

New approach of insurance associations to consumer issues: New Consumer „Models“

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In brief: The German Insurance Association (GDV)



Members



Politics and
government



Public, media,
consumers

**Positions,
Shaping opinion,
Services**

**Identifying themes and interests
of primary insurers and reinsurers in
Germany**



450

member companies



524,000

people work in the
insurance sector



431 million

insurance contracts
and risks



1,509 billion

investments

Status: 2017

Agenda

I. Background

II. Different Consumer Models

III. Impact

The „21st Century Consumers“ ?

optimistic european/global
educated
saturated
responsible naive
nudged political digital
stressed modest
selfinformed
inert ethical scored
pessimistic quantified
confident
vulnerable
sustainable

How to define the Average Consumer Benchmark?

The average consumer, as interpreted by the **European Court of Justice**, is



“reasonably well-informed”,



“reasonably observant and circumspect” and



“a critical person, conscious and circumspect in his or her market behaviour.”

But, what about all the „below average consumers“?

Policy making / Regulation



“Consumer protection is in EIOPA’s DNA.”

(Gabriel Bernardino, EIOPA)



“We regulate for consumers as they really are, not as we might wish them to be.”

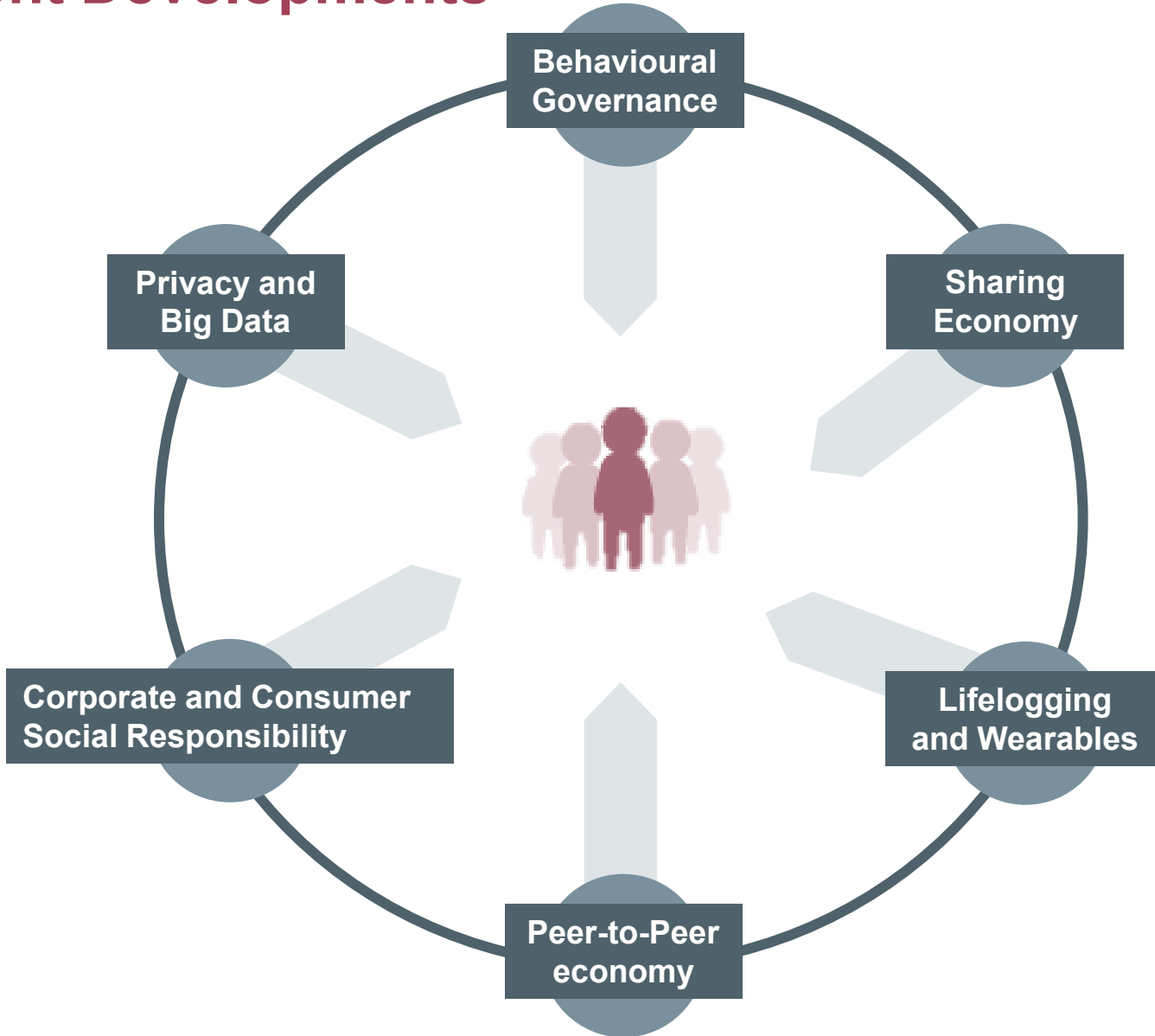
(Katja Würtz, EIOPA)



