</a>

PPI	X	X				<p><b>Better Finance (Germany):</b></p> <p>In 2022 the legal cap of commissions was introduced by an amendment of article 50a of Insurance Supervision Law (VAG):</p> <p><a href="https://www.gesetze-im-internet.de/vag_2016/_5_0a.html">https://www.gesetze-im-internet.de/vag_2016/_5_0a.html</a></p>
Household insurance	X		X		X	<p><b>Better Finance (Germany):</b></p> <p>Strong increase of premiums in 2023 due to the possible inflationary increase of claims made by home owners:</p> <p>Versicherungsbote:</p> <p><a href="https://www.versicherungsbote.de/id/4909159/Wohngebaudeversicherung-wird-2023-deutlich-teurer/">https://www.versicherungsbote.de/id/4909159/Wohngebaudeversicherung-wird-2023-deutlich-teurer/</a></p>
Natural Catastrophe			X		X	<p><b>Better Finance (Germany):</b></p> <p>Important public debate on possible mandatory NatCat insurance, but still no final political decision has been taken:</p> <p>Versicherungsmonitor:</p> <p><a href="https://versicherungsmonitor.de/2023/06/21/umstrittene-pflichtversicherung/">https://versicherungsmonitor.de/2023/06/21/umstrittene-pflichtversicherung/</a></p>
Legal Expenses				X	X	Cf. our comments on differential pricing methods below.
Other Motor			X	X	X	<p>Owners of Electric Vehicles (full or hybrid) include Own Damage / Hull insurance in their motor insurance at 93% / 86% (three times more than for traditional cars). The main reason probably is not only that the cars are new, but damages of rechargeable batteries are included.</p> <p>Versicherungsjournal:</p> <p><a href="https://www.versicherungsjournal.de/markt-und-politik/elektroautos-ohne-">https://www.versicherungsjournal.de/markt-und-politik/elektroautos-ohne-</a></p>

						<a href="https://www.vollkasko-geht-gar-nichts-148016.php">vollkasko-geht-gar-nichts-148016.php</a>
MTPL			X	X	X	<p><b>Better Finance (Germany):</b></p> <p>Strong discussion on differential pricing related to certain consumer groups: elderly people (negative), home owners or state officials (positive).</p> <p>Versicherungsjournal:  <a href="https://www.versicherungsjournal.de/versicherungen-und-finanzen/sind-immobilienbesitzer-die-besseren-autofahrer-146937.php">https://www.versicherungsjournal.de/versicherungen-und-finanzen/sind-immobilienbesitzer-die-besseren-autofahrer-146937.php</a></p>
General liability				X	X	Cf. our comments on differential pricing methods below.
Accident and health insurance			x		x	<p><b>Better Finance (Germany):</b></p> <p>The special ombudsman for health insurances reported rising complaints mostly due to an increase of premiums.</p> <p>Versicherungsmonitor:  <a href="https://versicherungsmonitor.de/2023/02/01/beitrag-sanpassungen-aergern-pkv-kunden/">https://versicherungsmonitor.de/2023/02/01/beitrag-sanpassungen-aergern-pkv-kunden/</a></p>
Affirmative cyber coverage						<p><b>Better Finance (Germany):</b></p> <p>On the one hand there is an ever increasing demand for cyber risk coverage in the non-financial industry sectors:</p> <p>Versicherungsjournal:  <a href="https://www.versicherungsjournal.de/markt-und-politik/cyberisiken-besonders-eine-branchen-ist-in-alarmbereitschaft-147890.php">https://www.versicherungsjournal.de/markt-und-politik/cyberisiken-besonders-eine-branchen-ist-in-alarmbereitschaft-147890.php</a></p> <p>On the other hand insurers themselves have to update their own cyber risk prevention massively as the NCA (BaFin) clearly outlined:</p>

