Insurance Europe final response to IAIS consultation on customers receiving value from insurance products

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Contact person:	Francesca Bertolo, Manager Conduct of Business Maraya Mihaylova, Policy Advisor Conduct of Business	E-mail:	Bertolo@insuranceeurope.eu Mihaylova@insuranceeurope.eu
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1. General comments on the Issues Paper

Providing value for money (VfM) is a priority for the insurance industry: insurers continually strive to develop products that best meet the expectations of consumers, as well as changing market conditions. Insurers aim to continuously adapt products to evolving consumer needs, including retirement, health and climate-related risks, while ensuring long-term sustainability and resilience of the insurance sector. Consumer outcomes and satisfaction are essential to the success of any insurer, and a necessary condition to stay ahead of the curve in a competitive market.

Insurance Europe believes that any proper assessment of products' value should follow a holistic approach taking into account the full range of qualitative and quantitative features of insurance products. Value cannot be measured solely by reference to cost or performance indicators or other simplistic metrics, but should also reflect the nature and extent of insurance coverage, guarantees, risk-mitigation features, services, advice, claims handling and other needs of the target market. At the same time, such an assessment should respect manufacturers' freedom to design products, develop commercial strategies and set prices in line with risk-based underwriting principles and market conditions.

The EU stands out as a geography where consumer protection and conduct of business regulation are already very robust and where the reflection on value for money is well advanced. The design and distribution of insurance products are already subject to a comprehensive and well-developed regulatory and supervisory framework, based on the EU Insurance Distribution Directive (IDD) and the Product Oversight and Governance (POG) rules, as well as EIOPA's Supervisory Statement and Methodology to assess VfM in the unit-linked market, EIOPA's revised benchmarking methodology for unit-linked and hybrid products and the forthcoming Retail Investment Strategy (RIS) rules for Insurance-Based Investment Products (IBIPs). The existing framework is providing a high level of consumer protection, and, most importantly, is already enabling

Insurance Europe aisbl • rue Champ de Mars, 23 B-1050 Brussels
Tel: +32 2 894 30 00 • E-mail: info@insuranceeurope.eu
www.insuranceeurope.eu

national competent authorities (NCAs) to have adequate powers and supervisory tools to intervene where necessary.

Ultimately, however, product design and pricing should be determined by a competitive market, and not by supervisory authorities. A competitive market for insurance products is good for consumers. In the early 1990s, the European legislator made a conscious decision for a liberalisation of the private insurance market and against authorisation of products by the supervisory authorities. It has stood by this decision with the creation of the Solvency II Directive. The Regulation on POG (under IDD and its Delegated Acts) requires manufacturers to ensure that products meet the needs and objectives of the respective target market. This includes the consideration that the costs of the product should not make the product unsuitable for the consumer. Furthermore, products should not exploit consumers' weaknesses. Supervisory authorities have extensive powers to identify and remove products from the market which do not comply with these requirements. However, within these limits, product design and pricing should remain with the manufacturer. The fact that a broad range of products are present on the market (cheaper and more expensive products) is a sign of healthy competition.

Insurance Europe also recommends that any supervisory approach should remain risk-based and proportionate, with due regard to the differences between products, distribution models and national markets. Insurance markets operate under different legal, economic and social conditions across jurisdictions, which also influence product design, distribution and value perception. A one-size-fits-all approach would risk oversimplifying the assessment of value and could unduly constrain product quality, innovation and availability. Instead, it is crucial to have an agile and proportionate approach to supervision, so that insurers are able to do business, and offer products that best meet consumers' needs and objectives. Value should also be assessed over time, and based on the entire lifecycle of the product, particularly for long-term products such as life, savings and retirement products.

2. Comments on the Executive Summary

Insurance Europe welcomes the recognition that insurance plays a vital role in protecting individuals and businesses, supporting societal resilience and contributing to economic stability.

At the same time, the Executive Summary should avoid broad statements suggesting that insurance products generally fail to deliver a compelling value proposition. Where concerns arise, these are linked to specific products, practices, undertakings or market circumstances. Therefore, they are not a general trend within insurance products. In the EU, the design and distribution of insurance products are already subject to a robust regulatory framework, based on the IDD, the POG rules, EIOPA's supervisory work on VfM which will be further strengthened with the forthcoming RIS rules for IBIPs. This framework already ensures that insurance products provide value to consumers and gives supervisors the necessary tools to intervene where needed.

The Executive Summary should also expressly recognise information overload as one of the key challenges consumers face when assessing insurance products. The issue is not only whether consumers receive information, but whether that information is clear, useful, proportionate and understandable and supports informed decision making. In the EU, for example, multiple and often duplicative legislative requirements can result in consumers receiving up to 339 pieces of pre-contractual information for a green IBIP sold with advice. This volume of information makes it harder, not easier, for consumers to compare products, identify key features and make informed decisions. This is confirmed by the OECD Consumer Trends Monitor 2026, which identifies ineffective disclosures as the most significant conduct-related risks. It is therefore important that authorities reflect on avenues to reduce consumers' information overload and ensure a streamlined and agile sales process.