Our consumer policy is based on a differentiated consumer model.

(Coalition agreement of the German federal government).

Recent Developments



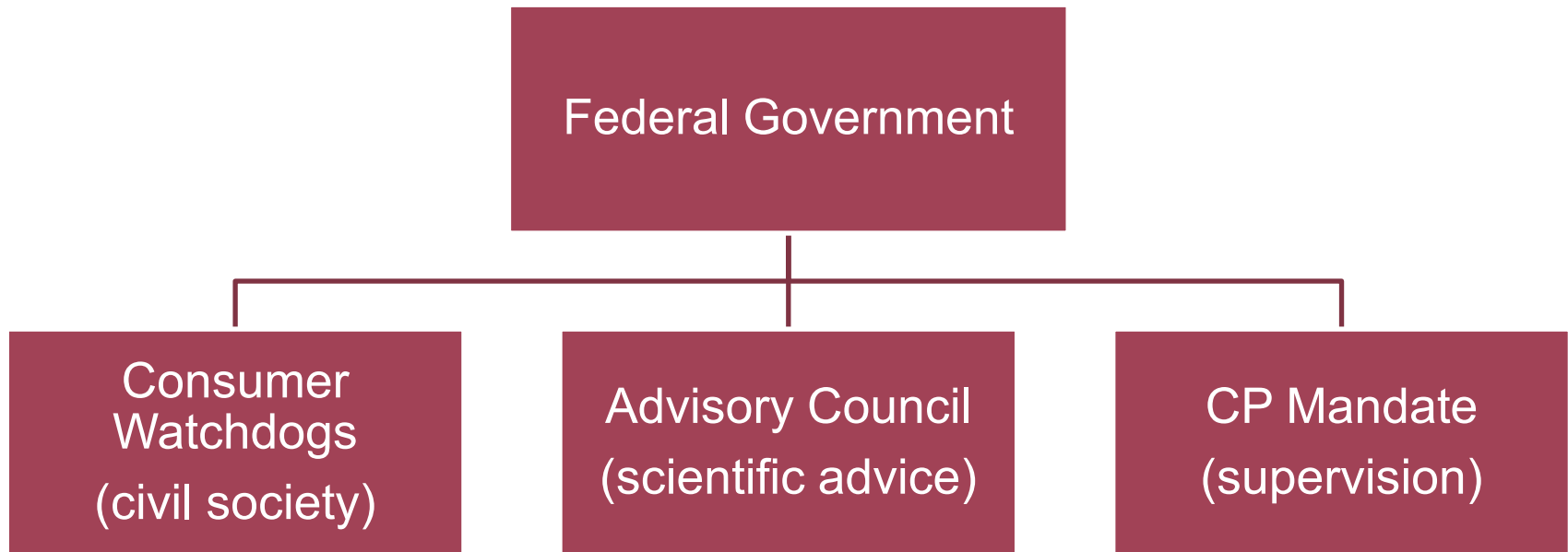
EIOPA

Consumer protection goals

- ➔ Improve and enhance the position of consumers;
- ➔ Raise awareness of their rights and obligations;
- ➔ Establish best practices for consumer protection;
- ➔ Encourage transparency in the way products and services reach the market.