						<a href="https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Massnahmen/VAG/meldung_230517_AXA.html">https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Massnahmen/VAG/meldung_230517_AXA.html</a>
Other (please explain)		X	X			<p><b>Better Finance (Germany):</b>                  In January 2023 the NCA published several cases of delayed indemnisations by insurers (life and non-life sectors) and how consumers should react:</p> <p>BaFin-Website:  <a href="https://www.bafin.de/SharedDocs/Fachartikel/2023/fachartikel_2301_VA_Wenn_Versicherer_nicht_rechtzeitig_zahlen.html">https://www.bafin.de/SharedDocs/Fachartikel/2023/fachartikel_2301_VA_Wenn_Versicherer_nicht_rechtzeitig_zahlen.html</a></p> <p>The media published additional similar cases examined by lawyers:  <a href="https://www.versicherungsmagazin.de/rubriken/braunche/immer-wieder-verzoegerungen-bei-schadenregulierung-3309409.html">https://www.versicherungsmagazin.de/rubriken/braunche/immer-wieder-verzoegerungen-bei-schadenregulierung-3309409.html</a></p>

**2. Pension related trends**

You are invited to indicate with an “X” the column(s) that best reflect the evolution, trends and issues observed for the product/scheme, during 2022. In the column further to the right please include, in a brief manner, any text to highlight any other issues/developments for the product/scheme.

	Inflation and market trends impacting returns	Inflation impacting benefits’ real value	Improvement of disclosure and transparency	Continued issues around disclosure and transparency	Increase in savers/consumers awareness about their pension	Increase in savers/consumers pensions related financial literacy	Please highlight in a brief way any other issues/developments in your market(s) for this product
Occupational pension scheme - DB	X	X	X	X	X		<p><b>Better Finance (Germany):</b>                  Following to BaFin’s Annual Report, published in May 2023, in 2022 the GWP of “Pensionskassen” were rather stable</p>

							<p>(6,6 bn Euro like in 2021), the AuM increased from 192,9 bn Euro (in 2021) to 200,3 bn (in 2022) despite the fact that the hidden reserves of 29,2 bn Euro (in 2021) turned in hidden losses -4,9 bn Euro (in 2022) and the net interest yield fell from 4,1% (in 2021) to 2,3% (in 2022).</p> <p>BaFin-Website:  <a href="https://www.bafin.de/DE/PublikationenDaten/Jahresbericht/jahresbericht_node.html">https://www.bafin.de/DE/PublikationenDaten/Jahresbericht/jahresbericht_node.html</a></p>
Occupational pension scheme - DC	X	X	X	X	X		<p><b>Better Finance (Germany):</b></p> <p>Following to media reports now two collective agreements started the new “pure DC” pension plans, enabled by law since 2018.</p> <p><a href="https://www.personawirtschaft.de/news/verguetung/erfaehrt-die-betriebliche-altersversorgung-ab-jetzt-die-vom-bund-angestrebte-staerkung-149745/">https://www.personawirtschaft.de/news/verguetung/erfaehrt-die-betriebliche-altersversorgung-ab-jetzt-die-vom-bund-angestrebte-staerkung-149745/</a></p> <p>Cf. as well BaFin Jahresbericht 2022, S. 62, Mai 2023).</p>
Private pension product	X	X					<p><b>Better Finance (Germany):</b></p> <p>A regional state consumer organisation took action against a life insurer because of non-transparent PPP contract clauses related to penalty</p>

							fees in case of early cancellation. VersicherungsJournal: <a href="https://www.versicherungsjournal.de/versicherungen-und-finanzen/verbraucher-zentrale-mahnt-stornoklausel-der-debeka-ab-147838.php">https://www.versicherungsjournal.de/versicherungen-und-finanzen/verbraucher-zentrale-mahnt-stornoklausel-der-debeka-ab-147838.php</a>
Other (please explain)	X	X					<b>Better Finance (Germany):</b> Following to the independent insurance agency Assekurata the gross return of state subsidized PPP (“Riester” / “Basis”) were just about 2% in 2022: <a href="https://www.assekurata-rating.de/2023/02/23/assekurata-marktstudie-zu-ueberschussbeteiligten-und-garantien-2023/">https://www.assekurata-rating.de/2023/02/23/assekurata-marktstudie-zu-ueberschussbeteiligten-und-garantien-2023/</a>

### 3. Focus topics

- a. Cross sectoral focus topic: Inflation’s impact on life insurance and pensions products and schemes