On factors that diminish value, the Executive Summary should be more balanced. Bundled or cross-sold products, commissions and distribution arrangements should not be presented as inherently problematic. They provide convenience, affordability, as well as access to advice and products in the market, especially to the less

affluent consumers. The relevant issue is whether conflicts of interest are properly managed and whether the product meets the customer's demands and needs.

On factors that enhance value, the Executive Summary is too narrow. Product design that rewards risk reduction is relevant, but value is also supported by robust product governance, proper target market identification, product testing, regular product review, appropriate distribution strategies and clear customer communication. For IBIPs in particular, the Executive Summary should recognise that value includes both quantitative and qualitative features. These include biometric risk cover, financial guarantees, risk-mitigation techniques, access to different asset types, depending on the customer's risk profile, pension benefit options, distribution channels, digital tools, advice, services, ongoing assistance and support, and ESG features where relevant. It should also be considered that for life insurance, savings, retirement and decumulation products, value is built over time, not in a single moment.

Finally, the reference to supervisory tools should be qualified. Supervisory assessment of value should consider both quantitative and qualitative information. Claims ratios, product performance indicators and other metrics may provide useful context, but should not be used as standalone proxies for value or as tools for product ranking. Supervisory tools should remain proportionate, risk-based and within the supervisory domain.

3. General comments on section 1 Introduction

Insurance Europe's comments on the introductory section are reflected in the detailed comments on sections 1.1 and 1.2 below.

4. Comments on section 1.1 The positive impact of insurance

Insurance Europe welcomes the section and supports its recognition of the important role of insurance in protecting individuals, businesses and society. The section rightly highlights that insurance contributes to financial stability, business continuity, economic resilience, social welfare and risk prevention. Insurance Europe particularly supports the references to risk pooling, recovery after adverse events and incentives for safer behaviour.

For example, IBIPs can offer a range of advantages that address different financial objectives throughout consumers' lives, as explained in Insurance Europe's paper "Understanding the distinct nature of life investment products". They provide a secure framework for building and preserving long-term savings. IBIPs can offer capital protection and guarantee the amount invested, while also delivering regular returns. At the same time, insurers can also offer access to a broad range of assets to help consumers seek higher long-term growth potential according to their risk appetite. The attractiveness of life insurance lies in its ability to combine security, guarantees, performance potential and protection within a single product. It enables individuals to prepare for retirement, finance future projects, accumulate savings and protect their loved ones through tailored beneficiary arrangements. This makes it the preferred financial savings product for many consumers. For instance, in France, the life insurance market represents more than €2.1 trillion in assets under management, making it a cornerstone of household savings and a major source of long-term financing for the economy. In addition, insurance contracts benefit from a well-established regulatory framework designed to protect policyholders and ensure the financial strength of insurance undertakings.

Insurance Europe agrees that access to insurance varies across jurisdictions and product lines. However, ownership rates should be interpreted with caution. Differences in insurance take-up may reflect factors such as income levels, public welfare systems, mandatory insurance requirements, tax treatment, market maturity, risk exposure and distribution channels. Similarly, the reference to low consumer engagement should be framed cautiously, as the section itself notes that this is difficult to measure conclusively. Low engagement does not necessarily indicate poor customer outcomes or poor product value.

The illustrative statistics should therefore be presented as evidence of differences in insurance penetration and protection gaps, rather than as a basis for broader conclusions on customer value.

5. Comments on section 1.2 Low value and trust can deter customers from buying insurance

Insurance Europe agrees that consumer trust is important for insurance uptake and that customers should have confidence that insurance products meet their needs and deliver good outcomes. However, the section should avoid presenting low or limited VfM as a principal explanation for limited insurance uptake. As the section itself recognises, uptake is affected by many factors. These include affordability, income levels, risk perception, financial literacy, public welfare systems, mandatory insurance requirements, market maturity and distribution channels.

Insurance Europe welcomes the distinction between products that may offer low value objectively and products that may be perceived as offering low value by customers. This distinction is important and should be maintained throughout the Issues Paper. Perceived poor value may reflect limited understanding of insurance or lack of engagement, rather than an actual lack of value.

The complaints data referred to in the section are relevant to customer experience, particularly on claims handling, exclusions, premiums, fees and customer service. However, complaints data should be interpreted carefully. They identify areas of customer concern, but should not be treated as evidence that insurance products generally provide poor value.

The section should also distinguish clearly between affordability and VfM. A product may provide value but still be unaffordable for some consumers. Rising premiums may also reflect underlying factors such as inflation, claims costs, medical costs, climate-related risks or changes in risk exposure. These issues should not automatically be framed as product-value failures.

Moreover, the reference to EIOPA's estimate that 10% to 15% of EU IBIPs may be at risk of offering limited to no value demonstrates that there are no structural VfM concerns, but rather concentrated in a limited number of insurance undertakings.

