

17 February 2017

Questionnaire on gathering input for the EIOPA 6th Consumer Trends Report

EIOPA would like to collect from BEUC informal input to the work on the Consumer Trends Report. In addition to your experience as stakeholders, it would be very useful if you could attach or provide the links to any relevant sources of information to complement your feedback. BEUC Members are also encouraged to refer to specific examples they may have observed at national or European levels.

BEUC is invited to explain any relevant market developments or consumer protection issues arising from such developments in relation to the below types of insurance and pension products.

Product categories	Insurance market developments / consumer protection issues
Life insurance - with profit	A market characterized by low attention from the consumers that may make them vulnerable.
Life insurance - unit linked	During 2018 Unit-Linked will be significantly less attractive due to a governmental proposition that will increase the tax for this group of assets. During 2017 a so called Equity Savings Account (Aksjesparekonto) will most likely be introduced. Both these occurrences will probably outperform Unit Linked.
Other life insurance (please explain)	

Payment Protection Insurance	..
Accident and Health insurance	The customers have limited knowledge about these products, a study from the Norwegian Consumer Councils shows. It is not yet published.
Motor insurance	This market works well, except of rental cars where customers are still being misled into a trap.
Household insurance	This market works well.
Travel insurance	This market works well. But mobile phone can be except from the coverage, which can be a surprise for consumers.
Mobile Phone Insurance	Electro stores offer specific insurance for mobile phones. The insurances are very expensive. The market is probably not working good enough.
Other non-life (please explain)	<p>About 9 of 10 of those who sell their home buy insurance to protect themselves against complaints. This insurance works very poor for homebuyers. In practice it weakens their strength if conflict occurs, shows the Norwegian Consumer Council's survey. As an answer to this insurance homebuyers offered another insurance. But neither this works as intended. Homebuyers are very dissatisfied with both. However, the homeowners are satisfied with both insurances, the survey shows.</p> <p>The survey (Norwegian):</p> <p>https://fil.forbrukerradet.no/wp-content/uploads/2017/03/rapport-om-eierskifte-og-boligkjoperforsikringene-og-effektene-i-bolighandelen-forbrukerradet-2016.pdf</p> <p>There is a widespread practice of bundling insurance with banking that makes price and services less transparent.</p>

	Pensions market developments / consumer protection issues
Occupational pensions	<p>In Norway occupational pensions are obligatory. When Norwegian employees quit their job they are imposed to take over the responsibility for the annual fees. In addition to this, administration fee will be charged as well. A study conducted by the Norwegian Consumer Councils study in 2016 showed that most providers hide the administration fee – a fee that often ate up all the real return.</p> <p>In January 2017 the Norwegian Consumer Council therefore launched a website that highlights both administration fees and management fees. Now consumers are capable to compare the fees.</p> <p>https://www.finansportalen.no/pensjon/pensjonskapitalbevis</p>

Personal pensions	<p>When selling funds banks and fund managers are solely focusing on historical returns – not the costs. A study conducted by Norstat and the Norwegian Consumer Council shows that only 2 percent of customers experienced that the bank emphasized price as one of the factors when selling equity funds.</p> <p>The fees on banks' websites were often hidden. For some websites the customers must even press the buy-button before they see the price.</p> <p>However, the trend is positive because Norway's largest bank, DNB, actively promoted index funds during 2016. Actually DNB sold more index funds than actively managed mutual funds. DNB also launched lifecycle funds based on index funds. For the other banks there are no changes.</p>
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In addition, BEUC is invited to provide input on the following topics:

1. Some NCAs have recently developed initiatives (such as **regulatory sandboxes, public-private partnerships or advice units**) aimed at, inter alia, helping innovators minimize legal uncertainty, improve access to investment, while assessing the rules that should be relevant for new products and business models. Please provide your views on such initiatives.

Basically, we are positive to developed initiatives aimed at helping innovators minimize legal uncertainty, but it is very important to beware the risk this may cause consumers. Such development must not weaken demands for products' transparency, especially price and risk. And it must not weaken the requirements to act as serious providers.