*The high inflation environment significantly erodes the real value of life insurance and pension returns, hindering consumers' ability to meet financial objectives such as investment returns or retirement savings. Additionally, it adversely impacts beneficiaries dependent on fixed pension income, diminishing their purchasing power and financial stability over time. Finally, it can also limit consumers' ability to continue paying regular premium life insurance products or to continue contributing to voluntary pension schemes.*

- i. In your market(s) have you observed inflation substantially impacting the returns of insurance investment products or pension investments? Please provide further information below:



**Better Finance (Germany):**

First slight increase of bonuses in average after the end of “low for long” interest rate phase, but still rather low (from 2,69% to 2,76 %):

cf. Assekurata, Press Release of 23 February 2023:

<https://www.assekurata-rating.de/2023/02/23/assekurata-marktstudie-zu-ueberschussbeteiligungen-und-garantien-2023/>

Following to BaFin Statistics the total hidden reserves of life insurances (155,5 bn Euro) at the end of 2021 became total hidden losses (-106,3 bn Euro) at the end of 2022 (in: BaFin Jahresbericht 2022, S. 54, Mai 2023).

- ii. In your market(s) have you observed inflation leading to consumers surrendering their life insurance policies due to disappointing returns or due to limited disposable income (i.e., needing liquidity to face day-to-day expenses)?

**Better Finance (Germany):**

Until now following to the analysis of BaFin there is not yet a major trend for early cancelling or surrendering life insurances by policy holders. Nevertheless the NCA urges the life insurers to take the risk of early cancellation strongly into consideration by implementing a robust liquidity management.

BaFin-Website:

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Fachartikel/2023/fabj\\_2304\\_Lebensversicherer\\_Wenn\\_Zinsen\\_steigen.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Fachartikel/2023/fabj_2304_Lebensversicherer_Wenn_Zinsen_steigen.html)

- iii. In your market(s) have you observed inflation leading to consumers not renewing products and/or stopping regular voluntary payments and contributions due to limited disposable income?

**Better Finance (Germany):**

The sudden and strong increase of key interest rates in 2022 had lead to a strong decrease of new business of life insurers especially with regard to lump sum contribution contracts (-20,8% in 2022). In consequence the total GWP of life insurers was reduced by about 7%.

ProContra-Website:

<https://www.procontra-online.de/lebensversicherung/artikel/bei-diesen-lebensversicherern-sanken-die-bruttobeitragseinnahmen-2022-am-staerksten>

Versicherungsjournal:

<https://www.versicherungsjournal.de/markt-und-politik/lebensversicherung-neugeschaeft-deutlich-schwieriger-147848.php>

The absolute total figures are published by BaFin in its Annual Report on 2022, p. 54, May 2023 (the total new life insurance business was reduced from 5,1 million contracts in 2021 to 4,5 million contracts in 2022; total GWP in 2021: 95,2 bn Euro, in 2022: 90,5 bn Euro).

- iv. Do you have any additional views on the impact of inflation on consumers'/scheme members' investment returns in the insurance and/or pension sector? How do you think insurance and pension provider can lessen the impact of inflation on consumers/scheme members returns? Do you see a role for supervisors in this?

**Better Finance (Germany):**

Despite the obvious fact that life insurers are not responsible for basic macro-economic conditions (neither for the “low for long” interest until 2021, nor for the sudden strong increasing key interest and inflation rates since 2022), life insurers as product providers

continue to be entirely responsible for even strongly increasing distribution costs which they disclosed in their annual statistics: from about 7 bn/year in average from 2015 to 2020 to 8,349 bn in 2021:  
Cf. Association of German Insurers (GDV): Life insurance in 2022, p. 31 (table: Kostenquoten):  
<https://www.gdv.de/resource/blob/85242/73b7e57311a24ab21c8ecff81c570323/deutsche-lebensversicherung-in-zahlen-2022-data.pdf>

We clearly see a major role of supervisors in this issue which constitutes a strong concern of ongoing consumer detriment and ought to be dealt in the context of “enhanced” supervision of conduct of business (cf. below point g. ii.).