Finally, the Malaysia example should be presented as jurisdiction-specific. Measures to stagger or limit premium increases can have negative implications for risk-based pricing, product availability and long-term sustainability. These factors should be reflected in a balanced way.

6. Comments on section 2 Challenges for consumers to evaluate value when buying insurance

Insurance Europe notes that assessing insurance products might be challenging for consumers on their own. This is precisely why advice and distribution services play such an important role. Insurance distributors help consumers understand their needs, compare options, assess trade-offs, understand the product's key features and navigate claims. Effective advice can also strengthen consumer confidence and contribute to better financial outcomes, as explained in Insurance Europe's paper "Value of advice". By ensuring that products are appropriate and well understood, insurers support informed decision-making and help individuals make the most of the opportunities offered by insurance while maintaining an adequate level of protection. In many European countries, advice has been made mandatory and the VfM framework has been designed to take this element into account.

Insurance Europe also agrees that cost transparency is important, as well as clear information on premiums, payment frequency, renewal prices, coverage and exclusions. At EU level, the framework already contains detailed cost disclosure requirements under the IDD and PRIIPs Regulation, and the new RIS requirements will further strengthen cost transparency.

Additionally, Insurance Europe supports the section's point that claims ratios may not help consumers assess value. Claims ratios are not a reliable stand-alone indicator of product value. They may be misunderstood and do not capture coverage quality, risk transfer, guarantees, services, advice, claims handling, distribution support or the specific nature of the insured risk. Furthermore, the claims ratio is strongly influenced by external factors, such as events where cumulative risks materialise.

The examples on add-on insurance and pressured sales environments should be presented as product- and jurisdiction-specific. They should not be used to draw general conclusions about insurance distribution or cross-selling. Cross-sold products can provide real consumer benefits, including convenience, affordability and products tailored to the main purchase or loan. The issue is not cross-selling as such, but whether the product meets the customer's needs and is sold in a fair, clear and non-misleading way. At EU level, the regulatory framework already contains robust safeguards in this area, including the IDD, the Mortgage Credit Directive (MCD), the Unfair Commercial Practices Directive (UCPD) and the Consumer Credit Directive (CCD). On top of that, supervisors have the necessary tools to intervene where necessary.

The section should also treat differential pricing carefully. Insurance Europe supports fair treatment of customers and agrees that unfair pricing practices should be addressed where identified. Therefore, the EU IDD already sets robust standards on product design, by allowing insurers to remain free in how they price the risk and develop commercial strategies, provided that they respect the duty to act honestly, fairly and professionally in the best interests of customers, and provide fair and clear information on the costs and services associated with the product. Notwithstanding the above, it is essential that insurers are allowed to differentiate premiums and benefits based on the individual risk. Risk-based underwriting is at the heart of private insurance which only works when customers with different risk profiles are priced differently.

7. General comments on section 3 A spectrum of supervisory approaches to address value

Insurance Europe shares the view that regulatory and supervisory approaches to customer value differ across jurisdictions, which reflects the diversity of markets, product offerings, consumer needs and insurance distribution channels. Insurance Europe also supports the aim that consumers should be treated fairly. In the EU, a comprehensive conduct framework has been introduced for this purpose, including the IDD (which includes, among others, POG requirements, a demands and needs test, comprehensive information and suitability assessment requirements and robust rules on conflicts of interest). Nevertheless, we believe that consumers benefit from a competitive and innovative market. Supervisory authorities should intervene in cases of unsuitable products or unfair practices. However, within these limits, pricing and product design should remain within the remit of manufacturers.

The value factors referred to in the OECD 2024 Consumer Risk Monitor are too narrow and put a disproportionate emphasis on costs. They should not be applied automatically or treated as an exhaustive checklist for assessing customer value. Value should not be assessed only by reference to expected returns, costs or issuer profitability. In the context of IBIPs, for example, value also includes biometric cover, financial guarantees, risk-mitigation techniques, services and assistance and long-term planning benefits. These elements are central to the value they provide to customers.

8. Comments on section 3.1 Explicit supervisory expectations that insurance products provide value

The variety of approaches described in this section usefully confirms that there is no one-size-fits-all approach on how to determine whether insurance products offer value to consumers. Instead, this depends on each jurisdiction's market structure, product landscape, distribution models, consumer needs, legal and taxation frameworks, etc. Supervisory authorities should intervene in cases of unsuitable products or unfair practices. However, within these limits, pricing and product design should remain within the remit of manufacturers. A

simple and pragmatic approach is needed, which allows insurers to retain sufficient flexibility to develop solutions tailored to different customer profiles.

9. Comments on section 3.2 Other requirements that enable supervisory action on low-value products

The section confirms that different regulatory frameworks can pursue good customer outcomes in different ways, depending on product offerings, distribution channels, consumer needs, etc. At the same time, the Australian example should be treated with caution and presented as product- and jurisdiction-specific. The concerns identified in relation to consumer credit insurance appear to relate to specific issues, which should not be used to draw wider conclusions about cross-selling or insurance distribution more generally.