2. **Insurtech firms / start-ups** are increasingly present in insurance, very frequently via cooperation agreements with established insurers. Please set out your views on the areas of the insurance value chain most impacted; on what are the main hurdles faced by such firms, including regulatory hurdles; and on how such start-ups are interacting with incumbents. Please provide views on supervisory and regulatory challenges arising.

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3. In the on-going context of low interest rates environment and the increasing aging population, **new life insurance products** are being marketed where more risk is born by the policyholder, generally through an absence of long term guarantees, or through limitations on guarantees. Please set out the characteristics of such products as you are aware of (detailed information is welcome). Please also briefly explain what are the benefits and risks for insurance undertakings and consumers arising from these new products.

No such new products.

4. The use of **telematics in motor, household and health insurance** allow, among other things, the accuracy of risk assessments to be improved and the development of more tailored products, yet the availability and affordability of insurance for some consumers could also be affected. Please indicate whether you have observed the use of telematics devices is already taking place in your country, what their characteristics are, and what are their benefits and risks for insurance undertakings and consumers.

We have observed the use of telematics devices due to car insurance, but we have not yet investigated this.

5. Digital technologies have facilitated the emergence of so-called **peer-to-peer (P2P) insurance undertakings** such as Lemonade (USA), where associated or like-minded individuals pool their premiums together to insure against a risk, and funds available in the pool when the coverage period ends are typically returned to its members. Please indicate if you have seen the emergence of such insurance business models in your country, what are their characteristics, benefits and risks for consumers and insurance undertakings, and how do they differ from traditional mutual insurers.

We have observed only one provider of such insurance in Norway. Currently in small scale.

6. Blockchain, the underlying technology of Bitcoin, is essentially a distributed, decentralized and digitalized ledger of transactions which enable transactions to be quickly validated and securely maintained. Blockchains are the primary enablers of smart contracts, contracts which automatically execute the obligations the parties have committed to in an agreement. Please indicate if you have observed the use of **Blockchain and/or smart contracts** in your country and what are their its benefits and risks for consumers and (re)insurance undertakings.

We have not observed any blockchain concepts in Norway except Bitcoin and the much-criticized OneCoin (that may not use a real blockchain). But some Norwegian finance- and datacompanies are testing this technology.

7. **Precision medicine** is defined as the customization of healthcare according to the genetic and epigenetic characteristics of individuals, which includes analysis of lifestyle and environment. Please explain if the use of genetics data in insurance is allowed in your country, how precision medicine may impact life and health insurance, as well as its benefits and risks for insurance undertakings and consumers.

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8. **Digital solutions for automated advice / robo-advisors in pensions:** Please indicate whether you have observed the use of pension robo-advisors in your country, what their main characteristics are, if they are used mainly in the pre-contractual stage, during the accumulation phase or during the pay-out phase, and what are the benefits and risks arising from them. Where relevant please differentiate between personal and occupational pensions.

We have not observed any use of pension robots.

9. **Pension mobile phone applications** allowing, among other things, members and policyholders to check their pension balances through their smartphone are reportedly increasingly popular in some Member States. Have you observed the developments of such pension mobile phone applications in your country? If yes, please explain their key characteristics, services offered (e.g. communication tool, sales channel, pension calculator etc.) and other benefits or risks arising from them. Where relevant please differentiate between personal and occupational pensions.

We have observed such applications, but have not yet tested it.

10. **Life-cycle pension funds**, where assets of young policyholders are placed in riskier portfolios and moved automatically to less riskier ones when the policyholder approaches his retirement are reportedly gaining momentum in several Member States. Have you observed this trend in your country? Are they used in DC default options? Please explain your response, addressing the main characteristics of life cycle funds and any possible benefits and risks arising from them. Where relevant please differentiate between personal and occupational pensions.

We have not observed any gaining momentum in such funds in occupational pensions. But in the markets for personal pensions there have been an eventful introduction of low-cost life-cycle pension fund

(index fund) by the largest bank in Norway - DNB. Currently DNB are selling as much of this fund as of their traditional high-cost life-cycle funds (actively managed fund).