b. Cross sectoral focus topic: Diversity and inclusion

*Last year’s EIOPA Eurobarometer, highlighted there is a gender gap in access to insurance and to pensions. In particular, there are growing concerns about a pensions gender gap, around some exclusion clauses which may unfairly discriminate against certain categories of consumers, as well as in relation to possible discriminatory pricing practices and overall limited access of certain categories of consumers. More and more supervisors are now working on ensuring the sectors develops products which meet the needs of and offer utility to a diverse range of customers and are distributed in a way which is aligned to such needs and characteristics and which takes into account their specificities.*

- i. In your market(s) have you observed instances of consumers who are vulnerable/minority/diverse compared to consumers who fit in a dominant/normative group that may not be sufficiently served? Have you noticed a gap in access to insurance/pension services when comparing one group of consumer with another group of consumers based on personal characteristics (e.g. gender)? Please provide further information below.

- ii. In your market(s) have you observed instances of consumers who are vulnerable/minority/diverse being unfairly discriminated (e.g., because exclusions may more adversely impact this group of consumers, because of pricing, because of coverage may not offer utility because of their needs and characteristics) compared to consumers who fit in a dominant/normative group that may not be sufficiently served?

- iii. In your market(s) have you observed instances of consumers who are vulnerable/minority/diverse compared to consumers who fit in a dominant/normative group that may not be sufficiently served because of the way in which products and services are being distributed? Please provide further information below.

- iv. Please provide below additional views. What is insurance or pension providers' role in mitigating such practices and fostering diversity and inclusion? Do you see any role for supervisors?

c. Insurance focus topic: Inflation's impact on non-life insurance

*The rising inflation can result in increased insurance premiums – as insurance providers face higher costs for claims pay-outs and higher operational expenses insurers might increase premium - ultimately affecting consumers' ability to afford coverage and leaving them unprotected (under-insurance). Further, claims paid out, particularly if policies have maximum insured amounts, might not fully cover damages (e.g., in case of home insurance, as the price of raw materials increased, the pay-out might not be sufficient to cover the damages to a home). Additionally, there might be cases of policies being cancelled because of inflation as consumers may perceive insurance as a non necessary need.*

- i. In your market(s) have you observed inflation substantially impacting non-life insurance premiums or non-life insurance coverage (e.g., leading to underinsurance)? In relation to what non-life products have you observed this? Please provide additional information below.

**Better Finance (Germany):**

In first part of this questionnaire we have already pointed out examples of the two non-life insurance sectors which are most severely touched by inflation (home owner and motor). With regard to non-life insurances, there is one fundamental difference how to fix to the indemnity:

- either the insured loss is determined by a contractually fixed sum (in German: "Summenversicherung", for example: coverage of death risk of 100.000 Euro in term life insurance, or 150.000 Euro for disability in case of accident, the fixed value of the home content).
- Or the indemnity is fixed by the damage or risk coverage itself (in German: "Schadenversicherung", for example: reconstruction of the building for home owner, repair or current value of the car damaged by accident for motor insurance).

The impact of inflation in the first case is clear: in the long run the insured sum will not be sufficient anymore, so it must be increased. In the second case it is the insurer which has to pay the indemnity whatever it costs, which may endanger its technical reserves in the long run. Even though the background is different, the inevitable consequences for policyholders are the same: increase of premiums. This was clearly stressed by BaFin already in November 2022, when the Executive Director urged the insurers to raise the gross premiums especially for home owner and motor insurances:

BaFin-Website:

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/RedenInterviews/re\\_221111\\_Beitrag\\_Handelsblattjournal\\_EDVA.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/RedenInterviews/re_221111_Beitrag_Handelsblattjournal_EDVA.html)

- ii. In your market(s) have you observed inflation driving a considerable number of consumers to cancel or not to re-new their non-life insurance policies? Please provide additional information below including on the specific impact you believe this can have on consumers and society as whole.