Cross-sold insurance products can provide real benefits to consumers, including convenience, affordability and cover tailored to the main purchase. In the EU, the regulatory framework already contains robust safeguards in this area, including the IDD, the MCD, the UCPD and CCD. Supervisors also have the necessary powers to intervene where poor practices or poor outcomes are identified.

10. Comments on section 3.3 Modifying the insurance purchase decision-making environment

Insurance Europe notes that the section should make clear that the examples provided are jurisdiction- and product-specific. Measures such as fulfilment ratios, cost-benefit ratios and deferred sales models may be relevant in specific markets or for specific products, but should not be presented as tools that are suitable across all products and markets. For example, in the EU, the concept of "in good time before" works well within the insurance framework and EU consumers appreciate the speed and ease of entering into a contract and receiving immediate insurance protection. Therefore, mandatory waiting periods would not work well. In addition, indicators such as fulfilment ratios and cost-benefit ratios may provide useful information in specific cases, but they may not capture the full range of benefits, guarantees, protection features, services or advice provided to the customer.

Insurance Europe supports the point made in the Netherlands example that consumer protection should not rely simply on more disclosure. Information should be clear, proportionate and useful for decision-making. Overly detailed or technical disclosures may increase information overload and reduce consumer understanding.

Insurance Europe strongly supports the recognition of the role of advice in the New Zealand example. Advice helps consumers understand their needs, compare options, assess trade-offs, understand the product's key features and navigate claims. This is particularly important for long-term products such as IBIPs.

11. Comments on section 3.4 Consumer education and information

Insurance Europe supports initiatives that improve financial literacy and consumers' understanding of insurance. Better financial education can strengthen consumer confidence, support more informed financial decisions and help consumers better understand their protection needs. Consumer education should focus on practical understanding of insurance, including risk pooling, coverage, exclusions, premiums, claims processes and the importance of reviewing insurance needs over time. It should help consumers understand what is the purpose of insurance and not only how much it costs.

For example, in France, the online portal "Mes questions d'argent" offers neutral, reliable and free educational content on topics related to personal finance, including insurance. Created as part of the national financial education strategy implemented by the Banque de France, this website provides access to practical guides to give consumers the tools to understand insurance and choose the best product for their needs. Besides, the Financial Sector Advisory Committee (CCSF) established an Observatory on Financial Savings Products (OPEF), which published a report on the French investment market. The report provides an overview of the links that

may exist between investment duration, risk appetite, liquidity requirements, diversification of investment vehicles and product performance. Insurance Europe's Consumer Hub displays various national initiatives aimed at improving financial education, consumer awareness and people's understanding of insurance products.

At the same time, comparison tools should be treated with caution. They can oversimplify decision-making as they focus mainly on costs rather than qualitative elements. This is particularly relevant for IBIPs, which combine investment opportunities with insurance protection and include important qualitative features such as financial guarantees, biometric cover, risk-mitigation techniques and long-term planning features. A simple online comparator may not properly reflect these features and could be misused or misunderstood as a ranking of "good" and "bad" products.

Any consumer-facing tool should therefore clearly explain its limitations. It should not imply that the cheapest product is necessarily the most suitable product or that value can be assessed without considering the consumer's needs, product features, guarantees, risks, services and advice.

12. General comments on section 4 Aspects that can diminish the value offered by insurance

Insurance Europe and its members support the lifecycle perspective reflected in this section. Customer value is assessed when products are designed, distributed, serviced and reviewed with the target market's needs, objectives and characteristics in mind. This approach is consistent with the EU IDD POG framework, which already requires manufacturers and distributors to take account of the target market, distribution strategy, product review and customer outcomes.

The reference to "unfair pricing" should also be understood carefully. Practices that lead to unfair customer outcomes should be addressed where identified, but this should not be confused with legitimate risk-based pricing nor should it restrict product manufacturers' freedom to set premiums. Any supervisory approach should avoid becoming price control in practice.

13. Comments on section 4.1 Needs-benefits misalignment

The objective of ensuring that insurance products are designed and distributed with the relevant customer group in mind is already embedded in the relevant EU regulatory framework. In particular, under the IDD POG framework, product manufacturers are required to identify a target market and distributors to ensure that the product proposed is consistent with the customer's demands and needs.

At the same time, Insurance Europe believes that paragraph 37 should be refined. Products should be designed for, and distributed in line with, the identified target market. However, this should not be understood as an absolute prohibition on sales outside the target market. Such sales may still be appropriate where the individual assessment at the point of sale shows that the product meets the customer's demands and needs and, where relevant, is suitable or appropriate.