German market (I)

Consumer protection architecture (financial market)



German market (II)

Consumer Protection Initiatives

➔ Finance Watchdog (state-funded)

➔ NCA: A stronger consumer protection mandate

➔ Advisory council on consumer protection

➔ Financial support for consumer organisations

➔ „Nudges“ unit

Agenda

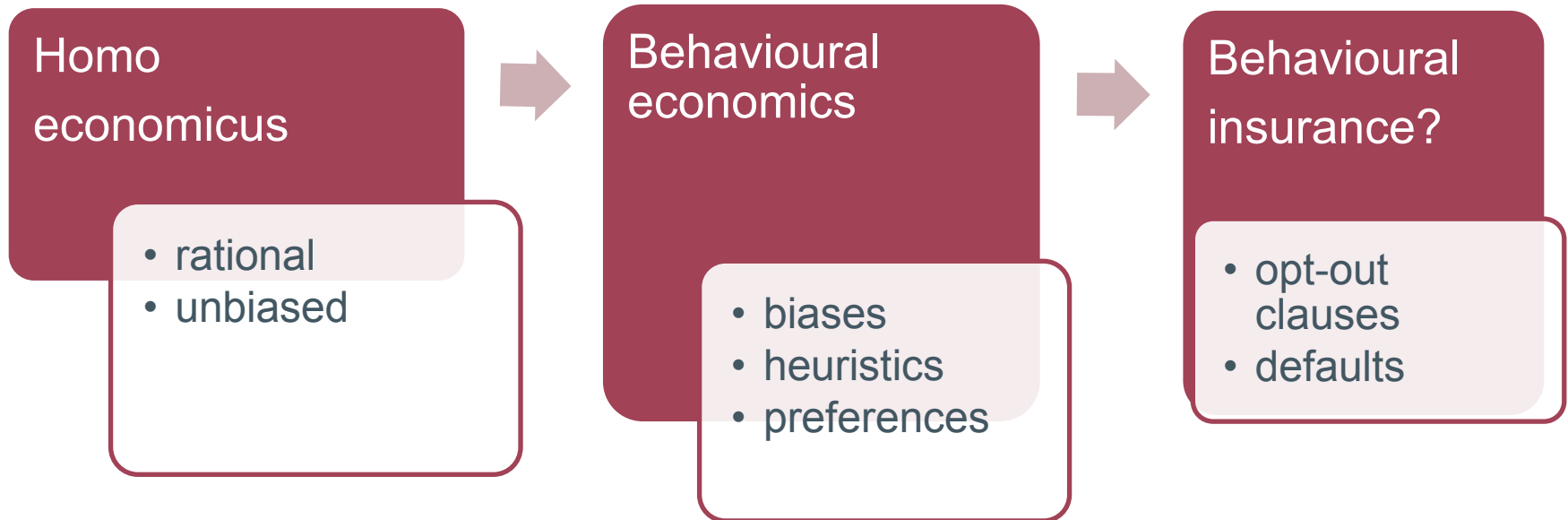
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Consumer Models (I)

Information model or differentiated model?



Consumer Models (II)

Differentiated Consumer Model

Respects

- regional and national traditions and expectations.
- the different demands and needs of **consumers**.



Consumer Models (III)



„Max will take the path of least resistance, **exhibit inertia** and **avoid decision-making** even if it is in his best interest e.g. start saving in a pension. In the presence of **defaults**, Max will procrastinate through a passive choice by staying in the default. If pressed to make a choice involving complex information or uncertainty, Max will use **mental shortcuts** and simple rules of thumb and therefore make **systematic errors** leading to sub-optimal, if not, detrimental retirement outcomes.”

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EIOPA (PEPP)

Consumers

- prefer the status-quo.
- prefer choosing a "standard" default investment option.
- may adversely react to market volatility.
- tend to wrongly assume that their preferences remain stable over time.



EIOPA (PEPP)

Solution (EIOPA):

Standardisation of pension products (Pan European Pension Product)

- to overcome information asymmetries and
- help consumers overcome cognitive and behavioural biases.



Consumer Model of the German Insurers

The industry

- orients on a differentiated consumer model.
- envisions a broad range of consumers, extending from competent to vulnerable.


But:

- Balance between individual consumer interests and the interests of the community of insured persons is necessary.
- Consumers should be enabled to participate in the insurance market independently.



New: German Insurers' Consumer Policy Principles

Consumer policy principles of the insurance industry*



1. Offering products which meet consumers' needs
2. Providing reliable and transparent information
3. Strengthening financial education for consumers
4. Providing freedom of choice in access to insurance coverage
5. Justifying trust in products/services
6. Protecting data effectively
7. Enabling consumers to make independent decisions about their insurance coverage
8. Ensuring effective consumer protection architecture with clear division of responsibilities

*) published on January 25th, 2017

Consumer Empowerment

- Financial literacy
- Transparency
- Quality Information
- Alternative dispute resolution
- Self regulation



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