**Better Finance (Germany):**

Example of motor insurance given by CEO of HUK-Coburg, published by HANDELSBLATT on 28 June 2023:

<https://www.handelsblatt.com/finanzen/banken-versicherungen/versicherer/huk-coburg-chef-heitmann-wir-werden-ein-tiefrotes-ergebnis-sehen-/29218718.html>

- iii. Do you have any additional views on the impact of inflation on non-life insurance consumers? How do you think insurance providers can lessen the impact of inflation on such consumers? What is supervisors' role in this?

**Better Finance (Germany):**

Due to inflation in several branches of the non-life insurances the increase of gross premiums seems to be inevitable with regard to the technical reserves. In consequence the insurers as well as the supervisory authorities will precisely have to explain to policyholders, why this is the case.

In order to prevent from consumer detriment as much as possible the measures fixed by the product oversight and governance requirements are all the more highly relevant: precise identification of the needs and demands of the target markets, initial product testing, continuous product monitoring for safeguarding the value of money especially in the life sector, and - as a last resort - the use of product intervention powers by the supervisory authorities. Therefore the current practices of EIOPA and NCAs should be focused not only on the prudential, but all the more on the conduct of business supervision of product providers as well.

BdV-Website:

<https://www.bdv-blog.de/bdv-in-europa/impact-of-inflation-on-policyholders-.html>

d. Insurance focus topic: Digital distribution

*There is a digital shift in insurance distribution, encompassing channels like price comparison websites, robo-advisors, and fin-fluencers on social media. These platforms promote informed decision-making, tailored solutions, and influence consumer perceptions. However, they also pose risks including data privacy concerns, misleading quotes, potential for inadequate advice leading to inadequate coverage, computational errors, and the possibility of consumers being misinformed about investment activities.*

- i. In your market(s) are insurance providers increasingly using digital distribution channels to sell life insurance or non-life insurance? Is this due to an increase in consumer interest to purchase life or non-life insurance digitally?

**Better Finance (Germany):**

*Embedded Insurance* is a new emerging trend in the InsurTech Business (bundling of products or services with insurance products sold only via online intermediaries). The technical innovation is not bad in itself, but there is the strong danger of selling products with less “value for money” (cf. our comment on “Gadget policies” above).

Versicherungsmonitor:

<https://versicherungsmonitor.de/2023/06/26/embedded-insurance-das-all-inclusive-versprechen/>

- ii. In your market(s) have you observed an increase in the use of Price Comparison websites or of automated advice/robo-advisors, as well as an increase in the use of social media or “fin-fluencers” in the distribution of insurance products? In your view what are the benefits and risks of these tools/digital channels for consumers (e.g., inadequate advice by robo-advisors, easier purchase experience for consumers)?

**Better Finance (Germany):**

The NCA BaFin recently published a study on digital distribution channels of insurers:

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Fachartikel/2023/fa\\_bj\\_230\\_5\\_Onlinevertrieb\\_Versicherer.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Fachartikel/2023/fa_bj_230_5_Onlinevertrieb_Versicherer.html)

Obviously these distribution channels are growing slowly but constantly. There are several websites for an overview of new insurtechs on regional and federal level:

InsurTech Hub Munich:

<https://www.insurtech-munich.com/>

New Players Network Leipzig:

<https://newplayersnetwork.jetzt/insurtech-ubersicht/>

Hamburg Insurance Innovation Day:

<https://www.itw-hh.de/hamburg-insurance-innovation-day>

The Association of German Insurers (GDV) regularly publishes statistical data on the market shares of different distribution channels related to life and non-life sectors:

Cf. table 13 on “Anteile der Vertriebswege am Neugeschäft der

Versicherungswirtschaft“, page 18, in: Statistisches Taschenbuch, September 2022:

<https://www.gdv.de/resource/blob/97444/4277feacdd4dd67b2e316d99fcd2ccb9/statistiken-zur-deutschen-versicherungswirtschaft-2022-taschenbuch-data.pdf>

- iii. Please provide below your view regarding digital distribution in your market. Which types of consumers are more at risk in a digital distribution environment? In your view, which actions/tools should be undertaken/implemented to mitigate the risks or enhance the benefits by insurance providers? Or by supervisors?