Lastly, Insurance Europe agrees that consumers should be able to understand key limitations and exclusions. Clear and consumer-friendly information on exclusions is essential to support informed consumer decisions and helps avoid misunderstandings at claims stage. In the EU, the Insurance Product Information Document (IPID) already plays an important role for non-life insurance products by presenting key information in a short and consumer-friendly format, including a summary of the main exclusions. More detailed information is provided in the contractual documents, while distributors can provide personalised explanations and answer questions where needed. In addition, the RIS will introduce requirements for the provision of Life Insurance Product Information Document for life insurance products, excluding IBIPs.

14. Comments on section 4.2 Pricing issues

Insurance Europe agrees that cost and value are not directly correlated. A lower-cost product is not necessarily better value and a higher-cost product is not necessarily lower value: higher costs may reflect broader coverage, guarantees or services, while lower costs may correspond to more limited protection. As EIOPA notes in its most recent Cost & Past Performance of retail financial products report "*costs do not necessarily imply poor value for money … as value for money is a reflection of costs, benefits and returns*". Customer value is a holistic concept and should take account of all relevant quantitative and qualitative features of insurance products, including coverage, guarantees, risk mitigation, services, advice, claims handling and the needs and objectives of the target market.

At the same time, cost transparency is relevant to consumer outcomes. Insurance Europe supports clear and transparent information on prices, applicable discounts and renewal premiums, so that consumers can understand what they are paying and make informed decisions. In this respect, the EU IDD and PRIIPs frameworks, as well as the upcoming RIS rules, already provide consumers with comprehensive information on insurance products' key features.

In addition, at EU level, the existing framework already contains strong safeguards against unfair pricing practices. The UCPD prohibits unfair, misleading or opaque pricing practices, including where the presentation of the price or the way it is calculated is likely to distort consumers' economic behaviour. The IDD requires insurers and distributors to act in customers' best interests, assess demands and needs, and comply with product oversight and governance requirements. It also prohibits remuneration, sales targets or performance arrangements that incentivise recommending a product where another one would better meet the customer's needs. On this basis, EIOPA has clarified that differential pricing practices, including "price walking", must not result in the unfair treatment of consumers, while national authorities already have the necessary tools to intervene where specific concerns arise. However, it should be stressed that supervisors' interventions should be limited to outliers, where products or distribution strategies are unfair or unsuitable. Product and price regulation by supervisory authorities would not be beneficial for customers. Therefore, the examples from Ireland, the Netherlands and Australia should be presented as specific cases where supervisors identified concerns and acted under existing powers. They should not be used to suggest that pricing practices in insurance markets generally lead to poor value or to support broad restrictions on insurers' freedom to set prices and develop commercial strategies.

Furthermore, it is important to underline that risk-based underwriting is at the heart of insurance which only works when customers are priced according to their risk profile, thus making insurance become available in general. Thus, when it is justified by actuarial/mathematical considerations, differential risk selection and pricing is feasible.

15. Comments on section 4.3 Bundled or tied sales

Insurance Europe recommends a more balanced approach and to better highlight the benefits that bundled or tied sales can bring. Bundled or cross-sold products can provide benefits such as convenience, affordability and improved access to insurance. For example, the Swiss Re study "Accelerating insurance transformation through behavioural economics | Swiss Re" reveals a **clear consumers' preference** for bundled products, as it allows the policy to cover several needs at once, "like a half and half pizza topping or a bento box". It is therefore important to consider that bundled or tied sales can help overcome consumers' inertia and make the purchase process easier.

For example, it is important to stress the **significant benefits that Credit Protection Insurance (CPI) can bring.** CPI is known and used by customers, who consider it **essential** and **helpful**. A 2021 study by global market research company Ipsos in **nine European countries** (Belgium, Czech Republic, France, Germany, Italy, Poland, Spain, Sweden, United Kingdom) showed a **high level of awareness** of CPI in Europe (69% of interviewees know about it) and the majority of consumers recognise **its role in protecting their loved ones**

(76%), their **properties** (75%) and its ability to **maintain their standard of living** (75%) and provide **peace of mind** (73%).

The many other benefits that CPI can offer include the possibility of tailored products and the one-stop shop mechanism: the bank can provide consumers with a single point of contact to request a loan and a policy, facilitating communication, allowing simpler processes and saving time. A single point of sale lowers costs for producers, distributors and consumers.

In the EU market, the IDD already provides a strong framework for preventing bad practices in the sale of bundled or tied products, and supervisors are well-equipped to monitor the market and intervene where necessary.

16. Comments on section 4.4 Commissions and other distribution conflicts of interest

In the EU, the IDD sets out rules on conflicts of interest that prevent, manage and, when appropriate, inform clients should a situation arise that could be detrimental to their interests. The IDD also foresees the possibility for member states to introduce further restrictions where appropriate for their market, for example in the form of further information requirements, mandatory advice or a full ban on payment of commission depending on each market's specific features and needs. **This allows the necessary flexibility to consider local market structures and consumer behaviour.**

Commission is not an unnecessary expense and reflects the price of the advice and other distribution services provided to the client. This can include any assistance provided by the intermediary to the policyholder in the administration and performance of the insurance contracts, in particular in the event of a claim, as set out by the IDD. The commission-based system is one way of funding the costs of providing the advice to the customer. Where advice is provided but commission is banned, the customer must pay for the advice in a different manner (usually a specific fee, or subscription model, or in instalments over a certain period). The commission system remains the most prevalent way of remunerating distributors across the EU and is the dominant system in the majority of markets. This allows customers to access as much pre-contractual advice as they need free of charge, as this is effectively pre-financed by existing insured customers. This increases the affordability and access to advice, which is particularly important in markets with low levels of financial literacy. Potential conflicts of interest related to commission payments can be effectively prevented through existing regulatory requirements and effective internal governance. In many markets, the insurance distribution system still relies to a large part on face-to-face advised sales.

As regards comparison websites, these should not be seen as a silver bullet. In practice, it is difficult for online comparison tools to capture and present the full range of features of insurance products, such as guarantees, scope of cover and related services. There is therefore a risk that comparisons focus primarily on price and performance, which may steer consumers towards products that are not suited to their needs, for example because they involve inappropriate levels of risk or lower-quality cover. This is compounded by well-known behavioural biases: consumers often focus only on the first results displayed, remain with default options and may underestimate conflicts of interest that can still exist between the platform and the products being promoted.

17. Comments on section 4.5 Complex decisions expected of the customer

There is broad consensus that consumers' understanding of insurance products, including their scope and exclusions, is essential. Improving this understanding benefits all stakeholders: it enhances efficiency and outcomes for firms, while reducing frustration and supporting better financial decision-making for consumers.

Current market experience shows that EU insurers already provide consumers with extensive information in line with EU and national disclosure requirements. At the same time, consumers increasingly expect a purchasing

journey that is both simple, comprehensible and efficient. Many consumers, for example, research products online and complete the purchase offline, while others are fully digital or digital-native and expect the same seamless experience they encounter on other sales platforms.

However, a significant proportion of consumers still lack familiarity with basic financial and insurance concepts, which can hinder their ability to make informed choices. This highlights a genuine tension between simplicity and completeness in disclosure. There is no single solution to this challenge, and all stakeholders have a role to play in addressing it and informing consumers effectively.

In this context, the EU IPID for non-life products has proven particularly useful, as it presents key information in a concise and consumer-friendly format. Its effectiveness stems from several factors. First, it is short and structured with clear headings, icons and colours. Second, in digital form, it allows for features such as layering and pop-ups, which can improve accessibility and user experience. Third, it focuses on the information that is most essential for consumers, including the type of insurance, the main cover provided, the principal insured risks, the insured sum, the geographical scope where relevant, the key exclusions, the payment of premiums, the duration of the contract, obligations at different stages of the contractual relationship, and the means of terminating the contract.

Importantly, the IPID includes a summary of the main exclusions, while the full details remain available in the contractual documentation. In addition, intermediaries can provide more personalised explanations, advice and answers where needed.

More broadly, it is important to recognise that the IPID is only one element of a wider and robust consumer protection framework established under the IDD. Beyond the IPID itself, the IDD requires firms and distributors to act honestly, fairly and professionally in accordance with the best interests of customers; to provide information that is fair, clear and not misleading; and to inform consumers in good time before the conclusion of the contract. It also requires proper product design and review through the POG framework, the assessment of consumers' demands and needs, and continuous professional training of at least 15 hours per year for distributors in order to maintain and update their skills. In addition, supervisory authorities have a wide range of powers and tools to monitor the market and intervene where consumer harm or misconduct is identified, including administrative and pecuniary sanctions, as well as requiring firms to review products and documentation in order to address identified shortcomings.

18. General comments on section 5 Aspects that can enhance the value offered by insurance

Insurance Europe agrees that product design that rewards risk reduction, customer-centric claims handling, product flexibility and responsiveness and downside protection can enhance the value offered by insurance.

As recognised in EIOPA's methodology, Insurance Europe believes that further elements should be regarded as adding value:

- **Existence and level of financial guarantees or other forms of risk mitigation techniques:** for example, the existence of dynamic allocation between a minimum number of assets during product lifecycle and/or between a significant number of countries/currencies/other characteristic (with the purpose of diversification and mitigation of financial risks).
- **Peace of mind:** value also lies in providing peace of mind, financial security and resilience through advice, high quality digital processes, service availability and claims handling and prevention services.
- **Sustainability of the product:** products with sustainability features can offer a non-monetary value to policyholders valuing such features.
- **Digitalisation:** digital solutions at point of sale and/or throughout the consumer journey, e.g. products allowing consumers to easily access the asset allocation or to express their preference on product design

from a digital platform (e.g. a phone based app or an interactive website) could be particularly appreciated by some policyholders.