**Better Finance (Germany):**

Even without having any valid empirical data it seems to be obvious that there are two main factors which determine possible vulnerable consumers related to digital environment: financial education and location (urban / rural). In a highly densely

populated country like Germany the level of general and financial education is most decisive. Gender, age, income are possible secondary factors.

e. Insurance focus topic: Differential pricing practices

*On top of underwriting risk-based actuarial tariffs (expected cost of claims) and other premium adjustments to take into account costs of service (e.g. commissions paid to distribution channels and other overheads like taxes, salaries, cost of capital, etc.), some insurance manufacturers further adjust the premium using a number of different practices which are unrelated to the underwriting risk profile of customers and the cost of service. For example, customers may be charged a different premium based on personal characteristics such as their price elasticity, propensity to shop around at the renewal stage or based on an estimation of the value that can be generated by up-selling and cross-selling other products to the customer (also known as customer's life-time value estimation "score"). The increasing competition in the markets coupled with the increased availability of data and usage of AI allows insurers are amongst the triggers of this trend. On the one hand customers who are more prone to search for a better deal and switch at point of renewal to benefit from lower insurance premiums. On the other hand, customers who are less price sensitive, who have limited access to digital tools that could allow them to compare insurance products, who are unaware of the existence of differential pricing practices, or who are more likely to renew their existing insurance contracts without searching for an alternative, may lose out due to differential pricing practices.*

- i. In your market(s) have you observed an increase in differential pricing practices in non-life insurance? Please provide further information below.

**Better Finance (Germany):**

In motor liability insurance many "soft factors" for tariff calculation are used like ownership of a garage (instead of public parking "under a lantern"), being a home owner (instead a renting a flat), being a civil servant (instead of being an employee of a commercial company), or subscription of urban transport / public railway tickets (on a monthly or yearly basis. Another "hard factor" is, if you live in a big town (more expensive) or on the countryside (less expensive) due to the probability of an accident.

Home owner and home content insurances largely depend on the exact location where a person lives: postal code for determining the risk of burglary or of flooding. These are "traditional" factors for tariff calculations, and they may be considered as statistically relevant. But there is the growing probability that these factors may be used for other non-life insurances classes like private third liability or judicial expenses as well.

GDV website (motor):

<https://www.gdv.de/resource/blob/14916/de56feb1241406e6a9fbe2563e15c7ec/grafik-welche-faktoren-den-versicherungsbeitrag-beeinflussen-2018221904-data.pdf>

- ii. Please provide below your view regarding differential pricing practices and possible price discrimination in non-life insurance. What are the risks for consumers? What is providers role in mitigating such practices and ensuring they do not lead to consumer detriment?

"Differential pricing" is an additional method for tariff calculation by insurers which tries to introduce a kind of "customer scoring" which is already used for a long time by banks for credit lending (for houses, cars and other consumer goods). "Scoring" is a mixture of individual factors (like regular or irregular payments of premiums or debts, frequency of claims / indemnisations) and socio-economic data (like categories of income, employment or housing). In Germany the major company for this credit lending scoring relies approximately on 680 million data sets linked to 66 million individual customers. The possible impact of these data on the calculation of premiums of payment protection insurances (PPI) is obvious.

Intermediary Website:

<https://www.verivox.de/kredit/themen/scoring/>

- f. Pension focus topic: Disclosure and Transparency

*Unclear information in disclosure to consumers/scheme members such as in the Pension Benefit Statements can cause confusion about pension entitlements and future financial security. Hidden fees and technical jargon may obscure true pension costs, leading to misunderstanding and mis-match between expected and actual returns. This lack of transparency can result in misinformed decisions, potentially diminishing retirement savings or creating unforeseen financial burdens.*

- i. In your market(s) have you observed instances of unclear information in pension-related disclosure (e.g., Pension Benefit Statements, Pension Tracking System, disclosures to prospective members)? Was this due to the way in which the information is presented (format), or due to the language in which the information is presented (technical jargon), or other issues? To what did this unclear information refer to (e.g., costs, investment objective, sustainability aspects)?