- **Level of advisory/assistance at the point of sale and during the contract duration:** the presence of a customised service both at the point of sale and during the contract's life, represents, for some policyholders, an important additional service. For example, a recent Deloitte research in the Italian market shows that **80% of investors** who have chosen to use the **advisory** service perceive the latter as a **fundamental added value**, especially for the clarity in explaining the costs, benefits and risks of the product.
- **In-kind benefits**: 24/7 telemedicine, second medical opinion, patient transport, regular check-ups, home assistance and other services.
- **Presence of particular features**, such as non-monetary bonus (e.g. trainings or gift card), more limited exclusions, payment flexibility and succession planning elements (e.g. possibility to ascertain when, how and to whom the sum should be distributed), adaptation measures oriented towards inclusivity (e.g. adapting processes for vulnerable groups of clients) can be a source of non-monetary value to be considered.

It is also worth noting that a Deloitte research in the Italian market reports that more than 40% of respondents consider the **brand a key factor in their choice of policy**, while more than 1 in 2 investors consider the **financial strength of the insurer** to be fundamental. These elements contribute to building a **lasting relationship of trust between customer and company**.

19. Comments on section 5.1 Product design that rewards risk reduction

Insurance Europe agrees with the comments. Other examples of innovative risk management and prevention initiatives are displayed in the Insurance Europe Consumer Hub.

20. Comments on section 5.2 Customer-centric claims handling

Insurance Europe agrees with the comments. Other examples of enhanced claims management techniques are displayed in the Insurance Europe Consumer Hub.

21. Comments on section 5.3 Product flexibility and responsiveness

Insurance Europe agrees with the comments.

22. Comments on section 5.4 Downside protection

Insurance Europe agrees that product design that mitigates the downside risk for the customer can enhance the value offered by the product. However, this section should better reflect that insurance products available on the market can provide different forms of safety and peace of mind without the need for top-down product design requirements. The single example provided (investment-linked insurance products for which the Malaysian NCA prescribes minimum and maximum amounts of sum assured) appears instead to point towards the latter approach.

23. General comments on section 6 How supervisors can assess that the insurance industry is offering value

Insurance Europe's comments on section 6 are reflected below. In general, however we would like to point out that the market monitoring by the supervisory authority has to comply with the principle of proportionality. Reporting requirements on the subject of consumer value should not place an excessive burden on manufacturers. For example, instead of introducing extensive reporting requirements on VfM for all manufacturers, supervisors should follow a differentiated and risk-based approach: supervisors should use tools

of market surveillance such as consumer complaints, dialogue with out-of-court dispute resolution bodies, mystery shopping, reports by consumer protection organisations to identify cases where evidence indicates a breach of legal requirements. In these cases, the supervisory authority should examine the relevant product and/or manufacturer more closely. At any rate, indicators such as claims ratios should not be considered in isolation, but only be used as part of a broader, contextualised assessment.

24. Comments on section 6.1 Demonstrations in the governance and corporate culture

In the EU, insurers already act under the strict IDD POG rules that require manufacturers to continuously monitor and regularly review insurance products to assess whether they remain consistent with the needs, characteristics and objectives of the identified target market, and take remedial actions where needed. In addition, consumer protection regulatory frameworks in the different EU markets ensure that consumer centricity and interests are embedded in firms' strategy, governance and daily commercial operations to deliver fair outcomes.

25. Comments on section 6.2 Low claims ratios

Claims ratio (claims paid on premiums collected) is an indicator that should be used with caution, as part of a more holistic assessment. Insurance is designed to provide financial security by covering substantial, often unpredictable losses. Just because a policyholder (or a high proportion of policyholders) do(es) not make a claim for a period of time does not mean that the product lacks value. In fact, the pay-out of claims depends on whether the insured event takes place and on the severity of the event – which in return depends on a number of external factors. For example, events where accumulated risks materialise such as torrential rains or storms, may cause a very high claims ratio, whereas the claims ratio would be different in a year without such events.

A lower claims ratio can sometimes indicate proactive risk mitigation efforts and preventive actions by insurers, such as conducting regular health checks. This prevention-focused approach can lead to better outcomes and safer behaviours, naturally lowering the claims ratio without reducing the insurance policy's value.

At the same time, the premium collection is influenced by external economic factors like employment rates, household wealth, and taxation policies; this means that claims ratios can vary due to these broader factors that are outside insurers' remit.

Also, the claims ratio does not account for customer satisfaction or experience with the insurance product, for example in relation to the claims settlement, the coverage chosen, the communication with the insurer/distributor and in-kind services (e.g. psychological support, taxi ride, or car repair services), etc.

On the other side, an unusually high claims ratio could indicate adverse selection and/or moral hazard, where those at higher risk are more likely to purchase insurance. Over time, adverse selection can threaten the sustainability of the insurance model, leading to higher premiums that undermine affordability and accessibility.