**Better Finance (Germany):**

In March 2023 the federal consumer monthly magazine FINANZTEST published a report on ongoing complaints related to the private and occupational pension payouts by PROXALTO (cf. Finanztest, Heft März 2023, S. 43: Chaos bei Proxalto). Proxalto (the former Generali Life Insurance Germany with about 3,8 million contracts) had been sold to the run-off company Viridium in Frankfurt. Already before the regional consumer organisation Verbraucherzentrale Hamburg had published reports on complaints by policyholders not receiving regularly the mandatory annual statements. Now additionally FINANZTEST reported on postponement of payouts to beneficiaries and gave advice how to deal with it:

Finanztest-Website:

<https://www.test.de/Lebensversicherung-Proxalto-zahlt-verspaetet-5916963-0/>

- ii. What is your view on the Pension Benefit Statement? Is it successful in providing succinct information? In your experience are the recipient engaging with it?



**Better Finance (Germany):**

There are no valid broad empirical data on the good or bad usage of the PBS. But neither the NCA nor the ombudsman reported any complaints. Nevertheless we suggest that EIOPA’s voluntary PBS models of 2019 should become mandatory for IORPs particularly related to disclosures of costs, returns and benefit projections.

- iii. In your market(s) have you notice a decrease in unclear information in pension-related disclosure? Is digitalisation improving the quality, timeliness and reach of pension-related disclosures to savers?

**Better Finance (Germany):**

A regional state consumer organisation took action against a life insurance because of non-transparent PPP contract clauses related to penalty fees in case of early cancellation.

VersicherungsJournal:

<https://www.versicherungsjournal.de/versicherungen-und-finanzen/verbraucherzentrale-mahnt-stornoklausel-der-debeka-ab-147838.php>

- iv. Do you have any additional views on disclosure and transparency in the pensions sector?

**Better Finance (Germany):**

Cf. our comment below (g. ii.).

g. Pension focus topic: Pension awareness

*Understanding the importance of saving for retirement is essential to ensure a stable income in later years, which can significantly reduce the risk of poverty among retirees. Moreover, knowledge about pension-related aspects as well as a robust pension literacy framework empowers individuals to make informed decisions about savings, investments, and pension plans. This not only strengthens personal financial security but also ensures that the economic stability of the EU. Hence, enhancing pension awareness and financial literacy are paramount.*

- i. In your market(s) have you observed an increased awareness of scheme members around their pension entitlements and/or costs associated to their scheme? Have you noticed an increase in interest around private pension products by consumers? Would you say that EU citizens are increasingly knowledgeable about pension aspects?

**Better Finance (Germany):**

Of course there are innumerable researches made on consumer behaviour related to pension awareness like this one for example:

Deutsches Institut für Altersvorsorge in Berlin:

<https://www.dia-vorsorge.de/private-altersvorsorge/mehrheit-sorgt-sich-um-rentenluecke/>



Generally spoken it surely can be confirmed that there is an increased awareness of citizens related to pension issues due to the sudden and strong change for very low to high interest rates and the real loss of long-term purchasing power. In Germany there is no mandatory indexation of salaries or pensions related to inflation.

- ii. Do you have any additional views on pension awareness and literacy? In your view what can be done to increase pension awareness and literacy, particularly by pension providers? What is the role of supervisors?

**Better Finance (Germany):**

As pointed out under the topic life-insurance the main role of supervisors should consist in effective monitoring of real costs and returns and realistic marketing communications by life insurers (as pointed out by BaFin in its new “Guidance” on conduct of business supervision published in May 2023):

Bafin-Website:

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Pressemitteilung/2023/pm\\_2023\\_05\\_08\\_Merkblatt\\_kapitalbildende\\_LV.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Pressemitteilung/2023/pm_2023_05_08_Merkblatt_kapitalbildende_LV.html)

Besides this the new digital *Pension Tracking System* on the national level will start its first accessibility from July 2023 on:

Deutsche Rentenversicherung (DRV):

<https://www.deutsche-rentenversicherung.de/DRV/DE/Ueber-uns-und-Presse/Presse/Pressemitteilungen/Pressemitteilungen-aktuell/2023/2023-06-28-digitale-rentenuebersicht.html>

How strongly this innovation will have an impact on the actual awareness of future retirees cannot yet be evaluated.