Practical examples:

- **Natural catastrophe (Nat Cat) insurance**: policyholders may go years without filing claims, yet when a disaster arrives, the amount and value of claims would increase significantly, providing the necessary protection to policyholders.
- **Liability insurance** are long-term products by nature which would make it difficult, if not impossible, to calculate a meaningful claims ratio. The long-term safety net is the fundamental purpose of insurance, rather than ensuring continuous payouts.
- **Motor insurance:** if fewer car accidents occur in a given period (e.g. during the COVID lockdown), the claims ratio for motor insurance would naturally decline. This is due to external factors and does not mean that the product has no value.

- **Fire insurance** is less likely to occur than water leak damage, thus meaning that claims ratio can be lower. However, when fire occurs, this type of insurance can provide essential protection and support to consumers.

26. Comments on section 6.3 Other claims handling indicators

Claims handling indicators should be used with caution and as part of a more holistic assessment, since not all claim denials are indicative of poor value or bad product design. For example, claims may be denied due to non-compliance with the terms of the contract (e.g. claims' submission deadline), non-disclosure of relevant information by the policyholders or fraudulent activities. Equally, the time which is necessary to process a claim is highly individual and is subject to many external factors on which the insurer has no influence (i.e. complex subject matter, such as a physical injury; a medical or technical opinion by a third party expert; a lawsuit which is decisive for the claim; availability of materials, experts, craftsmen). This is especially visible in cases where masses of claims are caused by the same event at the same time, such as in cases of a storm or torrential rain. Similar concerns apply to the use as an indicator of the number of consumer complaints.

27. Comments on section 6.4 Investment return compared to profit

Investment products offer value when they are suitable for the purpose for which they are sold and aligned with the needs and objectives of its target market. This is not the case, if the costs charged make the product unsuitable for its purpose. When assessing the overall benefits offered to consumers by the product, it is important to keep in mind that such benefits go beyond the pure investment returns, and include for example the existence and level of guarantees, insurance coverage, advice and other services.

A suitable indicator for costs which has proven effective in practice is Reduction in Yield (RIY). It enables a transparent comparison of product costs even for products with different recommended holding periods and charging structures.

28. Comments on section 6.5 Undue costs and commissions for pure risk products

"Undue" and "high" are not the same concept, and the statement that "consistently high costs and/or consistently high commissions can be an indication of low value" is not accurate, since:

- High costs do not necessarily indicate poor value if they are linked to meaningful coverage, benefits, advice or other services.
- Conversely, lower costs may be associated with lower quality, more limited protection or reduced levels of service and assistance.

Therefore, what is important is that the product meets the consumers' demands and needs with a level of cost that is proportionate to the overall benefits. This is particularly relevant where certain target markets are willing to pay more for products that are tailored to their specific needs and that provide additional coverage, services or support.

See further comments on CPI in section 4.3 and commissions in section 4.4.

29. Comments on section 7 Conclusion

Insurance Europe appreciates the recognition that a variety of supervisory approaches are possible to monitor and address product value, reflecting the diverse regulatory landscapes and market conditions across jurisdictions. Different factors can be considered to increase or diminish the value offered by insurance products, and the examples made by the Paper should be presented as non-exhaustive.

However, we recommend a more balanced tone on bundled or tied sales, which should not be presented as inherently problematic. In this respect, the reference in paragraph 79 could be deleted or, at least, the wording could be softened into "certain bundled sales".

Paragraph 80 could be expanded to include more examples of elements that enhance the value offered by insurance products, see the comments on section 5.

Paragraph 82 refers to transparency as a tool that supervisors can use to monitor and assess value. However, this should not be understood as adding consumer facing disclosures. Priority should be given to making sure that consumers receive meaningful and engaging information, that is easy to navigate and does not confuse or unnecessarily alarm them.

If benchmarks are developed, they should not be used as a consumer disclosure tool. If presented to the wider public, they would expose product manufacturers to reputational and commercial risks should they fail to meet the benchmarks. This is because the information published could be misused or misinterpreted by the different stakeholders, including competitors, comparison websites, press and journalists, social media and finfluencers, consumers and their representative organisations, and would lead to misleading or simplistic conclusions on what are the "good" or "bad" products on the market.

Consumers could be tempted to choose the cheaper option at the top of the list. But this does not necessarily mean better products for their objectives, needs and financial situation. Rather, it would unduly confuse consumers, instead of helping them assess the benefits of insurance products.

On a different note, such tools should not lead to more data collection nor additional burden for insurers. For example, in the EU there is already a wide range of data available based on the Package Retail and Insurance-based Investment Products Regulation (PRIIPs) Key Information Documents (KIDs), which will soon be even more accessible thanks to the European Single Access Point (ESAP), as well as national reporting and Solvency II reporting. Authorities' goal should be to reduce reporting and administrative burden, not to make it more difficult for insurers to do business and serve consumers.

Finally, it is important to stress that the supervisory assessment of value should consider both quantitative and qualitative information. Claims ratios, claims handling, product performance indicators and other metrics can provide useful context, but should not be used as standalone proxies for value. The reference to supervisory tools should be qualified, specifying that such tools should remain proportionate, risk-based and within the supervisory domain.